

A New Vision for Business Leaders

A prominent executive argues for more statesmanship from our CEOs.

By Peter G. Peterson

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June 13 issue - In recent years, a number of journalists have asked me the same daunting question: Where have all the corporate statesmen gone? Tom Friedman, The New York Times columnist, recently referred to us as MIAs (Missing in Action). They wonder why, for example, so few in the business community speak out about our soaring budget deficits, our unprecedented trade and current account deficits, our plunging savings rates, and our dysfunctional dependence on foreign capital. Other public-policy leaders certainly have made clear their sense of urgency. Former Federal Reserve chairman Paul Volcker recently wrote, "Altogether, the circumstances seem to be as dangerous and intractable as any I can remember, and I can remember a long time." Bob Rubin, former Treasury secretary, speaks of "a day of serious reckoning."

In discussions of national policy, this threat to our economy is like an elephant in the boudoir. You need to shut your eyes not to notice it. So the question naturally arises: Shouldn't we business leaders try to help our nation do something about it? And if we don't do so out of genuine civic concern, shouldn't we at least do so out of collective self-interest? That started me thinking: Was it romantic to imagine there ever were many corporate statesmen? How many such leaders have I known about?

My memories returned to the years just after World War II. The world was overwhelmed by colossal challenges. At home, we were managing the transition from a wartime society—including the demobilization of 19 million soldiers—to a peaceful, prosperous economy. Abroad, we were trying to rebuild a shattered world economy, devoid of rules or institutions. A tiny bipartisan band of business leaders led by Paul Hoffman of Studebaker Corporation, Bill Benton of Benton and Bowles, and Marion Folsom of Eastman Kodak formed the **Committee for Economic Development**. And then they started to change history. Recall that the 1930s had been defined by a depression, isolationism, and beggar-thy-neighbor trade wars. In retrospect, the list of initiatives undertaken by this hardy band is breathtaking: the Employment Act of 1946, the Bretton Woods institutions, and the Marshall Plan.

They not only formulated the policies but took the lead in selling and implementing them. When the Marshall Plan was announced, most Americans were weary of foreign adventures. Only 14 percent approved. Then these business leaders went to work and recruited other CEOs, who helped lead a massive public-education effort. Eventually, America changed its mind. Indeed, Paul Hoffman became the first administrator of the Marshall Plan.

In my younger CEO days, I had my own satisfying experience with private-sector leadership. Reaganomics—with all of its fiscal excesses—had been launched. As one looked behind the rosy assumptions, it seemed obvious that we were headed in a very non-rosy direction. In my talks with former cabinet officials, including two former Republican Treasury secretaries, Bill Simon and John Connally, there was unanimity on this point. With three Democratic Treasury secretaries, we launched the Bi-Partisan Budget Appeal. Several hundred CEOs joined us in a major advertising and public-relations effort. Many observers on Capitol Hill believe that we played a significant role in moderating or reversing policies that threatened to inundate the federal budget with red ink.

If it was possible back then to build an effective business consensus behind strengthening our national balance sheet, why is it proving more difficult today? It's certainly not because the problem has gone away. Indeed, as 77 million baby boomers begin to retire in a few years, we confront mind-numbing Social Security and Medicare deficits. Fiscal stewardship is by no means the only major national challenge that cries out for strong private-sector leadership. There are plenty of others—from global warming and the unaffordable cost and lamentable inefficiency of our health-care system to the failure of many of our public schools and the declining interest of our college-age youth in science and engineering. (Does America believe it can lead the world into the infotech age without the "tech"?) To explain what has happened, I only have questions, no answers. They are my hypotheses. Has business leadership become so hypercompetitive, so global and so focused on corporate governance that it has no time left for anything else? Have too many of us in business forgotten that public policy is too important to be left to the politicians?

Have recent corporate scandals left CEOs feeling so morally crippled that they feel they lack public credibility? Do executives worry that the "gotcha" media will defame us if we stick our heads up? Is Washington so relentlessly mean, vindictive and polarized that we fear retribution if we occupy a lonely but sensible centrist position? Has the anonymity of the noncitizen become the best executive policy? Did the great big party in the 1990s, when all of us were getting fat, rich and happy, leave CEOs caring less about standards of behavior?

Do our stock markets so discount the future that we assume we are judged largely by short-term results? And are CEOs saying to themselves, "If my tenure is only for four or five years, let somebody else worry about our collective future"?

Some say we need to improve "the process." Alas, in my experience, leadership springs not from organizations, but from inspired individuals. We desperately need business leaders who have both convictions and the courage of those convictions.

Within the rising generation of CEOs, we desperately need more like Jeff Immelt of GE. Jeff demonstrated long-term vision when he announced a GE initiative last month called "Ecomagination," with the goal of doubling the sales of GE's eco-friendly products by 2010. Jeff justified GE's new campaign by explaining that "green is green" (good for the planet and good for our business). After learning about some of America's more egregious corporate compensation policies, he acted boldly and adopted many of the tough recommendations of the Conference Board Commission on Public Trust and Private Enterprise. By so doing, Jeff reoriented GE's executive incentives toward longer-term performance. And then he went a step further. He announced that he would not sell a single share of GE stock until he retired. That is leadership by example.

When Warren Buffett, the Nebraska business sage, speaks out, we listen. That's leadership, too. In short, we need more corporate John McCains.

Quite simply, I am suggesting that we business executives need to answer some pointed questions that our critics are already raising. Sure, we make large contributions to our economic system. But don't we also reap large rewards from that system? And, if we benefit so much from this democratic arrangement, don't we have to make it more accountable, more functional, more durable and more fair?

Historically, "corporations" began as privileges extended by the crown to certain individuals who, in return for the favor, were supposed to act as faithful servants and defenders of the realm. Where is that sense of patriotic obligation today?

Patriotism means taking a stand and taking a chance on behalf of something bigger than oneself—and not just saying, "I got mine." Patriotism is putting ourselves on the line for those policies that we believe will help the long-term interests of our company, our economy and our country. Can a successful business executive also be a business patriot? I would still like to believe so.

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