

# Vision and Opportunity

An Interview with Maurice R. Greenberg,  
Chairman and Chief Executive Officer, C. V. Starr & Co., Inc.

**EDITORS' NOTE** Maurice "Hank" Greenberg served as Chairman and CEO of American International Group, Inc. (AIG), from 1967 to 2005, during which time AIG grew from a \$300 million company to a \$180 billion company. At that time, he concurrently served as the Chairman of C. V. Starr & Co., Inc., a title he retains today, while also serving as the company's CEO. A veteran of World War II and Korea, he currently serves as Chairman of



Maurice R. Greenberg

*The Starr Foundation, Chairman Emeritus of the New York-Presbyterian Hospital and the New York-Presbyterian Hospital Foundation, Vice Chairman Emeritus of the Council on Foreign Relations, and a member of the board of overseers of the Weill Medical College of Cornell University. His own charitable enterprise, the Greenberg Foundation, focuses on education, medical research, human need, and culture.*

**COMPANY BRIEF** New York-based C. V. Starr & Co., Inc. ([www.cvstarrco.com](http://www.cvstarrco.com)), is a privately owned holding company with insurance agencies and a portfolio of global investments. The company has its origin in enterprises founded by Cornelius Vander Starr in 1919. In 1970, C. V. Starr sold the bulk of its assets to AIG in exchange for AIG common stock, retaining several small domestic agencies, along with certain real estate properties and other investments.

**Are you surprised at the speed and severity of the economic crisis, and where are we today on the path to recovery?**

I'm not surprised at the depth because we had a huge bubble in many areas. We were living on borrowed money in this country for many years. Our trade deficit was huge, and people were living above their means, credit was very easy to get, and leverage was way above normal levels – it was a period that everything was out of focus, and I'm not even talking about the mortgage and housing area, which became obvious when it was too late. The government intervened and became shareholders in many institutions, not just in banks, which for the United States was very unusual. It used to be that you had a right to succeed and a right to fail; that's what made America so great. You could start from nothing and build

a great enterprise. What was so attractive about this country was that government was not involved with the private sector. History shows that government can't run government and balance a budget very easily, so their involvement in the private sector does not provide great comfort. We've criticized other countries where government is involved in ownership of companies, saying that is not a free enterprise and capital market system, but that's what we have right now.

There is also a philosophy emerging on the so-called too-big-to-fail question, that we mustn't let companies get too big because if they were to fail it could be a systemic risk, and that is a very unusual philosophy for this country. So if we proceed on this front, we're going to wind up being a country of medium-sized companies, which makes no sense to me. That's why we have Chapter 11. Let a company go into Chapter 11 and reorganize and come back out and take its place in the marketplace. It may be that some banks may be too big to be allowed to fail because of the systemic risks that they would present, but that has got to be a very limited number of institutions and a general policy. So we're in uncharted territory if we continue down the economic path that we're on.

With regard to the so-called recovery of this cycle that we've been in, we have a ways to go. It's better than it was, funding has loosened up a bit for credit, but it's certainly not what we need yet. The consumer, while spending a little bit more, is still very cautious, and rightly so. Unemployment will surely exceed 10 percent, while it's claimed that it's a lagging indicator that recovery will be ahead of job creation. I don't think it's black and white. There are a lot of industries that are going to be a long time in recovery, if at all, and jobs are going to be much more difficult to get. Companies are tightening their belts, and it's going to be a more uneven recovery than the previous ones.

Global trade issues are going to have an impact as well. We will not be importing as much as we did previously, and that will have an effect on global trade generally for countries that have benefited from trading with us because we have imported virtually everything. Those countries will be developing their own consumer markets rapidly to keep their economies in balance.

So the United States, but others as well,

have unleashed conditions that we've not experienced before, and it's going to take some time before we get ourselves on a more even path.

**Many leaders have emphasized the importance of recovery coming from a resurgence of entrepreneurship and innovation. Do you agree, and are you concerned that policy-wise, we're not pushing that enough but are instead stymieing opportunities?**

One of the things coming out of all of this is what happens to regulation. Why did some of these things occur that should have been caught by regulators before we had this meltdown? It's certainly true in the credit default swap area and the mortgage lending area. One of the dangers that always flows from something like this is that we rush to enact new legislation dealing with regulation, and always get it wrong, because we do it in the reactionary mode, which is the wrong way to do it. We want to make sure that we've thought through what we want to do and how we want to do it. What led to this is a series of events, any one of which would have broken the chain; even the mark-to-market accounting played a very significant role. I understand that accounting principles are now being modified. So this should be thought through very carefully by some learned minds before we start enacting reactionary regulation.

Now with respect to encouraging entrepreneurship, it is of utmost importance. Some of the greatest creations in the technology arena started in somebody's garage. Of course we should encourage that – that's what America is all about. I don't know how you encourage that in the sense that those minds are out there and there is nothing to stop them from doing it. But it seems our educational system has to be focused on improvement. We have lagged behind in K through 12 education, and we've got to do something in that area. We have to reward teachers in order to attract teachers. If we don't do that, we're really shortchanging the future of the country. That's where it's going to begin. Technology will be a very major area of growth, no question about that, but we're not alone in the world. Other countries, like China, are capable of doing the same thing. Young people who've been educated and have worked here are going back to China, because there is a lot more opportunity for them there. Having said that, if we have the right leadership, we will prevail. America has shown a lot

of resilience and we'll find our way. It may be different, but I have confidence in the end.

**You have supported a tremendous effort to try to improve the education system. Is the discussion around reform today the right discussion, and are you optimistic that, with the magnitude of the problem, we're on the path to truly addressing the systemic issues?**

No, we're not now. Joel Klein (New York City Schools Chancellor) has limited resources, and you can't do much because of the teacher's union that's surrounding the problem. Compensation is another issue. We underpay our teachers. If you want good teachers, you have to pay them, and if you don't, then what you get you deserve. We have not recognized that the future depends upon what we do with our children and how we educate them. If we don't do a better job, the future is going to be somewhat different than it should be, so I'm concerned about that.

**Many refer to you as a true entrepreneur. Do you believe entrepreneurs are born with that interest, desire, and willingness to take risks, or is it something that can be taught?**

You can teach it, but the best entrepreneurs are the ones who have that natural instinct. You can teach many things but it's very difficult to teach somebody to be something they're not. It comes naturally to some and it doesn't come naturally to others.

**Given your experience building companies like AIG, as a company reaches a certain size and scale, will it inevitably lose its entrepreneurial spirit or is there a way to maintain it?**

It depends on how you manage the company. With AIG, we ran a big company like a lot of small companies. We had profit centers and each one of the profit centers was essentially a small company. The individual running it was responsible for all aspects of his or her business. So we encouraged these individuals to be entrepreneurs in running their units, which were like small companies. If you run a big company like a big company, then you lose a great deal of what you're trying to build, that is entrepreneurs. With those who are running units that take off, you know those individuals could run bigger profit centers because they have the entrepreneurial and managerial skills that are required.

**In downturns, there are often a great number of opportunities, but in this situation, with credit so challenging to get, does that still apply. Are there still opportunities to grow in certain segments?**

Yes, there is no question about it. But there are many different challenges here. The entrepreneur who has the ability and sees an opportunity will raise capital because he or she will sell themselves to capital sources and get funding. That is all part of it. You don't give up. The entrepreneur finds a way where others stop and throw their hands up. The entrepreneur has the willpower and the drive and insightfulness to keep going. That's what separates one from the other.

**Many who look at your career see the successes you've achieved, but**

**there must have been some challenges and failures along the way. Is it difficult to keep your head up throughout the process?**

Of course. Things don't go in a straight line. You have disappointments, but you don't sit and mope; you pick yourself up, dust yourself off, and look at what you did, and if you did something wrong, you figure out what happened and how to fix it. You have to have confidence in yourself and in those who work with you. You have to have the energy, which is very important, and you have to have the vision. Sure you're going to have disappointments – that is not unusual. Success is not just about success and never having any setbacks – of course there will be setbacks; you just have to overcome them.

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**You have a deep understanding of global markets. When you look at U.S. leadership and competitiveness, do you worry that we are losing our positioning, and is the innovation there to remain a global power?**

We will remain a global power for, I hope, not just the foreseeable future, but for many decades. But don't underestimate what's happening in China, India, Brazil, and other countries. There are changes taking place in the world. The Chinese have a lot of entrepreneurs, and very motivated young people. India has very good technologists. They've all benefited from outsourcing of different industries that could be done more effectively in their country than in our own.

Their educational systems are very good, so that the competitive nature of the businesses that the United States have been in now has certainly changed compared to what we had before. Therefore, we have to innovate new businesses, technologies, and industries to redefine ourselves. Areas that we were competing in before, where we had the market essentially to ourselves, are no longer valid. The largest bank by market cap, and the largest insurance company by market cap today, are Chinese institutions – not American. That was not true 10 years ago.

**Of those who are starting out with an entrepreneurial focus, many might want to look to you for inspiration and advice. If you were speaking to them now, would you recommend certain things that they should do or focus on early in their careers that will help ensure that they achieve success?**

In talking to young people, I would hope to inspire them to do more than just worrying about getting a job tomorrow. Many of those coming out of college today are going to have a harder time finding employment, and those are the ones it seems to me – at least some of them – who should be thinking about new businesses, industries, and technologies. Something like Facebook didn't exist five years ago, and it has become the rage. So there are so many things you can apply yourself to. Have vision. There will always be opportunities for somebody who is thinking not only about how things are changing, but also about things that can add value to the lifestyles of people. I wouldn't say that we've maxed out. You can look down the road 10 to 20 years, and there will be new industries we can't even dream about right now that will exist, like in the environmental area, or with regard to new modes of transportation. We don't have a fast train in this country compared to what exists in other countries. Our whole infrastructure in this country is worn out and rotted and has to be rebuilt. All of that is going to offer new opportunities.

**Those who know you say that Hank Greenberg is busier today than ever before. You have a certain energy that doesn't seem to lessen. Is there a secret to your success?**

I hope that's true. I think you're either born with energy or you're not, and you're born with a certain amount of drive. I grew up in a very poor family. My father died when I was four years old, and that created a lot of insecurity and, to a certain extent, insecurity drives you. I had a brother and a mother, and that was it. I tried to take care of my mother rather than the other way around. And there is a certain amount of curiosity and willingness to do things that others haven't done – there is a matter of pride in that. There are a lot of characteristics that differentiate you from other people – everybody is not the same. I love what I do, I love building; I'd be bored if I didn't. I can't just sit around and read books all day. I'm going on vacation next week to Switzerland, yet I'm six hours ahead of New York so I'll be working on the telephone at the end of the day while New York is still open for business. I like to keep my life very full. If I didn't, I'd get into trouble. ●