

THE BROOKINGS INSTITUTION

SAUL/ZILKHA ROOM

AN ACCIDENT OF GEOGRAPHY:
COMPASSION, INNOVATION, AND THE FIGHT AGAINST POVERTY

A CONVERSATION WITH RICHARD C. BLUM

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P R O C E E D I N G S

MR. TALBOTT: I had to check my watch and make sure before I could say, good afternoon. Welcome to all of you to what is going to be a terrific 90 minutes or so. We are Brookings and we do books. And sometimes our trustees write books. I am -- we're going to have a conversation today obviously, with the trustee and the author in question, but I just want to give you very much in a personal vein a little bit about Dick Blum as a friend of mine and a friend of this institution.

We had crossed paths a couple of times, maybe more than a couple of times in the '80s and the '90s, but when we really got together was very shortly after I came to Brookings, which was 15 years ago. We became genuine friends. We spent time talking and we spent time getting exercise. Dick was a runner. Still is a runner I would guess. I'm wearing my -- I'm wearing my Nikes, but I blew out my knee long ago and had a number of occasions when he took the running on the Towpath Canal with me following him on my bicycle and that's the kind of guy he is.

We also discovered very early on in our relationship that we had some overlapping aspirations and dreams. I will never forget not too long after I got here that he picked me up in his SUV and we drove to his house in northwest and he opened up to me on his lifelong desire to help beat global poverty in general and specifically, to help the little guy in the village. I think anybody in this room who knows Dick has heard that phrase many, many times. Out of that bond, he became a trustee of the institution and a founder of our global economy and development program that Kernal Dervis so ably leads.

He also, made possible the Brookings Blum Roundtable on Poverty in Aspen Colorado. It's just this last August hit the lucky number 13. There have been 13 roundtables. This has become the annual conference for thought leadership and for

catalyzing action and progress on this very important and international and national commitment that we all have to have in dealing with poverty.

The success of the roundtable has been very much because Dick has brought a number of people from around the world, a number from the West Coast and also working very harmoniously and productively with Kemal. Let me say just a couple of words about the book. It's a terrific book. I've said that to him. I've written it. As you know, the title of the book is "an Accident of Geography." I have two small quibblers with that. First of all, the word -- the word "accident," "accident," this career that he has a perspective on in the book is not born of accident. It's born of character, idealism, aspiration and a passion for really getting things done. And as for geography, yes, that's very much part of the story. But so is topography, since there are quite a few mountains involved in the geography that he writes about in the book, including the highest mountain on the planet.

But the subtitle has it right exactly, Compassion, Innovation and the Fight against Poverty. We're very glad that Tom Hayes is here who worked with -- on the book. Also, his daughter, Annette, from Los Angeles and lots of other places, it sounds like and we have with us Raj Shah who was the administrator of AID. What was -- we're going to do now is Dick is going to give us some perspective on the theme of the book and the theme of his adventurous, activist, enterprising, athletic and philanthropic life. Then, he's going to have a conversation with Homi Kharas, the Deputy Director of our Global Program and a Q&A with all of you.

We will also, of course, have a book signing after the formal program is finished. Dick, thank you for being here. Thank you for being such a pal and thanks for making our world better at all altitudes.

(Applause)

MR. BLUM: I don't know what started me coughing five minutes. It was not Strobe's introduction. But as long as you brought up the title of the book, let's start with that. What I meant by accident of geography, a lot of us were born at a time and a place where we could get the education, the training, the opportunity to learn how to run things and for some of us were lucky enough to wind up with more capital than we need and that we owe it to the rest of the world and that's where I come from. I was taped by Chris Matthews last night. It'll be on tonight and he asked me the question, which was the softball question then adds to my life, he said, "Donald Trump thinks that if you have money, you should flaunt it and spend it on yourself." You have a different view of what you ought to do if you have extra money, so you can only imagine what the answer to that was. So, I assume that I will be hearing from the Trump lawyers soon.

(Laughter)

And these are (inaudible), not a fan. So, the way this was all started was kind of by accident. I had always wanted to go to the Himalayas. I had, had this fascination since I was seven, eight years old. So I went to 1981 night and had a -- no, I led (inaudible) expedition in '81. I went originally to Nepal in '68 and I went there -- I was going to Bangkok no business and I just kept going and the first night out, a couple of us spent in a Tibetan refugee camp. And there was these little kids that were either born there or carried over the mountains, friendly, you know. I mean, you fell in love in about 10 minutes. And then, for the next month -- this was when you never saw another foreman (ph.) for a month and it was a strange land out, going there after 49 years, it's like going home. Trails were a little narrow. I didn't know really where we were going, but the people look after you, not the subservient way and I guess the Buddhist nature, they looked after you, as they would say, "A Fellow Sanction Being," and so we started kind of informally. This was back in the '70s, helping as many trekkers do. The kids of

shepherds that we went with and at some point, I see all this kind of buildup over a period of time.

I said, "Well, this isn't really fair. We're just helping shepherd kids of shepherds we know. What about the other ones that may be just as worthwhile or deserving?" So, I met a long (ph), tall fellow by the name of Sir Edmund Hilary (ph) and we became close friends for about 30 years until he passed away and most of the Himalayan trust work in the Nepal, which he started, we had funded for most of that time and we said, "We don't know who to help, not to help. Why don't we have a venture? We'll give you the money. You decide." Now, the thing about Ed Hilary, the analysts of people who were good in the development world, you wouldn't see his name listed there except on my list.

This is a guy who went to the villages, help build schools, pounded nails. I never pounded nails with him because I'm not capable, but in any event -- so over this period of time, we've known families forever. I'm a godfather to one family for over 40 years. So, part of that is I think about them all the time, as you would relatives. I understand a lot of their problems. I understand a lot of what they're doing, but I'm also convinced that you can find kids in the villages or out in the fields. They're just smart of any of us. In fact, his name was Pasant Comey (ph), who's the shepherd I first met. The family I'm the godfather to.

When I first met him, we was assistant cook to the Indian army the year before making \$18 a month. His grandson just graduated from USF, a degree in accounting is going to work for Deloitte Touche at a starting salary of \$60,000 and he'll go up from there. And increasingly, we also see when you bring kids from the developing world, certainly where we used to, despite some other attitudes towards immigration, they understand better than we do what the opportunities that they have and they work very

hard and the success rate, I think, is quite high. So, other the years, the American-Himalayan Foundation grew basically because six of us scruffy guys came off of Mount Everest in 1981, the Tibetan side. We're the first ones ever allowed to go there and said, "Let's do something."

So, the American Himalayan Foundation today has probably touches maybe close to 400,000 lives. It's, of course, started with the shepherds and Tibetan refugees and the Dalai Lama, but our biggest program was something we weren't even aware of in early years and that is trafficking and we have 15,000 young girls in school being saved from being sold and however bad you think the trafficking problem is, it's worst than that and a lot of these young women develop AIDS -- 80 percent of them do. They never live to be 20 years.

And so, I don't know how the rest of you feel. I probably -- so when I see somebody like Trump making those comments towards young women, you wonder what kind of impression does he make on young men then may want to run after somehow some prostitution. Anyhow, I feel this very deeply and as you can tell. So -- but what I also learned is that if all you do is talk to government officials, you may get good advice, you may not get good advice, but I'll guarantee you one thing, most of the money won't go where you think it's suppose to go. So, some years ago, King Birendra, who unfortunately, when they had assassination, most of the royal family was killed, said, "Richard, whenever possible, avoid doing business with my government," which -- I mean, I can't find anybody in Nepal who knew him well believes he said that to me, but he, in fact, did.

And if you think about it, if you go to the villages, most of the ideas of the projects we do today didn't come from us. We listened to what they want, so we hear all kinds of ideas. You know, some of them good. Some of them not so good. So, our

batting average of success is pretty high mainly because we're responding to their needs. And if you think about it, it's pretty hard to be dishonest in a village because you're going to get caught and then you're going to have to leave the village. If you're some government official and I think we would all who study this stuff or so many of you have lived abroad, will find probably the biggest problem of injustice in the world is corruption. And with some of them, it doesn't seem to matter how much money they get, they never get enough.

I've spent a lot of time being on with Jimmy Carter, been on his board for the last 15 years, what I would say about Jimmy Carter and I have been in all the worst possible places in Africa with him. He never goes any places any good, so if you've ever been to South Sudan or had the opportunity to go there, turn it down.

(Laughter)

But really, I mean, he's going there to solve problems and you ask people who've been around for a long time, they talk about Jimmy Carter like he was a saint. Somewhat the same way the Nepalese, the shepherds talk about Sir Edmund Hillary. So, one of the things -- my concern is if we're going to be a success at that, you know, how many followers do we have after Jimmy Carter? First of all, I've been involved with the Clinton Foundation and despite all that you hear, they do an awful lot of good work. Raj knows this. He worked with them, particularly on AIDS projects and then, nobody spends more money there than Bill Gates. So, we just need to do more and more of that.

But if you think about it, people understand a lot of these countries. When we want -- when we decided to do whatever we decided to do in Afghanistan and Iraq, they were searching around to find people who spoke Arabic. Now, if we had been going there and had friends in places like this for a hundred years, we might have done

things differently, probably could have done things better. It's almost impossible to think that we couldn't have done things better or maybe the best thing would have been not to go there at all, but that's a different story. So, to me, it all started way back -- Jack Kennedy and the Peace Corps. The Peace Corps today is -- isn't budgeted, I think, what half a billion -- \$500 million. It's nothing and whether it's the Peace Corps or, you know, private sector, I wouldn't call what we do, Peace Corps, but people that do this thing -- if we're going to have peace in this world, we need to have understanding and we need help bring people out of poverty.

A lot of people have come out of poverty in the last decade. An enormous number, by the way, the biggest amount of people that have come out of poverty has been China. So, democracy is not always the answer. In fact, Luis Alberto Moreno, who some of you may know is the head of the Inter-American Development Bank, says, "The more inequality you have, the harder it is to run a democracy." And you sort of think of what's been going on in the election cycle of last year and you wonder to what extent is the issue of inequality responsible for a lot of the chaos. And when we have a new administration, I don't think that, you know, hopefully Hillary can ignore what has been said by both Sanders and to a certain extent, by Trump about what we have to do to make sure that there is more equal opportunity for everybody here.

So, I could go on and talk about -- now, I can give you two minutes on what -- the biggest thing we do now is our center at Berkeley is the Blum Center for Developing Economies. And why I think all this works is the enthusiasm the kids have had at Berkeley and now in all 10 U.C. campuses for global development is off the charts. We made it a minor. We didn't make it a major because if you said to me, you can major in business, or you can major in global poverty. I would have said, "I want to major in business." If you said you could major in business and minor in global poverty, said,

"Okay." So, we actually have kids from 51 different majors at Berkeley. I didn't know there was that many, minoring in global poverty and in their 160-year history at the university, there's never had that kind of interest. To get your minor degree, you take certain courses and you have to go spend three or four months in an approved project overseas. Our students have -- we've now had 15,000 of them through our classes and we've been to 80 different countries.

So, not only can you, you know, model the Peace Corps idea, there's plenty of young people who want to do this with their lives. And in fact, about six or eight months ago, a woman came up to me and she said, you don't know who I am, but I run the Peace Corps office in Berkeley and your students are overrunning the place. So, there is an opportunity to improve our relations and our understanding and our work, work abroad and so, I just, to the extent that you believe in what I've said and you want to influence whatever academic institution or equivalent company or corporation or what have you, please do it because this isn't hard to believe in this stuff.

So, I don't know, we're very happy with what we see at Berkeley. We're trying to work with other campuses. As a matter of fact, a number of -- thanks to Raj when he was at AID. AID saw what we were doing. Our major partner, not surprisingly, a lot of people thought my major partner would be the business school. No, it's the school of engineering because most people are brought out of poverty because of innovation and AID funded a lot of our innovation work with our center, with the school of engineering and it's continuing. And the latest thing is, you would have thought there was a Marine Corps invasion of the campus at Berkeley, which if you know what Berkeley's like, it's a, "Well, how does that happen?" But a lot of the retired or about to retired one-start generals who have spent time in places like Iraq and Afghanistan want to continue to go on and they're interested in our work and what could be better than

people who have spent time and have learned something about these countries to send them back.

So, that's the latest thing that's come up in the last month. Next month, it'll be something, but it grows, so thank you.

(Applause)

MR. TALBOTT: Dick, so thank you -- thank you so much. It's a real honor to be up here and a real pleasure to be talking about this book because the book is really a -- it's a great -- it's a great book.

MR. BLUM: One thing, can I ask Tom Hayes to stand. Because the guy that really wrote the book is Tom. Take a bow, Tom.

(Applause)

MR. TALBOTT: Thank you, Dick. So, I wanted to start by asking you about some of the -- one of the things that's great about this book is that there are all these nuggets in there and they're almost just sort of thrown in, quite casually, but they're actually very deep. And one of them was, yeah, right at the end, you had a comment about what really drives you is empathy, altruism and the ability to get things done. And I was sitting there thinking if you had to talk about what usually drives people who are really successful at business, those wouldn't be the first things that would come to -- come to my mind. When you think about people who have those kinds of values, you know, sometimes it's driven by a particular event in their life or something like that. That doesn't seem to have been the case with you. It just seems to have been something that you've acquired naturally and built up over time. It's just always been part of you. So, can you tell us a little bit about that?

MR. BLUM: I don't know, it may have been that first couple of weeks. Been refugee camping out, trekking with local people that says, "My goodness, these are

lovely people. We should help them. Maybe there's something to do here." And if you think about it, one thing sort of led to another and then I was probably the first decade because we were up in the mountains. Most of the hill people -- the lower caste Hindus are the ones where the girls get sold. I wasn't aware of the project. And so, a lot of it is kind of by happenstance. I just -- I mean, to give you an idea, I had never been in Alabama until a month ago and I had to look up and find out where Alabama was, but in any event, when I go to the Carter Center, there is an African-American driver by the name of Moses, so you got a guy by the name of Moses, you better follow what he says.

And he would show me around Atlanta because it's an interesting city and I said, "Moses, you from Atlanta?" He says, "No. I'm from Alabama." I said, "Why did you move to Atlanta?" He says, "You know what Alabama is like?" No, I'd never been there. So, we started talking and he said, "There is just -- the village he came from, which is 15 miles from Monroeville -- if you know where Monroeville is, this is "To Kill a Mockingbird," where it took place, he said, "We just want to build a modest center for African-American older people. They have no place to go and nobody around here will help us." So, I had no idea what I wanted to do it or not and so, a couple of us flew in there and decided to fund the project.

And so, it's -- they said, "Well, why'd you do that?" I say, "Cause somebody needs to do this thing." And, you know, I mean, at least for me and I think for most of us, you got to do something like that. I mean change the lives and -- for a bunch of older people. Give them a place to hang out. You feel good about it. At least I do. Anyway...

MR. TALBOTT: But you'd never stopped with just feeling good --

MR. BLUM: But what I'm saying is a lot of what I do is because I just trip over things, you know.

(Laughter)

MR. TALBOTT: Mm, yeah, I mean, that comes through in your title of the Accident, but somehow, I suspect that there's something a little bit beyond that.

MR. BLUM: (inaudible)

MR. TALBOTT: I mean, there were lots of people who, you know, do something they feel good about it, but you're not satisfied with that. You think big about doing more, and more and --

MR. BLUM: Well, some of my associates want big townhouses in New York that never appealed to me. I'm happy to pay the hotel bill and spend the money, obviously, where we're spending it. I -- and by the way, I think to a certain extent, Wall Street gets a bad rap. There are a lot of people there that are (a) are not dishonest and (b) are generous. They tend not to do the kinds of things we do and, you know, it may just be the local hospital or something in Harlem or whatever. I think there's -- and what we see particularly out our way in San Francisco, which is -- I've lived there all my life. I've never seen wealth created or boom like we have there now.

So, you see people like, you know, from Facebook, Zuckerberg or sales force, Mark Maniha (ph), people who've made a lot of money in a hurry are also taking their money in a hurry and trying to do good things with it. So, I think increasingly, there is an understanding among successful people that they need to put their dividend (ph) back and so, hopefully, it will continue. Are they the old school guys that, "Hey, I made it. I want to keep it." Of course.

MR. TALBOTT: There's obviously been a huge tradition of philanthropy in America and I think you are a part of that great tradition, but one of the things that has distinguished, I think, what you've done is that you've thought about how to spend the money to have a really big impact and I was looking at some of the things that you talk

about in the book. You talked about ownership very -- very early on and I would say that was probably 30 years before USAID started to really take ownership very seriously. You know, you talk about the importance of culture in a lot of your work is devoted to culture and improving the place where people live to give them some pride in that place and then, of course, moving into trafficking.

These aren't what I would call the traditional realms of what people were thinking about at that time, certainly, when they thought about how do I try to do development and improve the lives of people. So...

MR. BLUM: Certainly, not restoring old temples way up in the mountains

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MR. TALBOTT

MR. BLUM: -- like we do in Mustang, but automatically occurred to us, in fact, we'd never done anything like that, but we were the first foreigners to go to this -- those of you and I assume most don't know where Mustang is. It is a Tibetan enclave still in Nepal that's been run down by time, not been destroyed and a couple of us were the first foreigners allowed to go there and the place was pretty close to being dead. And the Roja or the king of Mustang said, "If you want to bring it back to life, you have to start by restoring a couple of these temples," which have turned out to be gorgeous. Our Monastic school -- in the Monastic school, there's more than just teaching Monks how to be good Monks. They're actively running small businesses and helping in the community.

So, we did what he told us to because he's -- said, that's how you bring this place back to life and we've been doing it for 20 years and, you know, it's working. So, I mean, I would never have thought of doing that. And I wasn't sure we were doing the right thing when we started, but I listened to the old man and it made sense and it's

been successful. But unless you get into these places and understand what their problems are, you don't get there. I mean, you got to -- I mean, for 30 years, we, you know, we spent most of our time in tents. Now, if I can stay in some little lodge with a shower over the tent, I'll do it anytime. I'm 81-years old and I think I'm entitled and so I go looking for the lodges, but -- and I wonder now that you see some -- some people have gotten the smart, particularly in places like Bhutan, oh, saying, "Well, why would I go to Bhutan. That's roughing it." Well, you can go to Bhutan. It's not roughing it. It's got eight Ummon (ph) lodges. It's got all the stuff. So, you see, you have wealthier people starting to go to remote, interesting places and it'll be interesting to see where they're there long enough, whether they learn enough, whether there's enough of an impact that maybe in some many remote parts o the world where we don't do much, whether it starts to change. I think it needs to.

MR. TALBOTT: So, you said that one of the things that, you know, led you down this path was that you just listened to the old man, but, you know, lots of people could have chosen to listen to people. There must be people telling you, you know, you should do this and you should do that all the time. So, the big question is how do you make these choices about who to listen to. How do you decide to listen to somebody and how do you decide they actually know better than you about what should be done? Here you are, you're a very successful person. You know all these kinds of things.

MR. BLUM: We really started it. It had nothing to do with all of this. It started -- we were the first private equity guys in Asia, you know, in the U.S., so when you look at projects, somebody comes to you and wants you to help fund their company. Then you go in and, you know, kick the tires and see if it makes sense. And in that world, you turn down way more than you ever fund. So, it's kind of a skill set of knowing how to

listen to people, when do they make sense and when don't they. And then if you find something, for instance, in our investment business, the -- I mean, if we get in and out of something within three years, that's a trade. We tend to find businesses and grow with them, just as we have done with the American-Himalayan Foundation.

We started with shepherds and wound up with trafficking issues. So -- and particularly, with our investing in Korea and China and so forth. I mean, my best partner for 20 years now spent most of his teenage years building mud bricks in the Gobi Desert and he's as smart as they come and I've now gotten to the point where I don't go kicking tires out in the middle of China anymore. I don't go that, so his name is Wagen Shun and Raj knows him.

And I just give him a certain amount of money and say, "Good luck and do I want to review the projects?" No, I don't even know what half of them are and don't care. I just -- you wind up having confidence in a, you know, a group of friends proven over a period of time that are successful. He's not always successful, but his batting average is pretty good. I would say it's the same thing for the not-for-profit thing. There are people you know that have either had a successful track record because of things they've done with you or because you know them by reputation.

MR. TALBOTT: You've been working in places where, as you said, there's lot of corruption, rule of law isn't really good, but you've been actually very successful in China. You've been very successful in other places, et cetera. All of that means, taking a certain amount of calculated risk.

MR. BLUM: Yes.

MR. TALBOTT: So --

MR. BLUM: Not always successfully. I think in China --

MR. TALBOTT: Well, on average, it seems to have been pretty

successful for you.

MR. BLUM: Yes, okay.

MR. TALBOTT: Just luck, just an accident?

MR. BLUM: No, it's a skill set that you develop, particularly, if you're going to invest in China, you're going to -- you're not going to learn in textbook. You got to go out there and -- there was a book written a number of years ago called, "Mr. China," and it's about a young investment banker who went to China and highly gullible and all the, you know, thinks he got tricked in -- it's still out there, but having said that, somebody said, what's the -- "How are you successful in China?" It's like any place else. Know who your partners are, build the friendships. There's a lot of corruption there, but there's also a lot of very smart, good people too.

MR. TALBOTT: The way in which you sort of approach risk in the business world, is that the same, different in the way in which you approach risks when doing a mountaineering expedition, when taking on a new philanthropic initiative. They seem to be pretty different types of risks?

MR. BLUM: The risk reward relationship on climbing Everest from the most difficult route is a different risk reward relationship.

MR. TALBOTT: Mm-hmm.

MR. BLUM: I led this first expedition of a climbing team to go into Tibet since Mao had taken over. This was a year after Diane and I were married. We didn't get to the Summit and the Chinese said, "Why don't you come back in '83?" Because I'd like to say my wife got a Ph.D. in mountaineering tragedies between '81 and '83 and she says, "You're not going back there." That's a different kind of risk reward thing. So, I didn't go back. Anyway, and I'm still here. But --

MR. TALBOTT: We're glad about that.

MR. BLUM: I would say most of the development stuff, where you try to get something going in a group of villages or what have you, you don't really lose a lot of money. You can lose a lot of time and you can spin your wheels and things don't always make sense. Our investment business grew to the point where a lot of -- a lot of the checks we wrote were pretty large and a lot of it was our own capital, plus institutional capital, but you got to be very careful, seemingly careful that you don't make a mistake.

MR. TALBOTT: And philanthropy, I mean, you don't see the -- necessarily see the immediacy of the rewards so quickly, but the risks are pretty evident. I mean, you're writing the checks and the money could disappear.

MR. BLUM: We give money to Brookings and I'm not sure --

MR. TALBOTT: Yeah, it's a pretty sure bet. Yeah.

MR. BLUM: I just assume that it all goes well.

MR. TALBOTT: Yeah, but not much of your philanthropy really comes to Brookings, you know? It's sort of going to these other places a bit more risky.

MR. BLUM: No, you get a sense of an organization. I'm kidding. I'm very -- one of the best things I've done was 15 years ago, I thought it was 10 Strobe sets. Fifteen years that he and I, I think agreed to start our cooperation the very day he came to work here, is that right Strobe? And I've never regretted it for five minutes and I've also seen how Brookings has grown. I mean, Brookings was always a pretty good place. Its reputation is second to none now. And by the way, there's a book written by another one of the trustees, it's called Shoe Dog, written by the founder of Nike and my book's pretty good. His is humorous and better, so please read it.

MR. TALBOTT: You work on that one too, (inaudible)?

(Laughter)

MR. BLUM: Yeah.

MR. TALBOTT: So, you know, I'm no mountaineer, but I would assume that when you do a mountaineer expedition, you've got people who have very specific roles. Everybody knows exactly what they should be doing. When you do --

MR. BLUM: It's not that organized and the higher you get, the less people really remember what it was they were supposed to do. Even an hour before. It's -- memories get short and people get cranky, so you need people that are -- have been there before, so fortunately, we had those, but it's a whole different other world.

MR. TALBOTT: But you've got specialists in what they do and the thing that really intrigues me is that when you came into the development area, you decided to mix everything up. I mean, you mixed engineers with social scientists, you've got, you know, people who work in government, people who work in business. It's a whole -- to try to get success in development, you've actually sort of said, let's not have specialists and people just from one discipline. Let's have all these --

MR. BLUM: Right.

MR. TALBOTT: -- people coming together and see what kinds of ideas they can throw out.

MR. BLUM: I think we do it differently. You start a project and then you say, "Okay, what is it that we need for this project? Can we do it all ourselves or do we need an engineer or do we need school teachers or doctors?" And then you go find them and you may want to find them early on before you get started to help them -- to have them help kick the tires to make sure that whatever it is you want to do, in fact, does check out. So, due diligence in all this stuff is important.

Now, if somebody wants \$10,000 to, you know, take kids off the street in Katmandu and worry less about it, then if it's a hundred million dollars to go buy some company.

MR. TALBOTT: But you've actually tried to scale up many of your things and what's interesting is that you've done scaling at the village level; you've done scaling with your centers right across from the whole University of California system; and, you've tried to do scaling at the national level. You're founding member of the president's Global Development Council.

MR. BLUM: Global Development Council.

MR. TALBOTT: So, there's all these different levels where you've kind of worked in each one. You've tried to sort of move to scale.

MR. BLUM: Or at least, next step.

MR. TALBOTT: Yeah.

MR. BLUM: Because often, one thing leads to another and then you look at. Does it make sense? So, yeah, I guess, you do scale up. I mean, a lot of people thought we should never open anymore centers at the University of California, other than Berkeley. In fact, I think the majority of them didn't think it was a good idea and I said, "Well, I'm writing the checks, so I want to do it." And they said, "Well, okay." And I think now, people are pretty glad because of places like, University of California in Irvine -- U.C. Irvine, yeah, it's one of our best centers, probably next to Berkeley and who would have known.

And you also find about the poverty problems, forget about going abroad. I mean, we have enormous poverty problems right in California. We have 230,000 homeless children in California. The Bay area is booming. You go across the valley into the central Valley and pictures of how some of the farm workers look -- work in, you could swear you're in a third world country. One of our centers is U.S. Merced. Well, you don't need -- if you're U.S. Merced, you don't have to go very far to find poverty, just walk out the door. It's there. So -- and then, you're surprised that U.S. Santa Cruz, which is next

to, you know, near Carmel and there -- there's a lot of immigrants around there. There is one county, Ponrow (ph) County that they tell us that over half of the people living there are undernourished, right under your nose.

MR. TALBOTT: Any of these --

MR. BLUM: So, something else to do.

MR. TALBOTT: -- any of these levels strike you as being sort of place -- the level where you can have more impact than any other level? A lot of people from California, for example, think that national government doesn't have many solutions to these kinds of problems and your comment about -- in Nepal also, sort of indicated that national government may not have that much to --

MR. BLUM: Well, once you -- runs your city program here, who is it?

MR. TALBOTT: Bruce Katz.

MR. BLUM: Yeah, I heard him speak at -- where was it? NDI -- and make a very interesting case that at a national level, you can't get anything done and where the innovation is taking place is at the cities and if you really want to go and see where innovation is starting to change things in a material way, you go to Detroit. And I thought his views on all this were very interesting.

MR. TALBOTT: Do you think the same is true in the poverty world?

MR. BLUM: I'm not going to -- I'm not going to Detroit.

MR. TALBOTT: Not going to Detroit. Sort of like South Sudan?

MR. BLUM: Detroit's better, yeah.

MR. TALBOTT: It's come back a little bit to, you know, another theme that I think is perhaps common to, you know, your -- the adventuring, the mountaineering, the business and the philanthropy. And that's the issue of ethics. I mean, it seems pretty clear in the book and many of the instances that you've described. You've always not

thought that ethics is a trade off or a compromise, either in business or in philanthropy and I presume that among -- there's some honor amongst mountaineers.

MR. BLUM: Well --

MR. TALBOTT: Or maybe not.

MR. BLUM: -- and my daughter, Annette is here. My mother passed away over 20 years ago. She still tells me what to do every day. It kind of goes back to that in terms of ethics.

MR. TALBOTT: Do you think it's something common in the various worlds that you live in?

MR. BLUM: I think it's different in different places. I also think it's easy to be totally ethical if you're not worried about where your next meal is coming from. Now, if you got to go steal some -- something to feed your family because they're not going to be fed otherwise, it's easy for us to say, "Oh, I would never do something like that." I'm not sure.

MR. TALBOTT: In the book, you talk really, only once, I think about an episode where you came close to having some real problems. You describe being -- having a loan where you were leveraged -- being called on that -- called on that loan. Having to scramble to --

MR. BLUM: Which one was that?

MR. TALBOTT: -- get funds to -- it was early on in your career.

MR. BLUM: Oh, yeah.

MR. TALBOTT: What would have -- what would have happened if things went differently do you think? What would have happened if that -- like if you hadn't been able to escape that particular loan.

MR. BLUM: Well, I would have had to take a bunch of time to pay off the

loan, but no, what it was, was a margin call. My grandmother had left me \$10,000 and I was a beginning stock broker and bought all of these speculative electronics stocks. And, you know, you would margin them and then I woke up a year and a half later to find out that my net worth had gone from \$10,000 to \$100,000 and then I woke up two months later to find out that it was minus \$20,000 and then I had a margin call. And see, I don't trust banks. Except on long-term loans because when banks get into trouble -- if you have any loan, they say, "Don't worry, we're lending you \$10,000 and we'll never ask you to repay it," until they do. So, I will only -- it's just me -- borrow on mortgages because then you pay them so much over a period of 15, 20, 30 years. But this is a case where if you buy stock on margin, if the value of the equity drops to a certain extent, you have to come up with some money.

So, this was one -- and I wasn't paying any attention to it and then a senior partner in the firm said, "Well, you got to come up with \$10,000 by 11:00 o'clock." It was 8:00 in the morning and today, you might as -- you could have picked any number. I don't know where I'm going to get \$10,000, but I remembered that the -- our Heyward (ph) branch manager had a brother that ran, Mike (ph) -- Mechanics Bank of Richmond who I knew, so I called and I said, "Hey, I need \$10,000." I said, "Can I come talk to you about it?" He said, "Yeah." So, I got in my car and fortunately, it was less traffic then and, you know, pedal to the metal and went to Richmond and said, "Well, I own these stocks, but I'm over leveraged. I need \$10,000." The guy starts lecturing me and he says, "Well, what did you buy them for in the first place?" I said, "Look, I don't want a lecture. You're going to lend me the \$10,000 or not."

(Laughter)

And he said, "Okay." So, I ran back and it was five minutes to 11:00 before they were going to sell me out. I put down the \$10,000. The stocks rallied over

the next week. I sold the note, paid back the loan. I said, I would never ever do that again and I never have. And the motto -- the lesson here is a lot of people -- so I did that at age 25, but you find that a lot of people, get venturesome later on in life. Don't really understand the risk reward and, you know, we certainly saw it in the housing market in 2008 and in 2009. People bought houses that they couldn't afford to keep up and then the next thing you know, it's -- whether it's a margin loan or it was a mortgage loan or whatever it is.

When -- I just think risk -- taking risks is a great teacher and I often say in commencement addresses, you just got your degree. Now, you can begin to learn what it's all about and understanding how to take risks is something that a lot of us do and people often wonder why I take the risks we do and we take some pretty big ones, but we know pretty well how to calculate them. Don't mean we're always right because we're not, but the batting average has been good, but it was a buildup of confidence of how to take care of different situation. I mean, you got to also know, if things go -- if you say, "Okay, I got to invest," and (inaudible) going to do why. If things go wrong, then you say - - okay, if things go wrong in advance, let's hope they don't go wrong. What are you going to do about it? That's always an interesting discussion.

MR. TALBOTT: Okay, let me open this conversation up to the audience now. We'll take a few questions.

MR. BLUM: Sure.

MR. TALBOTT: And then, Dick, I think you've agreed to stay and sign some books and --

MR. BLUM: Sure.

MR. TALBOTT: -- hopefully, people will buy them. Let me just say that in addition to thinking that you might know about the content of the book, one of the

reasons for actually buying it is that there is a whole series of really great photos that go through pretty much, you know, your life from when you were quite young to the present and some of those are really fascinating.

MR. BLUM: And any profits go to the American-Himalayan Foundation.

MR. KHARAS: Thanks. So, who would like to start? I think we've got a couple of roving mics, if you can just say who you are.

MAN: So, my question is about executive compensation and how that plays into development work and non-profits. So, this has been an areas that's gotten a lot of criticism, the former president of the Boys and Girls Club, I believe was like, caught making over -- over like a million dollars a year or something like that and then people have said that, that's a bad model. They shouldn't -- they should be working for significantly less. And others have said, "Well, you can't attract good talent to manage really large non-profit organizations." So, based on your experiences as someone who's been involved on both philanthropy and in business, do you think that it makes sense to pay executives that are running larger philanthropic organizations the salaries, that, you know, to most standards pretty large?

MR. KHARAS: Strobe's left, Dick, so you can be honest.

(Laughter)

MR. BLUM: Strobe is clearly overpaid, but that's a different issue. No, you very much get your money's worth with all the executives here. Look, I can only answer that question hypothetically because we're not involved in any large philanthropic organizations and I worry about all these ones that spent a lot of money advertising either save your dog in the pound or kids that are not getting enough to eat. How of their money actually goes to the projects and I think shockingly, you find -- and many of them are very small, percentage actually gets down to. It's not just executive compensation.

Yeah, and my attitude is, look if you're in this world, you shouldn't be in it for the last dollar.

I mean, we have the same problem at the University of California. I could argue that a lot of our faculty are really underpaid and I mean, to the point that, you know, they can't even afford to send their kids to the school they teach at, but if you want to be in the world where you need to provide these kinds of services, you shouldn't be in it for the last dollar. So, I can't really comment on whether some big philanthropic organization paid somebody a million dollars not depending on how big it is and what the challenge is, but if that's the main motivation of the executive of a non-profit then, maybe you've got the wrong guy.

MR. KHARAS: Thank you. I think there was a question right there, yeah.

MR. POSER: Yeah, my name is Carl Poser and I'm a policy analyst at -- I've been doing a lot of research on the wealth concentration and the growing gap in the U.S. between the haves and the have nots that you mentioned. And I want to bring up a systemic issue of large proportions and that is, it's often for philanthropy to deal with large-scale issues like this. In the United States, about half the population has no retirement savings and maybe 20 to 30 percent have tens of thousands of dollars and the average social security payment per year is about \$14 or \$15,000. So you have a need for -- so this is something the investment community, you know, might be interested in.

Establishing like, Andrew Carnegie did for the teachers, the TIA Cref or TIAA -- some kind of fiduciary organization that could accept government subsidies and get everybody that's signing up for social security into a -- like, a fine contribution plan. So, we have everybody owning the country and everybody having --people with lower wealth have to survive, so they take less risk, so they need fiduciary help. But I think

some national -- and I know California has been doing something on the state level, but to me that would be an issue in Australia and Britain are building these systems already. It's not like this is pie in the sky. I just wanted your reaction to that. Thanks.

MR. BLUM: Well, I think you sort of asked two or three questions, but I can tell you in California because a region, (inaudible) California, I worry about our own retirement system, but I also worry about the state retirement system and they're all underfunded. And the obligation is that someday if the money isn't there, it's got to come out of the budget. Now, whenever it starts coming out of the budget, the state of California -- I can't imagine what that's going to do to the services provided by the state, but it will be enormous.

So, wherever you look, these things are underfunded now. If you get a couple of good stock market years in a row -- I mean, at one point, back in the, you know, 2007, 2008 a lot of pension funds were in pretty good shape, but I do actually think we are creating a growing class of elderly poor. And that's a lot of what you see. I'm not sure I got everything you were asking. What am I missing you made a point of?

MR. POSER: Do you think there should be a fiduciary organization, Dick, in California?

MR. BLUM: Well, you do have a fiduciary organization. I mean, you have boards for Cal PERS (ph), Cal (inaudible) which is the teachers. I mean, you have them -- there are fiduciary organizations there. And the secret is picking people who are good managers.

MR. POSER: Right.

MR. BLUM: Because there's no way you can keep up with everything and there is a way of understanding the risk of reward in a portfolio. I'm sorry.

MR. KHARAS: Yeah, no, you can follow-up afterwards, but there are a

few others --

MR. BLUM: There are trustees, some are better than others.

MS. AVERY: Hi, thank you for being here. My name is Melanie Avery and I work with the non-profit for homeless veterans and veteran families, called Veterans on the Rise. We provide direct services to veterans to get them housed and get them rebalanced. And one thing that we find is that we are in competition often with one of 501(c)4s that are going after the same funding streams, same funding dollars that we're going after and wondering what advice you would have for 501(c)3s that are providing direct services, who a lot of times get edged out in terms of funding because of, you know, the balance there between what people want to fund from a policy perspective and what they want to fund operationally for those direct services.

MR. BLUM: Not sure I understand enough about what you're talking about to answer the question. I don't know. Only a --

MR. KHARAS: I'm not a U.S. kind of tax -- I don't know the c4 -- the c4 world. Sam, do you know about that world?

SAM: It's not my world.

(Laughter)

MR. KHARAS: Just a --

MS. AVERY: (inaudible)

MR. KHARAS: Yeah, that gentleman will answer.

MR. WILLINGTON: I mean, give me a sort of competition of resources and do you compete for policy resources and do you compete for resources, deliver services? Can I sneak in a question?

MR. KHARAS: Go ahead.

MR. BLUM: Yeah, please because I'm unable to answer the lady's

question.

MR. WILLINGTON: Yeah.

MR. BLUM: I have no clue.

MR. WILLINGTON: Oh, Sam Willington. How have your passions evolved? You've had a passion for mountaineering. You've had a passion for excellent - for ideas, for building things. How would you look back at your life and career in terms of have these passions influenced each other and how have they evolved?

MR. BLUM: I would say nothing much has changed. As I said, I prefer staying in, you know, these lodges, rather than tents and I'm probably at a point where I've gone over enough 14,000 foot passes for all those years that I'm happy to get to a lot of these places by helicopter, but I still want to do pretty much the same thing.

As far as investing is concerned, I'm always curious -- always interested in the next investment. But I got -- we got a whole bunch of younger folks and I said, "You go out and kick the tires and let me know what we should do." So, it's kind of like, I don't do everything I used to. I'm still at pretty much similar interests. Yeah.

MR. KHARAS: Right here. Yeah, sorry, go ahead and then there's a lady further up here.

MR. HOWARD: Sure, hi, my name is Zoomi Howard (ph). I work at the University of Pennsylvania and I do -- I have a program that brings together social impact and higher education. So, I'm curious about an observation. I wanted to sort of test it with you. One of the things I feel -- I observe is that the students and the alumni really driving the social impact agenda within our graduate school of higher education, kind of the infusion of that in our university and I was wondering if you see the same thing in the U.C. system, or if things feel like a little different from your perspective.

MR. BLUM: Well, if I'm not mistaken, the University of Pennsylvania, a

lot of your social impact has been on the cities, the cities around there. And that's been the focus and that you guys have done very well. I don't think there is, you know, if I look at Berkeley, there's not that kind of focus. You find one group is saying, okay, whether it's kids at risk down at Oakland. And we'll go take other schools, make sure they get fed or help them get jobs or help them be safe, but it's sort of -- there isn't a particularly defined program. It's just, you know, one group, say from one school decided one thing. A lot of them just don't do much because they're trench is just trying to get through school.

MR. KHARAS: There's a lady right here, yeah.

MS. KAVAYA: Hi, my name is Mashu Kavaya (ph). I teach at Trinity Washington University and I was wondering if at your work, you deal with the effect of climate refugee, that especially in southern central -- in Asia in general, and the effect it has on development. Thank you.

MR. BLUM: Did you say climate refugee?

MR. KHARAS: Climate refugees, yeah.

MR. BLUM: Well, I think a lot of climate what Mary Robinson is doing out of Dublin, used to be president of Ireland, and she calls it climate justice and her point being that the people who are suffering the most for climate change, particularly, she talks a lot about southern Africa aren't the ones that caused it. And so that we owe a particular obligation and help to those -- it seems to me, I don't know -- follow it that much because of the treaties they've done about carbon, in general, particularly if any of you have been in Beijing in the last few years. I mean, you can't see across the street. You know, you've got a problem.

But, you know, the world is trying to get better, but whether it's getting better fast enough, I don't know, but there's no question. And I don't know really what

they're doing, but there is a sense, particularly from people like climate justice and others that it's unfair to have people driven off their land where they used to raise crops or animals because the desert took over; because of global warming. I don't know if that answers your question, but -- because I don't know much about it other than it's literally a problem.

MR. KHARAS: One last question over there.

RYAN: Hi, my name is Ryan. I work in international development. We help students from Sub-Saharan Africa get to higher education and I want to ask you a question that has been bothering me for quite some time and -- but in terms of what you said, you said that you look for local people on the ground who have the expertise that you can trust. You know, you talked about the old -- I think the King who said, "Okay, here's what we need to reinvigorate our town." And you just trusted him, right?

MR. BLUM: I said something a little different.

RYAN: Okay.

MR. BLUM: I looked to them for the ideas, not --

RYAN: Okay.

MR. BLUM: -- not (inaudible) for the expertise. To -- on an example, to restore these temples, we brought in a guy -- Italian who had worked on the Sistine Chapel and he has now been going to Mustang for 10, 12 years and what he did is, he took locals and trained them in restoration. No, it's usually, the case is that you find there's a problem. You say, "Okay, there's something we need. There's something to do about," and you have to bring in not only the money, but the expertise.

RYAN: Okay, so I think that probably answers my question, but so the benefit that a foreigner can bring in terms of philanthropy, you're saying is financial and expertise and you rely on locals for ideas. Is that your model?

MR. BLUM: As figured (ph) somewhere, yes.

RYAN: Thanks.

MR. KHARAS: Okay, well, thank you all very much for being here.

We've got some sandwiches and other food outside. So, please have some of that and

Dick will be available to sign any -- any books that you may have -- may have bought.

And if you haven't yet bought one, there are books, I believe -- Marilyn, am I right in thinking there are books for sale right there?

MARILYN: Yes. Back there.

MR. KHARAS: Great.

MR. BLUM: Or you could buy two and then read it twice.

(Applause)

MR. KHARAS: And Dick, thank you so much for doing this.

MR. BLUM: It was fun. Thank you.

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