

# Resuscitating the Middle Class

An Interview with Leo Hindery, Jr., Managing Partner, InterMedia Partners

**EDITORS' NOTE** *Leo Hindery chairs the Smart Globalization Initiative at the New America Foundation. He has resumed his role as Managing Partner of InterMedia Partners, LP, which he founded in 1988. He is a member of the Council on Foreign Relations, and the author of It Takes a CEO: It's Time to Lead with Integrity (Free Press, 2005). Formerly CEO of AT&T Broadband and its predecessors, Tele-Communications, Inc. (TCI) and Liberty Media, Hindery was Senior Economic Policy Advisor for U.S. Presidential candidate John Edwards from 2007 to 2008, and later unofficial economic advisor to now President Barack Obama. He is a graduate of Stanford Business School and Seattle University.*



Leo Hindery, Jr.

**COMPANY BRIEF** *New York City-based InterMedia Partners is a private equity firm that makes control investments in media companies. Currently investing its seventh fund, InterMedia ([www.intermediaadvisors.com](http://www.intermediaadvisors.com)) is focused on media content catering to underserved audiences.*

## Are we moving in the right direction when it comes to addressing economic recovery?

True recovery, when all is said and done, is measured by the middle class being fully employed in real terms and fairly compensated. The reality today, however, is that more than 27 million women and men are either unemployed or underemployed, more than eight million of whom have been out of work for more than a year.

This discussion needs to transcend a lot of assumptions about how we conduct ourselves as citizens. It would call into question some of the issues that Bill and Melinda Gates confronted when they set up the Gates Foundation. They could have done the traditional kinds of philanthropy, but they looked at a large part of the world that was living on a dollar a day and they decided to put it there.

They recognized more than 10 years ago that there are times in society's evolution when you have to recalibrate how you conduct yourself, and this is one of those periods for the U.S. For the nation as a whole, including those who are committed to philanthropy, this might be the time to back up and do what the Gates's did in Africa and parts of Asia, which is direct your

philanthropy toward resuscitating the middle class. That can take a lot of forms, but if that is the underlying goal, you'll see different results in the next half dozen years than you would have otherwise.

**While there is need elsewhere, it sometimes seems that people don't focus on how great the need is in the U.S. as well.**

You have an obligation as a citizen first to your own nation. When Bill and Melinda Gates began their mission in Africa and Asia, it was thought that the U.S. had stability among its middle class; we didn't realize that over 90 percent of workers have seen no real wage increase since 1967, so it was logical that the Gates's directed much of their philanthropy overseas.

But now throughout the entire country, we have unprecedented levels of hunger and people going to bed cold because of heating oil costs. So we have to be more sensitive to our own poverty in America.

**Will these needs be addressed by government, the private sector, or public/private partnerships, and when those in need look at the lack of action in Washington, is it tough for them to remain optimistic?**

There is a tipping point when the structural breakage is so acute that it's nonsensical to think the private sector alone is sufficiently able to fix it. We thought the federal and state governments role was to provide a safety net and that there was a level in society below which no one would ever fall and never be homeless, hungry, or cold.

Much of the philanthropy of the likes of Andrew Carnegie, Henry Ford, and the Rockefellers was based on longer term initiatives around education, because they believed President Franklin Roosevelt and others in government when they said the government would take care of the safety net issues. But because of the current acrimony between the two political parties, the premise that there will always be a safety net for the average American has been compromised.

So where should our monies go? As we give out malaria nets in Africa, we should also be giving blankets in New York City to people who are huddled in their homes on cold evenings.

In the past, I would never have thought that philanthropy in America on a large scale was going to have to address issues of basic necessity.

**With the realization that we need to reform K-12 education in the U.S., why hasn't there been more of an impact and what more can be done?**

We could reform the system if we would acknowledge the obligation of the nation to address it. Corporate executives used to consistently say that they had responsibilities to the community and the nation as much as they had to their employees and shareholders. In 1997, the Business Roundtable from which a lot of trends flow, decided that the only responsibility was to shareholders. So the whole premise of corporate philanthropy took it on the chin at that time. The largest companies in the U.S. now don't come anywhere close to the level of philanthropy that their predecessors achieved. If corporate leadership doesn't feel any responsibility to communities and the nation, then it's easy to understand why they won't support school bonds to improve public education because their children usually don't go to public schools. So we've created a bifurcated society between the haves and have-nots. The haves have their own education system and the have-nots have a different one. Yet, we still have a tax system where I pay a lesser rate of tax than the people who work for me.

**Are you surprised to find that not much has changed?**

When you target an entity or institution day after day, people get tired of it. I don't know yet where the anger is about income inequality and jobs, but it's going to come and when it does, it will be a tsunami.

**Is the U.S. on a path to finding that its global competitors have passed it by?**

Without substantial structural improvement, we're going to wake up as the third-ranked economy before long. When you talk about emerging markets, in most cases, you're talking about what is called state capitalism. Traditional capitalism can't easily compete against state capitalism because it so often cheats. You can decide you want to fix that fact and react accordingly, or you can watch us go from being the world's largest economy to the third largest.

**Are you having trouble being optimistic?**

I'm as pessimistic as I've ever been because the most basic social responsibilities have been politicized, which I thought was not possible in this country under our founding documents. ●