FOREWORD BY **H. WAYNE HUIZENGA**

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THRIVING IN THE NEW ECONOMY

Lessons from Today's Top Business Minds

LORI ANN LAROCCO
CNBC

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John Wiley & Sons, Inc.

FOREWORD

H. Wayne Huizenga

Today we find ourselves in what may be the most troubled economy in three generations. For a good number of Americans, the biggest concern isn't how to survive in today's new economy—it's how to thrive in it. There were signs. All of us could see that we were due for a rough patch.

What no one could have predicted with any confidence was just how rough that patch would be. After all, you have government doing what it can to overstep its bounds. Every day, Washington is making decisions it simply has no business making, deciding which companies continue and which ones fold up.

That's not capitalism, and it's certainly not a free market. There are plenty of companies out there that are successful even in today's downturn, and they deserve the exact same opportunity to succeed that their predecessors did. In fact, when you consider that these companies are prospering in the face of such extraordinarily dire circumstances, you could credibly argue that they deserve even greater latitude to conduct their affairs in the manner of their choosing. After all, they're the ultimate survivors, the companies most able to prove their value to the marketplace at a time when the marketplace is most resistant.

These are businesses whose leaders have a genuinely rare combination of vision, ingenuity, and energy. People whose fortunes rise

and fall based on the decisions they make every day—and who excel at making great decisions time and again.

Compare them with the government bureaucrats making their own decisions about the businesses they run. These are people who frequently have little or no corporate experience, who've seldom had to worry about whether the choices they make today will benefit them directly or influence the prospects of the organization they work for. Yet these are the people making rules that impact the world of business arbitrarily and capriciously.

That isn't to say that I believe business is without blame in our current environment. Too many companies have indeed stepped over the line. And yes, we do need some realignment to address these excesses. But we must temper that with the understanding that the more regulated we become, the less free we become.

In fact, I believe with everything I am that maintaining free markets is the single most effective thing we can do to foster continued growth and opportunity in the United States. There is no such thing as a limit on the number of visionaries out there. A new Bill Gates could be in the making right now. There's a good chance the next Warren Buffett is entering business school in the fall semester. And there are certainly others with the talent and drive to eclipse my own accomplishments. Their fields may be varied—for some of them, their fields may not even exist yet—but the one thing they all need collectively to succeed is a fair and functioning free market system.

I look at Mike Jackson of AutoNation, Mike Duke of Walmart, Evan Williams of Twitter, and Wilbur Ross of WL Ross & Co.; all of them are people who are leading, changing the market, and yes, making money in an environment like this. Although each has a different story to tell, they all share the leadership and foresight that allowed them to take advantage of a changing economy and reach out to consumers with a proposition that proved compelling, even in challenging times.

This book looks at how real leaders tackle crisis and succeed—how they take a risk, plan for the future, and create growth

opportunities. It's about how real leaders managed to thrive in our new economy. Spend time with its subjects, and you'll see that opportunity does indeed exist and that the best role for government to play is as a partner to enterprise, helping promote an environment that rewards innovation, diligence, and creativity.

Ultimately, I believe that organically successful companies—that is, companies that generate their own success by interacting favorably with the market—will prove themselves to be today's truest winners. When the economy inevitably recovers, they will be the ones to emerge with the strongest brands in their fields and the greatest prospects for ongoing growth. But for this to happen, and for our economy as a whole to become healthy again, we must follow the free market model. Flawed as it may be, it still undeniably provides the world's greatest opportunity for business to thrive.

H. Wayne Huizenga is one of America's greatest entrepreneurs. He founded Blockbuster and AutoNation and is owner of the Miami Dolphins.

PREFACE

History's defining moments have taught us that leaders are tested, made, or broken, and we are living in one of those moments right now. When the markets collapsed in September 2008—and as one spectacular failure rode on the heels of another—people wondered when it would end. As we entered each weekend of that month, my CNBC show *Squawk Box* left the guest list loose. There was no sense in trying to fill up the show with guests for Monday when we had two entire days left between shows, and *anything* could happen. The weekends quickly turned into a "wait and see" of which company would fail and which one Uncle Sam would rescue. We would book our Monday morning news makers on Sunday.

This market crisis took me back to my years as the night side assignment editor at WFTV-TV in Orlando. The wildfires of the 1990s were consuming hundreds of acres in central Florida; the winds were picking up, and there was no rain in sight to quench the parched soil. Despite the fact that the flames were miles away, I can remember the dense, stifling smell of the forest fires hanging in the newsroom. Watching the images of flames several stories high swallowing up trees and homes in a blink, I thought to myself, *When will this end?* No one knew; we were in unchartered territory. A crisis like this had no timeline. The unknown was the most frightening thing we were facing.

The September 2008 economic crisis was in fact a firestorm engulfing the markets. Much like the massive Florida wildfires of the 1990s, we were reporting on events we had never seen before. We were reporting on history. No one knew when the market turmoil would end or what kind of reaction the rest of the world would have to the U.S. markets. It was a global crisis. Both Main Street and Wall Street depended on our program for unbiased, actionable, and up-to-the-minute information. It's a responsibility we never took lightly.

The mantra "too big to fail" became the "it" phrase as investors tried to wrap their arms around what was happening. The 401(k) plan quickly became "201k," and the once-golden boys of Wall Street joined thousands of others who were out of jobs. But despite the credit crunch and economic headwinds, there are captains of industry out there who are not only surviving but thriving in this the "New Economy," and what makes these leaders unique are the strategies they employ. They are the ultimate chess players in the economy game. By offering advice, cutting budgets by millions of dollars, and meticulously managing their investments, these pace-setters are navigating through the turbulent markets—and not being swallowed up in the undertow. As Senior Talent Producer for CNBC, I am lucky to speak with some of the world's richest and most successful businesspeople on a daily basis.

To write this book, I opened my "trillion dollar" Rolodex—as others in my industry call it—because it contains a trillion-dollar money manager, a baker's dozen of billionaires, and countless millionaires—and sat down with some of my close contacts. Here, I have asked them not only to explain how they are responding to these historic times, but more importantly, how they have been able to defy failure and what opportunities they currently see. Although their industries and backgrounds may be different, they all share the same qualities that enable them to be leaders. They are nimble, forward-looking, and opportunistic, and all refuse to have a challenge take them down. These individuals are thriving in the new economy.

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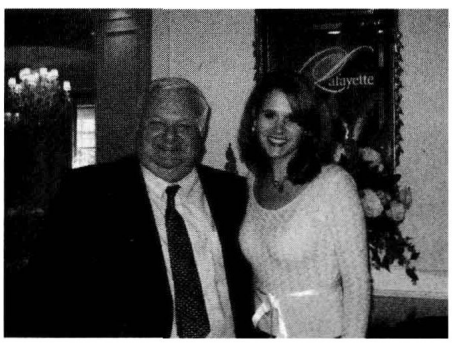
Larry Lindsey



No matter what state the markets are in, there are a handful of economic and strategist "go-to" people I always rely on. Larry Lindsey, CEO of the economic advisory firm The Lindsey Group, is one of them. What makes Larry stand out from the hundreds of other economists out there is that he not only cares about the topics he discusses but can break them down in such a way that makes them understandable and interesting to those watching and listening (which, believe it or not, is hard to do when it comes to a television interview). We want the guests on my show to offer our viewers actionable information. Lengthy discourse, although occasionally colorful, is not all that useful; and Larry gets that. I have known Larry for years. I've found him to be always candid, and his global economic contacts are some of the best.

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Before his latest private venture, Larry was a man of the beltway. He served as director of the National Economic Council from 2001 to 2002, and was the assistant to the president on economic policy for U.S. President George W. Bush. In fact, Larry was one of the leaders crafting President Bush's $1.35 trillion tax cut plan, calling it an "insurance policy" against an economic downturn. Back in 1996—while acting as a governor of the Federal Reserve Board—Lindsey made headlines for spotting the appearance of the late 1990s U.S. stock market bubble.

Today, as CEO of The Lindsey Group, Larry examines global macroeconomic trends and events that can significantly influence his firm's financial markets and economic performance. Larry breaks down today's navigation of the economic crisis into a formula of three different qualities of leadership that one must have to thrive in the new economy and details how he uses them to grow his company and counsel clients.

Three decades serving in a variety of positions in government, academia, and the private sector have convinced me that one of our society's greatest weaknesses, when dealing with crises, is that managerial and rhetorical leadership qualities have crowded out simple analytics. The reason for this is the confusion that exists between leadership and followership. Most institutions prefer managers who will serve the needs of an existing institution—that is, who will follow the wishes of the various constituencies within the institution—rather than managers who will lead the institution to a new place.

Our political process is dominated by leaders who tell us what they think we want to hear, thereby effectively following the polls and the media and not necessarily leading the country. Worse, our

government has created institutional barriers around our leaders that actually prevent them from hearing a variety of analytic points of view in the name of minimizing the influence of "special interests." Similarly, they discourage those who have actually been analytically successful outside of government from entering public service by the current vetting process. For example, the usual connotation of leadership is wrapped up in the presence of followers. After all, one can hardly call oneself a "leader" if no one is following behind. This is true of the lieutenant who inspires the troops into battle and is also the case for a political leader who, after all, doesn't *become* a leader unless he or she has more followers than the opponent on Election Day. But that type of leadership by itself can actually be a handicap for a society dealing with a financial or economic catastrophe. To be precise, financial crises throughout history have developed when excesses went unchecked. Like the over-leveraging of risk in our capital system. All these manias, panics, and bubbles have the same characteristic: the absence of real leadership that takes a contrarian perspective. None of this is a criticism of the actions of political and financial leaders in this or any other crisis; the problem seems to be structural. Societies create institutions that have built-in biases and constraints, and these leaders have very little choice but to carry out the institutional imperative. Indeed, that is their job as leaders of institutions.

One of the most unfortunate examples of this flawed model of leadership was a comment made by Citigroup CEO Chuck Prince in July 2007, when he said of the bank he was supposedly leading: "As long as the music plays, you've got to get up and dance. We're still dancing." This quote shows that despite his personal skepticism about the ability of the market to continue with its excesses, the institutional demands of his firm required him, as a leader, to override his personal cautionary views—and forced his firm to continue on with the practices that ultimately led to disaster in the first place.

In fact, as much as we and they like to deny it now, both politicians and market participants actually *demanded* that firms

continued to "dance"—and that the band keep playing during the run up to the current crisis. Leverage was encouraged—not discouraged—by market players, including most notably many self-described "shareholder activists," who acted in the name of creating "shareholder value." The markets rewarded earnings growth and ruthlessly punished firms that balanced the pursuit of profit with a healthy respect for risk. Members of both political parties pushed for ever-higher degrees of homeownership and demanded that lenders and mortgage securitizers give ever-increasing amounts of loans to less qualified borrowers. Leaders who did not dance to this tune faced condemnation in the press, challenges to their positions by irate shareholders, and withering criticism from members of Congress.

The First Economic Avalanche

It was clear that it was all going to come crashing down; the question was how. Usually such crashes happen like avalanches; a small change somewhere in the structure finds a critical point of weakness. Relationships and transactions that had held together no longer do. Finally—and what appears on the surface to be suddenly—the whole hill collapses.

The initial weakness here was housing. While serving on the Federal Reserve Board, I was the governor responsible for housing and community affairs issues back in the 1990s during the last housing recession—and it taught me a lot about mortgage markets. We had warned clients—and as the *New York Times* reported, the White House—in late 2005 that a housing bubble was forming and that action should be taken to prevent consequent problems. Housing had not had a catastrophic nationwide collapse since the 1930s; it was generally viewed as an impossibility. By the middle of 2007, there had been a slight deterioration in housing prices, with the Case Shiller index down 5 percent. Housing inventories appeared to have stabilized, and a wide variety of commentators and government officials had concluded that the housing recession had bottomed.

At that point we concluded that far from ending, the avalanche was only about to begin unless something was done. The key was to stop or sharply slow the pace of subprime lending. These mortgages constituted 24 percent of the total dollar volume of mortgages in 2006, an unsustainable number. Some of the mortgage market reforms we had instituted in the 1990s to encourage homeownership had helped create the subprime market. But around the time I left the Fed, it was tightly controlled and constituted only about 3 percent of all mortgages. As the late Herb Stein used to say, "When a trend is unsustainable, it will stop." But this particular trend was the self-perpetuating kind. If subprime mortgages stopped being granted, demand for houses would collapse; this, in turn, would mean fewer buyers and lower prices throughout the market. In July 2007, we estimated that the pace of home sales would drop by at least another 1.5 million—more than twice the drop that had occurred so far. While others were predicting that the bottom had been reached, we saw that there was still a substantial downside risk that the weight of inventories would cause prices to crack and that a self-reinforcing cycle where foreclosures and prices start to interact more directly would begin.

Later that month, while market indices reached double what they had been for the previous four and a half years and were still on their way to a new high, we identified for our clients the likely place where the avalanche would begin. We wrote that "the biggest risk lies with the intermediaries in the leverage game—the big players in the financial arena—whose top line is driven by fee income from doing the deals and whose balance sheets are crammed full of inventory waiting to be dumped on some buyer." We identified the market's faulty logic as this: "If something goes wrong with the financial system, the world's central banks will have no choice but to open the liquidity spigots and play lender of last resort. Heads you win, tails the system gets bailed out taking you along with it."

That was 14 months before Lehman Brothers' collapse. The problem with the logic up to that point, as we identified it, was that