EXECUTIVE SUMMARY

Guiding Your Business Efforts to the Rule of Law vs. the Law of Rulers

Washington, DC | March 20, 2019

PRESENTING SPONSORS

Yale SCHOOL OF MANAGEMENT
CEO CAUCUS

Yale SCHOOL OF MANAGEMENT
Chief Executive Leadership Institute
Agenda

Welcome & Overview

Jeffrey A. Sonnenfeld, Senior Associate Dean for Leadership Studies, Yale School of Management
Gina M. Raimondo, Governor, State of Rhode Island; Yale Trustee
Janet Yellen, Chair, Board of Governors (2014-2018), Federal Reserve; Yale Trustee (2000-2006)
Stephen A. Schwarzman, Co-Founder, Chairman & CEO, Blackstone

When to Take a Seat at the Table vs. Picking Your Battles

OPENING REMARKS

Jamie Dimon, Chairman & CEO, JPMorgan Chase & Co.
Stephen A. Schwarzman, Co-Founder, Chairman & CEO, Blackstone
Randall L. Stephenson, Chairman & CEO, AT&T Inc.
Gina M. Raimondo, Governor, State of Rhode Island
Mark A. Weinberger, Global Chairman & CEO, EY
Marillyn A. Hewson, Chairman, President & CEO, Lockheed Martin Corporation
David M. Rubenstein, Co-Founder & Co-Executive Chairman, The Carlyle Group
Roger Crandall, Chairman, President & CEO, MassMutual Financial Group
Alex Gorsky, Chairman & CEO, Johnson & Johnson
Carla A. Hills, 5th Secretary, U.S. Department of Housing and Urban Development
Kenneth D. Moelis, Founder, Chairman & CEO, Moelis & Company

COMMENTS

Ashton B. Carter, 25th U.S. Secretary of Defense
Robert D. Hormats, Under Secretary (2009-2013), U.S. Department of State
J. Stapleton Roy, 5th Ambassador to China, U.S. Department of State
James R. Clapper, Director (2010-2017), U.S. National Intelligence
Lisa Osborne Ross, President, Washington DC, Edelman
John M. Engler, Governor (1991-2003), State of Michigan
Anthony Scaramucci, Former Director of Communications, The White House
Beth Van Duyne, Southwest Regional Administrator, U.S. Department of Housing and Urban Development
Lou Rivieccio, President, International Operations, UPS

RESPONDENTS

Mark Penn, Founder & President, The Stagwell Group; Former Clinton Campaign Strategist
Nicholas T. Pinchuk, Chairman & CEO, Snap-on Incorporated
Adam M. Aron, President & CEO, AMC Entertainment
Tom Rogers, Executive Chairman, WinView
Harold L. Yoh III, Chairman & CEO, Day & Zimmermann
Miriam E. Sapiro, Acting & Deputy U.S. Trade Representative (2009-2014)
Eddie Tam, CEO, Central Asset Investments
David Yawman, Executive Vice President & General Counsel, PepsiCo
Richard H. Pildes, Professor of Constitutional Law, New York University
Quinn Mills, Professor Emeritus, Harvard Business School
Nels Olson, Vice Chairman, Korn Ferry
Michael Warren, Global Managing Director, Albright Stonebridge Group
Lally Graham Weymouth, Senior Associate Editor, The Washington Post
Tina Kuhn, President & CEO, CyberCore Technologies
Dan Raviv, Senior Washington Correspondent, 12 News Television
Allan A. Myer, Chairman, The Israel Project
Making Facts Matter

OPENING REMARKS
Arne M. Sorenson, President & CEO, Marriott International
Janet L. Yellen, Chair, Board of Governors (2014-2018), Federal Reserve System
Darius Adamczyk, Chairman & CEO, Honeywell
Stefano Pessina, Executive Vice Chairman & CEO, Walgreens Boots Alliance
Richard C. Adkerson, Vice Chairman, President & CEO, Freeport-McMoRan
Richard J. Kramer, Chairman, President & CEO, The Goodyear Tire & Rubber Co.
Steve Miller, Chairman, Purdue Pharma
Stuart A. Miller, Executive Chairman, Lennar Corporation
Tamara L. Lundgren, President & CEO, Schnitzer Steel Industries
Farooq Kathwari, Chairman, President & CEO, Ethan Allen
Rick Goings, Executive Chairman, Tupperware Brands

COMMENTS
Jonathan Greenblatt, CEO & National Director, Anti-Defamation League
Suzanne Greco, Retired President & CEO, Subway Restaurants
Raymond J. Quinlan, Chairman & CEO, Sallie Mae
Joe Straus, Speaker (2009-2019), Texas House of Representatives
Gary M. Reedy, CEO, American Cancer Society
Anna Maria Chavez, EVP & Chief Growth Officer, National Council on Aging
Joel N. Myers, Founder & CEO, AccuWeather
Mark D. Ein, Chairman & CEO, Capitol Investment Corporation
Ruchi Bhowmik, Senior Vice President, Global Public Policy, PepsiCo

RESPONDENTS
William D. Anderson, Senior Managing Director, Evercore
Christopher Shays, Member of Congress (1987-2009), State of Connecticut
Marc Rotenberg, President, Electronic Privacy Information Center (EPIC)
Tom McMillen, Member of Congress (1987-1993), State of Maryland
Sanford R. Climan, President, Entertainment Media Ventures
Sophia Lee, General Counsel, IEX Group
Courtland L. Reichman, Managing Partner, Reichman Jorgensen
Stacy J. Kenworthy, CEO, HellaStorm
John S. Lapides, President, United Aluminum Corporation
Dan Flaherty, Founder, VARIDESK
Bahram Akradi, Founder, Chairman & CEO, Life Time Fitness
Marc J. Sonnenfeld, Partner, Morgan Lewis

The Return of a Bipartisan National Mission: A Conversation with Jared Kushner, Senior Advisor to the President

Jared Kushner, Senior Advisor to the President

Legend in Leadership Award: Janet L. Yellen, Chair, Board of Governors (2014-2018), Federal Reserve System

PRESENTATION
Gina M. Raimondo, Governor, State of Rhode Island
Stephen A. Schwarzman, Co-Founder, Chairman & CEO, Blackstone
Arne M. Sorenson, President & CEO, Marriott International
Guiding Your Business Efforts to the Rule of Law vs. the Law of Rulers

The societal challenges in the United States are immense. Fifty percent of the population have very little and people feel left behind. The education system is not enhancing upward mobility. The rising costs of healthcare are unsustainable. A digital divide is occurring as many people fear and are uncomfortable with technology. And, while the country’s infrastructure needs repair, political dissent and bureaucracy are stalling progress.

While it is easy to criticize ineffectual politicians, the reality is that business leaders must engage in creating solutions. Solving these massive problems will not be done by one political party or by the federal government acting alone. Solutions will come from federal and local governments, from business, and most importantly from setting aside narrow interests to work collaboratively for the greater good. Failure to do so has dire implications.

WHEN TO TAKE A SEAT AT THE TABLE VS. PICKING YOUR BATTLES

Business leaders must engage in addressing America’s most serious problems.

About 75% of participants agreed it was right for CEOs to choose to leave the President’s business councils. When asked if now is the right time to reengage, only about 33% think it is. Many are uncomfortable being seen seated at the table with the President, where they might be perceived to be supporting the President or his agenda.

However, business leaders were nearly unanimous in their concern about serious problems facing the country and in their view that business must be part of the solution.

Among the most serious issues discussed was the enormous income and wealth disparity in the country, which shows that America has left many people behind. Currently about 50% of Americans have almost no wealth and pay no taxes; 40% make $15 an hour or less.

“We can’t have 50% of our population disenfranchised. . . . We have to fix this or we are in big trouble. We will have dysfunction and chaos.”

Related to this feeling of disenfranchisement is growing distrust among the middle class and lower classes, who are interested in their own economic issues rather than global policies. The perception of many is that the top 1% (the Davos crowd) are attempting to meddle too much in their lives. As one participant said, the middle class has gone from aspirational to desperation. The solution includes a need for wage growth across the entire population.

The feeling of being left behind is being exacerbated by technology. There was previously a general view that science and technology were good for all. But there is a rising disquiet due to a fear of technology by many. People need to feel that the changes underway will be positive for them, which is not the case now.

Other problems discussed included:

- The education system is broken. Education is not enhancing upward mobility. We have failed to invest in education—and are actually disinvesting. Kids need education and skills to have a chance at success, yet many kids don’t graduate from high school, especially in inner cities.
- Healthcare spending is rising unsustainably. About 18% of national GDP is spent on healthcare, including $1 trillion related to obesity. A representative from a major health-related nonprofit said people’s health is more related to their zip code than their genetic code.
- The country’s infrastructure is woefully outdated. What happened to America as a can-do country? We have become a stifling bureaucracy where it is difficult to get anything done. In the 1960s we landed a man on the moon in eight years. Today it takes 12 years to get permits for a bridge.
- We have had an uncompetitive tax system, causing trillions of dollars to move overseas.
- A growing distrust of business, especially big business.
- America has spent $4 trillion on war, which is simply throwing money away.
- The opioid epidemic is a major problem.
- A growing distrust of business, especially big business.
- America has spent $4 trillion on war, which is simply throwing money away.
• We are a litigious country, with litigation representing 1.6% of GDP.
• It is almost impossible for convicted felons to get jobs.

However, one participant shared data indicating that despite all of America’s woes, 70% of Americans see the economy as strong and most people are satisfied with their life and job. The data would seem to indicate general happiness and contentment among most Americans.

But most business leaders disagreed. The sentiment of business leaders was that companies and CEOs are not to blame for these problems, but business leaders must be engaged in solving them.

“CEOs can no longer be absent... Government can’t do it alone. We have to engage.”

Thoughts on ways in which business leaders must engage were shared by multiple participants, along with examples of engagement.
• The leader of a global business said it is always preferable to be at the table, engaged in the discussion, not on the outside complaining or silent.
• A leading public relations executive stressed that CEOs are increasingly expected to speak up, engage, and be part of conversations. Employees and customers expect CEOs to have a point of view. It is not about being political; it is about being human. For example, Nike made a smart decision when the company showed support for Colin Kaepernick as this action resonated with Nike’s customers.
• Business leaders must stand up when extreme political actions could damage a local economy. For example, the Texas state legislature was considering a bathroom bill, similar to the one in North Carolina. This legislation would have been damaging to businesses in the state. Unlike some political leaders who were at risk of being voted out of office for opposing this bill, business leaders were not at risk of losing their jobs. The business community banded together, was heard, and was able to keep this legislation from being enacted.
• In Rhode Island, Governor Gina Raimondo has shown the courage to face reality and take on reforming the state pension, despite significant objections and opposition. She has also invited business leaders to the table as partners in solving the state’s problems and planning for the future. But, she perceives that not enough politicians invite CEOs to the table as partners.

• Effective partnerships between business and government can happen at a local level. The idea of “opportunity zones” can provide incentives to invest in real estate, which can transform neighborhoods. Further incentives are needed for job creation.

Several participants supported the idea of local, grassroots collaborations—which have worked in the past—instead of trying to orchestrate everything in Washington.

It is challenging to interact with the President. Nonetheless, the administration is listening to business.

Critics of the President say he insults and humiliates people every day. He has an uncomfortable relationship with the truth and sets a tone at the top that allows others to play with the truth. His style is also to divide and conquer by pitting companies in the same industry against each other. This has been seen by pitting Ford against GM, Boeing against Lockheed, and Pfizer against Merck.

But those who have interacted with the President say that he will listen, though “you’ve got to work with what you’ve got.” It is not an effective practice to tell a person they are stupid or to engage in public confrontation. The key is to help him be successful, educate him on how you will help him, and give him a positive way to go. Adopt his language and pick your issue; don’t try to take on everything.

Participants also pointed out that for all of the President’s targeted tweets and negative critiques of individual businesses or CEOs—which no CEO wants to be on the receiving end of—on the whole, the administration listens to business and is friendly to business.

The international order of the past 70 years is being challenged.

One participant with extensive international experience asserted that over the past 70 years the United States led internationally, aided by participation in international institutions and alliances. These institutions are now being challenged. For the U.S. to continue to lead globally it must be able to deal with its own problems, including income inequality and social divisions. The rest of the world is questioning the U.S. system, which seems dysfunctional. This perception erodes U.S. credibility and leadership.

MAKING FACTS MATTER

There has been an assault on truth.

A former senior official argued that across America there has been an assault on the truth and an assault on empirical facts. This includes facts related to climate change, facts related to
national intelligence, and many other facts uncovered by journalists. The rejection of facts is a threat to democracy.

Several participants expressed the desire for leaders who will face facts, speak honestly, unify, and lead.

**Facts about international trade should drive trade policy.**

CEOs from steel and industrial companies said the facts show that China has engaged in unfair trade practices. In the steel market, for example, China has added huge amounts of capacity, engaged in dumping, and stolen market share. China has stolen IP and has engaged in trade practices that threaten U.S. industries.

One participant said that U.S. businesses have complained about China for years and that it is necessary to take firm action. While tariffs are not necessarily desirable or sustainable, getting to more workable, dynamic trade agreements might require "breaking a few eggs." The view of these business leaders is that the U.S. negotiators are on the right path, even if it has been somewhat bumpy.

**The facts are causing businesses to invest in innovation and digitization.**

Companies such as Walgreens Boots Alliance and Honeywell believe that the facts in their marketplaces mandate that they invest in technology to become more digitally adept and efficient. They both see digital as a key part of their future.

---

**M A K I N G  C I V I C S  AND  H I S T O R Y  M A T T E R**

David Rubenstein purchased one of the 17 original copies of the Magna Carta, which he has loaned to the U.S. Archives. He has also bought other historical documents and made them available for public viewing.

Currently, 91% of individuals who take the U.S. citizenship test pass it, studying in order to do so. Yet many native born Americans would not pass this test. Rubenstein’s hope is that by exposing people to the country’s history and values through these historic documents, it will spark people’s interest in history and civics so they will want to learn more.

---

**THE RETURN OF A BIPARTISAN NATIONAL MISSION: A CONVERSATION WITH JARED KUSHNER, SENIOR ADVISOR TO THE PRESIDENT**

Senior advisor to the President, Jared Kushner, shared his perspective working in the White House on some of the Trump administration’s highest priorities. He never expected to be working in government but has been impressed at the number of outstanding people in government.

Kushner believes people have constantly underestimated President Trump. The President is ambitious and impatient. He has taken on a great deal because he sees it as necessary for the country to take on big things, with urgency. President Trump has increased the metabolism of government. And, the results of the U.S. economy are not an accident.

Personally, Kushner sees his two greatest accomplishments thus far as: 1) the USMCA (United States-Mexico-Canada Agreement), which even 18 months ago seemed intractable; and 2) bipartisan passage of federal criminal justice reform. The process of criminal justice reform involved a great deal of listening and iteration. The result was passage in the Senate with 87 votes.

Other efforts have included upgrading the government’s IT systems and modernizing government agencies; working to make electronic health records more interoperable; and focusing on America’s competitiveness in AI and quantum computing (against state-sponsored models).

Kushner noted that CEOs and business leaders have been among the administration’s most important, most valuable advisors. He believes the experience from criminal justice reform of listening to all parties and constantly iterating is a good model moving forward. As the President and those around him gain experience, he sees the administration aiming to be more proactive and strategic.
LEGEND IN LEADERSHIP AWARD

Janet L. Yellen, Chair, Board of Governors (2014-2018), Federal Reserve System

As an economics student in college, Rhode Island Governor Gina Raimondo never could have imagined that a woman could lead the Federal Reserve. But without a doubt, Janet Yellen was the most qualified person at that moment in time to lead the Fed. She led with directness and humility and has paved the way for women and girls.

Like a majority of others, Stephen Schwarzman gives Yellen an “A” for her performance as Fed chair. Schwarzman described the chair of the Fed as “the central banker of the world,” and said no position is more sensitive to the global economy. Yellen was dealt a tough hand but did an amazing job of continuing the economic recovery. She was orderly, logical, and reassuring, and captured the confidence of the world.

Arne Sorenson described Yellen as a true public servant. She always kept in mind that she was representing the interests of the public and she also focused on serving others.

Former Fed Chair Yellen termed it a privilege to lead the Federal Reserve, which is composed of smart, dedicated, ethical people who are committed to the Fed’s mission and who stay out of politics. During and after the crisis of 2008, there was no playbook. Led by Ben Bernanke and then Yellen, who were supported by many others, the Fed acted with speed and force, taking bold steps to stimulate the economy and then over time undertaking the task of scaling back.