

Presentation by Hank Boerner
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Washington DC –
National Community Reinvestment Coalition – Annual Conference
Keynote - Awards Dinner

THE BEST OF TIMES, WORST OF TIMES:
THE AMERICAN COMMUNITY IN THE 21ST CENTURY...
...PRODUCTIVITY, PROSPERITY AND CHALLENGES

“It was the best of times, it was the worst of times. It was the age of wisdom, it was the age of foolishness. It was the season of light, it was the season of darkness. It was the spring of hope, it was the winter of despair ...

“In short, the period was like the present... “

We all know these opening words to a great novel – **A Tale of Two Cities** – authored by an influential English social critic, **Charles Dickens**, just before the American Civil War.

“In short, the period (and here he was commenting on England, France and the American Colonies, C. 1775) was like the present...”

The Best of Times – for many of us in this room, and millions more Americans, these are The Best of Times.

And for millions more working poor and others, they could be The Worst of Times.

Speaking of... The best of times: Look America’s rising productivity rate – the measure of output of our workers. We far exceed the productivity of other industrial nations. Good news -- Productivity was the engine that drove the 1990s economic boom, lifting many boats on the tide, creating wealth for many Americans. The boom was in part propelled by our unique information technology industries and applications. Productivity pulled us through a recent recession in just months.

Speaking of... The worst of times: Productivity is too often accomplished on the back of workers, who are stressed out, need two incomes to stay afloat, and struggle to stay in the “middle class,” which lately shows signs of shrinking. Now we are all worried about our job being outsourced to India and Bangladesh – even professionals worry today.

Especially hard hit are those at the lowest rung of the economic ladder, hoping to land a job to begin the journey out of poverty. (These are the Working Poor among us, among NCRC’s beneficiaries...)

The Best of Times -- More Americans attend college than at any time in our history. Including, over the past four decades, many more members of minority populations. In

the 1960s ... 1970s ... 80s... Education opened doors for future Latino and African-American professionals...doctors, lawyers, engineers, executives, clergy, public officials.

We here tonight came through the doors of the school house and university before the doors opened to this ballroom.

In America, the route to the middle class or wealth in the 20th Century was through higher education, not class distinctions.

The worst of Times: Today, less than **5%** of young people from the lowest income quartile receive their BA degree by age 24. **51%** from the top quartile receive theirs. 5% bottom quarter, 50% top quarter.

This is not just about affirmative action – rising college costs now threaten to block the school house steps; first choice colleges are harder to get into; and even when students do qualify, the cost of a state university education would be **70%** or more of the yearly income of low-income families.

This is not just about the lower income family; middle-income families face the same squeeze. They now owe **\$7.5** billion in bank loans for college tuition and costs. (Middle class is generally \$20,000 - \$60,000 income, entry point.) Young doctors leave med school owing hundreds of thousands of dollars.

Mortimer Zuckerman, a wealthy New York capitalist and publisher of *US News & World Report* recently wrote: “Just at the time when the jobs of the future will require more knowledge and technical talents, we face a situation in which getting a college degree is largely determined by the financial well being of parents. For a society that believes in and offers equal opportunities for people who play by the rules, this is a disgrace. We must mobilize the political will to invest in the real future of America – the education of our young.”

In education, as in a number of elements of our society, we have a definable, growing risk of creating a divide between the rich and the rest...of us. This would be dangerous to our democratic society long-term. Our tax policies are one dividing line. Jobs are another.

Wealth and capital accumulation are great definers of class. It is hard to build personal wealth when one is unemployed or underemployed, or to move to Middle Class.

JOBS – DISAPPEARING FAST IN 2004

Related to the education question -- An alarming trend today is the accelerated outsourcing of American jobs to other nations. First, blue collar, or clerical jobs disappeared; now, white collars and the professions are feeling the pinch.

American manufacturing jobs are important, and are critical, long-term assets for our nation – let’s remember that they have a multiplier effect – **5-to-1** is the usual rate. So 2.3 million jobs lost in manufacturing since 2001 means 10 million “other” jobs are also gone. Not a good trend long-term.

The winners are those who own or control capital. Workers and communities lose. We need to find solutions to this “hollowing out of America” – fast!

HOUSING – GOOD NEWS – BEST OF TIMES

Best of times: 70% of Americans now own their own home – an historic record. This is a magnificent accomplishment, and NCRC members and their allies, and cooperating lenders and GSE’s deserve applause for helping make this “American Dream” come true for so many families. *(Give yourself a hand.)*

Worst of times: Consumer debt now exceeds \$2 trillion and is growing at a rapid rate. That’s one challenge. Another is getting the last of those who want to own a home into one – this could be very difficult, given shrinking public and private resources and stagnated wages.

Debt -- The debt we pile up now – consumer, corporate, government -- could slow economic growth at some point, if we can’t afford to buy, invest or save. Rising interest rates could price families out of the housing market. Everyone will suffer – banks, local merchants, big box retailers, mortgage companies, credit card companies, insurance companies, homebuilders, and especially borrowers. If fewer people have jobs ... who are the borrowers and buyers going to be?

No easy answers here – and, neither presidential candidate is really going to be able to stop the flow of jobs to overseas destinations. Outsourcing may be a permanent feature of American business.

...The Best of Times...Worst of Times...Always, We as Americans Do Live in Challenging Times...

ISSUES SUCH AS JOBS AND EDUCATION – AND OPPORTUNITY DEFINE OUR NATIONAL DIALOGUE,

AND OUR VALUES HELP US DEFINE THE ISSUES AND THEIR RESOLUTIONS...

As a People, we are challenged today by a tidal wave of critical issues that require courage, discipline, individual sacrifice and smart work (as well as hard work) to resolve:

- **Healthcare.** 15% annual inflation and no let up in sight. With 40 million plus of us having no healthcare coverage at all; and, even some corporate retirees are facing serious benefit cuts.

- **Social Security.** What happens when the music stops and the Baby Boom generation steps up to the window? 76 million, 1946-1964...now age 58, approaching the withdrawal window. Where goes S/S 10 or 20 years out?
- **Medicare – Medicaid.** Systems could collapse under costs of drugs, medical technologies, rising costs of healthcare. Prescription drug costs are a major challenge to resolve.
- **Immigration.** We need rational policies, especially in the age of terrorism. Immigrants, documented and not, provide vital services in our economy that no American wants to do. There's a proposal to legitimize Mexican workers among us – what should be done?
- **Personal security.** Terrorism makes our land unsafe. **Homeland Security** is an important issue appropriate for lively debate. There are many issues to resolve – collaboration with allies abroad and all citizens at home will be key to ensuring our future personal safety.
- **Defense – Military.** We are at war. Let's not dismiss this – we are at war. Or at least 150,000 of our children are...
 - it is a dangerous world and we are the lone Superpower. Should we be the world's police force? Difficult question – no easy answers.
- **Housing** – affordability is the important issue for many families. We must keep the American Dream accessible for everyone.
- **Education** -- cost, quality, availability or access. Education is the door to opportunity. We all win when newly minted college grads begin their careers.

These issues are not about parties or candidates or pluralities alone – the resolutions which we have to help shape will determine the future of our nation! We all must help develop solutions.

But - where do we get the money to pay for “all this,” the resolutions to challenging issues?

Government raises money through taxation.

The disparity in American distribution of wealth can be exaggerated by unfair tax policies.

Let me get this on the record: I believe in the capitalist system – we live in a capitalistic democracy...it's not perfect, but as **Winston Churchill** once said, until something better comes along, democracy is the best system out there. We can make it better – the people in this room have worked to do that.

Like most of you, I welcome the opportunity to create personal wealth, to earn more money. Fairly. On a merit basis. We must encourage our government leaders to develop a rational, fair tax system and have everyone pay their fair share. No more, no less. No regressive tax policies. Some corporate leaders agree...in fact, one solution to our lack of money for social programs comes from Corporate America --

You've all heard of **Warren Buffett** – legendary CEO of Berkshire Hathaway, who has built tremendous value for shareholders and employees of his companies,

He just sent the US Treasury a check for \$3.3 billion (2003 income). That is **2 ½%** of the total income tax paid by all US companies in FY 2003.

Mr. Buffet says, if only 540 corporate taxpayers paid the same amount of tax – “fair tax” payments -- no other individual or corporation in the US would have to pay anything to Uncle Sam.

290 million Americans and other businesses would not have to pay a dime in income, social security, excise or estate taxes. Today, corporate taxes are a mere **7%** of the total receipts. Guess who pays the rest?

Millions of middle class taxpayers: **\$1.782 trillion is the total collected**. Or, Berkshire Hathaway's “540 others” at \$3.3 billion = same total!

Of course, we won't give up the income tax. But if we can add to the pot, on a fair basis -- think of freeing up capital to invest in America's education, local community development, healthcare, elder care, childcare, worker training, college support. What a country would emerge! What values we would be expressing.

Thank you, Warren, our capitalist hero in Corporate America. By the way, the share price of Berkshire exceeds \$90,000 – per – and the company made money last year ... maybe it's the best year ever, some analysts say.

These are things to think about ...I mention them because there are real challenges to the future economic, political, social and personal well being for each of us.

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Let's focus on good news...the Best of Times. **John Taylor** asked me to share some thoughts on new avenues of activism, and the potential of generating financial and moral support for your community projects.

Despite the headlines, of course not all companies avoid responsibilities or are un-accountable. Of course, not all CEOs, or directors, or managers are “bad guys.” A lot of good things are happening...a lot of good men and women are ***doing the right thing*** in Corporate America.

Much of this is reported on by the media as “Corporate Governance.”

It is really about Accountability. Individual and collective Accountability.

Much of what is happening should be of real interest to NCRC members.

I'll walk through these quickly –

SHAREOWNER ACTIVISM IS ON THE RISE!

Just as you have organized in your communities, so are individual and institutional investors organizing and taking action. These activists are both individual and institutions seeking to change corporate behavior...for the good of the Company. And for the good of the nation – try to make US companies more competitive. They are working for the good of the capital markets. The good of the investor. The good of the stakeholder – employees, communities, charities and others.

This is grassroots based: 100 million Americans are invested in the stock market, most through “institutions” – 401Ks, IRAs, their union or employer pension funds and mutual funds. Because of the parade of corporate scandals, investors and their advocates are aroused, angry and determined to change the way some in Corporate America and on Wall Street do business. (Some – not all.)

There's a new Sheriff in town – you, me and many other investors. Some with a lot of clout. Together we all have a lot more clout. We need to act more as owners. Owners are shareowners – and many are activists now.

Some things you should know about shareowner activism –

- There's an intense focus on Board of Directors and their independence mandates – be independent or else, shareowners are saying. That means more personal accountability – and the Sarbanes-Oxley statutes assure this. So do NYSE rules. It also means being responsive to the people who elect them – shareowners – and responsive to stakeholders.
- Codes of Ethics – Business Practices – NYSE requires these be adopted by listed companies – and these could be topics of discussion with corporate managers or board members. What are your ethical practices or standards re: the communities you operate in? Your employees? Those on the lowest rung of the economic ladder?
- The corporate “Proxy Process” is changing to allow access to board elections. Think of this as “Corporate Democracy” – something really revolutionary -- it's coming. New user-friendly proxy voting Rules are coming from SEC this year – it's a start, not perfect for either company or shareowner. Keep in mind the revolution began within the institutions that represent collective wealth and wanted to improve corporate performance.

- An important sea change occurred 1992 – direct communication was allowed between shareowners to communicate about issues, and coordinate annual votes (“Proxies”). You saw the result in the **Disney** election – 43% “no” votes against Chairman / CEO.
- In 1989 **US Department of Labor** sent a letter to unions and pension funds -- vote proxies as asset (fiduciary responsibility under the ERISA statutes and codes). This stimulated institutional activism.
- Smart corporate directors will now make themselves available – accessible – accountable -- to shareowners, and some, to important stakeholders. This trend should give you access to the board room, to present your suggestions, your requests, your demands that corporate power be used to broaden opportunity in your communities.
- There are natural “corporate governance advocates” or “social responsibility investors” out there who you should be developing relationships with. The Faith-based investment community puts \$100 million or more to work in both corporate equities and community development – the **Interfaith Center on Corporate Responsibility** in New York is a natural ally for NCRC coalition members.
- So do many public employee pension funds, labor union funds – the **AFL-CIO** has \$400 billion at work in the market, for example.
- Socially Responsible Investors – SRI investing – now account for \$1 of \$8 invested in the equities market. And, after a decade of growth in SRI mutual funds, and institutions screening for socially responsible companies, we find that these investments outpace the broad market...”good companies” are clearly “better investments.” Look at the work of **Amy Domini**, of Domini Social Funds -- \$1.8 billion under management – and how she beat the major market indexes 9 out of 11 years – *doing well by investing in firms that do good*.
- We are seeing broad reforms affecting the corporate world, Wall Street, brokers, investment bankers, mutual funds, hedge funds, and corporate pension funds. Much of this is not new to the highly-regulated banks...but they, too, are affected.

A trend worth watching –

SUSTAINABILITY: KEY FOR LONG-TERM ECONOMIC HEALTH

Ever heard of the Triple Bottom Line? This innovation, coming mostly from Europe, includes both financial and non-financial metrics – measurements beyond the balance sheet – because as we’ve learned, numbers can’t tell the whole story of a company’s successes or failures. Triple bottom line is --

- (1) Financial – Full Cost Accounting – Representations of the real state of the business – fair representation – numbers everyone to rely on ...including banks that lend money to companies.
- (2) Environmental Protection – Conservation – Stewardship of Resources is critical to good performance.
- (3) Sustainability is Primary Objective – the long-term health of the company, its products, its relationship with employees, and other factors.
- No external costs passed on to the neighbors – such as expenses of cleaning up pollution. And no more poor neighborhoods bearing corporate costs because it's easy to “dump” where the poor live. (A practice of poorly-performing companies.)

WHY THE INTEREST IN CORPORATE GOVERNANCE PROCESS

Corporate Governance – why more investors care:

- Structure, Form, Functioning are important, because
- They drive Financial Performance

Many investors don't want greedy CEOs at the helm.

They don't want complacent boards.

They are not looking to cut compensation for winners – for brilliant performance by CEOs and top managers -- but corporate performance had better match CEO salaries now...up or down, not with 75% increase in compensation while share prices decrease the same amount. (Warren Buffett's favorite peeve.)

WE SHOULD CELEBRATE GOOD NEWS COMPANIES

- **Johnson & Johnson** – the Credo story
 - Over door in lobby – New Brunswick, NJ
 - Copy given to visitors
 - All employees drilled in it from Day One
 - Guides decision making at all levels
 - Crisis management guide for Tylenol Crisis

CREDO Acknowledges...

- **J&J's** first responsibility is to doctors, nurses, patients, mothers, fathers who use our products – we must reduce costs and maintain

reasonable prices. Our suppliers and distributors must have opportunity to make a fair profit.

- Responsible to employees...respect dignity, recognize merit
- Compensation must be fair
- Equal opportunity for employment, development and advancement

- Responsible to communities – be good citizens, support good works and charities, bear our fair share of taxes

- Encourage better health and education

- Finally, our stockholders – we must make a sound profit. Research must be carried on. Reserves created for hard times. Equipment bought.

- And if we operate according to these principles, the stockholders should realize a fair return. (And they have – J&J is a favorite stock on many money managers' list).

A WORD ABOUT CORPORATE SOCIAL RESPONSIBILITY

There are now hundreds of companies that qualify for various “good citizen” recognition...to mention a few examples...

- **Social Accountability Index – SA 8000 – *Corporate Conscience Awards***

Chiquita Brands – for its Rainforest Alliance partnership

Delta Cafes – for supporting coffee growers in East Timor

Southwest Airlines – innovative workforce retention programs

Think of the good work of –

- **Green Mountain Coffee Roasters** – a fast growing Company

Pays twice usual price for Mexico’s Huatusco Cooperative coffee beans

Sell 42 of 100 branded varieties carries seal –

“Fair Trade Certified” (double growth last year)

Supermarkets adopting

Dunkin Donuts is rolling out Fair Trade espresso line in 4000 US stores

Catholic Relief Services asked 65 million US Roman Catholics to switch to drinking Fair Trade coffee...”Live Your Faith,” CRS said

Sara Lee is pushing coffee in hospital and college settings.

And **Amy Domini – Domini Funds – Domini Social Index** -- organized a shareholder protest campaign to have **Proctor & Gamble**, one of the largest coffee marketers, to consider Fair Trade coffee ... a few months ago P&G introduced its Fair Trade “Millstone Brand” by mail order.

Thank **TransFair CEO Paul Rice** for introducing Fair Trade in the US. He’s an American MBA armed with Ford Foundation money.

**|AND SO – THE BEST OF TIMES:
WE ARE BLESSED WITH GREAT LEADERS**

As you see, there are great companies and leaders in Corporate America – don’t condemn the many for the actions of the few. You need to persuade corporations to invest in your projects...remember that banks, insurance companies, mortgage companies are “corporate structures,” often subject to Wall Street and shareholder pressures that you need to help them address.

Search out people like **Bob Catell**, CEO of **Keyspan**, Brooklyn Union Gas, who just authored “The CEO and the Monk, One Company’s Journey to Profit and Purpose.” We can applaud the company’s “**On Track**” program for customers who cannot pay their bills. Twenty (20) dedicated customer service representatives work as advisors to customers, offering advice, and working out payment schemes. There is a staff of four (4) social workers involved. Imagine an NYSE traded company with social workers!

A financial education video course is offered; customers who complete this get \$400 off for their bill. As one analyst described Keyspan, *here is a company that can blow the numbers out of the water and still hold on to its soul!*

Bob Catell heads a *Fortune 500*, \$6 billion company with thousands of employees from New York to Boston...and he really *walks the talk!*

The “monk” is **Kenny Moore**, a former monk who now has a career with Keyspan – as “Corporate Ombudsman,” protecting the soul of employees, customers and communities ... and the CEO.

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There’s **Herb Kelleher**, of **Southwest Airlines**, who built a great airline – making money and expanding low-cost service to many communities. He was smart enough to move up to fulltime Chairman and let those whom he trained to take over. The employee is first at Southwest – happy employees are motivated to then put the customer #1.

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THE BEST OF TIMES – FOR SO MANY OF US!

SO...On balance, as one who watches economic trends I would have to say these are the **Best of Times** for many in America ... so many of us have attained “wealth status” that we could only dream of when we were young, and the majority of us still have our jobs.

Yes, we must address the societal issues that I mentioned...and we must get corporations involved in the resolution of issues.

Your mission is to see that many more Americans can attain their dreams ... especially those who need help climbing the economic ladder.

We must all make sure that Merit still counts.

That education is accessible. And that it pays off – with a job in America.

We cannot allow our nation to divide into two classes ... opportunity in this great Meritocracy of ours must continue to be available on our main streets and in rural communities.

Or else...well, think back to Dickens’ character...

Madame LaFarge, sitting on her steps *knitting...knitting...knitting*. What is she doing? We find out that what she is knitting into the scarves are the names of the Aristocrats heading for the guillotine! (*Martha...Michael...*) Interesting image, no?

Thank you for your kind attention! God Bless Us All as we continue our journey toward greater **Social and Economic Justice** in this great nation of ours! May one day we all live in The Best of Times!

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