

MASTER BUILDER MORTIMER ZUCKERMAN REFLECTS ON BUSINESS, THE MEDIA, PUBLIC POLICY, PHILANTHROPY, AND LIVING A LIFE ‘BETTER THAN MY FANTASIES’

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Excerpts from Mr. Zuckerman’s Remarks

College Rankings: Do people ask, how can I get my rankings in *U.S. News*’ college rankings higher? It is certainly a continuous topic of conversation, and it has had, I have to say, a remarkable impact on the world of education, something which we did not anticipate when it first came about.

Canadian Heritage: Do you speak French? I actually did speak French. I have not found it useful in Boston.

Interest rates: I’ve literally been bearish about the economy really since 2006. I’m still bearish about the economy. So I don’t know that rents are going to go up, but I also don’t know that interest rates are going to go up until the economy gets better. And, therefore, I think there’ll be some relative degree of sustainability of prices, but not necessarily based on their income, which is the thing that worries me.

So I’m cautious about either buying buildings or starting buildings. We are doing it in some markets, when we have it pre-leased as we do – we’re going to build a 500,000 square-foot building here in Washington – another one. But we have a major tenant taking roughly 80 percent of that. We have the ability to do that because we have credibility in the market, but that’s the kind of construction or new development we would do. Otherwise, we’re being very, very cautious.

Presidential endorsements in the *New York Daily News*: I think it was the right thing to do to endorse Obama the first time he ran. I’ve been a Democrat most of my life, and I thought he was somebody who should be supported in his run for the presidency. However, on the second time around, I did not feel that he should be re-elected, because I didn’t think that his stewardship of the nation justified that, particularly on economic matters. I’d had had some pretty close contacts with that Administration in the first year or two of his Administration, and I saw how it worked, and I was frankly dismayed and disappointed.

Prescription for the U.S. economy: Get the economy growing at a much more rapid rate. We have to have a major infrastructure bank, a federal infrastructure bank. They would be large-scale projects. We can finance them today at record-low interest rates. And if you had them tolled, therefore, over time they would pay back. Put a nationwide electronic grid in the country, so that everybody could have access to it in a very easy way

Change the rules on the importation or the allowance of people with degrees, advanced degrees, – STEM – science, technology, engineering, mathematics. We have a shortage of those

people in the country today. Change the regulations that allow foreign companies to locate in the United States. What is the most difficult thing for them to do is to get through the regulatory hurdles.

And finally, reform the tax code. There are just a whole host of special tax write-offs that are available to particular industries and particular interest groups. Frankly, it corrupts the system; it diminishes the credibility of the system. I'd try and eliminate most of them and lower the tax rates. I think that would be very stimulative to the economy. And if we could do that in the next two weeks, that would also help. [Laughter.]

Peace agreement between Israel and Palestine? What we will need is to have the right American interlocutor to find a way to get both of these parties together, and it must be done off the record. There's no way that this negotiation can either be known or can be held in public any more than the Oslo Accords were.

Philanthropy: My life has been better than my fantasies, as I keep on saying to myself. And the opportunity to give back is something that is beyond anything I ever imagined. And so you look for things that kind of appeal to you, that somehow or other you get intrigued by, and you try and get involved in a way where you're going to make a difference. At least that's what I try and do.

But I have to say, I feel I've never worked a day in my life. I love the real estate business because there's something very tangible about it. You build buildings, and we've built many, many buildings, and it's a great thing to go to these buildings and just walk by them and just know all the difficult moments that almost made it impossible to build, but you got it done, so it's a great feeling.

And as far as getting involved in a lot of activities, I mean, it doesn't get any better than that, where you feel as if you're contributing to something that will have sustainable value in the medical world, which is where I've done it, and in the academic world.

Greatest thrill? The greatest thrill comes from my two daughters. I have a 4-year-old and a 15-year-old. As a friend of mine who had a 15-year-old who was turning 16 when mine was 14 turning 15, I said to him, what's it like to have a 15-year-old daughter? He said, it's like living with the opposition legal counsel. So – [laughter] – I never practiced law until this past year – [laughter] – and I'm just figuring out how to be a trial lawyer in terms of persuading her to do things. And my other daughter's just a dream child.

But look, I don't know how to describe it to somebody. If you're a Canadian and you come to the United States, you grew up, you know, admiring the United States. I've loved this country from afar and from near, and I've lived both in Boston and in New York. And I've really had a wonderful time just participating in what goes on in this country.

American citizen? Oh, I'm an American citizen, but still, I came to this country — I didn't know anybody. I was flat broke. You know, you don't have these opportunities in many other countries, and I'm still emotional about it, you know?

DAVID RUBENSTEIN: Welcome, everybody, to the seventh event of our 26th season. I'm David Rubenstein, President of The Economic Club of Washington. Welcome, members of the Club and our guests, to this breakfast event at the Renaissance Hotel Downtown, in Washington, DC. I'm very pleased to have as our special guest today Mort Zuckerman, chairman and CEO of Boston Properties, publisher of the *New York Daily News* and chairman and editor-in-chief of *U.S. News & World Report*. So Mort, thank you very much for coming.

Mort has as varied a professional career as anybody we've ever had as a guest, and I could take all morning describing what he's done, but let me do so very briefly. Mort is a native of Canada, Montreal, grew up there, was educated at McGill and then later came to Wharton, where he got an MBA, and then went to Harvard Law School as well, so has degrees from McGill, from Wharton, and from Harvard Law School. And he began his career in Boston at Cabot, Cabot & Forbes, a real estate firm, while he was simultaneously teaching at Harvard Business School and also Harvard School of Design and also at Yale.

Eventually, in 1970, he created his own firm called Boston Properties. And Boston Properties has become one of the most successful real estate companies in the United States. It now has a market capitalization of about \$16 billion and owns about 157 properties around the United States, and many of them are in Washington, D.C. I think they own about 40-some in Washington, D.C.

And in addition to building this company – and now Mort is of course the founder and the CEO and chairman of it – he has a side line of media companies, and Mort also owns *New York Daily News*, which he's owned for about 20 years, and he also owns *U.S. News and World Report*, which he's owned for about 30 years. And at *U.S. News and World Report*, he is, in addition to being chairman of the executive committee, also the editor-in-chief and writes a weekly column for *U.S. News*. In addition to all that, Mort is also one of the nation's best-known commentators on public issues, frequently on television, and he is down today to tape the weekly McLaughlin Group show, where he is a frequent commentator, but he's also on MSNBC and many others shows.

But in addition to that career, Mort is also a philanthropist, and one of the leading philanthropists in the United States. At the end of last year, he made a \$200 million gift to Columbia University to build an institute that will study the mind and brain and brain diseases, and it's the largest gift made last year to any university by anybody in the United States. That followed a previous hundred-million-dollar gift he gave to Sloan-Kettering, where he's a member of the board of trustees. And in addition to all that, Mort is very actively involved in public affairs relating to economic matters but also relating to Israel and Jewish affairs, and he was formerly the chairman of the Conference of Major Jewish Organizations.

So all that in one lifetime. OK. [Laughter.] So there are many things I could ask you, but –

MORT ZUCKERMAN: All that – all that unpaid. [Laughter.]

MR. RUBENSTEIN: Well – [laughter] – money isn't everything. So – [laughter] – so – and there's so many things I could ask you, but at the beginning let me just ask you this: Do people come up to you and say, how can I get my rankings in *U.S. News*' college rankings higher – [laughter] – because every college board with which I'm involved, all they obsess over is their rankings in *US News*. So how did you come up with the idea for that, and do people come up and lobby you on that?

MR. ZUCKERMAN: It is certainly a continuous topic of conversation, and it has had, I have to say, a remarkable impact on the world of education, something which we did not anticipate when it first came about. It first came about because *U.S. News and World Report*, when I first got involved with it, did not have what we call a back of the book. We didn't do sports; we didn't do entertainment. It was a very serious magazine. And I don't even remember where I came up with the idea, but I just said, why don't we rank the colleges?

And it turned out to be a huge hit, way beyond anything that we expected. And as you know, we developed a whole series. We do colleges and graduate schools and a whole other series of rankings. And at that point, of course, I did not anticipate the Internet. I just want you to know that. [Laughter.] But it works even better on the Internet than it does in the magazine because we could cover 60 or 70 colleges in the magazine, but we could cover 1,200 and rank 1,200, and you get a huge audience. And thank God for that, because *U.S. News* is now viable as a magazine that is essentially online, and almost all print products do not work any longer in economic terms.

So it just turned out to be something that, A, we do very well and very conscientiously, I must say. I don't do it, but the staff does. Brian Kelly, who's over here, is the editor and has done a fantastic job in developing that. So we just have developed this sort of brand and reputation in that one part of America, and it is very, very, very important.

MR. RUBENSTEIN: So let me just finish on this, now, you also rank hospitals. So when you go into a hospital, if you ever do, do the doctors ever say to you, well, I deserve a higher ranking in this area or things like that or – [laughter] –

MR. ZUCKERMAN: Well, I'll put it this way. A number of directors of hospitals have said, if you get sick, we'd really like you to come to our place – [laughter] – and we hope you get sick soon because we want to move up. [Laughter.]

MR. RUBENSTEIN: Higher rankings, yeah, no doubt. So you grew up in Montreal. And what propelled you to come to the United States? I mean, you grew up in a modest family. Your grandfather was an Orthodox rabbi. Your father died at a relatively young age. So you didn't have a lot of wealth. What propelled you to come to the United States and to get into the business world?

MR. ZUCKERMAN: Well, I didn't originally anticipate that I would end up in the United States. I grew up in Montreal. Montreal was a city with great tensions between the English-speaking community and the French-speaking community. I was a part of the English-speaking community.

And let me just say that when Canada was formed in 1867, it was formed really to defend itself against the United States. The United States had a civil war, which ended in 1864 or thereabouts. They had a large standing army. The British were worried that the English colonies to the north would somehow or other be taken in by the United States, so they joined four of those provinces together, one of which was Upper Canada, which is now Ontario, and the other is Lower Canada, which is Quebec. But Quebec at that point probably was 90 percent French.

And when this colony was moved into the rest of the colonies, instead of being the majority, as they were in Lower Canada, they were now a minority. And they didn't like it. And there has been a huge resentment between the French-speaking and the English-speaking populations ever since. And those of us who were English-speaking felt that we would be chased by gangs of French kids – [chuckles] – on the way to school, because the English population tended to be almost segregated in certain parts of the city.

So I moved down to the United States, where I found the kind of accent that I had was perceived as being charming. [Laughter.] For example, people constantly ask me to say words like “outhouse.” You know, it's hard to fit that into a normal conversation, but if you have to, you do it, you know? [Laughter.]

MR. RUBENSTEIN: Do you speak French, by the way?

MR. ZUCKERMAN: I actually did speak French. I have not found it useful in Boston – [laughter] – but I'm working on it.

MR. RUBENSTEIN: So I guess being, you know, English-speaking and Jewish in Montreal couldn't have been a big plus.

MR. ZUCKERMAN: I was one of the fastest two-block runners in Montreal. [Laughter.]

MR. RUBENSTEIN: So when you came to the United States, you went to school, did your family say, you're getting a lot of degrees; you've got two from McGill, from Wharton, Harvard Business School – did they think that you were ever going to leave school?

MR. ZUCKERMAN: They hoped I was going to leave school; I will say that. And I have to say that, you know, when I got out of law school – I was at Harvard at that point – I was fascinated by the United States. I really was fascinated by the United States even when I lived in Montreal. I would say where I was growing up, there were 150, 200 people at the most who read *The New York Times* every day. I was one of them. Why, I don't know. I just was fascinated by what was happening in the United States. So it was a great attraction for me; there was so much energy and so many opportunities in the United States that I just sort of took a chance and I got a job when I got out of law school – I got a job in real estate, I might say – and never looked back. And I've had a – just a wonderful – time here.

MR. RUBENSTEIN: So in real estate, today, just looking at the commercial real estate market, you're one of the biggest owners of commercial real estate, and among other things, you own the General Motors building, which I think you paid about \$2.4 billion for, the highest price ever paid for a U.S. building. Did that turn out to be a good deal?

MR. ZUCKERMAN: It turned out to be a very good deal, happily. In good part because we have a store – it's not a store, really, it's almost a salon – it's called the Apple Store – in the basement of the – it's not the basement, excuse me; it's the concourse, folks. [Laughter.] And the reason why I say that is because if you call it the concourse, you can get a higher rent.

[Laughter.] And we actually have a percentage rent in that store. And nobody had any idea that that store would become the single most successful store in the world. I mean, you can't believe the total sales that they get in that one store. And we have a very modest percentage, I assure you; we're very humble about these things. [Laughter.] And so that really helped. But it's a great building and those kinds of buildings have done very well in good times and in bad times.

MR. RUBENSTEIN: So do you – do you see the commercial real estate market having bottomed out? Do you think it's coming back, or do you think there are still problems in the United States commercial real estate?

MR. ZUCKERMAN: The commercial real estate market is a direct reflection of the U.S. economy. We have sort of had a strategy from day one, we were going to have A buildings in A locations. It doesn't mean we are able to implement that strategy perfectly, but by and large we've done it. The vast, vast proportion of our buildings would fit into that category. Those kinds of buildings have done much better in bad times, relatively, than other buildings. Why? Because the rents are a little bit softer, a little bit lower, but when that happens, people want to go into the best buildings. So our occupancy stays way up, very high, even in difficult times. And so we've really done very well in difficult times.

And we're continuing to grow. We have – I don't know – 57 million feet of space, which is an awful lot of space. And our occupancy's in the high 90s. But we're very cautious. I will say that I became pessimistic about the economy in the first quarter of 2006 when I did an editorial on the housing industry. And after looking at the numbers, I wrote there that the only thing that seems to be holding up prices in the residential market was the fact that prices were going up. It made no sense otherwise. And that's a classic definition of a bubble, and I said it was unsustainable. And then I looked at the commercial real estate market, and there was a bubble in commercial real estate.

The reason why there was a bubble in residential real estate was that – normally speaking, the ratio of home values to income, it's about 4-to-1. The home values had gone up so much that at that point, the ratios were 8-to-1. Normally, you could sustain the home occupancy costs to the extent of about 20 percent of income. It went way, way above that. And I concluded it just was unsustainable. So the same thing was happening in the commercial real estate.

MR. RUBENSTEIN: Well, when the recession began in 2007 and 2008, around that period, many large real estate companies went out of business or they essentially stopped functioning. How did you survive that?

MR. ZUCKERMAN: Well, when I became convinced there was a bubble in commercial real estate, as there was, I might add, in residential real estate, we decided to sell.

I said to my wonderful partner, I said, Ed, there's a bubble. And I said, we've got to sell at these prices. The prices were crazy. And he said, why do you want to sell? Prices are still going up. I said, that's the only time we can sell this real estate. And we sold \$4.5 billion of that real estate, so we were in a position to then redeploy that money when a lot of other prices went down, like the General Motors Building, for example.

MR. RUBENSTEIN: And are you building new buildings now? Or are you not building at the moment?

MR. ZUCKERMAN: No, we are building, but we're very cautious. We are building here. We have a huge play in the Washington area, for example, and we're about to do another building here. We have about 12 million feet in and around the Washington area.

And Washington has been a very strong market because it has a very strong tenant that dominates the commercial real estate market, and we're very happy that you support that tenant. And all of you support the tenant. And continue, please, to support that. It's called the government, folks. And they dominate the market here, and a lot of other private companies come here to sustain that.

And we're in similar markets. We're in San Francisco, we're in the Boston area – where the life sciences and the biological sciences do well – and we're in Manhattan. So those markets have continued to do reasonably well, not perfect, but –

MR. RUBENSTEIN: But you don't see a bubble now in commercial real estate that you would worry about prices going down again?

MR. ZUCKERMAN: There is a sustained value that is not based on rents as much as it's based on low interest rates. Low interest rates really determine, in part, the pricing because people buy real estate on the basis of yield. And when the comparison is government bonds as a point of departure, low interest rates tend to push up prices.

MR. RUBENSTEIN: But you're pretty well known for your assessment of interest rates because you finance a lot of buildings. And so tell me, are interest rates going up or are they staying where they are?

MR. ZUCKERMAN: I've literally been bearish about the economy really since 2006. I'm still bearish about the economy. So I don't know that rents are going to go up, but I also don't know that interest rates are going to go up until the economy gets better. And, therefore, I think there'll be some relative degree of sustainability of prices, but not necessarily based on their income, which is the thing that worries me.

So I'm cautious about either buying buildings or starting buildings. We are doing it in some markets, as I say, when we have it pre-leased as we do – we're going to build a 500,000 square-foot building here in Washington – another one. But we have a major tenant taking roughly 80 percent of that. We have the ability to do that because we have credibility in the market, but that's the kind of construction or new development we would do. Otherwise, we're being very, very cautious.

MR. RUBENSTEIN: Now, a number of years ago, you bought the *New York Daily News*, and it competes against several other newspapers, another tabloid called the *New York Post*. What is it like going against Rupert Murdoch and the *Post* every day?

MR. ZUCKERMAN: It's fun. A lot of laughs, you know. It actually works out fairly well in the sense that I'd say both papers were fairly successful. The *New York Daily News* was very

successful until 2006, and then the Internet and online advertising began to really be an absolute deathblow to most of print publications. And still is.

If you look at the newspapers, whether it's the *Washington Post* or the *New York Times* or the Chicago papers or the L.A. papers or the Philadelphia papers or the Miami papers, all those newspapers are losing money, not because they're necessarily losing readers – although they are losing readers – but they're losing readers in print. The readers they get are still on the handheld devices. And so advertising has deserted the newspapers to a degree, and they go online, and newspapers cannot support themselves without that advertising revenue.

MR. RUBENSTEIN: Now, when you own a newspaper, you get to decide who to endorse for candidates, various candidacies, so you endorsed in 2008 Barack Obama. But then you shifted in 2012 to Mitt Romney. Why did you change your mind on Obama?

MR. ZUCKERMAN: I think I'd like to talk about another endorsement that we had. [Laughter.] We were the only newspaper in New York City to endorse Mayor Bloomberg when he ran for the first time. And according to his pollster, Doug Schoen – we endorsed him on the Sunday before the election and on the Tuesday of the election – the *Daily News* endorsement won him 255,000 votes and lost him 45,000 votes. I never knew that endorsements lose votes as well, but they do. So he netted 210,000 votes on our endorsement, according to his own analysis of post-the election, and he won by 30,000 votes. So if I never make another contribution to New York, other than supporting Mayor Bloomberg, I'm thrilled.

Now as far as the other endorsements, nobody's perfect. [Laughter.]

MR. RUBENSTEIN: So which endorsement are you referring to as not being perfect? The first one or the second one? [Laughter.]

MR. ZUCKERMAN: I actually think both of them were perfect. I think it was the right thing to do to endorse Obama the first time he ran. I've been a Democrat most of my life, and I thought he was somebody who should be supported in his run for the presidency.

However, on the second time around, I did not feel that he should be re-elected, because I didn't think that his stewardship of the nation justified that, particularly on economic matters. I'd had had some pretty close contacts with that Administration in the first year or two of his Administration, and I saw how it worked, and I was frankly dismayed and disappointed. So there we were –

MR. RUBENSTEIN: Have you been invited back lately, since the –

MR. ZUCKERMAN: On an alphabetical basis. [Laughter, applause.]

MR. RUBENSTEIN: So today, if the President did call you on an alphabetical basis, he got down to the Z's, and said –

MR. ZUCKERMAN: You didn't say "got down to disease," did you? [Laughter.]

MR. RUBENSTEIN: – he said, Mort, how can I get out of this economic mess; I will follow your prescription, what would you have him do to get rid of the deficit, the debt? What would you have him do?

MR. ZUCKERMAN: Well, number one, the first thing that I think we have to do to deal with our debts and deficits is to get the economy growing at a much more rapid rate. We're basically growing at somewhere under 2 percent. I mean, in the last quarter, for the first time in a long time, we had a contraction of the economy. In the face of the most stimulative fiscal policy in our history, we have a deficit now of \$1.3 trillion, which is too big for most people to grasp, but if you just say a mere \$25 billion a week in deficit spending, people get the idea – and the most stimulative monetary policy, because the Fed's announced they're putting \$85 billion a month of money into the economy, and yet we still can't grow the economy. There's something deeply, deeply wrong with our economy and – it's not wrong – we've had a desperate wound to the economy, which is that most of the middle class have had a wipeout of their major asset, which is their home equity, and they're still reeling from that because home equities have not gone back up. And they've also therefore really also their salaries, their wages have not gone up in real terms very much.

So for most of the middle class, they're poorer today because they've lost roughly 40 percent of their net worth, and they're not earning as much today, in relative terms, as they were doing four years ago. So –

MR. RUBENSTEIN: Right, but what would you have him do? What would you do?

MR. ZUCKERMAN: I would have done – and I – so that you know, I suggested this even earlier than I am today – I think we have to have a major infrastructure bank, a federal infrastructure bank, where the projects would be tolled. They would be large-scale projects. We can finance them today at record-low interest rates. And if you had them tolled, therefore, over time they would pay back.

There are all kinds of things that infrastructure can do, including things like airports and railroads and ports, shipping ports, that would improve the efficiency of the economy. People do not remember how – when we built the interstate highway system, what it did to the general productivity of the economy, and the economy began growing much more dramatically. We could improve the airports. You could dramatically improve the efficiency of our airports.

So I would do a lot of that. I would put a nationwide electronic grid in the country, so that everybody could have access to it in a very easy way. In effect, I would have a major investment that only the federal government can do.

Secondly, I would change the rules on the importation or the allowance of people with degrees, advanced degrees, – STEM, we call it – you know, science, technology, engineering, mathematics. I think that we have a shortage of those people in the country today. We had 195,000 visas – they're called H-1B visas – to allow foreign graduate students to work in this country. Now when the dot-com bubble burst in the mid-1990s, somehow or other this number was reduced to 65,000 from 195,000 – 65,000 now. So the people whom we train and MAs and

Ph.D.s in the hard sciences, we now force them to go back to their home countries, and they compete with us, when they want to stay here. This, to me, makes no sense.

We have a shortage. There are about 2 million to 2.5 million jobs that we can't fill because we don't have the people qualified to do it. So that would be another thing that I would do.

And I would change the regulations, for example, that allow foreign companies to locate in the United States. They've done a number of surveys of these people. What is the most difficult thing for them to do is to get through the regulatory hurdles.

And finally, I could go on, but the other thing that I would do is I would reform the tax code. We all know there are just a whole host of special tax write-offs that are available to particular industries and particular interest groups. Frankly, it corrupts the system; it diminishes the credibility of the system. I'd try and eliminate most of them and lower the tax rates. I think that would be very stimulative to the economy. And if we could do that in the next two weeks, that would also help. [Laughter.]

MR. RUBENSTEIN: Well, take about three or four weeks, probably. But in terms of Israel, you have been very involved in Israel and very involved in the assessment of what's going on there. Is there any realistic chance for a peace agreement in the next two or three years?

MR. ZUCKERMAN: You know, there is a chance. It is a realistic chance, but it is a difficult, very difficult process right now on two grounds. Number one, the Israeli Prime Minister, whom I've known since he was 25 years and I was a back channel to him in the Clinton Administration, does not have the credibility or the personality that works very well in this context even though he has the desire to make and has tried in many different ways, almost all of them off the record, to engage the Palestinians in serious negotiations. But he also has very difficult domestic political constituencies with a lot of parties, small parties who therefore have, to some extent, the veto on what he would like to do. His parties are to the far right, the small parties. The good news is that in the recent election, it was a move from the far right to the center right, so I think he'll have more political flexibility, and I hope he takes advantage of it.

The other side of the coin, of course, is the Palestinian side, and there you have weak leadership. Mahmoud Abbas is a wonderful man. I know him very well. But the whole core of the Palestinian leadership is one that does much better on the basis of opposition than they do on the basis of a constructive dialogue.

So what we will need is to have the right American interlocutor to find a way to get both of these parties together, and it must be done off the record. There's no way that this negotiation can either be known or can be held in public any more than the Oslo Accords were. The Oslo Accords were done and led by a high Norwegian official named Terje Roed-Larsen, who is the genius of the Middle East. And, you know, Norway is not exactly known as a major international power, but this man knew how to deal with both the Israelis and the Palestinians, and these meetings were held off the record, and that's why it's called the Oslo Accords; it took place in Oslo, Norway. Somebody like that is what is needed.

MR. RUBENSTEIN: Well, you know John Kerry pretty well.

MR. ZUCKERMAN: Yes.

MR. RUBENSTEIN: If he asked you who should he appoint to be that American interlocutor, who would it be?

MR. ZUCKERMAN: I don't know that it has to be an American interlocutor. An American interlocutor has to work with somebody. If I were he, I would sit down with Terje Roed-Larsen and say, what should we do, and who should we have who will have credibility with the Palestinians and the Israelis and who could work with us so that we're not playing off the Israelis and the Palestinians?

MR. RUBENSTEIN: So let me ask you – you spent most of your professional life or a large part of it making money, and now you're giving away enormous amounts of it. How do you square the two? You make a lot of money, you spent all your time trying to make money, and now you're giving it away. And do you get a lot of pleasure out of the money you're now giving away?

MR. ZUCKERMAN: Well, of course, but the opportunity of giving money away gives you the incentive to have to make more money – [scattered laughter] – which is not a bad package, by the way.

Look, you know, my life has been better than my fantasies, as I keep on saying to myself. And the opportunity to give back is something that is beyond anything I ever imagined. And so you look for things that kind of appeal to you, that somehow or other you get intrigued by, and you try and get involved in a way where you're going to make a difference. At least that's what I try and do.

But I have to say, I feel I've never worked a day in my life. I love the real estate business because there's something very tangible about it. You build buildings, and we've built many, many buildings, and it's a great thing to go to these buildings and just walk by them and just know all the difficult moments that almost made it impossible to build, but you got it done, so it's a great feeling.

And as far as getting involved in a lot of activities, I mean, it doesn't get any better than that, where you feel as if you're contributing to something that will have sustainable value in the medical world, which is where I've done it, and in the academic world.

MR. RUBENSTEIN: So what gives you the greatest pleasure out of what you've done, the building real estate empire, philanthropy, publications, writing articles, public policy? Where do you get the greatest thrills?

MR. ZUCKERMAN: The greatest thrill comes from my two daughters. I have a 4-year-old and a 15-year-old. And my 15-year-old daughter is a 15-year-old, and as a friend of mine who had a

15-year-old who was turning 16 when mine was 14 turning 15, I said to him, what's it like to have a 15-year-old daughter? He said, it's like living with the opposition legal counsel. So – [laughter] – I never practiced law until this past year – [laughter] – and I'm just figuring out how to be a trial lawyer in terms of persuading her to do things. And my other daughter's just a dream child.

But look, you know, I don't know how to describe it to somebody. If you're a Canadian and you come to the United States, you grew up, you know, admiring the United States. I've loved this country from afar and from near, and I've lived both in Boston and in New York. And I've really had a wonderful time just participating in what goes on in this country.

One of the great things about being involved in the media is you get a chance to in some way participate in public policy, and again, that's been something I've been – look, when I grew up in Montreal, there were 150 people who read *The New York Times*. I was one of them. I would take my bicycle, and I'd go to the store in Snowdon, and if they didn't have the *Times* in Snowdon – only two stores sold it – I'd drive my bike downtown and pick it up downtown. My parents didn't want me to do that, but I didn't tell them.

And so I was fascinated by American politics. When I was 12 years old I started, and I've read it almost every day, not with the same, shall we say, respect and admiration today that I had that year. [Laughter.] The *Daily News* is a much better newspaper than *The New York Times*. [Laughter.] But I've really followed American public life ever since then, and to me it's a privilege to be involved in it on almost any level, and I've tried to do that in a lot of different ways. And for me, it's just a great pleasure and privilege, and so it's not work.

MR. RUBENSTEIN: So what would you advise young people who say, I would like to have a career like yours, make a lot of money, give away money, be involved in public affairs and media? What would you advise people? What are the skill sets that you really think are required for young people to do what you've done?

MR. ZUCKERMAN: Well, in the first place, I would absolutely not get into print journalism, just as a start, because I don't think that's where – but find some platform that you can create or participate in that is online, because that's where – we're in the midst of an unbelievable revolution. I mean, it is a transformation of everything, of business and of media and of, frankly, private life. I mean, the level of conversations that take place online are just transforming life in this country.

And I don't know – I mean, there are people – my daughter, my 4-year-old, can do better with her iPad than I can. So people are going to speak that language from their earliest years, and they will understand it. My daughters, both of them, speak Spanish because they had the opportunity with a Spanish-speaking nanny who spoke to them in Spanish from the time they were 3 years old, and they both speak fluent Spanish. Well, I think there's a whole generation coming that is going to be much more fluent in an online culture than I, and I think –

MR. RUBENSTEIN: Your two daughters can talk to each other and you can't understand what they're saying?

MR. ZUCKERMAN: Well, even in English I can't understand what they're saying. [Laughter.]

MR. RUBENSTEIN: So today, if you were going to start your career over again and you had no money, the area that you would invest in today, would it be real estate, commercial real estate, residential, Internet-related? What would you do to advise somebody on how to make money today?

MR. ZUCKERMAN: As far as commercial real estate is concerned, I think the use of commercial real estate, of office space, which is what we do; we have – we're basically an office building developer – that's changing dramatically in the context of a world where people don't have to go to offices now, where you can actually interact with your business colleagues or do your business online. It's going to change everything.

I mean, just take lawyers. They don't need libraries in their offices, because you can now get everything online. You don't even need the same number of researchers. You now have open offices where people are, you now, putting eight and 10 lawyers in one big office and sharing a support staff that doesn't have to be nearly as large as it used to be.

So I think office space is, except the kind of space that we are in, is going to be under real pressure. So if were to go into real estate, I'd concentrate much more on residential real estate.

Now, I don't know that I would go into real estate. I would try and find some way to get into the online world. It is so explosive now and so transforming, so many people are going to have the chance to be very creative and do new things that will change some part of life. To me, that's as good as it gets when you feel as if you're doing something that really makes a difference.

MR. RUBENSTEIN: So the skill, the individual skill set that you think is very helpful, is it IQ, is it hard work, personality, luck? What do you think it is that makes somebody like you achieve what you've done? What would you say is the skill set that you think you have that most helped you get where you are?

MR. ZUCKERMAN: A lot of people ask me that question because they can't figure why it's happened – [laughter] – and neither can I.

But I'll tell you, there's one thing that I do, at least I try and do, is to establish a personal relationship. I do a lot of negotiations that deal with the acquisition of development sites or buildings or what have you or tenancies. And I try and establish a connection with the other person, because these are difficult negotiations, long-term negotiations, and I feel if you don't have a personal relationship, there are bound to be difficulties, and the personal relationship helps you resolve them. And I also try and make sure that we all have a good time doing it because frankly, it should be enjoyed.

Now, I'll give you my best example. In New York, since I own the *New York Daily News*, I am very much connected to all the sports teams. And George Steinbrenner used to invite

me to all of his celebrations of the World Series, because the Yankees were in the World Series most of the time. And there was one not too long ago that was the fourth one in a row where they won the World Series. And they had a ticker tape parade, ticker tape parade, and he invited me to go with a double-decker bus.

And we're sitting in the top of the double-decker. You go the narrow canyons of Wall Street, and there are the relatively older buildings. They have windows, the windows are open; people are sitting on the window sills 20 floors up. I can't even look out the window without getting nervous. They were throwing things down, everything like that. And somebody threw a baseball from one of the top windows. And it hit the guy on the other side of the aisle from where I was and knocked him out. I mean, it was just an amazing thing.

Anyways – [laughter] – a couple of years later I am negotiating with the people who own the John Hancock building in Boston. And –

MR. RUBENSTEIN: You own that now?

MR. ZUCKERMAN: We own it now, yes, and Prudential Center, so that we have a major position in what is the Back Bay of Boston.

We got to talking about George – he's always an old friend of mine. And I said, isn't that amazing, I said, because it happened just a couple of weeks earlier, I said, I was on this ticker tape parade in this open bus. You know, it was just amazing. Somebody threw a baseball and knocked the guy out on the other side of the aisle. He said, I was the guy they knocked out. [Laughter.] You could not make it up. We did the deal in about 15 minutes. I think he was still leery from the – from the – [laughter] –

MR. RUBENSTEIN: Right. Wow. So Mort, it was rumored that you were thinking of running for the Senate at one point in New York. And was that true? And would you ever take a government appointment?

MR. ZUCKERMAN: You know, I've thought about public office because I'm so interested in public policy. I don't know that I would run for office, frankly. I really came very close to running for the Senate. Although I've been a Democrat all my life, the Republicans in New York were really trying to run on the Republican ticket for the Senate. And in the end I just decided I couldn't do it because I would have to spend three, four days a week in Washington, and my children lived in New York, and I just didn't want to be away from them. And I had the same opportunity because Mike Bloomberg spoke to five people asking if they'd be interested in running; I was one of them. And next thing, I got in the newspaper, so everybody came after me to run for the mayoralty, which I decided I wouldn't like to do that either, not because I'm not interested in it; it just would – with young children, I just didn't want to do that.

But I love public policy. And yes, I would serve – and I have, in various ways, on special study groups and things of that sort. And I've spent a tremendous amount of time on the Middle East trying to make progress there. And it's fascinating to me to be able to do that and to – I really feel – it's hard, maybe it's because I'm an immigrant – sorry –

MR. RUBENSTEIN: But you are an American citizen.

MR. ZUCKERMAN: Oh, I'm an American citizen, but still, I came to this country – I didn't know anybody. I was flat broke. You know, you don't have these opportunities in many other countries, and I'm still emotional about it, you know?

MR. RUBENSTEIN: Did you have any regrets – is there anything you wish you had done that you haven't done?

MR. ZUCKERMAN: Oh, yeah, I wish I hadn't told everybody, don't invade Canada. That would have solved a lot of problems. [Laughter.] No, I mean, of course there are – we'd have to have another session if you want me to talk to you about what I did wrong. [Laughter.] I mean, there's just not enough time to cover it.

QUESTIONS FROM THE AUDIENCE

MR. RUBENSTEIN: So – well, listen, do you have any questions? Here's a chance to hear from Mort. You want to know how to get your rankings up in *U.S. News*, your hospital rankings, your college rankings? Any questions for a few minutes?

MR. ZUCKERMAN: We're ranking patients if anybody wants to – [laughter] –

QUESTIONER: I'd be interested in understanding what you'd like to accomplish with your gift to Columbia with the mind institute, the study of the brain. What drove you to that? What interests you there? What would you like to see happen?

MR. ZUCKERMAN: Well, I'm sure many of you have heard of a man by the name of Eric Kandel. He's a Nobel laureate for his work on the brain. And a friend of mine took me to his – you want to call laboratory, but his whole set of offices where all of his researchers work with him. And it was fascinating to me to see the kind of work that they were doing.

And he said one thing that had a huge impact on me when I met with him personally. He said, we now have the technology to measure whether or not this or that treatment will work. We know enough about how we can visualize what's going on in the brain to see whether or not there are positive results from our various treatments, which means we're going to be able to have an enormous breakthrough in terms of the acceleration of various different kinds of programs that will in effect deal with all kinds of issues in the brain, I mean, not only, you know, the aging process – there are a whole series of diseases that accompany that, which they think will be relatively manageable over time – but also just to understand how emotions work in the brain, how decisions are made in the brain. And a lot of this is under the broad title of neuroscience. And they've put together a talented group of people that is just unequaled anywhere in the world, the specialists in neuroscience.

And frankly, I spent a lot of time looking for things that I might get involved with in a philanthropic way, because I certainly don't want, frankly, to destroy my children's lives with

leaving them with too much money. And I became very interested in this thing when I found out that they were just on the verge of trying to fund a new school, a medical school that is going to focus entirely on neuroscience. When this particular gift was announced, they had a session in which they had about eight or nine different people from different fields of learning and education at Columbia, and there was a discussion about how you could work through the relationship of neuroscience to improve the performances in all of these different fields of learning, and I was riveted by it.

So I have nothing to do with Columbia other than this contact that I've just described, and I thought, this is a wonderful group that they've put together. I met all their key people. I spent three hours with them just last week, just with the three top people and their latest recruit, because I didn't want to give the money for buildings. That wasn't what I wanted. I wanted it for faculty, to attract faculty and to use the income from it to support faculty beyond what the university could afford, because that's what they have to do to attract it.

Well, I sat there – just having an exchange. They were asking me, what would I be curious about, what did I think they should really get into, and then they would just go off from that and explain what they could do, how they could do it, where the people were. It was riveting for me, so I just felt terrific about having that opportunity to give back, because clearly when you have an aging population and you're worried about both learning and memory, we're going to have to understand how learning takes place and how memory can retain what you have learned, because memory, after all, starts off with another word called "remember," which means you're going to think of it again. And that is something that they're going to, I think, be able to make immense progress on, and everybody is going to benefit from it. So that's why I got into it.

MR. RUBENSTEIN: Well, when you write a \$200 million check, do you get a lot of people calling you saying, what about me, why didn't you give me \$200 million? Do you get a lot of those?

MR. ZUCKERMAN: Yeah. But after I stopped talking to my relatives, it got easier.
[Laughter.]

MR. RUBENSTEIN: Mort, you obviously are in good shape, so what is your theory about how to stay in good shape? And are you an exercise fanatic, or are you very careful about what you eat, or what do you do?

MR. ZUCKERMAN: Well, I started to run when I was in Boston, and I really enjoyed it. I used to play squash every night, which I enjoyed, but I just like running, just going long-distance running. And I started off, you know, barely able to do a mile, and then I got up to 5 miles and then I got up to 10 miles. And I just ran, and it just cleared my head, in a way. I just felt great about it. And so I've done that on a regular basis, and that really, I think, has helped me stay in shape.

The other thing that I did recently – I was skiing – I'm an avid skier – and I was in Aspen, Colorado. There's a hut at the bottom of Ajax Mountain, and I was sitting next to a guy whom I knew, not well. His name is Budge Collins. And he looked transformed. I said, what in the world happened to you? He said, I became a vegan.

I said, you became a vegan? What – do you want to do something nutty like that? He said, well, I read a book called “The China Study.” He said, I bought 150 extra copies for my friends. He said, I’ll send you one, which he did that afternoon. I read it that night. I became a vegan the next morning, and I’ve been a vegan now for over three years. I’ve lost 30 pounds, I feel terrific, and I have more energy than I’ve had in a long time.

So somehow or other, it’s worked. I mean, I don’t come from a healthy family. My father had his first major heart attack when he was 39, had another one when he was 43. He had a stroke when he was 48. He died when he was 51. I vowed I would never live that kind of life because, in between, he had very little of a life. And I just thought I’m going to try and stay in shape, because who knew what I inherited from my father?

But so far, so good. I happen to be 128, by the way, in case you were wondering about my age. [Laughter.]

MR. RUBENSTEIN: Right. Right. So my goal is to run a mile as well, but to try to do it over the course of the remainder of my life. [Laughter.] So 1 mile. So – any other questions?

QUESTIONER: I’m co-founder of Aperio International. We’ve worked with print media, whether newspaper or magazines. One of the biggest challenges we find is that the mindset has been for at least a hundred years, in some of them, every year – we’re customer-focused because every year we raise our rates, and that was their attraction, I suppose, right? They’re the only game in town, and they weren’t paying attention to whether there was actually a return on the investment for the customers.

So I’m curious, given that now advertising is migrating – and there’s a reason why, right; they’re actually producing something that shows the investor – people who are advertising that there’s a return. Did you encounter that type of mindset in your properties? And if so, how are you addressing that they need to now focus on customer relationship and showing that there’s a return?

MR. ZUCKERMAN: Yeah, but I have to say, in the real estate world, I think we have – at least my colleagues and I, we all share this view – we’ve always had the idea of providing real value for our tenants. In fact, we try and build into our buildings something that will give us a comparative advantage and a competitive advantage to other buildings that are similarly located or of similar quality, frankly because we take a very long-term view of holding these assets and we feel we need to make sure that, as you say, people do feel there is a value added if they’re in our buildings.

Now we try and do the same thing in the print media. It’s not easy to do. There are so many competitors, for example, for almost every bit of the time of the mind and the time of the reader. So the question is, how can you present the news or whatever subject you’re covering in an interesting way, but something which is value added for the readers? And that sounds good, but it’s very difficult to do, and the real challenge there is to find talented people in both sides.

And to my mind, the most important thing that I try and do is to find talented people. I don’t want to always lead them, but at least if I find them, they’ll run things by themselves.

There's a man here who – Brian Kelly, who has done a brilliant job of doing just that at *U.S. News & World Report*, where we try and provide something called value added to the readers, that the reader will feel it's worth it.

Now the problem is, we also have to get advertisers who think it's worth it. The readers are there sometimes, and the advertisers aren't. In print journalism, the basic business model rests on advertising revenues more than circulation revenues. So if that doesn't work, you've got to find a way to find enough revenue to support the journalism. And to do that, it turns out online – *U.S. News* is now a magazine that's almost exclusively online. We do have a number of newsstand issues. All of the ones are in the field of what we call rankings and reviews. But we get a huge audience. In part, that huge audience comes from the editorial material that we have online, and that is what attracts advertisers to our online site, and we can now afford the journalism that goes into making it.

But I'll tell you, there were a few years when we couldn't afford it, which is another way of saying we were losing money. And ultimately, that's not a viable long-term strategy, so we have to find a way to get all of these products of journalism to be viable.

Not everybody's going to succeed. A lot of newspapers, a lot of print products, are going to be dramatically changed.

Newsweek, after, God knows –70, 80 years – that shut down, and they're now just online. If anybody has seen *Time* magazine, the *Time* magazine is almost as thin – it's a pamphlet rather than a magazine, because advertising has, in effect, by and large, left that category of journalism.

And it's happening to newspapers, and it's going to be a real problem as to what is going to substitute for that, because there are certain dimensions of newspapers that you can't do online nearly as well, and you certainly can't do it on television. And that's a very important part of the public dialogue that takes place.

So I think we're going to have to see how this all evolves. I suspect that it'll change because everybody of a certain age is going to be so comfortable with some kind of online platform that we'll find ways to make journalism work in that sort of context, in a continuously better way. And you'll be able to change that product not just once a day, but several times a day, because it's so easy to disseminate the information onto the platform.

So I think there'll be different models that will evolve, but we're in that transition period where it doesn't look quite as cheerful. And I certainly think the most vulnerable will be newspapers, because they serve a unique function of giving a city a voice and a character and giving people the sense that they belong to that city. It's going to be very difficult to do online. Nobody's really mastered that yet.

MR. RUBENSTEIN: Final question. What is John McLaughlin really like?

MR. ZUCKERMAN: [Chuckles.] John McLaughlin – first place, John McLaughlin's an incredible character. I mean, you get some of it from his persona on television, but you know, when you know him privately and when you see his gestures and his instructions and his leadership in those few minutes that he's off-camera – you know, when the commercials are on or what have you – it's hilarious.

And frankly, it's a brilliant concept the way he has set it up. I've been doing that show for over 25 years, and you know, first place, there are usually four subjects, and there's a three-minute introduction or even two-minute introduction to the topic. Now it is brilliant because not everybody in the audience follows it as closely as journalism, so you give people enough background so they understand what the issue is. Then you have four people, who discuss the issue, and McLaughlin himself, who throws in his views. And they come at it from different perspectives, so you get a real dialogue going on, and the people feel they're participating in that dialogue, because it's a real conversation.

So he's been on the air over 30 years. Nobody else has lasted that long, and it's because his show really works and really has an unbelievable audience. I don't go anywhere in the country without people coming to me and saying, I thought you were terrible on "The McLaughlin Group." Most of them say that. Some of them say, you know, I liked what you said. When I ask them what I said, they can't quite remember, but they just remember the dialogue.

And it's been – it's just been great fun to be on that show. It's not work.

MR. RUBENSTEIN: All right. Well, thank you very much, Mort, for coming this morning. And I want to give you a gift from the Club. This is a copy of the original map of the District of Columbia,

MR. ZUCKERMAN: Oh, terrific. I like that.

MR. RUBENSTEIN: So thank you very much, Mort.

Mortimer B. Zuckerman

Mortimer B. Zuckerman is the Chairman and Editor-in-Chief of *U.S. News & World Report* and the Publisher of the *New York Daily News*. Additionally, he is the Co-founder, Chairman, and Chief Executive Officer of Boston Properties Inc., and a regular commentator on "The McLaughlin Group."

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A graduate of McGill University in Montreal, Mr. Zuckerman received an undergraduate degree in 1957 with first class honors, a degree in law in 1961, and an honorary LLD in 2011. In 1961, he received an MBA with distinction from the Wharton

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