Addressing Economic Challenges

An Interview with Leo Hindery, Jr.,
Managing Partner, InterMedia Partners

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EDITORS' NOTE *Leo Hindery, formerly CEO of AT&T Broadband and its predecessors, Tele-Communications, Inc. (TCI) and Liberty Media, chairs the Smart Globalization Initiative at the New America Foundation. In 2005, he resumed his role as Managing Partner of InterMedia Partners, LP, which he founded in 1988. He is a member of the Council on Foreign Relations, and the author of* It Takes a CEO: It's Time to Lead with Integrity *(Free Press, 2005). In 2008, Hindery was an economic and trade advisor to presidential candidate Barack Obama, after earlier serving as Senior Economic Policy Advisor for presidential candidate John Edwards; in 2012, he again served as an economic policy surrogate for President Obama. He has an M.B.A. from Stanford University's Graduate School of Business and an undergraduate degree from Seattle University.*

COMPANY BRIEF *New York City-based InterMedia Partners is a private equity firm that makes control investments in media companies. Currently investing its seventh fund, InterMedia (www.intermediaadvisors.com) is focused on media content catering to underserved audiences.*

Where do you believe we are on the road to solid economic recovery?

We still haven't really begun to address upgrading the aging infrastructure of New York City, a challenge which has been compounded by the financial crisis, nor have we yet regained appropriate balance in our local economy.

Concerning our infrastructure, there very quickly needs to be a partnership between the federal government and our municipal government, so that our bridges, roadways and airports keep pace with the international cities with which we compete.

More fundamentally, however, we too often forget that we're five boroughs in one city, each of which is entitled to recovery, not just Manhattan. Yet today in Queens, Brooklyn, Staten Island, and the Bronx – and even in several parts of Manhattan – we remain far behind where we need to be. Nationally, since 2009 when the U.S. economy began its tepid recovery, the wealthiest 10 percent of Americans have been the beneficiaries of 149 percent of the recovery, while the bottom 90 percent have actually seen their incomes and real net worths shrink further. Unfortunately, this ratio is roughly the same here in New York City, where meaningful recovery has really come only to the wealthy.

Do financial institutions need to be a certain size and scale to compete globally and, if so, what about the "too-big-to-fail" issue?

Big banks that are comfortable just being banks – that is, with taking deposits and making loans – are not the concern behind the "too-big-to-fail" issue. Big banks that proprietarily trade in massive amounts, however, should never be allowed to become too-big-to-fail and thus they need to be responsibly regulated.

What we haven't done yet under Dodd-Frank is sufficiently rein in this proprietary trading. And in failing to do so, we've actually further embedded, not addressed, the so-called big bank failure issue.

There is a growing concern that Washington is broken. Are you optimistic it can change?

I can't be optimistic as long as two conditions persist; the first is the largely unbridled anonymous campaign finance system that the Supreme Court has saddled us with which, in the 2012 federal cycle – presidential, Senate, and House – aggregated an almost unbelievable $8.5 billion of spending.

The second is the pernicious embedding of fundamental social issues into the political process to such a degree that, in many races today, you can more easily lose for being on the wrong side of a core social issue that doesn't even belong in politics than being on the wrong sides, so to speak, of economic and foreign relations issues, which absolutely do belong there.

As long as civil rights and civil liberties issues figure so prominently within our political system, and as long as the money in politics remains obscene in amount and is contributed largely anonymously, I'm not at all optimistic.

Where do you see the U.S. as a global leader going forward?

There are four conditions that currently define the U.S. economy, which if they persist will make the U.S. ultimately a second-rank and perhaps eventually even a third-rank superpower. The first is the fact that we now have an almost unmanageable federal deficit, made such by the combination of our massive global defense obligation – greater than the next 13 countries combined – and by Social Security and Medicare assumptions that are terribly out of date; second is our seemingly perpetual trade deficit in manufactured goods, on the order of around $400 billion a year; third is the fact that, today, we have only about 8 percent of the nation's employees working in manufacturing; and fourth is our unprecedented income inequality. Combined, these conditions make our current economic primacy unsustainable.

Addressing any one of these issues would be daunting; the difficulty of addressing all four with a fractured and dysfunctional Congress explains my lack of optimism.

With all of the support given to education, why does the system remain broken?

One thing that's stopping real reform is that, too frequently, it's relatively wealthy women and men, often fiscal conservatives and very often educated in private schools, who are the ones held responsible for fixing our public school system, where fully 93 percent of our nation's children are being educated. Without genuine sensitivity to the real needs of lower- and middle-class students, we will never fix our broken public education system.

There also can't be an almost knee-jerk adversarial relationship between school boards and teachers, yet that is too often the case in many cities, including here in New York City. Who can possibly say with a straight face that teachers aren't among society's most dedicated public servants? Yet, the current ills of public education are almost invariably blamed on teachers and their unions.

When going into a relationship that you presume will be adversarial, it almost always becomes such. And if you think teaching in an urban public school is a cakewalk, you should try doing it some time.

How are we going to make a material impact on our stagnant unemployment rate?

There are actually some very good solutions out there and they wouldn't be that hard to put into effect. But as long as people in power are comfortable with the economic "law of averages," which penalizes all but the extremely wealthy, and don't particularly care that today we have a nearly unprecedented real unemployment rate then, as a nation, we will continue to offshore jobs, overemphasize low-paying service jobs compared to higher-paying manufacturing jobs, and not "balance" our education system with the jobs currently required and those that are potentially available.

We need to quickly get back as close as possible to full real employment, and not accept the 14 percent real unemployment rate we have today, fully four years after economic recovery is alleged to have begun. Otherwise, I foresee eventual social upheaval of the sort that Europe and Brazil are currently experiencing. ●