

>> Announcer: Ladies and gentlemen, please welcome the moderator for our next segment, David M. Rubenstein, co-founder and co-Executive Chairman, the Carlisle Group. He's joined by Lawrence Culp, Jr., board member of General Electric, and Senior Lecturer at Harvard Business School.

>> Do you care which side?

>> That's fine.

>> Okay. Everybody's attention please. How many people here are from the United States? Curious. How many are from outside the United States? Anybody? Alright, how many people think the Export-Import Bank is doing a good job? Alright, how many people think they need to have a full complement of people running it? Okay. How many people think Congress doesn't know what it's doing? Okay. That'll set the tone, okay.

>> A friendly audience.

>> Right. Larry, as you may know, is one of America's most distinguished managers. Larry is a graduate of Washington College, Phi Beta Kappa. He now serves as the Chairman of the Board of Washington College. He started at Danaher around, I guess in the 1990s, but in 2001, became the CEO and for 14 years, ran Danaher, and built it up into an incredible industrial conglomerate, and the stock price went up by five times while he was there, and the market cap by five times. He retired in 2015, now is a Senior Lecturer at Harvard Business School. He's also a member of the Board of Directors of T. Rowe Price, and will shortly be joining, in a few days, the Board of G.E. So Larry, was it hard to convince you to go to the G.E. Board?

>> It required a little bit of diligence, but in the end it wasn't hard. I have a lot of time for John Flannery, the new CEO. Obviously G.E. is an important, iconic American company. And this is a company I've admired from afar for a long time, to have a chance to be on the inside as they write the next chapter, hard to turn down, David.

>> Okay. So let's ask about your own career. When you graduated from college, did you expect to run a publicly-traded company, and build it up into one of the best-known conglomerates in the United States? Was that your ambition?

>> Not at all. I simply wanted to get a job and be paid. Right?

>> Alright, that worked out.

>> It worked out from there. But that was the farthest thing from my mind, and even when I graduated from HBS, being a public company's CEO was really not in my scope of ambition.

>> You were in Harvard Business School, how did you get the job at Danaher?

>> I literally was in the throes of an independent job search, cold-called George Sherman, my predecessor as CEO.

>> Independent job search, means nobody's calling you for a job.

>> Exactly. Exactly. Remember the bowels of the 1990 recession? So I called George Sherman, the CEO that had just arrived at Danaher. I don't think anyone knew he was there. And he called me down, hired me, and 11 years later, I succeeded him as CEO.

>> Okay. Well it worked out well for the shareholders. So today, how do you look at the U.S. economy? You think it's in reasonable shape, or are you worried about a recession? We haven't had one for nine years.

>> Right. From what I see, David, the U.S. economy couldn't be in better shape. I think your colleague Glenn Youngkin mentioned the same earlier. When I travel, visit with the companies that I work with, CEO confidence is as robust as I have seen it in recent memory. Investors I talk to are a little more sanguine about things, because the cycle has run long here, clearly with the Fed raising rates, we'll probably overdo, but in the next 12 months, things seem strong.

>> Now we have had a tax cut in the United States. Do you think that tax cut is gonna spur the economy, or do you think it's gonna be a problem because it's gonna increase the debt so much?

>> Yes.

>> Yes, both.

>> Right, combination. Clearly the short-term, there should be a stimulative effect. I like the perform aspects of what's happened, the move to a territorial program and the like, but clearly we've gotta do something about the deficits.

>> The deficit now is running about \$900 billion this fiscal year. Next year, over a trillion dollars. So we'll have like \$21 trillion of debt. That doesn't bother the business community that much?

>> I think that the extent the business community is thinking about the median, the long-term, sure. In the short-term, it's tail-wind, not head-wind. But as a citizen, I'm concerned.

>> Alright, so if I wanted to invest money in the United States, and make some money, and you've made a lot of money for your shareholders, where would I invest? What's a good area to invest in these days?

>> In terms of sectors, or in--

>> For sectors. What sectors would you think are really good?

>> Well, a lot of what we did at Danaher was healthcare-oriented, and I continue to think that given the demographic demands and the way science is evolving, that is a great place to be.

>> Okay. And today, if the President of the United States called you and said, Larry, I need a Secretary of something-or-another, would you go in and serve the government?

>> Well that's a hypothetical, David. That's a call I'm not likely to get. But if I could be of some service, I'd be happy to do that. And Frankly, I think going on the G.E. Board, at this point, is in no small part, a way to give back.

>> Alright. So if he asked you to be the head of the Export-Import Bank, you would consider that?

>> Well Jeff Goettman, the acting head of the agency, is a terrific fella. He's doing a great job. They oughtta talk to him.

>> Alright. Well that's a good idea. He's a Duke graduate. What more do you want?

>> We won't hold that against him.

>> Right, okay. So Larry, today, when you talk to other CEOs and former CEOs, what are they most worried about, in terms of the economy of the United States?

>> I would say in terms of what's happening today, the hot-button is really trade. I think a lot of what has happened in the last year or so, with respect to taxes, regulatory reform, just the underlying demand conditions, has many business leaders I've talked to feeling very good, but this tit-for-tat, perhaps it's posturing. People are anxious about what could happen, to undermine what's happened already, from a tax and regulatory reform perspective.

>> So when you talk to people outside the United States, do they ever say: What are you doing with your Export-Import Bank? Do they say you're letting it die on the vine? Do they ever mention that?

>> It's never come up.

>> Really?

>> In that regard.

>> -David] 'Cause they don't mind that there's no competition now?

>> Well I think that I may get involved in different conversations, going onto the G.E. board, but it really hasn't been something that's been top of mind when we are talking abroad, about what's happening here in the U.S., to stimulate the growth for U.S. businesses.

>> And as you look at countries outside the United States that Danaher invested in, and that G.E. is now involved, what are the countries you find most appealing as a place to invest?

>> Well clearly, China and India. Top of the list, have for some time. It did for us, those were the countries where we grew most rapidly, as we were growing internationally, just because of the underlying demand for healthcare, clean water, and the like, which is very much where the Danaher portfolio was positioned. And I think the same applies to G.E. today.

>> Now today, you're a Senior Lecturer at Harvard Business School. Are the students as smart as they were when you were there, or not as smart?

>> They're far smarter. They're far more digital, and they're certainly more global.

>> And do they still ask: Is this gonna be on the exam? Or, they don't ask that anymore.

>> There's a lot of anxiety, David, about the exam. I teach first-years, in the first semester at the business school. So there is a lot of that, to be sure.

>> Like you give them exam, do you grade the exam? Or who does that?

>> I had 190 students last fall. It is a case study exam, so it's a written, 1,500 word test. I graded all 190 myself.

>> You do?

>> I do.

>> Wow! And if anybody's listening, what's the best way to get an A in your course?

>> The best way is to be really sharp on the what you're going to do.

>> Alright. Now at Harvard Business School, for those who might not have gone there, I'm told, my daughter

actually went there, that half your grade is participating in class.

>> Very much so.

>> So do you have a lot of people that are just yelling and screaming, like to get called on, and they don't really know what they're talking about, but they talk a lot?

>> I would never say they don't know what they're talking about, but the real art of class participation is timing and content. Right? And if you have your hand in the air when the question hasn't even been asked, that probably doesn't go over well with certain professors, at least those on the stage right now.

>> Okay. Alright, well that's a note. Okay, so today, as you look at the U.S. economy, if you were going to invest in a technology sector of the U.S. economy, which Danaher has been and obviously G.E. does, what are the areas of technology you find most appealing?

>> Well I think that it's hard to pin down one area, particularly from an industrial perspective, given that's really the world I grew up in. Anything related to IOT, internet of things, I think is interesting, and a compelling investment opportunity. There're gonna be winners and losers, of course, so you have to choose wisely, but the disruption and the digitalization of really the economy, or at least the industrial economy, is gonna fuel a lot of opportunity over the next 20 years.

>> Alright, now are you worried that in the U.S. economy, so much of our information and technology is controlled by a limited number of companies, it seems? Apple, Facebook, Amazon, Microsoft, Google, and now there are three Chinese companies that do the equivalent in China: Tencent, Alibaba, and Baidu. Do you think that too few companies have too much power these days, or you're not that worried about that issue?

>> Well I tend not to worry about it, but I think it's not difficult to project out, over the next five to 10 years, that as those companies, given the way digital monopolies evolve, become nothing but stronger, and that's likely to attract government scrutiny, perhaps government action.

>> So the business leaders you've met over the last 25 years, who are the ones that you were most impressed with, that you say I wish I had invested with them, or people that really transformed business in ways that you really admire, and teach about that at Harvard Business School?

>> Other than yourself?

>> Well I'm not in that category. But the ones that really have done great things.

>> Right. Well I think that Toyota as a company, and not focusing on any one leader, that we've admired for a long time, just given the way they have evolved on the global stage, the way they run their businesses. It's really been a benchmark for us. I continue to be a big Jack Welch fan. There was a lot of good things that happened at G.E. over time, and I think Jack, for the last part of the last century, really was a CEO for the history books. And Bill Gates, what he did at Microsoft was something that, at the time, was, I think, extraordinary.

>> Okay. So you have children. Would you advise them to go into the business world, or would you say go do something else?

>> Oh, I would encourage my three children to do whatever they'd like to do. But given the world that they're going to enter, both from a technology and from a globalization perspective, it's a great time to be in business. There's been so much change, so much innovation, there's so many ways to play it. If that is of interest to them, they're lucky to be alive and to be at work over the next 20 to 30 years.

>> So as you talk to members of Congress, which you no doubt do from time to time, and members of the business community and so forth, why do you think there's so much concern about putting members on the Export-Import Bank Board? Why not just go ahead and do it? What's the political opposition? Why is it so strong?

>> That's a good question, David. I'm not sure I know the exact answer. I was born in Washington, grew up here, have seen different agencies become political pinatas from time to time. Clearly, the Bank is in that pinata stage right now. Frankly, it's puzzling, because if you look at what happened in the last election, whether your candidate won or lost, clearly those that had most affected about the change in the industrial base of this country, swung the election. Both parties should be interested in that cohort, and their interests. The Bank, to the extent that it fuels American exports, speaks to that base. How can you be against helping American workers? Now people call it corporate welfare. I don't get that, because at the end of the day, companies have options, far more options than American labor has. And to the extent that we don't support American companies the way the Chinese do theirs, the Germans, and other countries, it doesn't make a lot of sense. Regardless of your political stripes.

>> Alright. So do you have any reasonable optimism that something will change before the mid-term elections or anything?

>> Well to the extent that gatherings like these help get the message out, right? That this is not a form of corporate welfare, that this is a way to drive employment, this is a way to drive American competitiveness, perhaps. I'm an optimist by nature.

>> So maybe in business sometimes, you have name changes. So what about if they change the name from Export-Import Bank to Make American Great Again Corporation, or something like that? Do you think that would have any appeal?

>> Well the hats have already been printed. Right?

>> Alright.

>> But there may be a little bit in the messaging, because if the bank did not exist, and somebody came forward with a program to help American companies employ more American workers, to invest more in American technology, to compete on a level playing field with the Chinese and the Germans, wouldn't both parties be the path to that door?

>> So when you travel the world for Danaher and other things you've done, what do you see as the biggest difference between the way businesspeople around the world manage their companies, and the way people in the United States manage companies? Is there a difference, or managers are the same all over the world?

>> Well I would say that by and large, managers are more like than not, as I travel the world. I think American managers tend to be a bit more aggressive, at times a bit more short-term than they should be. But American managers, I think, are as good as any in the world.

>> Okay. And do you think there is increasingly a recognition around the world that CEOs have to focus more on social impact of what they're doing as opposed to just the profit, bottom line?

>> I do, I do. Simply because the pressures, again, back to digital, so much of it coming from social media, whether you're thinking about your brand, or your risks and other exposures, you need to be far more attuned to that than any of us were 10 or 20 years ago.

>> Are you a consultant of Bain?

>> I'm a senior advisor to Bain Capital.

>> So they're a private equity firm.

>> Yes.

>> And do you think that private equity is the highest calling of mankind?

>> I think so now, David, for sure.

>> Well I've often thought that, and I think there's a special place in Heaven reserved for those who are in private equity, but you know, you never know. I'll find out eventually. So today, if you had to do your career all over again, what would you do differently? Would you have gone to the government? Would you have gone into private equity? Or are you happy with what you did? And where do you think the great opportunities for younger people are?

>> Well if I could play the last 25 years all over again, I don't think I would change a thing. I would make better hiring decisions, I'd make better capital allocation decisions, but the 25 years I spent at Danaher were a blast. We built a great company, we had fun, our leadership today grew up in that environment, and are doing great things, as I look back at that. But that was at a period of time. If I was coming out of school today, I'd probably plug into something that had a much stronger digital or global aspect than Danaher did back in 1990, because I think, again, those are the great opportunities that this next generation has the chance to live and work.

>> And why do you think it is that the United States seems to be pretty good at technology and innovation, Silicon Valley, and other countries, while very good, haven't yet created as many companies that dominate the world technology scene as the Americans have?

>> Well I think just the clock speed of the way, at least, the more mature economies tends to run, does not trigger the sort of innovation, particularly digitally, that we're fortunate to see here in the U.S. I think you see more of it, clearly, in places like China and India, where the clock speeds probably are on par, or if not quicker, than our own.

>> So in the United States, we haven't had much inflation in recent years. When I worked in the White House, I got it to 19% under President Carter. We haven't been able to reach that level again since then. It's been averaging, since I left government, about 2%. Do you see any risk of inflation again?

>> I do, I do. Clearly, with the economy here in the U.S. being as robust as it is, the synchronized growth that we're seeing, it's hard not to think that we're gonna continue to see a little bit of pressure in that direction.

>> So what's called global synchronous growth, is what we have now. I call it global synchronous happiness. People are so happy everywhere. But you think people are getting lulled into the happiness because eventually we'll have some kind of slow down? And do you think the next slow down will be a great recession, or just a modest recession?

>> I think that defines the bands.

>> David: Somewhere between great and modest.

>> Very much so. But that happiness is a sign of where we are in the cycle. Things are so good, they have to perpetuate at this rate. That's unlikely.

>> And today, if you were asked by President Trump what you would do to spur economic growth in the United States, what would you advise him that he should do?

>> Beyond supporting the Bank's reauthorization?

>> Well that would be number one.

>> For sure, for sure. I think continuing to support tax, regulatory, and policy efforts, that underscore American competitiveness, is key. A lot of what's happened, I think, is encouraging, because we are beginning to unleash American companies, more so than we have over the last 10 years. But there's just so much that can be done to help both stimulate this economy, and thrive our competitiveness abroad.

>> And would you recommend that President Trump speak at this conference next year?

>> If Jeff and the team would like to have him, by all means.

>> Okay. And next year at this time, are you confident that there will be a fully operating, functioning, Export-Import Bank?

>> I'm hopeful and I'm optimistic.

>> Okay. And if you don't think the name change that I suggested is necessary.

>> I think every option should be on the table. Right? This is important work, and important work needs to be led and funded accordingly.

>> Alright. Well Larry, you've done a great job of covering the horizon, and I wanna thank you for what you've done for our country as a great business leader, and what you're doing for Harvard Business School right now. Thank you very much.

>> Thank you, David. Thank you.