

Interview

Peterson's Focus for the Future

An Interview with Peter G. Peterson,
Founder and Chairman, Peter G. Peterson Foundation



Peter G. Peterson

EDITORS' NOTE Upon receiving his undergraduate degree *summa cum laude* from Northwestern University, Peter G. Peterson joined Market Facts, a Chicago-based market research firm, in 1948. In 1951, he received an M.B.A. degree from the University of Chicago Graduate School of Business. He joined advertising agency McCann-Erickson in 1953 in Chicago, where he served as a director. He joined Bell and Howell Corporation in 1958 as Executive Vice President, and later succeeded Charles H. Percy as Chairman and CEO, positions he held from 1963 to 1971. In 1969, Peterson was invited to chair a Commission on Foundations and Private Philanthropy, which became known as the Peterson Commission. In 1971, Peterson was named Assistant to the President for International Economic Affairs by U.S. President Richard Nixon. In 1972, he became the Secretary of Commerce, a position he held for one year. At that time, he also assumed the Chairmanship of President Nixon's National Commission on Productivity and was appointed U.S. Chairman of the U.S.-Soviet Commercial Commission. Peterson was Chairman and CEO of Lehman Brothers from 1973 to 1977, and Lehman Brothers, Kubn, Loeb Inc. from 1977 to 1984. In 1985, Peterson cofounded The Blackstone Group and currently serves as a retired Chairman Emeritus. In 1992, Peterson was one of the cofounders of The Concord Coalition. In February 1994, President Bill Clinton named Peterson as a member of the

Bipartisan Commission on Entitlement and Tax Reform. Peterson also serves as Cochair of The Conference Board Commission on Public Trust and Private Enterprises. He was Chairman of the Council on Foreign Relations until retiring in June 2007, after being named Chairman Emeritus. He also serves as Trustee of the Museum of Modern Art. He is founding Chairman of the Peterson Institute for International Economics and a Trustee of the Committee for Economic Development. He was also Chairman of the Federal Reserve Bank of New York between 2000 and 2004.

ORGANIZATION BRIEF *The Peter G. Peterson Foundation (www.pgpf.org) was launched in July 2008 to educate the American public on the nature and urgency of key economic challenges threatening America's future and accelerate action on them. The organization works to bring Americans together to find and put into effect sensible, sustainable solutions that transcend age, party lines, and ideological divides in order to achieve real results.*

Many who have been through economic ups and downs talk about how, this time, it's much different. Are you surprised at how deep the current economic challenges have been, and are they being addressed effectively?

The challenges are much deeper than I remember them being anytime in my past, and I'm 83 years old. They are not only deeper but different because many of them are what we call long-term structural challenges. We've been spending too much as a country, as a government, and as a people, and borrowing much too much, and saving much too little. We're living in this highly leveraged society that carries great risk. There are answers to these structural problems, but they all involve making some tough choices. And our system isn't very good at making tough choices because we all feel we are entitled, and we want it all, and we want it now, and we don't want to pay for it. So these issues call into question whether we can find the political will to confront them, and that's a very open question in my mind. Or, as many suspect, will it take another even bigger crisis to get us to take action?

You touched on the way we live and how we've gotten here. Should we have seen this coming, or were things just too good and nobody wanted to see it?

We should have known there are 78 million baby boomers and we know what benefits we promised them, so all you have to do is multiply the number of recipients and the size of the benefits and you see how mammoth these unfunded promises are. Altogether, Social Security, Medicare, and Medicaid, are in the range of \$40 to \$50 trillion, or four to five times the size of the public debt. But these promises are off the books. And part of the problem is we're able to deny them because we keep them from the American people. So part of what this foundation is trying to do is to make the public aware of what confronts them, and their kids in particular.

In addition to excessive entitlement promises, we've also gotten into a terrible habit of consuming and spending so much more than we earn and borrowing the rest, and because we don't have any savings, we're borrowing too much of it from foreign lenders. And to me, the one likely cause of the next crisis is a potential loss of confidence of foreign lenders in the way we're managing our fiscal affairs. And if that were to happen, and we continued not to adequately save, we could have a genuine dollar financial crisis, which is what Paul Volcker [former Federal Reserve chairman] refers to as the hard landing, or the dollar crisis, where the dollar falls suddenly, interest rates go way up, and inflation goes way up. Volcker believes the odds of a dollar crisis in the next five years, given current trends and behaviors, are 75 percent. So it would be ironic if we got out of this current recession only to face this longer term problem. As part of that challenge, the foundation is trying to figure out how to get people to save more. We used to be one of the biggest savers, and for the past ten years or so, we've been saving virtually nothing. We're working hard on that problem.

Another area is health care costs. And they threaten to bankrupt the whole economy. We're doing a lot of work in this area. We just finished a full-day meeting with many of the best health experts in the country on why it is that America spends a little over twice as much per capita on health care as other developed countries and our health outcomes aren't any better. So health care costs and what to do about them are the most critical problem confronting our country.

As the foundation focuses on political will, how hard is it to push that dialogue and to try to get engaged in making this a part of the political discussion?

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There is a critical relationship between domestic economic strength and the ability to provide leadership abroad.

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We have just started, so it's hard to tell. We have a lot of money available so we're going to be doing a lot of advertising. We've got a major program aimed at the youth; it's, after all, their future. I often recall the old joke about the philosophy class where the professor asks the kids, "Which is worse, ignorance or apathy?" and some sleepy kid from the back says, "I don't know and I don't care." We're going to try to get them to know and to care. So we have a major initiative with MTV's college network mtvU; we're going deeply into Facebook, Twitter, and YouTube, and utilizing all avenues to try to alert the country. We have authorized several games, including Budget Ball.

How do you measure success and impact in these areas when you're addressing long-term challenges that are going to require a consistent commitment over the years?

We ask ourselves that question all the time. We're conducting public opinion research, and we plan to do that regularly as a way of appraising performance. One of our performance metrics is increasing public awareness in order to get people much more educated on the magnitude of these problems. Then, we're going to try to see if we can get them to take action once they're educated. We will also have other metrics, namely to what extent they've talked to their Congressmen about these issues, because at the present time, it isn't very painful – in fact, it's pleasurable for our political representatives to ignore these challenges; it's avoiding pain for the politicians to continue to do nothing. We have to figure out how we can make it as painful to do nothing as it is to do something about these problems. We have a long way to go in that regard. The results have to be measured in terms of: Do we get reforms? Do we get our health care costs down? Do we make Social Security and Medicare solvent? Are we saving more? There are a variety of ways we can measure if we're having any impact.

How large do you expect the foundation to become, and will you be partnering with other organizations?

We don't plan to have a huge organization here; we have two floors and we probably can't handle more than 25 to 30 people. And we are partnering with a lot of organizations, like MTV, to list just one example.

In order to effectively implement some of the changes you touch on, will it be a

public/private partnership in addressing these issues, or is it more one or the other? And have the business leaders been engaged in the dialogue adequately?

One of the groups we're focusing on is the business community. I've already mentioned the young and their parents. Tom Friedman criticizes business leaders as being M.I.A. – missing in action, and I'm afraid he's right. In Post-World War II, the business community got together and formed the Committee for Economic Development, which got the country to address major challenges that the country had no appetite for. They knew that if the rest of the world was not rejuvenated economically, it would ultimately make life much more difficult for us. But the public was very much of the mind to stay at home and not get involved internationally. The business community made a great contribution. When they started, the Marshall Plan was favored by only 14 percent of Americans. So the business community is a powerful group if it can get its act together. Today, we're trying to persuade them that they have a huge interest in the long run health of the economy. So we have commissioned the Committee for Economic Development to go into several cities and reach out to business leaders and try to see how to get them involved. There is no question that the business community is a powerful force, if it gets energized. I know it's a daunting job. On the other hand, I remind myself that in Post-World War II, our public debt was much higher than it is now, but we paid back most of that debt. By 1980, it was down to 22 percent of GDP from 120 percent of GDP post war. We also launched a huge infrastructure program then; we launched and paid for a huge G.I. Bill of Rights, which was a great program in elevating the middle class. We launched the Marshall Plan and Point Four, and so forth, but we paid for them. So with good leadership and public education, the country has responded before, and I see no inherent reason why we can't do it again.

Business leaders across all industries talk about the challenges around education. Can more be done to effectively enhance the education system?

That's one of our longer term issues. It's not the one where we're putting most of our effort, but General Colin Powell and his wife have launched a partnership called the America's Promise Alliance that is working with us to create a financial literacy educational curriculum

for the middle schools and high schools based on a movie that we purchased, *I.O.U.S.A.*, which was a large focus of our educational work in the past year.

The foundation is focused on various challenges in the U.S., but many talk about how the global economy is interconnected today. Will you expand your focus beyond the U.S. as well?

That's not our major focus. I spent a lot of my past 25 years on foreign policy. But this much I know: I don't think there are any examples where a country has maintained political leadership without being economically strong. And I believe in a world in which Americans play a leadership role. We may make mistakes from time to time as a country, but I know of no country that is more motivated to try to do good around the world. But our capacity to continue to do that depends enormously on our economic strength. There is a critical relationship between domestic economic strength and the ability to provide leadership abroad. And another great danger in this country is protectionism, which is also related to not being economically strong. We've had experiences with protectionism and we've seen what it does to the world economy. So all of this starts at home; that's the first priority.

With the challenging and changing nature of regulation today, it has been suggested that we're stymieing the innovation and entrepreneurship needed to stimulate the economy and lead the recovery. Does that concern you, and from a long-term competitiveness point of view, are we still going to be a leader in innovation and entrepreneurship?

We had better be, because if we're not innovative, what are we in America? One of our great strengths has been venture capitalism in the United States.

Is the U.S. government doing an adequate job of addressing both the short-term and the long-term issues as they take action to overcome the economic challenges?

I know Tim Geithner very well because I chaired the New York Fed when we selected him. He's an extremely experienced and intelligent person. Larry Summers is extremely bright. And from the looks of things, we have a very smart President. They've been confronted with an unprecedented problem and they had to do unprecedented things. What they now have to

balance is the short term and the long range. For example, in health care, while there is an enormous amount of rhetoric about health care costs, there is precious little action to do something about them. I would be happier if we could learn to meld what we need to do to stimulate the economy in the short term with what we need to do to have a healthy economy tomorrow. It would be wonderful if some of these long-term problems were also being addressed. The foundation strongly supports a bipartisan commission, where we put everything on the table and take a year or so to think things through while the administration focuses on the short-term recession. While they talk about these structural problems, they haven't yet done much about them, so I want to see evidence that progress is being made. Maybe they would argue that they're preoccupied with the short term, but there has to be a way to do both. This administration, in my view, needs to demonstrate it can make tough choices that require shared sacrifice, something we don't see or hear much about.

You recently published a memoir, *The Education of an American Dreamer*. You've written a number of books over the years. What made you feel it was the right timing, and what do you want people to get out of this book?

At 83 years old, I knew if I wanted to write my memoirs, I had to get at it. I believe my example might be worth looking at, because I'm a very lucky recipient of the American dream. I'm a son of Greek immigrants who came over here, both at the age of 17, with third-grade educations, without speaking a word of English, without a penny in their pockets, and they went to the middle of Nebraska and my father took jobs no one else would take and saved and saved until he could build the inevitable Greek diner. It was open 24/7 for 25 years – it never closed. When he finally decided to shorten the hours, he had to get a key made for the front door, because it hadn't been closed in 25 years. And he always used to talk about his sons doing better than he did, and how we had to save for the future, and how he had to, as he put it, help his sons buy the best education money could buy. And they did that. My parents and millions like them had a sense of the future, and took responsibility for that future. That is the American Dream that is slipping. For the first time in a long time, the majority of Americans don't think their kids will do better, and that's what America is all about. So a great deal of what this foundation is about is trying to make that American dream opportunity that I have been lucky enough to realize, available for future generations.

Writing this book seems to have afforded you the opportunity to look back at how much you've accomplished. Had you ever taken the time to do that before, and did you enjoy reflecting back on how much you have achieved?

When you get to be my age, you do a lot of reflecting on the past and what you've learned about it. It depends on how you look at it. Some would say I've had a checkered career because I haven't been able to hold onto a job for very long, since I've changed jobs every 10 years or

so. It's also important when you write a memoir to focus on the mistakes you've made and on the lessons you've learned, because anybody buying this book will want to learn not only from the examples where things turned out well, but also from the times in my life when things didn't turn out well, and from what I learned from the failures as well as the successes. Warren Buffett called the book, "refreshingly honest," which was a high compliment to me, because that's what I started out trying to do. I wanted to write a really honest book on factors that we often don't talk about, like dumb luck, which plays a major role in people's lives, and certainly has played in my life. If dumb luck prevails, and it has in my life, the question is: What do you do with an opportunity when it comes up? So I wrote a whole chapter on lessons I've learned, and maybe that will be one of the more enduring contributions of the book.

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Your career experience, whether in government or in business, was much different than your father's with the diner, but it seems you learned and took so much from what you saw with him. When you look at mentors in your life, was his example one from which you really learned a lot?

I learned a lot from my father. Some would say I over-learned from him because I was a workaholic like he was, and you pay a price for being a workaholic. I learned about savings, I learned about focusing on the future, I learned about giving back – he was a very generous person. He not only gave a lot to his local community, but he gave a lot to the terribly poor villages in Greece, and even received a philanthropy award from the King of Greece for his work. So I also learned that from him.

In setting up the foundation, one of the things I did when I had this sudden billion-dollar windfall from the Blackstone public offering, was to look at the people I admired the most and who seemed the most fulfilled in their lives; people like David Rockefeller, Warren Buffett, Bill Gates, Mike Bloomberg, Oprah Winfrey, and Ted Turner. In having had the privilege to talk to individuals like these over the years, you find out how much genuine pleasure they get from giving money away to causes they have passion for. There is a lot of emphasis put on

how blessed it is to give rather than to receive. What people don't talk about is how much fun it is, how satisfying it is, to give their money away to good causes. I was Chairman Emeritus of Blackstone and Chairman Emeritus on the Council on Foreign Relations where I served for 22 years. I decided I didn't want to be Peter G. Emeritus for the rest of my life; I wanted to do something. And the more I looked at the people I admired, the more I thought philanthropy was it.

You've been in leadership roles for a long time. How do you define some of the characteristics that make an effective leader, and if you were looking to hire a person, what would be the key areas you would focus on?

Great leaders have a way of dealing simultaneously with the problems at hand and with the problems of the future. Mayor Bloomberg is a great leader, for example, because he was confronted with some extremely serious post-9/11 problems, fiscal and otherwise, and he stepped up to these challenges. But he also focused on some longer term issues. To take but one small example, which at the time he did it, everybody told him was politically unpopular and politically dangerous, was to launch an effort to ban smoking in bars and restaurants. People were saying that it was a terrible infringement on personal liberties and the restaurants and bars would go out of business. And yet today, there's almost universal gratitude to him for doing that. That's an example of leadership. I worked in the Nixon administration, and for all of Richard Nixon's complexities as a person, he had some of those leadership qualities, and was able to transcend the current agenda of the party to look ahead and make some bold foreign policy decisions for the future. So how you get today's job done well, but at the same time work on the problems of the future are, to me, an important combination that great leaders have. If all you do is think about the future, and you don't solve the problems you're facing today, your ability to do much about the future is limited. And if all you think about is today, you won't leave much of a legacy. There's always going to be criticism of the leader that takes risk and focuses on the future, but if you don't focus on the future, you're not a great leader.

With the foundation now coming up on its one-year anniversary, some people say, at 83, you're as busy as ever, tackling the biggest issues facing the country. Is that a part of your nature? Do you ever think about slowing down?

I'm not as busy as I once was, but I'm busier than most octogenarians. Hectic does not begin to describe the way I worked at Lehman Brothers. I don't work the way I did there, and we have a very good person, David Walker [former Comptroller General of the U.S.] running the foundation. I'm trying to think longer term about where the foundation is heading. I'm trying to find the balance in my life, because if you read my memoir, you'll find some of the mistakes I made as a workaholic and how my family and marital life paid the price. I'm very happily married now and I'm sure to give my wife, Joan Ganz Cooney, some real quality time, as they say. ●