Interview with Gary MacDougal

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Interviewer: Mark DePue

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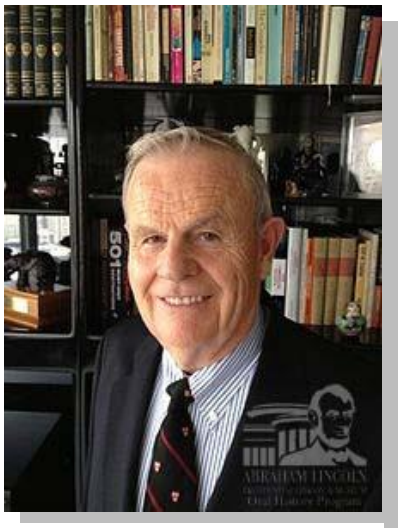
DePue: Today is Thursday, July 25, 2013. My name is Mark DePue, the director of oral history with the Abraham Lincoln Presidential Library. Today I'm starting a series of interviews with Gary MacDougal. How are you, sir?

MacDougal: Just fine, Mark. Good to see you.

DePue: It's nice to see you. I'm looking forward to this interview. It's bound to be an interesting one. We only get to talk about your involvement with trying to solve one of the most unsolvable problems that humanity has faced since the beginning and that's to eliminate poverty, or at least, in your respect, to work on the reform of the welfare system in the 1990s. Would that be a fair way of putting it?



Official photo of Gary MacDougal, dating from the mid-2000s.

MacDougal: That is. Moving people from dependency to self-sufficiency is a possible thing to do. Eliminating poverty, that's something else.

DePue: (laughs) Well, I'm thrilled that we're able to do this and happy that we're doing it in your apartment here at Lake Point Towers, right on the shore of Lake Michigan. I appreciate the view.

MacDougal: Well, okay. It's the only building on the lake side of Lake Shore Drive, so it is distinctive.

DePue: Let's start with the beginning for you, and when and where you were born.

MacDougal: I was born right here in Chicago, in the Lying-In Hospital, which is part of the University of Chicago complexes, the medical complexes. My family was on the south side, 69th and Bennett, then 69th and Euclid. I spent my early years there.

DePue: Does that mean you're a White Sox fan?

MacDougal: Well, I'm not really into either one, because my dad was transferred to New York—actually, New Jersey—when I was four. So when I started thinking about who to be a fan of, I hate to say it, I grew up a Yankee fan, with all the Yankee pictures on my wall and my once-a-year trip into Yankee Stadium that my dad took me to and Joe DiMaggio. That dates me a lot, I'm sure, but Phil Rizzuto and Yogi Berra, those were my heroes.

DePue: Those were the heydays of Yankees' baseball.

MacDougal: Oh, that's for sure.

DePue: Lying-In Hospital. I went and looked that up on the Internet. I'm surprised to see how it was spelled, interesting name. Do you have any idea how it got that name?

MacDougal: You know, I wasn't all that analytical when I was there. (both laugh) And I haven't paid much attention since.

DePue: Being born in 1936, one of the questions that always comes to mind for me is whether or not your father or other relatives were in the Second World War.

MacDougal: No, my dad worked in a paint factory, making grey paint for battleships and destroyers. I had a brother and sister, so the three of us, at a very young age, and his work in the paint factory, had him exempt.

DePue: What was his name?

MacDougal: His name was Thomas W. MacDougal. Now, if you want to go more deeply into that, he is my stepfather. My father was with my mother at the University of Chicago, where she dropped out when I came along. This would have been 1936.

My blood father did go to the war, and he worked for General Patton. He was commissioned as an officer out of the University of Chicago. Over there, on the wall, if you're interested, is a Purple Heart and a Bronze Star that he earned.

DePue: Do you mind if I ask his name?

MacDougal: His name is John Dinsmore. Upon remarriage, in my first couple years, my name was changed at that time. Now, I'm also a MacDougal, though, on my mother's side. My mother's name is MacDougal, and my grandfather, who ran away from home in a farm in Michigan, as one of twelve kids, went to work in the stockyards, was a MacDougal. So my mother's name became Lorna Lee MacDougal-MacDougal, and when I was—

DePue: Lorna Mae, you say?

MacDougal: Lorna Lee. And so when I was asked what my mother's maiden name was, and I would say MacDougal, they would say, "You dumb kid, you don't know what a maiden name is."

DePue: Well, the next obvious question, were they related at all, your stepfather and your mother?

MacDougal: No. Maybe if you went all the way back into Scotland in the 1700s, maybe you might find something, but not that I'm aware.

DePue: Had they been in the United States for a few generations when you came along?

MacDougal: My great-grandfather did come over from Scotland. His name was John MacDougal, and he came in through Canada and down into Fargo, Michigan. He was the farmer.

DePue: Tell me a little bit more about your—

MacDougal: On my mother's side.

DePue: …your mother. How would you describe her?

MacDougal: My mother is a pretty unusual person. She's not around anymore. She is very conscientious, very smart. She went back to school. When I was at UCLA, she went to UCLA. She was Phi Beta Kappa, went on to get two master's degrees, one at Columbia University and another one in Shakespeare—I think it was Fairleigh Dickinson [University, Teaneck, New Jersey]—because she became a schoolteacher. She taught Shakespeare and honors English, as sort of a midlife activity she took up in her forties, after she went back to school with me at UCLA and then went on to become a teacher.

DePue: That was quite a distinction, to have your mother going to college at the same time.

MacDougal: I was thought to be dating older women. (both laugh) My dad went back to school and got his bachelor's degree, my stepdad, at age fifty-six.

DePue: Tell me a little bit more about him.

MacDougal: He was a very sort of serious, stolid, orderly person, a little on the shy side. He worked for Benjamin Moore Paint for his entire career. I was pretty much on my own at about seventeen. I paid my way through school, in both UCLA and Harvard Business School. So they weren't able to give me any financial help, which, in retrospect, was a good thing.

DePue: Which one would you say you felt closer to or had more influence on you, growing up?

MacDougal: Gosh. I don't think either one of them had much influence on me, to tell you the truth. My wife, who knew them both, would say that. They were both very different than I was, and I kind of made my own path. I did things that I learned on my own, that weren't suggested by them. I can't think of any particular mentoring discussions or any advice.

A couple of times, I chose to do things they advised me not to do, just in terms of…The Navy offered me a chance to teach at the Naval Academy, in order to stay in, and I was determined to get out and go to Harvard Business School. My dad recommended that I stay in. He thought that was a pretty good deal. (both laugh)

DePue: How did the family end up in California?

MacDougal: My dad, as I say, he worked for the same company, Benjamin Moore, all his life. He worked his way up in the Newark plant, to the point where they, when they—Benjamin Moore out in California—bought a small paint company—the name of it was Sillers, Sillers Paint Company—they wanted to send a small team out there. He went out to be the plant manager of this new plant of the paint company that they bought.

So I had to transfer from New Jersey to California when I was a sophomore in high school, which you don't have time to know how traumatic [an] experience that can be, (laughs) at that age, as a sophomore, when you're trying to figure out who you are, and you're already on the track team and the football team, and you have to start all over again, don't know anybody and so forth. Again, in hindsight, it was probably a very growthful experience. Probably—

DePue: What was the community that you lived in in California?

MacDougal: LA [Los Angeles]. [On] kind of the west side of LA, there was a high school called University High School. It had about 2,000 kids in it. I didn't know a soul.

DePue: Was that a public high school?

MacDougal: It was public high school. It was actually a pretty awful high school, compared to the very fine, suburban high school I went to in New Jersey. So I remember coming there and learning, in my junior year, what a pronoun was, which we'd learned two years earlier in New Jersey. It was not a very good school.

I should go back and give my mother credit. I started not liking school. She was surprised at this, because I was always a very good student. She went in and talked to the principal and said that, "He's bored," and without having me finish all the credits, [she] arranged for me to go over to UCLA, which was right down the street.

DePue: Did you not graduate from high school, then?

MacDougal: You know, I thought I hadn't, because I know I hadn't finished the credits, and I left a semester early. I have a little sort of folder, and there is a certificate. So they gave me my high school diploma, without all the credits.

DePue: Was your family religious? Did you get a religious background growing up?

MacDougal: These are interesting questions. I thought we were going to talk more about Jim Edgar, but I'm glad to answer them.

DePue: Well, I think I warned you I wanted to get a little bit of background.

MacDougal: Yeah. The answer to that is yes and no. When I was in New Jersey, and I was always an A student, but all the sudden I showed up with a music grade that wasn't so good. I think it might have been a C.

Again, I should give my parents credit for this. They scared the heck out of me and said, "Well, do you like those kids in the class behind you? This C is pretty terrible." They arranged for me to sing in the Episcopal choir to learn about music and do better. So they did that. I got paid seventy-five cents a week. But they'd drop me off; they did not go to the services. I went and sang. I got baptized and confirmed, and I've been an Episcopalian ever since, and I go every Sunday, not every Sunday, **most** Sundays.

I am a believer, and I get an awful lot out of it. I think it does inform my interest in working with people that have been less fortunate than me.

DePue: That's why I think that's important.

MacDougal: You know, you had a point all along. I can see that. (laughs) I was saying, where are we going with all this?

DePue: What were the subjects you were most interested in while you were in high school and then getting into college?

MacDougal: I was always a math/science person. I think there are two things. I was interested in those things, although not the way some people are, not enamored. I didn't do math problems for fun or anything like that.

But I was told by someone outside the family that, if you're good in math and science, you could always make a good living. And I was told by someone, "If you become an engineer, you can always get a job." There were a lot of aerospace companies there in Southern California. You can make $500 a month, and that, in those days, was considered a middle-class living.

DePue: What year did you start UCLA?

MacDougal: I started in '54 and got out in '58. Because I had no financial support, I took an exam that the Navy had, where they would give you a scholarship for four years at any one of fifty schools, whether it be Harvard or UCLA or Berkeley or Stanford or whomever, and books and fifty dollars a month. That seemed like a really good deal.

But in return, I had to do three years in the Navy, and I had to go on Navy cruises each of the summers between school years, so that when I graduated I would be commissioned as an ensign. But I was commissioned in the regular U.S. Navy and did the cruises alongside of Naval Academy folks and was even on a ship with John McCain.

DePue: What year did you graduate?

MacDougal: Fifty-eight, 1958.

DePue: And you got your commission in '58 as well?

MacDougal: Yes, I did.

DePue: So the next three years, '58 to '61, you're on active duty in the Navy?

MacDougal: U.S. Navy, that's right.

DePue: Now, obviously you didn't stay with the Navy. How did you enjoy your experience in the Navy?

MacDougal: Well, you know, it was a very mixed thing. I got married, which I would not recommend so young, and I did not recommend to my sons. In the book I'm writing, I talk about waiting until you're thirty to get married, because you change a lot in your twenties, as does whomever you might marry. You can be lucky, but you can also be unlucky, as I was.

But, the Navy was tough, because I showed up there, and we got ready for a cruise for seven months, without coming back, in the Sixth Fleet in the Mediterranean. In those days, you couldn't hop around on a plane. We were

paid $222 a month, plus a small housing allowance. Even the telephone communications wasn't so great. So, it's not a good family career.

On the other side, I give the Navy great credit for my learning and growth as a person, because I was a twenty-two-year-old, out of UCLA. They put me down in the engine rooms. After seven months, the chief engineer left, and I became the chief engineer of a U.S. Navy destroyer.

It was 300 feet long, with 60,000 horsepower engines and two boiler rooms and fire rooms and 110 sailors, some of whom were told, "You either go to jail, or you can go in the Navy." (both laugh) It was an interesting group of people. I guess I didn't know what a tattoo was until then.

So that was a very growing time for me, because we were over there, and I was it. We had issues where the boilers leaked water, the steering gear got stuck, and we were going in circles. I've got stories that we don't have near enough time to talk about, but they were both terrifying and sources of growth.

I think being able to tell some of those stories helped get me into Harvard Business School, as I was doing the application, because they're looking for leadership and responsibility and decision-making and all of that, and I got that in spades for three years.

DePue: The military has a way of throwing an awful lot of responsibility at young officers very quickly.

MacDougal: It's a wonderful thing, when you think about it. Did you—

DePue: Yeah, I've—

MacDougal: You sound like you know what you're talking about.

DePue: Yes, I've had that experience, too.

MacDougal: Well, of course. You went all the way. You stayed in.

DePue: That's right.

MacDougal: Okay, now I (both speaking, unintelligible)

DePue: Could you tell us just one story, one anecdote that would illustrate what your experience was like?

MacDougal: Well, gosh, it's hard to pick one, but I'll pick one. I used to sleep with a sound-powered telephone on my—I was in the chief engineer's stateroom—on my pillow. It was connected to the two boiler rooms and the two fire rooms, which, of course, go twenty-four/seven. We're going through the water, and

you're up there in the middle of the night. You also have to take your turn on the bridge, as the officer of the deck, midnight to four, four to eight, so on and so forth. So it's a real kind of demanding kind of thing.

I get a call, "We're losing water in one of the main boilers. We keep putting water in, and it keeps…" In fact, it isn't one of the boilers; it was an entire boiler feed system. There were two boilers on the line, which there usually are, unless you're going on a full power run, where you have four boilers on.

Typically, at night, we'd be doing maybe fifteen knots, and we'd be operating with other ships, often an aircraft carrier, where we would pick up pilots that fell in the water and other duties.

I had a grizzled old chief boiler tender. I say, "What's going on, chief?" The chief said, "I don't know. We've done this; we've done that." Nothing seemed to be the answer. Well, the seriousness of losing water is that boiler water has to be distilled. You cannot use sea water in the boilers. You have a thing called an evaporator that produces a certain number of gallons per hour, and that's for showers, drinking, cooking and the boilers. So, if the boilers are using more than you can produce, pretty soon you run out. Then you're dead in the water, because the boilers produce the steam that turns the turbines and also the generators that produce the electricity.

So the downside of being a black, darkened ship, dead in the water, is what looms in your twenty-two-year-old mind, when you're running out of water. In this case, we weren't with any other ships. We were on our own, in the Atlantic Ocean. So it's a nightmare.

I got up, and we just tried everything. We checked this; we checked that. I drew on everybody. But there were no other officers with engineering experience, and the captain had no engineering experience. So I was it, terrified, to say the least.

Well, without dragging the story out any longer, at one point I said, "You know, somebody taught me that if you don't change something, don't expect a different result. (laughs) I have no idea whether this will work or not, but we've got to change. So let's"—and this is something we would almost never do at sea—"light off the two boilers that we're not using." It takes quite a while to do this. You've got to heat them. You're bringing them up to 600 pound steam. "Let's do that, and then we'll shift the load, i.e., the power and the steam, from the two boilers we're now using to the two that we haven't been using." We did that, and lo and behold, it stopped leaking water.

Then we got into port, and we opened up the boilers that we were using. You crawl in—this is a whole other thing—but there were leaks in the tubes of the old ship, in one of the boilers that we were no longer using, one

we shifted from. You don't see this, because when steam leaks in the tube, it just goes right up the stack. So it doesn't drip anywhere; it disappears. Anyway, that's one of the stories. I've got about ten more, but you don't have time for that. (both laugh)

DePue: Did you get some good, positive recognition for that?

MacDougal: Yes, I did. I went back, and I looked at my ratings that I got. In those days, you don't do it eyeball-to-eyeball with the captain. They do stuff, and they send it in to BUPERS, the Bureau of Personnel. I did stop by BUPERS one time when I was in Washington, looked up my stuff, and I copied it all down.

I was ranked number one out of the fifteen officers on our ship and got glowing recommendations. That's why I was…As I was getting ready to get out, I was offered to teach in the Naval Academy. I was also offered [the opportunity] to go back to MIT and get a master's in naval engineering. They did everything they could to keep me, but wonderful though the experience was, floating around in the middle of the Atlantic is not how I wanted to spend my future years. (laughs)

DePue: What were your plans at that time?

MacDougal: Someone had told me about Harvard Business School. I didn't really know anything about business school. I was surprised when this person told me that you could actually go to get a master's in business when you were an engineer, because I didn't know a debit from a credit. I'd never taken accounting. I didn't know anything.

This person said, "They like engineers, and they'll teach you all of that." I said, "What's the best business school?" He said, "Harvard." I didn't know where Harvard was. I really didn't. (laughs) And the ironic thing, you talk about mentoring, is I could have had a scholarship to Harvard College, because the scholarship that I won, that I used at UCLA for $48 a semester, was good at Harvard; it was good at Stanford; it was good all these other places.

Anyway, I found out where Cambridge was, and I wrote away for the catalog. I really got excited about learning about business. I remember going through that catalog and thinking, If only I could get in there.

The ship was based in Newport, Rhode Island. The reason I had asked to be in [the] Atlantic instead of the Pacific is because I'd had this vision of Harvard before I went in the Navy. I got it my last year or two at UCLA. I couldn't afford to move all my stuff across the country, so I decided to ask for an East Coast ship so that the Navy would move my stuff, and I would be there.

I remember my parents saying, "You're doing all this, counting on getting into Harvard. What makes you think you can get into Harvard?" Somehow, I was determined that that was what would happen, and it was what happened.

DePue: It sounds like, even at the time you graduated from UCLA, you were much more inclined to be thinking about going into business than you were of being a professional engineer.

MacDougal: That's right. And you might ask why that is. I can give you a quick answer. I put myself through school; I was business manager of the school paper, selling ads.

But I also was a "Stress Analyst B" for a subsidiary of Douglas Aircraft, in El Segundo, California. I would drive my old, beaten-up Ford down there and work for $2 an hour, running a Friden calculating machine[1] and calculate the stresses on airplane wings.

Without dragging you through all that, I found it boring. When I found a problem with one of the wings, it turned out the airplane had already been built. I found the people were cheating on my hours, because it was a cost-plus contract. (laughs) Then I looked at the people who were graduates. I was able to do the math and everything, because I was an undergraduate. It was a big company that…It just seemed like a stifling bureaucracy.

As I say, I wasn't a passionate engineering type anyway, although I really challenged, being the chief engineer of a destroyer, that was different. But again, not something I wanted to do the rest of my life.

DePue: But it strikes me as a pretty good combination to have both business and an engineering background.

MacDougal: Yes. It turned out that the business school really liked engineers, because an awful lot of business is quantitative, whether it be finance or operations. Finance ended up where I sort of gravitated. I would say a good third of my class were engineers, and often the students who finished on the top at Harvard were engineers.

DePue: When did you start?

MacDougal: Nineteen sixty-one. I was in the class of '63, getting out.

DePue: Was it the Harvard School of Business; is that the right term for it?

[1] Friden, Inc. was an American manufacturer of typewriters and mechanical, later electronic, calculators. It was founded by Carl Friden in San Leandro, California, in 1934. Friden electromechanical calculators were robust and popular.

MacDougal: Harvard Business School.

DePue: Harvard Business School.

MacDougal: In fact, in those days, they used to refer to it as "the" business school, which is something beyond arrogant. (both laugh)

DePue: As if there's only one?

MacDougal: Right, right.

DePue: Was it what you had hoped it would be?

MacDougal: Yes, it was. It was. The people I met there were very…I say much more stimulating, interesting, than people I met in engineering. Now, they're from all over, a lot of people from top schools, the summas from Princeton and so forth. I was scared to death. I was the only one from UCLA, you know, with all these folks from these fancy schools. I was $48 a semester and so forth.

One characteristic I have is, when I'm scared, it makes me do better. I think a lot of people have that characteristic. But I really liked it. I particularly liked finance. You tend to like things you're good at, and because my background was numbers, I was good at that. I ended up in the top 10 percent of the class; I was so afraid of failing that I overshot the mark. (both laugh)

DePue: Well, did your parents appreciate your excelling, then, after the fact?

MacDougal: Well, it's funny you should bring that up. You know, you're a good interviewer, because you're getting me to talk about stuff I wouldn't normally say. I was very proud of the fact that I did graduate with distinction and had done so well. But prior to learning that I graduated [with] distinction, I learned that they were not planning to come to my graduation, (laughs) even though it was a short drive from New Jersey up to Boston. My dad had been transferred, then, back to New Jersey from California. He went to a factory in Florida, and then back to the Newark plant, which he ended up running.

I was upset by that, so I did not tell them I graduated with distinction—that was a childish thing, perhaps—until they found out from one of their friends, who'd gone up to Boston, who had some relative graduating from Howard, and they noticed that I was on the distinction list and told my parents. I got a perverse satisfaction out of that, even though that's an immature—upon reflection—an immature approach. It's not as though we were alienated. We just weren't ever on the team together.

DePue: Is that why they didn't show up? Do you know why?

MacDougal: I think they just had something else to do. I mean, I don't think they pointedly…In fact, they were upset that I hadn't told them that I'd graduated

with distinction. I don't think I ever told them that I was upset that they didn't want to come to the graduation.

But, you know, I was at the bedside when they each died. I mean, at the end of the day. It wasn't…It was just a question of…My wife says they were not negative, just sort of indifferent. (laughs)

DePue: But that can be something that stays with you for a long time, and obviously has.

MacDougal: It is. I joke with my friends who went to work at McKinsey & Company or who went to Harvard Business School. I have a lot of friends who were at Harvard Business School, McKinsey, and then ended up running a company. We refer to ourselves as neurotic, compulsive achievers. There's something inside us that makes us want to do things, make a change, make a difference, have an impact. To probably an unusually high degree that's not normal, not necessarily dysfunctional. It's just that way, and it works. (laughs)

DePue: Do you think that was something you were just born with, or was it ingrained in you at the business school?

MacDougal: I have no idea. If I had a shrink, maybe a shrink would tell me. I've never used a shrink. I think you're a combination of all these experiences. Finding out that my father was really my stepfather—that happened when I was fifteen—the insecurity of going to a public school, and being at Harvard and having to scramble, the stress of being a chief engineer, when you're only a young ensign—the lowest Navy officer rank. We went into port alongside a British destroyer, and the chief engineer was a commander— (laughs) that experience, and then the whole Harvard thing, of having to prove myself.

Then McKinsey was much more the same. Everybody there had been top of their class at some top business school, a lot of PhDs and so forth. One out of every 20 or so of this group—I don't know how many—gets to be a partner. Getting to be a partner there was a big challenge for me, and I did that. In order to do that, you had to write articles for major magazines, like the *Harvard Business Review*, and so I went and wrote the articles. There are just a whole lot of things that add up to who you are. As I look back on it, I'm pretty happy about it all, even though there was some trauma along the way. (laughs)

DePue: That's all part of a plan, I would suspect.

MacDougal: God's plan.

DePue: There you go. When you graduated, was McKinsey the place you wanted to go?

MacDougal: I had never heard of McKinsey.

DePue: Tell me about McKinsey and how you got there.

MacDougal: (laughs) You are getting deeper. I showed up at Harvard Business School with only a vague idea of what business was like. My stepdad worked in a paint factory, but that's kind of different. That's a very narrow kind of slice. He ended up running the paint factory. He never made it to VP or anything. Their friends weren't businessmen of the type. At least to the extent they were, I didn't have much contact with them.

So, I remember thinking as I showed up at Harvard Business School, and there was real concern as to whether I could afford it. I knew I could afford the first year. I had to borrow money the second year from the school, and I paid it back a couple years later at McKinsey. Would I really like business school? Would I like accounting? Would I like these things?

I was so lucky. I had some fabulous teachers. Ted Levitt, who's kind of a legend in marketing. He walked in. He was one of my mentor inspirations. He took apart a product—this might sound crazy—but a cake mix. Why do people buy one cake mix over another cake mix? And about putting the egg in, so that the wife will not feel like she's cheating her family by using a mix and stuff. These things were fascinating.

It brought out, I guess, what I would call a sociologist in me, as I was intrigued to how people reacted and how things worked. They started to peel back the onion, as to how things worked, in terms of people buying products, in terms of how companies worked as an organism. And so I really liked it. That's probably why I did well.

Now, McKinsey. I didn't have any idea what I was going to do after business school. To me, almost, Harvard Business School was kind of the end. If I could do that, wow. I knew I'd be able to make a good living, but I had no idea exactly [doing] what. One day, I saw a group of people in dark suits, who looked very important, come on the campus, and they had hats in those days.

DePue: Fedoras?

MacDougal: Yeah. It would have been 1962, something like that, when fedoras were on the way out, but some of the hard-nosed places still had them. I remember asking, "Who are those people?" "Oh, those are the McKinsey recruiters." "What's McKinsey?" "Well, it's a consulting firm." "Oh. But how can you be in a consulting firm, if you've never worked in business?" I mean, how could they hire people out of our class, most of whom had some kind of experience?—mine was three years in the Navy. Some came straight from undergraduate school, and some of the others had had limited experience on Wall Street or whatever. They said, "They don't care. As long as they think you can do the work, they'll hire you."

I looked into it more, and it turns out they wouldn't hire you unless you were in the top 10 percent of the class. I thought, Wow. If they can pick people like that, they must know something, or people who go there must know something. (both laugh) That's kind of how I learned about it.

I went to the interview, and I was really an outlier. I had argyle socks; I had no suit; I had a sport jacket—because I was in the Navy, and I had no money—and a crew cut. If I'd known then what I know now, I'd say, "Boy, don't do that. You're not going to get that job." (laughs) But somehow I did get the job.

Then, when I got there, the first week, a distinguished fellow in a suit came in and said, "You know, Gary, you're going to be making presentations to boards of directors. You really ought to get some long socks, and you really ought to let your hair grow." (laughs) I was resentful at that point, you know what I mean?

Anyway, that's McKinsey. It is a great company, wonderful company, quality people. I'm still very close to it. Clients were organizations like the Bank of England, IBM, many blue chip, plus some smaller companies, which I gravitated toward, because I felt you could have more of an impact. It was a transformational experience for me.

DePue: What kinds of things did they have you doing?

MacDougal: I went back out to LA. My wife's family was out there. I liked LA, and I hadn't yet outgrown California.

DePue: So they were all over the country?

MacDougal: Yes, McKinsey had offices, [the] biggest one, in New York, but also London, Zurich, Amsterdam, Chicago, etc., just starting to go overseas, London, Paris and so forth. Now they have probably seventy-five offices. But oddly enough, my first client was a small company in California that produced seats for the aerospace industry.

This time, instead of being somebody working a calculating machine, I was advising the president. They weren't making money. They were just barely breaking or even losing money. Their big customer was Boeing and other big aircraft companies. I had to go figure out how to help them make money, and I, of course, had never done that before.

DePue: Something of an efficiency expert?

MacDougal: Well, yes and no. I'll just tell you the three things that I did. The biggest thing is they were pricing their product too low. There's a thing called a learning curve, where, when you first make your first design of a new aircraft seat, it takes so many hours of labor, but then the second and the third, and you go

down in learning curve. They were doing that wrong; the one thing I knew was math and how to do a learning curve.

So they brought me into the negotiations with Boeing, and I convinced Boeing that we knew what we were doing, and that this is what we needed in order to do what they say we're entitled to, in terms of making money on an order of 1,000 aircraft seats or whatever it was. So that wasn't efficiency; that was pricing.

But the second thing I did, out in the factory, we reorganized. Instead of an assembly line that did everything, and as the seat moved along, like a car, we had a back department and an arm department, and a seat department. They built it that way and put it together, with few labor laws. So that's efficiency, in a way.

The other thing I did is eliminate all the overtime, because they were getting used to overtime; the foremen were getting overtime, and so they loved overtime. I just said, "If you need that many hours, let's hire a few more people, but no more overtime." Those were examples of what I did.

The company became profitable fairly quickly, probably in six months. I was over there every day. The value of the company more than doubled, because of the profitability. They asked me if I would come and be executive vice president, at about three times the salary McKinsey was paying me.

DePue: And how old were you at this time?

MacDougal: Well, I had three years in the Navy and two years at Harvard. I was twenty-seven.

DePue: That's got to be a pretty heady feeling to have that offer.

MacDougal: It was. I can picture it, being executive vice president of this aerospace company, subcontractor, not a big one. I could picture myself playing tennis in Palm Springs. Executive vice president, little old me, an executive vice president.

So I went in to my boss at McKinsey and I said, "Something interesting happened. They called me into the office and asked if I would consider joining them as executive vice president. It's almost four times what you're paying me here." I said, "How long would it take me to earn that much money here?" My boss…First of all, he was angry at the client. "They've got a lot of nerve trying to steal my guys," and so on and so forth. Then, in response to the question—By the way, this fellow is still a good friend of mine, and I see him—I say, "How long will it be before I'll earn that much money?" He said, "Next year." (both laugh) I stayed at McKinsey.

But my real forte was mergers and acquisitions, just to wrap up McKinsey. Another client I had was North American Aviation. I don't know if you're familiar with them, but they did the space capsule, and one of their divisions [is] Rocketdyne, that does the rockets that propels the space capsule up. It was a very glamorous company. Al Rockwell, at Rockwell Manufacturing, really liked aerospace stuff.

My job was to help North American Aviation diversify, so that when the ups and downs of government spending, particularly [in the] space program, that they would diversify by having some commercial activities that would have a different business cycle, so that they could be a more solid, balanced company. My job was to develop a strategy to do that.

I just took what they were doing, the technologies and so forth, and went through all the companies in the United States that were big enough to have an impact if we acquired them. By this time, we're talking companies that are in the billion-dollar area, much bigger, that if we bought them…I put the earnings patterns together to see what it would do if the companies were together, and I came up with a list of five companies.

They happened to make jet airplanes, so we would go to meetings in the North American corporate jet; we'd go out and call on these companies and say, "Why don't you join up with us?" et cetera, et cetera. The senior partner would be there, but I would be the one that would give the presentation of what the advantages and disadvantages and all that [were]. I made fifty trips to Pittsburgh in one year. I was there almost every week, buying the company called Rockwell Standard. It became North American Rockwell, and now that same aerospace company on the West Coast is called simply Rockwell.

I did all the negotiations, and that gave me the expertise…In those days, before mergers and acquisitions was a big deal, I then became the worldwide head of mergers and acquisitions for McKinsey and went around to other offices, lecturing on how to do this, and they made me a partner.

DePue: Drawing an even bigger salary than you had been promised before?

MacDougal: Yes. And I became an owner of the firm.

DePue: McKinsey and Company?

MacDougal: Yes, McKinsey. A partner is an owner; you have shares…not a big owner, a little owner.

DePue: When did you become a partner?

MacDougal: I was the youngest one. It was at the end of five years, which would have been '68, 1968.

DePue: Would it be fair to say that you had unbridled optimism about your own abilities in the future?

MacDougal: Yes. Unwarranted optimism.

DePue: Unwarranted?

MacDougal: Perhaps unbridled and unwarranted. (laughs) But I had a corner office, with a couch, overlooking the city. I worked long hours, did a lot of traveling. I could see Pacific sunsets from my office. I had a sailboat in the marina there. It was to go over to Catalina. My wife had a horse, up in Malibu. I mean, there's no higher form of human life than being a very junior partner at McKinsey. (laughs) Even though you had to be in New York on a Tuesday and back in LA on a Wednesday and back in New York on Friday or whatever.

DePue: Why not stay there?

MacDougal: Because I **was** becoming more self-confident. And I thought, Why should I be advising these guys who are running these companies how to fix their companies and make them better? I charged by the hour. The one fellow in the aerospace company, had his ownership there, went up by millions of dollars. I thought, well, if I can do that for him, why shouldn't I do that for me? That was the kind of thinking that took hold.

As the head of finance and mergers and acquisitions at McKinsey, together with another partner, the two of us ran it together. I spent a lot of time on Wall Street. Even though I didn't have much money myself at that point, I had paid off school debt, had saved and had a pretty good income for those days. I knew where the real money was by then. I figured it out; it was on Wall Street.

So, I got to know people, and I thought, Someday, instead of being the one off-stage that's teaching these folks what to do, I'm going to be the one on the stage, and I'm going to run a company. It became a goal of mine to run a company, but not necessarily right away.

Well, I got a call one day from a Wall Street partner, who said, "We've got a company that's lost money seven out of nine years, and we're looking for a CEO [chief executive officer] to run it. Would you be interested?" I wasn't quite ready to go do that, but I knew it was in my mind. I said, "No, I'm too busy. I'm a partner," and blah, blah, blah. He said, "You've got to get to the airport from New York."—He called me when I was in New York—"Can I get a limo for you, and the two of us will ride out together?" And he persuaded me to take a look. The company was in Evanston, Illinois.

DePue: I was going to say, where is there? Okay, Evanston. That's a long drive together.

MacDougal: No, no, to the airport in New York, he and I talked. I didn't know him. We got to know each other then. He persuaded me, because I had also a client in Waukegan, actually, Fansteel. I don't know if you know Fansteel.

DePue: Fansteel?

MacDougal: Fansteel was the name of my client. It was either in North Chicago or Waukegan. He said, "Next time you're in the Chicago area, visiting your client, would you have dinner with the people who have control of this company that needs a CEO?" I said, "Well, I've got to have dinner somewhere." So I did that.

I met two of the most important people of my life at that dinner, and the guy whom I dedicated my book to, Harvey Braniger. They had control of a company called Clayton Mark, which was a company that was ninety years old. It lost money seven out of nine years. Clayton Mark died and had several sons, none of whom had shown much business talent. They sold control of it to a fellow named Harvey Braniger, who was a real estate developer, who didn't know much about manufacturing, but who was a wonderful human being and became the father that I never had. (laughs)

He was the most…He was a Christian Scientist. [He would] go out of his way to be wonderful to the maid that was cleaning the office. He was humble, was his main strength and picking people. I just really liked him at that dinner.

So they persuaded me to go visit the factory, and then I visited another factory. The next thing you know, I was going into my boss at McKinsey and saying, "I want to go run this company. They've offered me the chance to be the CEO." I only had $10,000 to put into it, because I had a house and two kids by then.

It was public and traded over-the-counter. It wasn't really on an exchange, but it was, in fact, traded. It was $10 a share. So I said, "Well, you know, this is the first thing that's come along. I want to be sure." It had lost money seven out of the preceding nine years. What makes me think I could fix it? I was pretty sure I could, because I'd fixed this other company, and I'd done other things.

DePue: Had you looked into it enough to know what their problems might have been?

MacDougal: Not really. I had been through the factories. I had talked to the people. I thought that they were not strong.

DePue: What were they making?

MacDougal: We had three product lines in those days. [We were] one of the leading manufacturers of water well equipment. These would be cylinders and faucets

for yard hydrants, for farm pumps and various equipment, other than the pump, everything you needed for a well, other than the pump. In my mind, as an acquisition I thought, if I took this company, I'd buy a pump company.

And then they made pressurized steel tubing, which went into gas air conditioners. There was a company named Bryant in Indianapolis that was a big customer. There was a big tube mill at the corner of Dempster and Dodge, there in Evanston. The third product line was ball valves.

I traded a high-rise, corner office, with a view of the Pacific, for a second-floor office in an old, old building, overlooking a Mobil station. But in the back, the factory there made ball valves, and it made tubing for gas air conditioners.

Then there was another factory, out in Lake Zurich, that made well equipment. There was a foundry down in Vermont, Illinois that did brass and bronze castings that were used by the factory, and there were some outside customers for that. That was pretty much it in those days. But there were 700 people.

The two folks that I had dinner with that night, one of them is still alive. We joke about this. I said, "You know, that dinner changed my life." And he said, "Well, you know, Harvey and I were wondering if we could find somebody to run this dog." (both laugh)

DePue: Are you willing to mention the other gentleman's name?

MacDougal: Yeah, his name is Jim Reed. You're welcome to talk to him. He's a wonderful guy. He was an Arthur Andersen accountant that became Harvey Braniger's VP of finance in the Braniger Real Estate Organization. Braniger Real Estate developed Galena Territories—I don't know if you've ever been up there, but it's [a] beautiful development, golf course and lakes and so forth—also Skidaway Island in Georgia. They ended up selling to Union Camp Paper, who needed their real estate development skills to optimize their timberlands, the two million acres of timberlands that they had. When Harvey went off that board, he suggested me, and I went on that board for twenty years.

[What] I learned about negotiating is, you have to have a plan B. So I said, "You know, this is a tough one, and it might not work." But I had enough confidence that I'd land on my feet. So I said, "I don't have any money to put in. I can put $10,000 in, which is, of my disposable net worth, probably all of it. So you know I'm serious. But we need to cook up a way, where if I double the stock from ten to twenty, I make $1 million."

The guy said, "No, that's too much." I said, "Well, okay. I've got a good partnership here in McKinsey, and I'm fine." They called back later and had a plan where there were different kinds of options and things. If we doubled it to twenty, I would make $1 million. Well, the stock went from ten

to 160, but it took a lot longer than it should have. It had to do with coaching Park District football and having a balanced family life. It wasn't easy, so it took sixteen years to do that.

DePue: Well, in a thumbnail, can you explain how you were able to turn things around?

MacDougal: How'd I do that? Yeah. First, what we did, we figured out that every employee of the 700 was worth a penny a share. In those days, $1 a share, for example in earnings, was worth $10 on the stock price. So what I had to do is create the equivalent of $10 in additional value by raising prices and cutting costs.

DePue: You're going to have to explain to somebody who didn't go to Harvard Business School how this works. My question, then, is, $1 of earnings per year equals—

MacDougal: Annual earnings per share, yeah.

DePue: Equals what, $10 on the price?

MacDougal: Yeah. In other words, if you look at any company—General Motors or IBM or whatever—they have annual earnings of a certain amount. Let's say it's IBM, and they earn $10 a share in 2013. Now, I don't know what IBM's price-earnings ratio is, but price means price of the stock and the earnings. IBM's price-earnings is probably twenty. So to the extent that they get $10 a share, that becomes twenty times ten, or $200 a share. So to get the stock price to go up, if you raise the earnings a dollar…Now, in my case, the company was not a fancy growth company, but $1 in annual earnings would be worth about $10 in the share price. When it was selling for $10 a share, the company wasn't earning $1, but there's sort of a bottom that it hits, that if you sold the factories, that you don't get below that. So we had to get up to that and then go beyond.

Maybe I'm getting a little bit too detailed, but given the number of shares that there were, you didn't have to cut much cost, in order to have it show up. So we cut some costs, but we also brought in a bunch of classmates, a bunch of young, compulsive achievers, about four of them. Over time, I hired two distinction graduates of the Harvard Business School.

DePue: Was that the top graduation honor?

MacDougal: Distinction was the top 10 percent, but a small handful were high distinction. Over time, I hired a Rhodes Scholar. I hired, later on, a guy who was first in his class at Harvard Business School, MIT guy, still a very close friend. For a small-to-medium-sized manufacturing company, we had some real tigers.

Because I had this—I'd call it [a] stable of tigers—I took the risk. If you asked, how did I do it? Twice I bought a company bigger than we were

that was broken, just like we were broken. Then I sent the tigers in to fix it. The last go around, we bought a company called Powers Regulator that's up in Skokie, on Oakton—it was then—that was number three to Johnson and Honeywell in building controls. HVAC (heating, ventilator and air conditioning).

After I made the first acquisition, I had to change their name from Clayton Mark to Mark Controls. So it was all about controls and engineering, although I almost didn't go with the company, back when I was telling you about it, because the technology was so primitive. I thought I was an engineer, and I wasn't going to be able to make the greatest contribution in a place that is so simplistic of valves and controls.

DePue: Another question of pure ignorance on my part, to the novice, what does controls mean?

MacDougal: Oil refineries were a big part of our business. I don't know if you've ever seen a picture of an oil refinery.

DePue: I drive pass one coming up here on Joliet.

MacDougal: Oh, you did? It has our valves in it, lots of pipes and then these big cylinders. I've got pictures. I've got, actually, the annual reports of the company, bound in leather, that I can just show you what it looks like. You control the flow through those pipes with valves. You have a handle on the valves. Through acquisitions, we ended up making ball valves, gate valves, check valves, and globe valves, different kinds of valves for different kinds of purposes and flow. So you can cut the flow down to a half by putting the handle over the half, or you can stop the flow completely, if you want to run a different way.

But then controls, you can put an automated motor on the top of the valve, and then run the control back to a control board. Then you can control on and off, which is the way nuclear power plants were, another group of customers. So somebody could sit in a control room and control. Nowadays, all processes get managed that way. In the old days, there used to be a guy with a greasy rag who did some amount of the turning of the wheels. A globe valve will have a handle like that. We kind of put our best foot forward by saying controls, but it was more valves than controls, although the valves did the controlling.

Then the biggest acquisition we made—which had several thousand people in it—was Powers Regulator, which was number three to Johnson and Honeywell in building controls. Building controls means controlling heating, ventilating and air conditioning, also security and some other functions sometimes. There were about forty offices around the country and Canada. The Chicago office installed and serviced One Magnificent Mile, the John Hancock—I've been up on the roof of the Hancock, looking at some of the

installation—O'Hare. If you go out to American Airlines or United Airlines, you will see MCC, Mark Controls Corporation, Powers on the thermostats. That was our division, MCC Powers that did that. So that's what I mean by building controls.

DePue: All of this discussion is leading up to the point of pursuing your passion, after you kind of hang it up after a while. I'm getting the sense that what you really excelled at—you can tell me if I'm off-base here—was figuring out how things work, organizations and institutions, and making them work much better.

MacDougal: Yes. There's no secret sauce. You've got to step back—which is a rare, unfortunately, occurrence, particularly in government, but also in business—and say, What is it that, at the end of the day, we want to accomplish? In business, it's not making more money as that is the primary thing. The primary thing is getting more customers and holding on to them, and then you'll make more money.

So the first thing I did, every time I would buy a company, and in McKinsey, when I was evaluating companies for various clients, is go out and talk to the ten biggest customers and find out what they liked about the company and what they didn't like about the company. I found, if you could fix those things that they didn't like, you could get more money for your product. If you got more money for your product, the stockholders would like that.

DePue: Did it take some convincing before they became candid with you and open with you?

MacDougal: No, customers are usually very quick to tell you what's wrong with the products, because it's in their interest, and they're thrilled to have somebody, a CEO or somebody at a high level, asking them their opinion, because often they're frustrated, and they feel nobody's listening to them. We ended up with 5,000 people in the company. So, you become a very remote figure, and they talk about "they." I like the idea of saying, "Now you're getting a chance to talk to 'they.' What do you have to say?"

So yes, it's not about engineering. It's not about numbers, although numbers are important. It's about customers and the people serving the customers. If you can get that right, the rest will take care of itself.

Marvin Bower at McKinsey, bless his heart… I've got a book about the life story of Marvin Bower. He was the founder and builder of McKinsey, and I was honored to have some pages in his book. [He] talked about the Judeo-Christian ethic, which means, bread cast upon the water returns many fold. So if you do a good job for your customers, it will pay off. But don't worry about the payoff; worry about doing a good job.

DePue: Well, easy to say, but I would imagine a lot of people in business get that reversed.

MacDougal: They do, and you can tell a company that's like that. If you've ever gone on ten holds, waiting to get to talk to somebody in some company, the phone company or whoever it is, you realize they've lost sight of the customer.

DePue: During this timeframe…I think we're talking about 1969 to '87, that timeframe? Is that how long you were in that—

MacDougal: Right, that's right. Very good.

DePue: Were you involved in politics at all? Did you stick your toe in the water?

MacDougal: Almost not at all. I remember Bob McClory was our congressman; I got invited to a fundraiser there. That was out in Lake County. I went to that, just as kind of somebody who lived in Barrington and maybe a little bit as a CEO.

But I found, our company was in Fortune's second 500, Fortune 1,000, number 650. We were not big enough, like the big banks here, who were affected by government in a major way, or the big companies, the big drug companies that we have, Baxter and all of them. They had to worry about government relations; they had FDA and so forth. So I had no reason as a company to get involved. I do think we bought a table at Jim Thompson's fundraiser one time. When you're a CEO, you're on everybody's list. I think we felt we should do that, and we did that. But I would consider it very tangential.

I do remember Dan Terra. Do you know who Terra is? He was a head of a company, a chemical company, and he created the Terra Museum here, a very wealthy guy. [He] was deeply involved in politics. He ended up with an office in the State Department, where he was ambassador for arts to the world or something like that. He wrote huge checks for…I guess then it was Reagan.

He came to me, in my office out there in Evanston one time, and he said, "Did you ever consider running for governor?" I was blown away. Me, (laughs) why would you say that to me? I was honored. I was flattered, because he was sort of an important person in politics. I now realize I shouldn't have been so flattered and honored, but I was at the time. I started thinking about politics a bit, but I never really had much time to get involved.

I remember sitting at the table with Nixon at dinner when I was a director of the Economic Club. I was always kind of interested in what these people are like.

DePue: Is that when Nixon was president?

MacDougal: I think it was right afterwards, but I'm not sure.

DePue: Anyway, I interrupted, sorry.

MacDougal: I don't know whether he was president or not. I think not, because I don't remember a lot of Secret Service and everything. I think it might have been afterwards. So anyway, the answer is, very little.

DePue: How would you describe your political views at the time?

MacDougal: I remember when Nixon put price controls on the country. Do you remember that period?

DePue: Yes.

MacDougal: They put price controls on our products, on our valves and controls, and not on scrap steel. Scrap steel prices went through the roof. So we were going to be bankrupted by the price controls, because we couldn't make our valves without the steel. (laughs) It terrified me; it really did.

But the fellow I shared an office with at McKinsey, a fellow named Fred Malek, who's still in the press a good bit—He's now the finance chairman for the Republican Governors' Association and gets quoted regularly. He raises billions for the Republican governors. I got some money for Brady from him—had gone off and run a company and done well and made a lot of money. He joined Nixon's staff. First he was deputy secretary of HHS, and then he came over and became the personnel officer of the White House, which is kind of a big deal, very smart guy, from Berwyn, went to West Point, became a Ranger, went to Harvard Business School, became top 10 percent, was sufficiently neurotic and still neurotic, as I am, that he went to McKinsey, and then left to run a company and did well. Then he went into government. And he was in the White House. At that time, I think he was deputy director of OMB [Office of Management and Budget].

Anyway, I called Fred and I said, "I'm panicked. We've got these price controls, and we just can't do that; we can't make our stuff. The scrap dealers, up in Milwaukee and places like that, they don't care about price controls." (both laugh) It's an example of a folly, of trying, from Washington, to manage the economy, which makes you a Republican, if you believe it is folly to try to do that.

DePue: Yet it was a Republican president who did it.

MacDougal: It was one of the stupidest things any Republican president had ever done and played right out of the liberal playbook. Well, it turned out Fred was best buddies with the guy who was in charge of wage and price controls, reporting directly to Nixon.

DePue: Malek was?

MacDougal: Malek was, yeah. I said, "Fred, you've got to fix this." He said, "Well, you've got to write me a memo." I said, "Can't you just tell him, you know?" He said, "No, the way things are done in government, it has to be on a piece of paper." So I made the case. "But no more than two pages," he said. So I wrote it up, and I came back, and I got an exemption. So to that extent, I was forced to get into politics, to save my skin.

DePue: But from a very business-oriented standpoint, it sounds like.

MacDougal: Yeah. I had at least three near-death experiences at Mark Controls. That was one of them. At the end of the day, the stock went from ten to 160, but it wasn't smooth.

DePue: Up and down.

MacDougal: Yeah.

DePue: I was wondering if another one might be during the oil embargo, or towards the late '70s when the economy was kind of going into the tank.

MacDougal: There were two recessions in the '70s, and one thing—which is the big chunk of when I did this. The stock market, I don't know if you know, but in 1970, was the same as 1980. It went nowhere, so you had no wind at your back at all.

DePue: Did the stock price stay at $10 for that entire timeframe?

MacDougal: It went to $17 once, and then we had a trauma. This first company we bought that was bigger than we were, it turned out, had faulty accounting. I had given a speech to the New York Society of Security Analysts two weeks earlier, explaining what the earnings were going to be, within a range. Then I got a call from Arthur Andersen, who was looking at the work of the other accountant that had been represented to us as solid, and instead of making fifty cents a share, we lost fifty cents a share. The stock went from $17 to $4. It was one of the darkest moments of my life.

In those days, we had slips for everybody that called. My desk was covered with pink slips. They shut down the stock—it was then on the American Stock Exchange—because nobody would buy it. It was tough.

I called up a friend from Harvard Business School, and I said, "I think we're better than this. This is a real setback, but fundamentally these companies belong together," and so forth. He bought all the shares that were then on the floor of the stock exchange. His son made our wedding cake, when Charlene and I married in 1992. We've been best friends since business school. He was a venture capital sponsor. I had to raise money to get the control of Mark Controls, of Clayton Mark. He was one of the investors there.

DePue: So essentially, he trusted your word that you're better than the stock price showed.

MacDougal: Yeah. But I had no idea how I was going to get out of this. I didn't say, "This is a one-time thing, and we're going to do this." I didn't know. My desk messages, including someone who was going to sue me. But anyway, I never got sued. I talked to everybody; I talked them through it, and saved a lot that way.

DePue: You haven't mentioned the stock buyer's name.

MacDougal: Carl Pforzheimer. P-f-o-r-z-h-e-i-m-e-r. There are two Pforzheimer professorships at Harvard and a Pforzheimer building at Harvard. His grandfather founded the American Stock Exchange. These are the kind of people you don't meet at UCLA. (both laugh)

DePue: But you do at Harvard?

MacDougal: Yeah. That's where I met him, yeah.

DePue: Did you also start to have opportunities to be involved with foundations at the time?

MacDougal: Toward the end of that seventeen years. But, early on, I just had nose to the grindstone and didn't do anything else. Occasionally, when you're a CEO of a public company—we started showing up in *Business Week* and *Wall Street Journal* and so forth—you get invited to go on the boards of other companies. At one time, I was on the board of four other companies, probably too many. Definitely, in today's day and age, they don't do that anymore. Probably, if I'd gone on fewer boards, it wouldn't have taken seventeen years. (laughs)

I think I properly viewed going on outside boards as my personal skill courses. In other words, I learned by watching other CEOs tackle the maintenance problems that they had. So it was kind of a personal development thing, plus the value they got from whatever I contributed to those boards. In those days, we didn't get paid all that much, compared to what happens these days, but I learned a lot. I felt, if I had just stayed in my office in Evanston and visited my own operations, I wouldn't have been as good as I was learning by being part of these other companies.

But I didn't do any do-gooder work, be it government commissions or foundation work or any of that, until later.

DePue: Did you learn any lessons—I'm sure you did—from these dips, these valleys, that you'd been talking about?

MacDougal: What I say—and this one guy that used to work for me there, we're still pretty close—tenacity, I guess. He views me as his sort of surrogate father. His

emails all say at the bottom, "Tenacity is everything," which he got from me. I get a huge kick out of it, because this is, God knows, how many years later, "Tenacity is everything." He's still doing business stuff.

DePue: You mentioned a couple of mentors here, especially Harvey Braniger. What did you learn from him?

MacDougal: Harve was a highly successful real estate developer and investor in Mark Controls. Gosh, I learned so much from him. It's hard to pin it down. [I learned] fundamental decency and belief in people and how you treat people. When I watched him…One night, when we worked late at his office…The relationship he had with the cleaning lady who came in, a black, heavyset gal; they were close friends. I mean, he cared about her, and she thought he was wonderful. I guess the biggest thing was the value of people, even if they aren't Harvard Business School people.

I have a real close relationship with a guard where I get my newspaper in the morning, in the back of this building. He's from the South Side of Chicago, a very tough neighborhood, and we talk a lot about that, because some of my subsequent work the last fifteen years has been in that neighborhood. We know a lot of people together and so forth. The biggest thing from Harvey would be caring about people.

A second thing would be faith. I was always a believer, but not as active as I ended up being. He had a big…I think it was 60,000 acre ranch in Arizona, and each of my kids went down there to spend the week with him. When they came back, he gave me suggestions. He was very candid with me about my weaknesses. He said, "You need to do a better job with them in church." (both laugh)

When I started getting my picture in *Business Week* and a lot of attention, 5,000 people working for me, invited to give speeches and invited to the White House and that sort of thing, he would write long letters—I've still got them—about not forgetting who you are, not getting a big head, being down to earth. I would always say, "What did I do to prompt that letter?" But he would say things to me that needed to be said. That's worth a lot. When you're the CEO, it is easy to lose perspective. Not many people tell you stuff like that. (laughs)

DePue: I know you were involved with the Russell Sage Foundation[2], the Annie E. Casey Foundation[3]. When did these happen?

[2] The Russell Sage Foundation is the principal American foundation devoted exclusively to research in the social sciences. Located in New York City, it is a research center, a funding source for studies by scholars at other academic and research institutions, and an active member of the nation's social science community. https://www.russellsage.org/ (accessed December 9, 2016).

MacDougal: Those came later.

DePue: That was after you had stepped away from the business world?

MacDougal: No, they were in the last few years of my time at Mark Controls—You could probably look it up, or I could—not in those early, struggling years. It was after we'd become a pretty decent-sized company and were doing pretty well. Maybe the stock had then gone from $10 to the equivalent of $50, and so our stockholders knew that they had done a good thing. We hadn't really done all that we needed to do, but I felt that I could finally do some of these things.

DePue: Did you court them, or did they court you?

MacDougal: They courted me. All of them did in those days. As an example, UPS came to me to go on the board. I turned them down at first, because they were not public, and I didn't know much about them, and they were these kind of funny guys that came up in these square trucks, with the brown outfits. (laughs) They kept calling up, and for about a year, every time I was in New York, they'd take me to lunch, different ones, the CEO and the VP, because they had no outside directors then—there were two of us that were the first—and finally, I grew to like them, and I said okay.

I was recommended by McKinsey. That's how they found out about me. But then on that board was a guy from Russell Sage, a fellow named Carl Kayzen. I don't know if his name's familiar to you, but Carl was the national security advisor for President Kennedy, deputy national security advisor, under McGeorge Bundy. He was a distinguished professor at Harvard. Then he became the head of the Institute for Advanced Study at Princeton. That's pretty heavy-duty stuff. As you know about the Institute for Advanced Study, where Einstein was. He was running that.

He became a really close friend of mine, while on the UPS board. So he would suggest me for various things. He suggested me for Russell Sage because he knew of my interest in people and how people worked or didn't work. That's how I got into Russell Sage. I was instrumental in having Russell Sage focus on poverty.

DePue: That wasn't their focus before?

MacDougal: No. I was there as we developed that focus. In fact, I had lunch last week with Eric Warner, who was there when we did that, and John Reed, who was then CEO of Citibank. I've always been interested in poverty; I explain it as Episcopalian guilt (laughs) that, what did I do to be born white, to be born with a capacity to do math, to be in the U.S., to be a male? All these things I

[3] The Annie E. Casey Foundation is devoted to developing a brighter future for millions of children at risk of poor educational, economic, social and health outcomes. http://www.aecf.org/about/.

had absolutely nothing to do with, that are pretty important things. I was involved in selecting that as a field at Russell Sage.

I guess I can give Russell Sage—I haven't really worded it this way before, and I might be missing something—an awful lot of credit for my interest in going to Jim Edgar and begging to look at welfare reform.

DePue: So it's a combination of Episcopalian guilt and Harvard—

MacDougal: Analytical needs.

DePue: Harvard chutzpah, to say, "I can fix this problem."

MacDougal: Yeah. Give me the most impossible thing that has been prevalent since the Dark Ages or whatever.

DePue: Maybe short of peace in the Middle East.

MacDougal: (both laugh) Right. But in the U.S., the most affluent country in the planet, to have 10 percent of the population not be a part of this country as we know it, that's wrong. If anybody can do it, I would think we should be able to. That drove me, that idea. I thought, How do you do this? I figured out that politicians had an awful lot to do with it, both causing it and fixing it.

DePue: As someone coming from a business background, would it be fair to say you're an unabashed capitalist, as well?

MacDougal: Oh, yeah, yeah. Now, unabashed might appear to endorse practices that some free market people engage in that I think are not appropriate. For example, in my company, we didn't lay people off without a very appropriate severance in relation to how long they had been there, without a lot of effort to find another place for them in the company, and without a lot of effort to find them a new place, if needed, because we knew you couldn't stop the music. If something was declining and something else was growing, you couldn't, just because you felt good about it, keep people nonproductive. I call it compassionate capitalism.

DePue: What did you learn from your experiences with the Russell Sage Foundation and the Annie E. Casey Foundation?

MacDougal: Russell Sage was fascinating, because all of the academic research on poverty…I read all of that, and I got, I think, a pretty good background as to what the forces are and what the issues were.

I ended up as chairman of the Russell Sage Board. Russell Sage, by the way, is getting a new CEO, and the old CEO and the new CEO and I had lunch last week in New York. Eric, the outgoing guy—he's a very smart guy from Harvard—did a pretty good job with Russell Sage. But he is an

unabashed liberal. We argue a lot, but I learn from him, and I think he learned from me, even though he doesn't do everything at Russell Sage [that] I would really like him to do. He introduced me to the new guy, a professor that specialized in poverty from the University of Michigan, named Sheldon Danziger.

Russell Sage provides a lot of background that I find useful—I read their stuff—but they are much too focused on having government fix it, rather than creating the climate so that the private sector, which is where the real jobs come from, can do it. So that's the nature of the argument. There are a few conservative academics, but not enough. (laughs)

And then the Casey Foundation, I was involved on the ground floor there, when Jim Casey died. I was the only non-UPSer on that board. That one, because I was a senior director at UPS, and I knew everybody. I said, "I'd like"…We've got this challenge of the hundreds of millions of dollars—ended up being several billion dollars—going into this foundation, and it was just UPSers who were really great at loading package cars and doing airplanes. That this was a real opportunity, I thought, to make a difference in people's lives, make a difference.

So I asked if I could be in on the ground floor when Jim Casey died and these billions came in to the Casey Foundation. I was one of the very first directors there, and I was a director there for twenty-five years. Some of the successes and failures of that foundation are ideas of mine that either worked out or didn't work out. I could show you the ones that I thought were going to work out that didn't. I would argue it was implementation, rather than the idea itself.

But the Casey experience was very valuable to me, because Casey actually…unlike Russell Sage, whose studies from data were academic, social science research, not funding social services organizations.

You've got your doctorate, so you know how that is. You go out in the field, but you look at your piece of it, and you come back and you do your thesis. That's different than the Casey Foundation, who started with UPSers, truck drivers, and actually initiated experiments out there that are ongoing, i.e., creating community groups and funding those groups, and—

DePue: But you're dealing with a group of people who know how to get something accomplished.

MacDougal: Yes, yes. [They] really do. UPSers will go through the wall, if they think that's what it takes to—

DePue: You alluded to successes and failures. Is there one example, again, one anecdote, that you can paint for us?

MacDougal: Yeah. The CEO of the Casey Foundation, whom I was involved in recruiting, who was a liberal, University of Wisconsin, who assured me he was middle-of-the-road, nonpartisan, objective, turned out not to be quite that. (laughs) His lefty reflexes, after he'd been there a few years, sort of took hold.

I wanted to have local groups take the various services offered by the state and integrate them with the private sector. So we did ten of those around the country. They did some good, but they never really did prove my thesis that you needed [a] holistic provision of services, working with the private sector, where the jobs are, in order to get that combination of temporary supports to lead into real jobs. That's one of the reasons I went to Jim Edgar to try to do this.

DePue: You're patting on the book to say the book's name is *Make a Difference*—the title, I should say—but what you're really referring to is your life's work in the 1990s and beyond.

MacDougal: Yeah, it really is, yeah. And very satisfying, even though it continues to have its meaningful frustrations.

DePue: (laughs) You didn't expect overnight success on this one, did you?

MacDougal: No.

DePue: Nineteen eighty-seven, apparently, you decided to step away from the business world and to take a completely different tack. Can you explain why and how that happened?

MacDougal: Yes. First of all, having your report card in the *Wall Street Journal* every ninety days, for seventeen years, is relentless, absolutely relentless. We had some ups and downs, and I referred to some of the really tough ones, the stock going from $17 to $4. There were a couple of others, I won't take you through. But, it's not easy at all. We ended up with factories around the world. We had them in Singapore, Hong Kong, Daun, Germany—which is outside of Dusseldorf—London, etc. It was a very demanding job. But we weren't big enough…We didn't have the number one market position anywhere, so it was one of those jobs where you had to keep scrambling all the time. You're sort of the underdog that somehow makes it. That was me. The company reflected men, in that respect.

We had some severe disappointments, where the stock went way down. I've talked about one of them. In 1985, I calculated that the company was worth (adjusted for stock splits) the equivalent of $160 a share, versus the $10 when we started, if we broke the company up and sold it in pieces. [Link to *Chicago Tribune* article, "Firm Beating Raiders to the Punch," http://macdougal.com/Articles/Business/KnowWhentoFoldThem.aspx] However, it was selling on the New York Stock Exchange for much less than that. By that time, having made two large acquisitions—a number of

acquisitions, but two that were bigger than we were—the control percentage that our investment group had had shrunk down to the point where I thought it was inevitable that some much bigger company would come, and since we were selling for $13 a share, they would offer $20 or something, and they would take us over, and that would be it. But I thought if I did it, it could be worth $32 or $33. So I did, and it was.

DePue: But I thought you were talking about $170, and now we're back in—

MacDougal: There were stock splits. The actual price on the NYSE that we sold it for was $32, but we had split the stock a number of times. Thank you, because I'm sure whoever might be listening to this tape would say, what the heck's going on here? But it was the equivalent of $160 (actually $170), because we had split the stock. I've got a chart that you can put in the file if you want. That's the actual price. If you looked at it in the newspaper during that period, it was $13, and ended up $33, but that didn't reflect the splits that occurred since we'd started at $10. Ten to $160 is adjusted for splits.

So our control had gotten down to a small number. We were doing pretty well. But I had been doing this for seventeen years, and I was thinking a lot about giving back. I'd been a very lucky guy, but I always say good luck happens to people that work their tails off. But not everybody who works their tail off has good luck, so you need a lot of things to be as fortunate as I was.

DePue: To include a couple helpful mentors along the way.

MacDougal: Yes, for sure. Anyway, I thought, This is a time for a career change. You can see the *Chicago Tribune* headline that says "CEO"—I forget what it was—"Breaks Up Company on Purpose" or something like that.

So I went about selling the most valuable entity and selling the other pieces and so forth. [We realized $160 a share, adjusted for splits, and left kind of a residual piece with some of the people that had been there with me, who'd never had a chance to be the CEO. And they did very well with it when they left.]

We sold Powers #3 to Honeywell and Johnson [Controls], in building controls, to Landis & Gyr, a Swiss building controls company that had no position in the U.S. for $134 million. We were left with the process control valves and controls, which I turned over to my longtime friend and colleague, Bill Bender. And it gave me a chance to go on and follow another passion that I was developing.

Some people say, "Why did you have the passion?" First of all, the passion was helping people that were less fortunate than I was. There was a lot of teasing. "Why do you feel that? Why don't you just go off and have a yacht and a big cigar and enjoy the ride?" (laughs) I say, "Well, I don't know.

Maybe it's the difference between being breastfed and bottle-fed." I mean, how do you explain it?

It's hard to explain, except that I've always been conscious of the fact that other people work hard—a lot of other people work hard—and didn't have the good fortune that I had. A lot of people, far from that circumstance, are brought up near where I was born, South Side of Chicago, who have terrible schools; their fathers' not around; there are drugs; there's no jobs, no transportation, on and on and on. And why was I put on this earth? What would God want me to do? I felt that that's something that I had to do, that I wanted to do.

You know, this might sound impure. I also thought it was intellectually challenging. I thought, You know, nobody's really figured this one out. I would like to figure it out. We've got these Russell Sage people who focus on poverty, but they're all academics. There's nothing wrong with having a Ph.D. and writing books for their field research. They do go out, and they meet people, and they write their theses. But I don't see them really getting their hands dirty all that much on an ongoing basis, number one. And number two, most of them don't have the business vision that would step back and look at this whole system and say, "How should it work in a way that will really move people from dependency to self-sufficiency? How did that work?" Focus on the customer.

That's when I went to Jim Edgar and I asked if I could look at the many state human services systems. I'd already had the background at the Russell Sage Foundation in poverty, and I'd already had the background at the Casey Foundation. Russell Sage is probably the leading think tank on poverty, and Casey's one of the biggest foundations pouring most of their money into this area. Here I was, a…Well, I was a chairman of one, and I was kind of a senior trustee of the other one. I had a background, at this point, as a CEO for seventeen years. I had these two foundations. I ought to see if I can make a difference in some people's lives.

DePue: Would it be fair to call this self-confidence?

MacDougal: Well, I wasn't sure that I'd be successful, but I knew I was going to try. Self-confidence would be, you'd walk through the South Side of Chicago and see all those guys hanging out on the street corners, you say, "I'm going to change that." I guess I had a little bit of that feeling, chutzpah, that I could change some of it.

But it's so massive. You know how much we spend now…You've seen my last article, $1 trillion per year nationally. That counts Medicaid, but it's still massive. So, to think that you can have an impact on that is a little bit arrogant, I guess, yeah. (laughs)

DePue: Well, I'm intrigued by your decision. One of the decisions at the time you stepped away from the business world was to do a little bit of traveling.

MacDougal: Well, there was that, but that was clearly interim. Politics and government weren't necessarily going to be interim.

DePue: I'm referring to the trip to Nepal.

MacDougal: Oh, yeah.

DePue: When did that happen?

MacDougal: Oh, yeah. You're right. That was the soul-searching deal.

DePue: I was a little bit unclear, when I read that portion of the book, when exactly that happened, but I—

MacDougal: Right after I sold my company, in 1987.

DePue: That's what I thought.

MacDougal: Yeah, what am I going to do when I grow up? I've got a lot of ideas, but I'd been on this frantic thing, building the company, near death experiences, selling the company, all this kind of stuff. I got divorced then. I was single. It was a clean slate in many respects. What am I going to do with this? I saw this as an opportunity to do some real reflection. I ended up trekking in Nepal with only one person, me. These Nepalese didn't speak English. So it was—

DePue: Why Nepal?

MacDougal: Well, this is the way to see Mount Everest.

DePue: Because it's there?

MacDougal: Yeah. It's the tallest mountain in the world. I've always been curious to see, with my own eyes, important things like that. How did I hear about how to do it? I can't recall exactly. But the idea of trekking for ten days or whatever it took, with a bunch of Nepalese Sherpas that spoke enough English so we could figure out the basics, but not enough that you could have a conversation, and seeing the tallest mountain in the world, very spiritual. That seemed like a really good thing to do to help clear the blackboard and figure out what I was going to do when I grew up.

DePue: I assume you didn't climb Mount Everest.

MacDougal: No. And there was no intention to do that. That is a different thing. But you can go trekking. You go into Kathmandu, and then you fly up to a place called

Lukla, and the Sherpas meet you. They take you up where you can view it. I wouldn't say close up, but closer than most people view it.

But I had climbed the Matterhorn, and I had climbed the Grand Teton, which are two pretty serious mountains. But I never really had, on my things-to-do list, climbing, because I'm not a professional climber. But these are good things to do.

DePue: The important question here, I think, is, what did you manage to sort out in this trip?

MacDougal: I thought, If you're going to help people that are disadvantaged, relative to yourself, I needed to figure out how I could have the greatest impact, help the most people in need. I didn't kid myself. I worked hard, but I was lucky. I was very fortunate to be good in math, and I had some skills. But I was a white person in the U.S., who had the chance to go to two good schools, through pure luck, without my parents helping. I was very much blessed with advantages other people didn't have.

So I felt Episcopalian guilt. (laughs) Don't I have an obligation to try to help people less fortunate than myself? As I said before, it's intellectually a very awesome challenge. Now, how do you do that? Well, politics plays a serious role in both helping and hurting the bottom 10 percent of the people in our country.

DePue: So just foundation work wasn't nearly enough for you?

MacDougal: No, not even close. That was something you do, sitting on a board, part-time. They do pieces of the puzzle, but there's no wholistic look at it. I was determined to do a wholistic look and see where the leverage points were. This sounds very arrogant, and I try not to…My friend Harvey, whenever I'd get arrogant, boy, would he call me on it.

But I wanted to get elected to the Senate, and my model there was Pat Moynihan [Daniel Patrick Moynihan, U.S. Senator 1977-2001]. I don't know if you remember Pat Moynihan, but he was both a Republican and a Democrat, which I found admirable. He angered the liberals, and he angered the conservatives as he got to the bottom of what the challenges are for folks on welfare and economically disadvantaged.

DePue: He was writing that in the late ‘60s, early ‘70s timeframe?

MacDougal: Yeah. And I never met him. He was one of the people I looked up to and would have been a model, if I had been successful in running for the Senate.

DePue: I'm a little bit rusty, but essentially he was writing and studying about the persistence of poverty and what led to it?

MacDougal: He did a lot of things, and he was a White House staffer, I think for Nixon.

DePue: Yeah, that sounds right, before he was a senator.

MacDougal: Yeah, and became a senator. He was a professor at Harvard, and he was poor Irish guy. As I say, unlike some of the others, I didn't know him, but I saw the massive spending in this article you saw, the one trillion—it's even more massive now—as both where the answer would lie, as well as some of the root causes. That's what made me gravitate toward the national scene, and that ended up with the reason why I joined the Bush campaign, Bush 41[4], is because I would help him get elected, and then he would help me work on the poverty problem. That's the deal I was looking for with him.

DePue: I'm curious about a couple of things here. You're explaining to people, once you come back from this trip to Nepal, and I'm sure you had some raised eyebrows—

MacDougal: Oh, yeah.

DePue: …and some things like that. Did you get some positive feedback, and did you get some negative feedback when you explained what you wanted to do with the rest of your life?

MacDougal: Nobody was negative. I mean, "Well, good for you," you know. "You're not just some rich guy who's going to go buy a yacht. You're going to try to do something." But there was a certain amount of skepticism. "Well, what the hell can you do?" And, "What do you know about it?" I said, "I was at Russell Sage Foundation, and we were one of the leading poverty researchers, and the Casey Foundation and so forth."

They knew of my interest, because the reason I stayed with the Casey Foundation and got actively involved there is because my people that know me know that I had already laid a lot of groundwork in the areas of disadvantage, before I went trekking in Nepal. So, when I came back, it was a question of finding how to engage in it. I was still on some other boards. Unlike now, where I'm largely not in the business world in any meaningful way. I'm an advisory director of a venture capital fund, but I spend almost no time, nor managing my own affairs. I've got it pretty much on autopilot. I don't want to spend time on that. Two reasons, one, it takes away from trying to help people with less advantage than me, and it bores me. (both laugh)

DePue: That's a powerful combination.

MacDougal: Yeah.

[4] George H.W. Bush has been referred to as "Bush 41", "Bush the Elder" or "George Bush Senior" to distinguish him from his eldest son, George W. Bush, the 43rd President of the United States. (https://en.wikipedia.org/wiki/George_H._W._Bush)

DePue: How did you end up getting your foot in the door with the Bush folks? I should preface this by saying this is the time when he's gearing up for his presidential campaign, correct?

MacDougal: Yeah, he was VP then. I don't know if I had met him or not. My friend, Fred Malek—We shared a cubicle together at McKinsey in LA in 1964 and '65—had moved to Washington, and he'd run his venture capital fund there, and he'd become very successful at that, kind of in and out. He ran all the Marriott hotels, Marriotts in Washington. He became a real Washington person.

Our wives, together, pushed their baby carriages in Griffith Park in LA, and the kids grew up together. We went on, I think, maybe fifteen family vacations together, skiing, usually. But when the ski conditions weren't right…At Marriott, he ran the cruise line. We'd go fly over to Europe. It was great to have a friend who ran a cruise line. So, we were and have been, to this day, very close.

He knew what I wanted to do, and he invited me to a Washington home, where Bush 41 was going to be at a fundraiser. I think I had to write a check. It was a small group, and it was the early days of Bush's campaign. I found myself in a corner with the vice president of the United States, and I said, "You know"—I figured I had nothing to lose—"you really come across poorly on TV. (both laugh) Did you ever think about"…Because I had been coached about TV by somebody who ran tapes and then taught me how to respond in short phrases. It's not hard to do, but it doesn't hurt to have somebody to run tapes of you and say, "Here's how you can do better." And I had been through that process.

I told him that I really wanted him to win, but I didn't think that he was coming across very well. Well, amazingly, Bush was receptive, and I found out later, he went to Roger Ailes [Roger Eugene Ailes, American media consultant and television executive]. I don't know if you know who Roger Ailes is. Roger became a longtime friend of mine. Bush is kind of a laid-back guy in a lot of ways, Bush 41. Roger really worked on him, and he got better. From that point on, I kind of got to know the Bush crowd. Then Fred and I volunteered to go to work full-time in the campaign, for free.

DePue: The price was right.

MacDougal: Yeah. Well, I had no political experience, so why would they pay me? I was realistic. So I went to work. I had an office in the campaign.

DePue: Did the vice president at that time know where your real passions laid?

MacDougal: I don't think so. No, I don't think so. No.

DePue: So, as far as he was concerned, here's this guy who had the gumption enough to tell me what he thinks, who's got a lot of managerial experience. He could be helpful in the campaign.

MacDougal: And in fact, I'm thinking back how that all happened, because a seminal moment…I don't know if the picture's in the book, but we were down seventeen points to Dukakis [Michael Dukakis, presidential candidate in 1988]. Did I talk about that in the book? I don't know if—

DePue: Yeah, I do recall that.

MacDougal: Fred and I had offices in the campaign, and he called me in and said…Oh, I know what happened. Lee Atwater [Republican Party consultant] and Bob Teeter [Robert M. Teeter, Republican Party strategist and pollster] had told him that I was a former partner at McKinsey, and they knew I was a friend of Fred Malek's, which was good, in terms of being able to trust me. Trust is huge in political campaigns. If you get a little piece of inside information, [and] you go running to the press, you could blow up a campaign. There's a lot of vetting that goes on.

We were down seventeen points, and Atwater and Teeter and Craig Fuller and the VP were pretty upset and pretty worried. So I told Atwater and Teeter that what I would do if I were them was have me go around and interview everybody and evaluate the campaign and go on out into the field and fly around Air Force Two, and figure out how it all worked, or didn't work, because we were down seventeen points. And I would come back and recommend what to do.

So they went in to Bush, over at the VP mansion, and said, "We've got this guy who…He's a partner at McKinsey, the most prestigious consulting firm," and blah, blah, blah. "He's willing to do this, and I think we ought to do it."

DePue: Essentially, you tell them you're going to do what you've done your entire life.

MacDougal: Yeah, right, right. And oddly enough, they decided they wanted to do it. So Bush meets with me to talk about it and invites me to ride in his limo, leaving the VP residence with a police escort. At one point, he said, "Let's talk to Jim Baker." So he picks up the phone in the VP's limo and calls Jim Baker, who is then secretary of the Treasury; he's up in Canada for some G-10 meeting or something.

Bush says, "Jim, I've got this guy here, a former McKinsey partner, who's been working on ways to make the campaign more effective. I want you to put the two of us on your lunch calendar. We don't want to have it over at the White House, because it's confidential. So let's do it off the record so it doesn't show up on your calendar or my calendar." So we got a date—I think

it was July 5—that the VP and I went over to Jim Baker's office for a breakfast meeting.

I'm a little bit out of synch here, because by that time, I had some conclusions. I had already done quite a few interviews and some analysis. I forgot a piece here. Early on, he had decided he wanted me to look around and talk to everybody and figure out what we're doing wrong and how to fix it. I did that for about a month. When I had done that, I was going to review it with him. He said, "Let's do it with Baker, too." That's what it was. So, I got my report—which I still have—I reviewed with the two of them. Is that picture in here, with Bush and Baker? I can't remember which ones I put in.

DePue: I don't recall.

MacDougal: [If] you go into my office, you'll see it. But anyway, Baker and I and the VP go through my report. I had a McKinsey-type discussion outline. I really tore the campaign apart. I said, "The office of vice president doesn't talk to the campaign. They think sending something over to campaign is like putting things down a black hole." I'd interviewed everybody in the campaign and everybody in the office of the vice president, so I knew what I was talking about, but I didn't nail anybody. I had enough credibility that I could synthesize. "The people over in the campaign think that the office of the vice president, over in the White House, is a hopeless bureaucracy. Everybody's shooting at everybody."

Anyway, I laid it all out, and a plan to get things back on track. They bought the plan, and I was in charge of implementing the plan. They moved my office up to the top floor with Teeter and Atwater, and I became one of the people that ran the thing. [I] flew around on Air Force Two; it was quite an experience for a guy who'd been running a controls company.

So we closed the 17 point gap and we won. I can't say we won just because of my reorganization, but I think we stopped making mistakes. I think we did things better. We became more focused. The office of vice president…I brought a couple of people over from there into the campaign, and we developed a good communications channel. The speeches started showing up for Air Force Two on time. I got the trains to run.

It was just business 1-A, but nobody there had had any business background. They were all political types. It seemed profound there, but it was basic stuff. And Dukakis did some self-immolation, which helped, and all of that led to a victory.

DePue: You weren't in the 1992 campaign, were you?

MacDougal: No. I came in at one point, when they were having a problem. I did a few things. But essentially, they had screwed that one up all by themselves, and I was doing something else. (laughs)

DePue: See, that begs the question, if you'd only been there in the campaign, history might have been different, huh?

MacDougal: There is that argument, because I know the two guys who ran it quite well. One was Fred Malek, and he was the campaign chairman. The other was Bob Teeter, whom I brought on the board of UPS. We'd become friends in the eighty-eight campaign, and I saw his skills—his analytical skills, not his managerial skills, very important difference—as being needed at UPS, and he became a very good UPS director. But it was wrong, I think, to have Bob be the campaign manager, because that was not his strength.

But anyway, I don't want to get too far into this, particularly on tape, but you've got to have the right tool in the right socket. (laughs) So I didn't do that. I was busy doing other things.

DePue: But I would think this is another great learning chapter in your life, to pursue your ultimate passion. What did you learn about politics that was going to be important to you later on?

MacDougal: Oh, gosh. That's a big question that I shouldn't really answer off the cuff, because I could name three things pretty quickly. But upon reflection, they might not be the three most important things. But let me take a crack at it.

DePue: You're enough of an engineer to always have a list, aren't you?

MacDougal: Yeah. One of the things is that most of the people in politics know nothing about management. So getting organized and focused…For example, Air Force Two would be flying in. They'd tell them just three days before that they wanted thousands of people out for a big rally and so forth. They didn't do their planning with sufficient time to do a quality job. So there were a lot of things that were managerial, a balance between knowing the political players and what the issues were and how to manage it, that needed to be meshed. It often isn't meshed.

The Romney campaign was terrible; it was just terrible. It's got to be geared with the message, and his message was never right. He should have won. Of course, Axelrod[5], who lives in this building, did a fabulous job at analyzing the voter base with the new tools that are available. That's something that could have been done by Republicans, if they'd had people in the campaign that would do that. I'm trying to figure out how we got where we are.

DePue: I asked you what you learned from being in the Bush campaign that was going to help you later.

[5] David M. Axelrod, born February 22, 1955, is an American political operative and political analyst, best known as the Chief Strategist for Barack Obama's presidential campaigns. https://en.wikipedia.org/wiki/David_Axelrod (accessed January 20, 2017)

MacDougal: I learned how politicians think. I also learned who the people were that you needed to talk to to get things done. Those are likely to survive further reflection as to what is valuable to learn, because to just go over to the State of Illinois Building—I had an office over there for a long time, a year or two, no, many more, longer than that. It probably says in the book. But anyway, I was over there a lot—isn't enough. You have to know how the political minds think, so that you can work with them to achieve their goals at the same time you're achieving fundamental change.

DePue: Well, I think there's part of that discussion that you're leaving out of there. How does the political mind work?

MacDougal: A very short-term mind. They tend not to think about their "legacy," until their last year or so. They're so used to reacting to the current press thing, or the whatever, that they don't think about fundamental change. It's enlightened self-interest in a way, because, unless they react short term, they're not going to be around to see the fundamental change, typically, because the big things that need changing are not things that you snap your fingers. They're things where you have to work over time.

You see what happened in this book; it took years. Even though Edgar was uniquely blessed with two terms, we got a lot of it done in that time. We didn't get it all done. Some things got even better after he left, because we had put the pieces in place.

DePue: In November of 1988, Bush wins the election. Nineteen ninety is the election for Governor Edgar. During what timeframe were you working with him? Was it after his election?

MacDougal: Let's see, what happened? No, I was with Edgar his very first time, very first election for governor. As I recall—

DePue: His first election would have been—

MacDougal: Ninety.

DePue: For governor, yes, ninety.

MacDougal: That's governor; that's what I'm talking about. A quick synopsis, and I don't want to take too much of your tape on this. Jim Baker stopped by, and it was clear Jim was going to be **the guy** for Bush, that there's nobody more influential on George Bush than Jim Baker. Jim doesn't suffer fools easily, a very smart guy. He can shoot an opponent, leave them dead, and no fingerprints. He is a master, a very smart guy and a master at the Washington game.

So Jim stops by my office and says, "What would you like to do?" I said, "I'd like to be secretary of HHS [Department of Health and Human

Services], because this way I can make a difference in a lot of folks' lives," and so on. It was well known that that's what I wanted. That was the whole reason I was there. I mean, I worked for nothing. They ended up paying for my expenses and my hotel room and everything, but no pay, but I didn't need any money. I worked for a good, solid year and late at night and running around the country and all that. I ended up becoming one of the top three or four folks in the campaign.

So I said I wanted to be secretary of HHS, because I figured I can impact issues I care about. I've got clippings that show that I was the lead candidate, *New York Times* and *Wall Street Journal* and so forth. During the time when you get a new president, they say, "These are the candidates" and so on, and that was me. There was nobody else on the list, really, because nobody wanted the job, (both laugh) nobody in the campaign, certainly, wanted it.

DePue: If I remember correctly, at the tail end of the Reagan years, there was all this talk about homeless people and the problems of persistent poverty and things like that.

MacDougal: Yeah. I could have been, I don't know, maybe secretary of the Navy or something. They thought I was nuts, you know, but that's what I wanted to do, for the reasons that we've talked about. So, I was showing up in the paper as in the lead to be secretary of HHS. We had what they call a transition office, which is a different office completely. Now it's not paid by the campaign; it's paid by government, because this is the president-elect. So I had an office, much nicer office.

DePue: With a salary?

MacDougal: No. No. So one day—and I was in the lead to be secretary of HHS—I thought, Boy, this political thing is pretty easy. I'm amazed. I show up a year ago; I work hard, and I do a few things. Now I'm going to be secretary of HHS. This is pretty amazing. Well, it turned out not to be quite that easy, because the son of the president-elect, whom we used to call Junior, with some amount of…Well, I'll just say we used to call him Junior, because, you know—

DePue: Now you call him 43 [43rd U.S. President, George W. Bush], I suspect.

MacDougal: That's right. (both laugh) "Stop by my office." He had an office right near mine, both in the campaign and in the transition. He said, "Gary, you would be a great secretary of HHS..." Do you know this story?

DePue: Well, I read it in the book.

MacDougal: Okay, then I don't want to tell it. "…but you've got a pigmentation problem." He said, "We've got all these white guys, and we're down to the end." Of course, they didn't care about HHS; nobody was coveting it. So it was left

kind of [at the] tail end. So a guy named Lou Sullivan[6] got it. Paul Gigot, who's now the editorial page editor of the *Wall Street Journal*, wrote this wonderful piece that I have enshrined in my scrapbook, that said, "It's called tokenism versus competence." The black Lou Sullivan was tokenism, and I was competence, and they had made a mistake. So that's what I got for that. (laughs)

I had a good time, because they called me up and asked me if I was interested in going to the UN, just for a year, to be a delegate. That would be fun, because I'd get to meet heads of state and see how the international system worked. And I did. I met Mubarak[7], and I met Margaret Thatcher[8]. It was a great experience, but it wasn't kind of leading anywhere. But I learned a lot.

Then the governor's race happened, and Jim Edgar was running. I'm trying to remember how I got to meet Jim. Somebody introduced me. And I volunteered; I went over there, and I had an office.

DePue: His campaign office here in Chicago?

MacDougal: Yeah. Yeah. I spent a lot of time there, and I did position papers on, guess what? (laughs) Human services.

DePue: What were you saying in those position papers, that you wanted to consolidate the human service effort?

MacDougal: What I did first is I went to Jim, and I said I wanted to learn about how the system in Illinois worked, so that I could recommend to him what he might do in those areas. Now, who was his opponent? Was it Dawn Clark Netsch[9]?

DePue: No, it was Neil Hartigan[10].

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[6] Louis Wade Sullivan (born November 3, 1933) is an active health policy leader, minority health advocate, author, physician, and educator. He served as the Secretary of the U.S. Department of Health and Human Services during President George H. W. Bush's Administration and was founding dean of the Morehouse School of Medicine. (https://en.wikipedia.org/wiki/Louis_Wade_Sullivan.)

[7] Muhammad Hosni El Sayed Mubarak is a former Egyptian military and political leader who served as the fourth president of Egypt from 1981 to 2011. (https://en.wikipedia.org/wiki/Hosni_Mubarak)

[8] Margaret Hilda Thatcher, Baroness Thatcher, LG, OM, PC, FRS, FRIC, was a British stateswoman who was the prime minister of the United Kingdom from 1979 to 1990 and the leader of the Conservative Party from 1975 to 1990. She was the longest-serving British prime minister of the 20th century and the first woman to have held the office. (https://en.wikipedia.org/wiki/Margaret_Thatcher)

[9] Dawn Clark Netsch was an Illinois professor of law and politician. A member of the Democratic Party, she served in the Illinois State Senate, as Illinois comptroller and in 1994 was the first woman to be nominated by a major political party to run for governor of Illinois. She lost that election to the incumbent, Governor Jim Edgar. (https://en.wikipedia.org/wiki/Dawn_Clark_Netsch)

[10] Neil F. Hartigan (born May 4, 1938) is an Illinois Democrat who has served as Illinois attorney general, the 40th lieutenant governor, and a justice of the Illinois Appellate Court. Hartigan also was the Democratic nominee for governor in 1990 but lost the race to Republican Jim Edgar. (https://en.wikipedia.org/wiki/Neil_Hartigan)

MacDougal: First time was Hartigan. Was the second time…Was Netsch?

DePue: Ninety-four was the Netsch campaign. So he had the attorney general that he was running against, and you knew it was going to be a tight race, because they're both very prominent, with state-wide recognition.

MacDougal: Yeah. Here I am in your area, so I'm going to look to you on some of this history. My idea was to, A), help Jim get elected, but B), learn enough about my passion, fixing human services so people could move from dependency to self-sufficiency. So I went to work in his campaign. I got agreement that I would go around, and I went to the welfare offices, public aid and alcohol and substance abuse. I went through the whole thing and got an understanding of how hopelessly fragmented it was, why it was no surprise to me, as a former business school, McKinsey guy that people got mired in the system, and they didn't ever get out.

There was no job at the end. The alcohol and substance abuse folks didn't connect with jobs, so they'd go through all the treatment, and the folks would go back on the street. It was just…I could spend the next day telling you all that was wrong and the reason why people didn't move from dependency to self-sufficiency.

DePue: You were doing this in the midst of the campaign?

MacDougal: Yeah.

DePue: And again, in an unpaid status?

MacDougal: Yep.

DePue: What was the title?

MacDougal: It's a real secret. If you work for free, it's amazing how many people will hire you. (both laugh)

DePue: I can't say I'm shocked.

MacDougal: Now, I did other stuff. In fact, when Carter Hendren got stuck… I guess it was…No, it wasn't Carter; it was Cullerton. No, that was Jim Ryan. I don't want to merge my campaigns here.

DePue: Carter Hendren was Edgar's campaign manager.

MacDougal: Yeah, yeah. What I did was I went out—and I've still got the report—and I came back, no surprise that it was so highly fragmented that they weren't getting people to exit the system. There you go; there's my chart, right there.

DePue: Yeah, this is a cartoon that appeared—

MacDougal: Yeah. Some reporter picked it up.

DePue: Mike Thompson, *State Journal-Register*, a skilled cartoonist.

MacDougal: Yeah, that's my chart. You saw it in here, I think. That helped me a lot, by the way.

DePue: This cartoon came out in the campaign?

MacDougal: You might have to correct me on the sequences, because I did another campaign with Jim Ryan that was less successful.

DePue: That would have been the 2002 campaign that Ryan lost to Rod Blagojevich.

MacDougal: Yeah. There, I became party chairman, which wasn't my intention at all. My intention, very much, with Jim Edgar, was to get to know more about how the pieces of the puzzle didn't work together than anybody, because you have a lot of people that are experts in one or the other, but nobody—Jim or Carter or anybody included—really understood how it all worked. It's really common sense. Again, it's like McKinsey consulting. You go to the customer. Who's the customer this time? The customer's the person that is in poverty, on welfare, and getting lots of state and federal money and never gets a job.

DePue: The Jim Edgar that I know had a reputation of being something of a policy wonk, but also a politician to the core. He was certainly focused like a laser beam on winning that election. Did you find him a receptive person, during the campaign?

MacDougal: Yes. Yes. Jim very much, I think, approved of what I was doing, and he paid close attention to the results as we were going along. I think he understood what some of the issues were. [link to Chicago Tribune article, "New Era Coming in Human Services" http://macdougal.com/Articles/PublicPolicyWelfareReform/NewEraComingInHumanServices.aspx]

He didn't give it a lot of time, but I have to be respectful and understand that, being governor, there's highways and there's crime, etc. and there's this and…I don't know; I can't question what the proper allocation of time should be, because I didn't see him much at all. But to his credit, he deputized some of his very top people to the governor's task force that I then ran. Howard Peters, key guy. Joan Walters, absolutely essential to all of this.

DePue: I'm assuming those two, though, would have been people that you would have encountered more after the election, not before?

MacDougal: Oh, yeah. I was jumping ahead. After the election, I said, "Okay." I mean, I'd helped him with the election. And in particular…I was trying to think; I guess it was his reelection where—was it Dawn Clark Netsch?—started getting after

him, that he's got these problems in human services, and you've got all these people on welfare. It's easy to come up with horror stories.

I'd prepared a thing for him, where he knocked her dead. He said, "I not only care about all these things; I not only understand all these things, but I have set up a task force headed by a McKinsey guy, who's got a cross section of everybody on it, and we're going down the road." So he knocked her dead on that one, and she had to go find some other way to attack him. But, we'd only been at it four years at that point. We hadn't done the massive reorganization.

DePue: Was part of the reason the massive reorganization hadn't happened yet, because the Democrats had control in the House at that time?

MacDougal: I can't say for sure. I wasn't pushing for it to happen in the first four years, because we had these pilot programs, five of them, around the state. And—

DePue: Well, here's the short-term versus long-term difference between politicians and managers, then.

MacDougal: Yeah. I didn't feel ready to change it. I felt, if I was going to prove to the governor and to people like Pate Philip and the Democrats, that the little fiefdoms, which each had its own director…Alcohol and substance abuse [Illinois Department of Alcohol and Substance Abuse], they had their own little group that fed off of them. You know how that works. If I were to break those down, I had to have pretty persuasive data and experience to do that. So I didn't push for the one-stop shopping until we'd been up and running for a while.

DePue: What I'd like to recommend, because we're closing in on two and a half hours here—

MacDougal: Oh, my. We were only supposed to get two.

DePue: (laughs) That's okay. I want to finish today with a little discussion about your run for the U.S. Senate and then decision to bow out for that race.

MacDougal: Would you like me to give shorter answers? Because I'd be pleased to do that.

DePue: I like the longer discussions.

MacDougal: Because I have a tendency to want to tell you everything, and—

DePue: The value of oral histories is we can delve into these subjects in as much depth as we need to, and that's why I think this has been an excellent discussion.

MacDougal: Okay. As long as you're not thinking that…See, my sons tell me that, you know, you ask me what time it is, and I'll tell you how to make a watch. So I want to make sure that I'm meeting whatever you consider your needs to be. Okay, now where are we? Oh, the Senate race.

DePue: I wanted to ask you about the Senate race.

MacDougal: Well, I just thought—since I couldn't get to be HHS secretary—that my dream, another dream, dream B, (laughs) would be I could run for the Senate and become…I actually used the words, a Pat Moynihan, that this would be an area that very few senators pay much attention to, and yet it's a $1 trillion a year now. It was less than that then, but now it's $1 trillion a year in federal, state and local government spending. You saw my article.

DePue: That's only the biggest part of the federal budget, I would think.

MacDougal: Well, no, there—

DePue: Defense was up there.

MacDougal: Yeah. But it's a big one; it's mind-bogglingly big, and it's all fragmented and ineffective, much of it, unless some state has done as we did and try to overcome the hurdles that are necessary to overcome, in order to have it as integrated as it possibly could be. I didn't campaign on that—I'm going to go and fix human services—because that's not what voters in Illinois care about, and I was going to do the other stuff, too. I was worried about being strong in the military. I had a good background there and so forth. I ran twice.

DePue: You mentioned Richard Ogilvie's influence.

MacDougal: Yeah. What a great guy he was. I don't know if you ever knew him.

DePue: No.

MacDougal: There's nobody around like him anymore.

DePue: If you ask the senior politicians today who they admire, certainly the Republicans, and especially Jim Edgar, they would say it's Richard Ogilvie.

MacDougal: Yeah, smart guy, nice guy, and he knew how to change things in a constructive way. I had lunch with him, I think. Oh, yeah, yeah, I did.

DePue: I'll just mention this real quickly. He was elected to office in ‘68, taking over from Kerner, actually, Shapiro, and was defeated four years later, because he had the audacity to establish a state income tax.

MacDougal: Yeah. (laughs) It was about that time, I had lunch with him, or maybe it was just after. I said, “You know, I admire you. I think that a lot of what I care

about is best done from a political vantage point. So I'd like to help out, maybe do some policy work or whatever." He said, "Why don't you run for U.S. Senate?" I said, "What?" (both laugh) Literally, that's how it happened. I said, "Don't I have to learn something about politics first, before I do that?" "No," he said, "I think you'd be a good candidate."

Well, little did I know that they were looking a little bit for cannon fodder for Paul Simon. (laughs) The smart politicians knew better than to run against Paul. But I was honored. I thought, Well, you know, maybe there's a moment in time where things are so bad that a businessman might look attractive, rather than yet another politician, even if it's a smooth one like the guy with the bow tie.

I had known Paul Simon, because I had actually brought him to speak to a UPS management conference. We had ridden together back to Washington. He seemed very sensible, and we talked a little bit about welfare and so forth. I also discussed the idea of running with Lee Atwater, the head of the Republican National Committee, and he was strongly supportive.

But then I realized what Paul's trick was. He was, I think, the most liberal senator in the U.S. Senate by voting record. That's what he did in Washington. When he came back here, with the bow tie, he talked middle-of-the-road. So he was able to be one of the most popular senators we've had. Anyway, so Ogilvie wanted me to run against Simon.

DePue: In the 1990 race?

MacDougal: Yeah, I think it would have been [the] '90 race, yeah. So I spent six months in what I would call a listening tour, preparatory tour. I actually had an office over here on LaSalle Street. I raised $300,000 to $400,000, with strong support in Illinois and DC. It was assumed that I would be the candidate, and I thought I was going to be the candidate.

So I was enjoying it. I was doing Lincoln Day dinners. I got somebody to video my stump speech, and I kind of worked on that. I created a new set of skills (laughs) and—

DePue: Did you think, going into it, that you could pull it off, that you could win?

MacDougal: I said, "The odds are long, but I'm learning a lot, and politics is capricious. You really don't know much. And Paul Simon is the most liberal senator in the Senate by voting record, and Illinois is not,"—not back then, anyway. I felt I had the facts on my side. He is, in fact, if you look at what he actually does, out of step.

So I had a pretty good stump speech, and I started raising money. I think that it would have been an interesting campaign. I thought I had him on

a couple of specifics. I thought the time was right for a businessperson. But then I got a call from the White House. Do you know about this part?

DePue: Again, I read about it, but—

MacDougal: Is that in my book?

DePue: I do want to hear this.

MacDougal: Okay. My kids and my wife always correct me, saying, "You know, we've heard that." First of all, my friend, Lee Atwater [Harvey LeRoy "Lee" Atwater] called. He said, "I'm really embarrassed," because Lee had encouraged me to do it. He had said earlier, "We need a candidate, and you'd be a good candidate, and it could be the right time for a business guy, instead of a typical politician, because of the way"—

DePue: Was he national chair at the time?

MacDougal: Lee? Yeah, Lee was the head of the Republican National Committee. He's a guy I worked with, with Teeter, when I did my study of the campaign and running the campaign. Teeter and Atwater weren't getting along, and I was sort of making peace with those two guys, also Roger Ailes. I was sort of the glue, which was kind of fun for me, although I thought, god, are all the campaigns this dysfunctional? And we won—

DePue: Isn't Atwater something of a colorful personality in his own right?

MacDougal: Oh, yeah. I've got Atwater stories that could keep us here for a long time. So where was I? Back to the campaign. I get this call from Lee Atwater, and he says, "Lynn Martin wants to run." I said, "How did that happen?" He said, "Well, she lost out on a leadership election in the House." He said, "I don't know if you know this, Gary, but she came out for Bush in '84, when nobody did." He had a nascent presidential nomination run that went nowhere, but she was one of the ones.

DePue: Eighty-four, he would have still been vice president. Reagan was leading the ticket. You mean '80?

MacDougal: Yeah, it must have been '80, must have been. I think he was in the field when Reagan got it. You're the one [who] could check that. But she came out for him when nobody did, in an earlier election, which went nowhere, but earned his loyalty. The story I was given—You know, Washington's Washington; I'll never know the exact fingerprints on this one—is that Atwater had nothing to do with it and knew nothing about it, and Lynn Martin went in the back door, talked to the president, because he had this loyalty, and the president called Atwater and said, "I want Lynn Martin to run against Paul Simon, because she wants to do it, and she's lost this leadership race in the House, and that's what she wants to do."

So Lee called me, with the news. I said, "You're making a bad mistake here. I don't think she'll do very well, because she's very liberal, and I think you need some kind of a contrast here with Paul Simon." I put together a list of her position on issues and Simon positions, which lined up, and then my positions and Bush's positions. Bush and I lined up. Her candidacy was really quite wrong; it really was. I said, "I'd like to talk to the president about that."

Anyway, the bottom line is, she lost by one of the biggest margins ever. Now, maybe I would have not done as well as I think, but I think I could have done better. Is that picture in there?

DePue: Let me see what we got in here. I don't think it's there. (looks through book)

MacDougal: Yeah, that's it.

DePue: That's it?

MacDougal: That's it, yeah. I had that sheet there, explaining my positions and her positions and so forth. He put his head in his hands and said, "Boy, I really screwed this one up. But I've given my word." I said, "Well, I'll be a good solider. I won't run against her. But I think this was a big mistake."

DePue: I think the phrase you used in the book was "loyal to a fault" in explaining Bush's decision.

Gary MacDougal and former President George H.W. Bush sit in the Oval Office, discussing the Illinois Senate race of 1990.

MacDougal: If I had been more experienced in politics, I would have probably not acquiesced and pulled out. So I recall I left the Oval Office and went over to the Hill [Capitol Hill]. Lynn and I went outside, and the Washington press corps was around. I came up with some kind of reason why I was deferring to her [Lynn Martin]. [It was] very painful, because I'd already spent six months. I'd raised a lot of money. I was starting to learn how to do it.

DePue: Obviously was before the Republican primary in 1990, then?

MacDougal: Yeah, because I had not filed and run against her. We were both exploratory. I was the exploratory candidate, and she was getting ready to file.

DePue: That sounds like it's late 1989 or sometime in 1989. So the perfect segue, then, if you will, to approach the Edgar campaign, because he would have launched his campaign in August of 1989?

MacDougal: Yeah, yeah. Then there was a brief flirtation with running against Alan Dixon. Do you remember that?

DePue: That would have been '92.

MacDougal: Yeah. Somebody asked me to do that. Dixon was viewed as unbeatable, at that point. I don't know if you remember that, but he was…"Al the Pal" had friends on both sides of the aisle, absolutely no principles, but a lot of political savvy, likeable guy.

DePue: Got beat in the primary.

MacDougal: Yeah, he did.

DePue: In the year of the woman, Carol Moseley Braun beat him.

MacDougal: They wanted me to run, and I pulled out, because the Republican establishment, with Paul Simon—you know this because of your world you're in—there wasn't a single Republican that wouldn't want to see Paul Simon get beaten. So I had no problem raising hundreds of thousands of dollars, even in my exploratory early days and even out of state. Bucky Bush,[11] down in St. Louis, had a fundraiser for me, and I came back with, I don't know, $50,000 or something.

With Alan Dixon, he had so many friends that were Republicans that I had trouble raising money. I remember Bob Pritzker [Robert Alan Pritzker], hardcore Republican guy, but with a lot of business interests. He said, "Gary," he said, "I'll write you a check, but I don't want to be on your exploratory committee, because the Hyatt, they're doing enough stuff with 'Al the Pal' that…"

So I found a lot of that, that the Republicans were wimps when it came to taking on "Al the Pal." I thought, Well, Christ, this is a lot of work. And if those guys aren't even willing to write a check—and these are people that I know—I'm not going to do this. It's not going to work, because I need the money. They viewed him as unbeatable. So, then I pulled out, and lo and behold, Carol Braun beats him. (laughs)

[11] William Henry Trotter "Bucky" Bush (born July 14, 1938) is the youngest son of Prescott Sheldon Bush and Dorothy Walker Bush, the youngest brother of former President George H. W. Bush, and the uncle of former President George W. Bush. https://en.wikipedia.org/wiki/William_H._T._Bush

I remember calling up Jim and saying, "You know, Republicans aren't committed to beating this guy. The ones that gave me money for Simon don't give me money for Dixon, and life's too short. My dream in the world is not to be a U.S. senator. That would be useful, in terms of what I care about. If I could do it, I would, but I've got to be realistic. I can't do it without money, and I'm not going to take the money I made building Mark Controls for seventeen years and…" Plus, there were limits. I don't think I could have, anyway. I think there was a limit to what I could have done. So anyway, that's how that went down. Is that enough for now?

DePue: Yeah, I think so. Tomorrow, we get to talk in earnest about reforming the health and welfare system—How would you phrase it?—for the state of Illinois.

MacDougal: Human services.

DePue: Human services.

MacDougal: Human services, broadly defined. That's really what is driving all of this discussion we had, up to this point, is you're seeing a businessman who is hunting and investigating, trying to find a way to have an impact on human services systems in Illinois and then, eventually, the country.

DePue: That's a great way to finish. Thank you very much.

(end of transcript #1)

Interview with Gary MacDougal

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Interview # 2: July 26, 2013

Interviewer: Mark DePue

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Note to the Reader: Readers of the oral history memoir should bear in mind that this is a transcript of the spoken word, and that the interviewer, interviewee and editor sought to preserve the informal, conversational style that is inherent in such historical sources. The

DePue: Today is Friday, July 26, 2013. My name is Mark DePue, director of oral history of the Abraham Lincoln Presidential Library. I've got my second session today with Gary MacDougal, and we are once again in his apartment, gorgeous apartment overlooking Lake Michigan, in Chicago. Good morning, sir.

MacDougal: Good morning. We had fun yesterday, and I'm ready to go.

DePue: We ended yesterday with a discussion about approaching the Edgar campaign to run for governor, and your involvement with that campaign. I think it's roughly this timeframe, as well, you just mentioned, that you got remarried. You got married again.

MacDougal: I did. I was single for seven or eight years, pretty much determined never to get married again. [link to online announcement http://www.nytimes.com/1992/06/21/style/weddings-charlene-gehm-and-gary-macdougal.html?mcubz=0] But then Charlene came along, and everything changed. We've been great together for over twenty years now. So I'm a really lucky guy.

DePue: What was her career before she ran into you?

MacDougal: Charlene was a top ballerina in New York, with the New York Joffrey Ballet. She was a partner of the well-known Rudolf Nureyev, dancing all over the world. [She] took a couple of breaks from ballet and performed in *West Side Story* and *Phantom of the Opera*. She just is a very talented person with a wonderful career. Then when we got married, she went back and got her bachelor's degree at NYU, taking such things as accounting, where she actually does our taxes now, and got her master's degree in medieval studies from Columbia University. She was graduation speaker at NYU, honors and so forth. So she finished in her forties what most of us did when we were in our late teens and early twenties.

DePue: Sounds like you met her in between these two careers that she had.

MacDougal: Yes. She was about ready to switch over. I did spend a year or two as a stage-door Johnny, running around the country and the world, finding where you could buy the red roses. That was interesting and fun for a guy with no artistic talent whatsoever but who really appreciated the arts. I did spot her and get to meet her at the end of her career, so I had a chance to participate.

DePue: She had quite a resume coming out of that. Did she sing as well?

MacDougal: She had to sing in *Phantom of the Opera* and in *West Side Story*, but she's primarily a dancer. If you look at her on YouTube[12]—her maiden name was Gehm, Charlene Gehm-MacDougal, you'll see—

DePue: Gam?

MacDougal: Gehm, G-e-h-m. You'll see that she is an actress as well as a dancer. But mostly she's just a wonderful partner, and we love to do the same things, and we love to travel around the world. So I'm a lucky guy.

DePue: Does she share your passion, your interest, in solving issues like poverty?

MacDougal: Yes. It's funny you should ask. We go to Bulgaria twice a year, and we spend a solid week there, breakfast all the way through dinners, all week long. We travel all over the country, and she has been through more Roma villages, where there's no water, etc.—often you have to walk down with a jar Charlene Gehm-MacDougal not paved roads. A Roma gypsy village in Bulgaria is a very unfortunate, primitive situation. She's been to Bulgaria and done this probably fifteen times. So she is very interested, and a great partner on that.

DePue: That was part of your career we kind of glossed over for reasons yesterday, and that was the United Nations chapter. But I know that part of your work there was with Bulgaria, correct?

MacDougal: Yes. I was, among other things, the liaison to the East Bloc for the US mission to the United Nations, as one of five presidential appointees, working with the ambassador, who was then Tom Pickering [Thomas Reeve Pickering, U.S. Ambassador to the United Nations 1989-1982]. So I would have lunch with the East Bloc ambassadors, Hungary, Bulgaria, Czechoslovakia, Poland, Romania.

At the same time, I remember one time we had lunch, and on the television, the people were in the streets in one of those countries. These ambassadors were worried about their lives when they returned, because there was very senior Communists. They were worried about their pensions. They wanted to learn about this thing called capitalism and free markets. I was the only businessman in the U.S. mission, so I became sort of a tutor. It was a very, very interesting time.

DePue: There had to be lessons or things that you were picking up during that experience that are going to relate directly to what you would be doing in the mid-1990s. So let me ask you this. Watching and seeing the implosion of the Soviet Union and the Communist Bloc in Eastern Europe, and obviously working with the Roma population and seeing firsthand how Communists—theoretically at least—dealt with poverty, were you learning things about how

[12] Founded in 2005, YouTube quickly became one of the most popular video sites on the Internet, with millions of videos uploaded and shared. (https://www.lifewire.com/youtube-101-3481847)

you might want to approach things, coming back here and trying to solve the same problems?

MacDougal: It was more because of the timing. I started really getting into the Roma situation only in the last five years, because prior to that, we were an investment fund. We were investing in Bulgaria, finding young entrepreneurs that weren't tainted by the Communist mentality that wanted to build a business. You go to Bulgaria right now, you'll see an outfit nationwide, in almost every town, called Happy Chicken, which is a combination of Kentucky Fried and Hooters, cute girls with short skirts serving chicken, with an atmosphere of sort of a party surrounding it. This was something we'd financed with our investment fund; a young entrepreneur did that. We did a whole bunch of things.

It was more the experience and going into the neighborhoods and working with people who couldn't get jobs here in Illinois that informed my work with the Roma in Bulgaria, because of the sequence; it occurred here first. But the parallels are really quite interesting. You probably don't have enough time to go through them all, but essentially it comes down to education and jobs and discrimination.

DePue: I wanted to move into Edgar winning the election, a pretty close election against Neil Hartigan. It was late into the night of Election Day before they finally knew that he had actually won the election. What happens next, as far as you and your desires are concerned?

MacDougal: I had been working with Jim to help him build his network with the various constituencies that were involved, and in particular, given my interest, which you recorded much of yesterday, in people who weren't as fortunate as you and I, in terms of where they showed up on this earth. So, I felt it was my job to be the person that connected him with those issues and that world. During the campaign, I had done that.

I also did some other things he liked. I brought him as a guest to the Economic Club and seated him at a table with a bunch of CEOs that could be helpful to him, hopefully, one way or another.

DePue: Like in financing the campaign?

MacDougal: Well, yes, but just credibility in general. I took him to the kind of VIP session before one of the Economic Club meetings. [I] took him around, introduced him to the various CEOs at his table. He was very appreciative of…I wasn't a paid worker; I was just somebody who wanted Jim to win [as a result] of my work, helping him in that regard. He was always very gracious, always thanked me.

But in return, even though he and his people might not have made it as high a priority as I might have, giving me the license to go into the system to

learn about the issues relating to moving people from dependency to self-sufficiency, which I regard as the key to reducing poverty. So he let me do that.

By the time of the election itself, I had already visited public aid offices, intake centers for crack babies, etc. I had learned about alcohol and substance abuse. There were six departments that were all serving economically disadvantaged people, and I put together a paper on it. As I recall, I got him invited to speak to a group of advocates. So I did my best, working with Mike Belletire and Carter and various of his close associates, to help him get closer to that and make that a part of the campaign.

It was important for me to learn about it, too. I really felt a need to do that. This would inoculate him against what I think is a weakness many Republicans have of being easily portrayed as not caring about people less fortunate.

Now, that was not a high priority with Jim. I have not complete clarity, thinking back to those days, but taxes were a big issue, because there was a temporary tax increase, and would that be made permanent or not? And the fiscal situation was not good when he came along.

DePue: That was essentially a recession period, and he was going to inherit a $1 billion deficit, which was, I'm sure, going to factor into what you wanted to accomplish.

MacDougal: Yeah, yeah. We obviously couldn't spend any more money, and it was a question of more cuts. I saw…One of the things I learned in going around, seeing how state government worked, I was convinced there was a lot of redundancy. While I wouldn't take a position that we should raise taxes or lower taxes, I felt we could use the money that we were now entrusted with much, much, much more effectively.

DePue: I know that the central issue of the campaign, as you mentioned, was the income tax, whether or not that was going to be made permanent, or it would lapse, as it was scheduled to do, I think, in ‘91 or ‘92. I know that Edgar's position was, no, we needed that revenue; we need to hold fast and retain that. It's kind of contrary to what you would expect a Republican to say. And Hartigan was going around the state saying, “Two percent, we're going to cut two percent, two percent.”

MacDougal: You have a better recollection of those other issues than I do, because I was focused primarily on the various human services departments and how they were working and not working and so forth. By the time he got elected, I was ready to hit the ground running, to do some what you might call McKinsey-type work, in rationalizing the six different departments that all had programs

that were focused on the same bottom 10 percent, if you will, economically, and how we might make them more effective. Because, at that time…

I've got a table here that I keep up-to-date regularly, even as recently as this past year, on how each state is doing in terms of number of people on welfare, which we now call TANF, Temporary Assistance for Needy Families. The number at the time Governor Edgar came in was something like 650,000. That was a pretty big number for a state like Illinois. My objective was to go to work with that group and help them make the transition from dependency to self-sufficiency.

DePue: My question here is a chicken-or-egg question. You pretty much have been addressing it already, but how hard was it for you to convince Governor Edgar that this is something that needed to happen in his administration? Was he pushing for it, supporting it strongly, or did you really have to work with him to convince him?

MacDougal: I think he was open to it. He's a decent guy, nice guy; I think he was willing to listen. But in fairness to him, he had other priorities that he regarded as higher priorities, one of which was balancing the budget. I think it would be inaccurate to portray him as somebody who cared a lot about this, for human reasons or some other kind of reasons. But he didn't not appreciate the importance either. I don't know if I'm striking the right balance here.

DePue: Absolutely. Since the areas that you wanted to address were such a significant part of the Illinois budget, wouldn't that naturally be a place to look to see if there's possible savings there or efficiencies?

MacDougal: It was one-third of the budget. As I recall, the general fund there was $30 billion, and these added up to something like $10 billion. Don't hold me to this; it's been quite a while. Your point is a good one. It was a very, very important part of it. But I don't think it was perceived then as a place to save money. It was a place to keep expenses from growing. But the

Gary MacDougal (right) talking with Gov. Jim Edgar in 1999. MacDougal headed up Edgar's Task Force on Human Services Reform early in the '90s and spearheaded efforts to restructure the state's welfare structure, establishing the Dept. of Human Services.

way it was organized then, it was very difficult to cut.

DePue: When you walked into the position and started talking to Edgar and other people in the administration, were you explaining that this was going to be only a long-term fix, it was going to take a while to figure it out?

MacDougal: I didn't know enough. I mean, even though I had gone around to these intake offices, and I had written a report for him and the staff and helped him with his talking points when he met with the advocacy groups. I remember Mike Belletire and I going around, talking. He was kind of Edgar's point person at that one time. I really didn't know enough about it to know how long it would take, but I knew it wasn't a quick fix. Jim didn't get involved directly with it too much, but he had some pretty good people on his staff that did care a lot about it, and I'll get to that in a second.

One kind of aside, we created the task force. When we broke it up, we had a luncheon over at the Chicago Club. Jim came to the luncheon. We presented clocks with the governor's task force on it to each person. These were all volunteers; nobody was getting paid, people like Paula Wolff, who was Governor Thompson's top person and a very caring, smart lady, still a very close friend; the co-head of the Goldman Sachs office here. We had private sector people. These were all people doing it; it wasn't part of their job.

In an unguarded moment, maybe, I don't know, he said, "We formed this task force just so I could get Gary off my back." (laughs) There was some amount of truth to that, because I am kind of a tenacious, pesty fellow, and I was determined to make a difference in this area, because I thought it was, as a former McKinsey partner, ripe for rationalization and focus.

DePue: Who were the lieutenants that were helpful to you?

MacDougal: Some really good people. It's hard to pick one over the other. Howard Peters was head of Corrections, very much of a no-nonsense guy and a person who saw the plight of those on welfare, I thought, in a balanced way. He didn't see them all as victims. He saw them as part of a dysfunctional system. Some of them are good, that deserve better, and some of them deserving what they get. He's a very pragmatic, no-nonsense guy. I forget the exact titles, but I think he was assistant to the governor, with oversight for all of human services.

DePue: I know at the early part of the administration, he was the director of the Department of Corrections.

MacDougal: Corrections. But out of Corrections, he had another job on the staff that related to this. Then there was Joan Walters, who really cared about this area. Not that Howard didn't. She was head of the budget, and she was very interested, for whatever reason. She was kind of difficult to work with on

occasions. One time, you'll get a birthday card and a nice book for me to read, and another time, she'll decide I don't belong in a meeting that I think maybe I ought to attend. But cut it all away, she cared a lot about all of this.

DePue: And she had the unenviable task of trying to balance the budget that was

$1 billion in deficit.

MacDougal: Yeah. Smart lady, worked hard, very loyal to Jim. Felicia Norwood…All these people's pictures are in my book, because I view them as really key people in accomplishing what we accomplished.

DePue: Well, here's a shameless plug on my part. I've interviewed Howard Peters, Joan Walters, Felicia Norwood, and probably a couple other names we'll mention here.

MacDougal: Well, there you go. I won't be offended that I'm at the bottom of the list. I'm happy to be included to complete the picture. Anyway, they are good people. I didn't have to work hard to get them to attend the meetings. They all wanted to attend all of the meetings. So I organized the meetings to fit the schedule of them, so that they could be there.

Backing up, I kind of skipped the formation of the task force. Jim agreed that I could help form a task force of private sector and public sector people that would work on the problem of moving people from welfare to work, dependency to self-sufficiency. To his great credit, he supported that, and he supported the use of his key staffers to take time with that.

What I did to make it easy for him to agree to that is I went to the Casey Foundation, where I was a trustee, and being a trustee made it easy to persuade them to give a grant to support a staff for this. I think that grant was about $250,000, so we were able to hire some good people to run the staff, to do the support work that was needed to make this task force effective. That was key. And we hired a pretty good staff.

DePue: One of the names that I'm curious about…A lot of people would consider Mike Lawrence to be something of the conscience of the Edgar administration. Was he helpful or supportive in this?

MacDougal: Oh, he was wonderful. Mike, I regard as just an A+ guy. He and I saw eye-to-eye on almost everything. But he was such a shrewd, knowledgeable, experienced political and Springfield hand that he would tell me when I was wanting to do something that maybe wasn't too easy to do. If I needed Jim Edgar to do something, he would make sure that it happened. He cared about people; he cared about the issue. That's not as common as it should be, I have to say, in my party, the Republican Party, although I think there is a cadre of folks that really do, and I know who they all are, both at the state level and the national level, and we're making good progress.

DePue: We should mention Mike Lawrence's job was as press secretary. He had a—

MacDougal: Yeah, but he was much broader than that. I remember being in a meeting with Jim during the campaign, Jim Edgar, and Mike was there, and I think maybe Belletire and whatever. Edgar was getting pushed on whether or not he would make permanent the temporary tax. I, of course, didn't want to make it permanent. Some of the others did. It was kind of a mixed group. Jim turned to Mike Lawrence and said, "What do you think?" And that was it. Mike thought he should make it permanent and should not get ourselves in the position where we couldn't do that.

DePue: I'm seeing you thumbing through the book here; are you possibly looking for a picture?

MacDougal: I'm just seeing [if there's] anybody that I left out, as I'm going through the cast of characters. One of the keys…With the Casey money, we were able to hire a woman named B.J. Walker. She was a very smart African American woman who grew up on the South Side of Chicago. Her mother was one of those heroic African American mothers who made sure that her kids got an education. B.J. had her master's from Northwestern. There is a God, because, oddly enough, she was not only from the South Side of Chicago, not only highly educated, but she was a Casey fellow.

So she was in Baltimore with the Casey Foundation, learning about human services and organization and all the work that Casey did. So I was able to recruit her to come back to Illinois to run the staff for the governor's task force, and Casey paid for her salary. That was a very serendipitous thing, and she is just very smart. She ended up running a big piece of the reorganized human services operation.

When we created DHS out of the six separate departments, she ran the field organization, which was a 125 field offices, which is where most of the change occurred, because we integrated all or most of these six departments. She became a key player in the Edgar administration, working with Howard Peters. The two of them became very good friends and still are.

DePue: I'm about to launch into a series of questions about learning about the essential problems that cause the poverty and cause people not to be able to break out of it. But before I do that, I want to ask you your personal philosophy and beliefs, going into this process. Where were where did you stand on it in 1991?

MacDougal: The point I was at there is the same point I'm at now. Without getting theological about it—

DePue: I wouldn't mind if you did.

MacDougal: (laughs) I believe that we're all God's children, and that where we show up on this earth is kind of not our fault or our credit. If we show up as an infant on the South Side of Chicago, as the son of a crack mother in a district that has terrible schools, that wasn't our doing. Or if we show up as I did, the son of two decent people, white, happen to be good at math…Even though I had to work my way through school, and I was in debt when I got out and all of that, I had blessings that a lot of people didn't have, through no fault of their own.

So I guess I've come to believe—I do go to church and I listen to the lessons in the Bible—that if we are one of those fortunate people, that we have an obligation to help those who are less fortunate, particularly those who **want** to change. Now, I don't say that somebody who's lazy and expects the government to do stuff for them, that I should care much about them. But I think, of the 650,000 people we found on welfare at that time, back in '91…

In fact, I wrote a piece in the *Wall Street Journal* on this. I kind of did a one-third, one-third, one-third. One-third are eager, given half a chance, to have a better life, and will do what it takes. Another third need a lot of coaching and support, but they're good, too. And maybe one-third are self-defeating, may not have the drive and determination to make a better life. But we owe the ones that are willing and able to change their lives a chance to do that.

In my book, I talk about the ladies in the backyard. The ladies in the backyard…If you were born into the situation that those ladies were in or their kids are in, you would see that some combination of what they need to do and what we as a society should be doing to help them, is the magic sauce.

DePue: One more question before we get to the ladies. Did you have a sense of how? Being a lifelong businessman, being very successful, having seen just a little bit of what was going on in the Communist world, and having lots of personal experiences, did you have a sense of how you could fix this?

MacDougal: Yes. I think a job is the key, if I had to pick one thing. It's complex. I mean, there's everything involved; there's drugs; there's education. You can complex it, if you want, or you can kind of pick a centerpiece. I know the centerpiece to me would be work, and not just because work gives a family economic self-sufficiency. It gives a pride and a sense of worth that is almost as valuable as the bread on the table. If you look at what I've done, and you look what my book's about, and you look what I'm doing with the Roma over in Bulgaria, it's very much centered on work.

DePue: So, you've talked about the ladies in the backyard. Who are these ladies? Where's the backyard?

MacDougal: I was a lucky guy in the people I ran across in my work. One of the people was a black minister, B. Herbert Martin. I was born on the South Side of

Chicago. Actually, the church my grandparents went to is now a black church. My wife and I went to that church.

DePue: You had moved out before you had any memories of it, though?

MacDougal: Well, I had memories of it. I have a memory of riding my tricycle around the block and getting onboard with the—I hate to admit this—the milkman, who had a horse, a horse-drawn milk wagon down there, because I was a little boy. Then I'd come back for the summers, because my dad, when I was four, got a job in a paint factory in New Jersey. It was during tough times, Depression. But we'd come back to Chicago every summer. I still stayed connected with that neighborhood, 69th and Bennett and 69th and Euclid.

I've since gone back, by the way, and gone to the church and all that. I felt a real connection, more than just, this is a place where people who need help live; I actually lived there myself. In the course of my work, I ran across B. Herbert Martin, whose picture is in my book. B. Herbert cared about what I was doing, and my wife and I went to B. Herbert's church. We weren't regulars there, because its service lasted sometimes two or three hours. We're good for maybe an hour and a half. (both laugh)

DePue: Was this a Baptist congregation?

MacDougal: Yeah. It was Progressive Community Church. I asked B. Herbert why it was so long, and he said, "You know, Gary, really what I'm doing is providing therapy for people who can't afford therapy." B. Herbert, when I started to get to work on all of this, said—and I was honored by this—he said, "Gary, we've had a lot of white guys parachute in and out, with the idea of helping and so on. They'd come and go, and they didn't get any real traction. Everything stayed the same." He said, "But you've been around here now, and you've talked to people, and you've gotten involved with us."

He was on our task force. That's how I came across him. I wanted a minister, a black minister, because black ministers are the centerpiece to the community in the South Side of Chicago and the West Side. They're the real oases for everything. That's a whole other piece of it.

He said, "I think you need to know what it's really like, and the only way you're going to do this is to spend time, one-on-one, with single black mothers, because that's the culture here." The men are out on the street corners or in prison—60 percent are in prison—but the women are raising the kids, and they're the key. Of course, the women are the ones that are on welfare. If you look at the welfare rolls, they're women.

DePue: Why is that?

MacDougal: Well, because welfare was designed to help kids. I won't take you through the history of welfare, but essentially, single males were taken off the rolls. They

were thought to not be needy. They can get food stamps and other stuff, but in terms of welfare, it was mothers raising their kids. You know the story—

DePue: By definition, by law, they were not allowed to?

MacDougal: Yup.

DePue: What happens if the mother was deceased?

MacDougal: There are exceptions. There are exceptions. I can't tell you exactly how it works. I've not yet run across such a family, but if there was a male who was raising one or two…The average number of kids on welfare is 2.1. The tenth of a kid is an interesting thing to observe. If there was a guy raising two kids, my guess is there's provision there. I've never seen it, but it probably exists. It's almost exclusively women with kids.

DePue: How about a married couple with kids?

MacDougal: You know the story. In fact, I actually went into one of the public housings where the guy hides behind a refrigerator, because they don't want the social worker to see that he's in the home. Now, that's not much of an issue either, because most fathers are not married. It's a very rare circumstance.

Now, if they are married—and there's a lot of data on this, and we could get into this—the odds are they're not on welfare, because usually, then, one or the other of them is working and sometimes both. One might be a bus driver and the other one might work for the city in some other capacity. The married couples don't go on welfare. I mean, the data shows that.

DePue: Maybe this is an unfair question, but doesn't that put the government in the position of encouraging women not to get married?

MacDougal: Yes. Yes. It's one of the dysfunctionalities. Ronald Reagan spoke to that. He talked about the welfare queens and all that. Now, he exaggerated it. Much as I love Ronald Reagan and the many good things he did, he demonized the welfare queen. There's some abuses, but most of them have two kids; they don't have ten kids. The average is two. These are women who don't have somebody else in the home, a breadwinner, as most families not on welfare have. Although the trend is spreading into the rest of the society.

The group we're talking about here is a woman, who didn't graduate from high school, who's got an average 2.1 kids, who is receiving assistance from the state from a variety of departments. If she gets a job, she gets childcare, and there's job training programs, all of these from separate state departments.

And so B. Herbert, back to him, the minister of Progressive Church, who's a very articulate…If you went into that church, he gives compelling

sermons. Church is part of where Obama learned his compelling style of speaking. I went to his church, too. I think we might have talked about that. [I] wrote an article about it.

DePue: While Wright was there?

MacDougal: No, right after Wright had been retired.

DePue: (laughs) After all the controversy.

MacDougal: Yeah. But his number two preached the same message. We probably don't want to get off to it, but it essentially was, "We're in a small, isolated group here, and the outside world isn't your friend, and we need to stick together, because they're not interested in helping you succeed." It was kind of like we white folks were the enemy. There was about 1,500 people in the church the day I went, almost nobody white but Charles and me.

DePue: Was that the same message you were getting from Martin, though?

MacDougal: No. B. Herbert was different. I only went to a couple of his services. It was, a lot of it, about being black and the challenges of being black and holding the family together and so forth. But I know because I was there, and of course, my wife and I, Charlene and I, were the only two white people in the place.

The other one was so much bigger, maybe as much as 2,000 people. I don't know exactly how big it was. There might have been a couple other white people. But he didn't hold back. (laughs) I don't think B. Herbert did. I think it was a different kind of church. It was more of a therapy, like he said.

But anyway, B. Herbert made me an offer that I thought was very valuable. He said, "You really need to get to know some of these single mothers that are getting welfare, before you embark upon trying to help them." How can I argue with this, when McKinsey, my whole life, I was taught, before you do anything in a company, you go out and talk to the customers and find out how the people that the organization was trying to serve felt about the organization, before you went in and tried to fiddle with the organization.

DePue: You did the same thing for the Bush campaign.

MacDougal: Exactly. Exactly. I went around; I talked to everybody. And wow, did I learn a lot! You remember that about the Bush campaign. That was really quite amazing, too. And it's such a simple thing to do. You just go on; you have a pencil and a notepad, and you ask people how it's going.

DePue: It's called management by walking around.

MacDougal: (laughs) That's right. You learn, inevitably, more about it than the people who run the organization, when you go through that process. [There are] a couple of reasons. One, most of the time, they don't do that. They haven't been out to visit the top ten customers. They haven't gone around and asked the people that they're depending upon in the campaign what they worry about and what their concerns are. Also, if they did, they might not get as candid an answer as I get.

[That's] because I tell them that I won't quote them by name, unless they choose to be quoted by name that I will get enough information so that I can say, "The thinking is…" In other words, it would be broader. It would be two or three people. And I wouldn't quote just one person, anyway. So they have direct access to the top, with the benefit of anonymity. That's how you really learn how an organization works and how it can benefit from change. I learned that when I was in my twenties, and I've been using it ever since, still works.

DePue: So tell me about the ladies in the backyard.

MacDougal: That was great fun, an interesting experience. It was just me and B. Herbert in B. Herbert's living room, on the South Side. He had talked to me about these women who were without jobs, who would sit in the backyard, around a table, drinking coffee—and maybe later in the day, maybe drinking something else—and gossiping. In some cases, a couple of cases, they actually had jobs. He said, "Until you know what these women are thinking, you're not going to know what your customer is all about."

So he invites me over. He tells them that this guy, who has spent a lot of time in the neighborhood, who actually was born here, is interested in learning about them. But he tells me, "You know, they're a bit skeptical. They're not so sure they want to tell this white guy what's coming down, what's really going on." So I show up down there, B. Herbert and I, and he has coffee and cookies on the table and everything. I said, "All right, where are the ladies?" Well, they decided they didn't want to come, because what do they have to gain by this? Maybe this guy will hurt my benefits.

Then this one African American lady shows up, and B. Herbert goes out in the hallway and they whisper a little bit. She's kind of a messenger. He persuades her to come and sit down. Anyway, I don't want to go through all the detail, but eventually she opened up, and she told me what her life was like. Then the next one came, and the next one came, the next one came.

I'm part problem-solver and part sociologist. I don't know why. I've always been interested in other people's lives, whether it's a Bangladeshi cab driver in New York or what. It's just really interesting. They knew I was interested. They could tell I cared about them and their lives. And I did.

So they really laid it out, and it was terrific. I learned a lot. If you have any kind of empathy at all, you say, "Wow. If I were born black on the South Side of Chicago and had the things happen to me that happened to them, I'd probably be sitting right where they're sitting." I can't blame them, really, much, for any of it. So out of that…One was a prostitute. Another one had a job, but it took two hours of buses and trains and walking and everything to get to it. It was out in the 'burbs. Another one wanted to learn how to cook, and the culinary training was down at Dawson, which is on the South Side, Dawson Community College.

I'd been there with the guy who ran it, learning about that piece of the puzzle, as I'm getting kind of the map of how this whole culture works. She said, "The only classes are at night, and they might rape me if I go down there. This is a dangerous place. I can't go to that school." You're sitting there at 30,000 feet, and you're saying, "Here we're training cooks, and if somebody wants to learn how to be a cook, they can go to Dawson." Well, this gal, whom I had great respect for, said, "No, I can't do that. It's too dangerous down there." These are the kind of things you learn when you talk to the customer.

DePue: This might be a very arbitrary approach, but I thought what I'd like to do now is essentially go through it problem by problem, or issue by issue, and let you address the things that you were discovering about this. At the top of my list is housing. What challenges did they have when it came to housing?

MacDougal: I worked in Washington from time to time, and one of the guys I got to know was Jack Kemp. Jack Kemp became head of HUD, Housing and Urban Development. His big passion, which I think evolved correctly, was, if you don't own something and you're just kind of assigned something, you're less likely to consider it something you need to take care of. He tried to work out ways to get people in public housing to be able to buy their housing, and there were pilot programs around.

One of his pilot programs was in Washington. There was a woman named Kimme Gray, who was the resident leader; I forget what they called them. That was a pilot program where the folks who could, actually got to buy their housing. They [the houses] were better taken care of, and it became a real community. I really respected Kimmy Gray, and in fact I set up a speakership at the UCLA School of Public Policy, and Kimmy Gray was the first "MacDougal Lecturer" at UCLA, on the value of home ownership.

That's maybe a somewhat naïve start to an answer to your question. But it's clear now, sitting here in 2013, that the high rise public housing that the first Mayor Daley did didn't work at all. There's some public housing that's smaller, that's over by the lake, that is okay. I've been through much of the public housing in Chicago. The—

DePue: You're talking about the high rises, though, that didn't work.

MacDougal: Yeah, and they've pretty much been taken down. There's a picture of one of the situations in my book. There were other compounding factors. For example, there were too many people in them, and you ended up with gangs controlling the buildings, and you end up with lots of drugs. The wonderful book, written by an Indian fellow getting his Ph.D. at University of Chicago, where he inserted himself in one of the gangs in the public housing and wrote about what life was like. It was a great book, and I ended up sharing it with a black guy that is our security guard in the back here, who grew up in Robert Taylor homes. I asked him if he thought it was accurate, and it sure was.

There was really no chance for public housing, as it was done by the first Mayor Daley. He was thought to believe—"If we can keep all those people down there, in these projects, then they won't give us trouble in downtown Chicago."

DePue: Essentially warehouse them?

MacDougal: Yeah. There's so many things that were done wrong that…Where do I begin? The list is very long. We could talk about public housing a long time. Some of the people that were put in to run it…By the way, this is federal. This is another example of the problem, is the head of CHA. CHA is a federal program, and it's not under the governor or the mayor. They have their own human services people and programs that don't fit with the state programs.

DePue: So many of these things, the way I've divided this up is very arbitrary, and it's impossible for anybody to divide it up the way I have, but—

MacDougal: There's no clean line.

DePue: So you're touching on a lot of things. Here's one you've talked about already. Women with children and how that happened, the dynamic, the sociological aspect of—

MacDougal: A lot's been written on that. In my book, my wife and I go through Stateville Prison, which is where they have the death row, which is a maximum security prison. The inmates there are predominantly black and male, of course, all male. They are therefore not with their families. They tend not to be married. The women have two kids with two different fathers is a very typical situation. But why is that? Why has there been a breakdown of the family? I come back to jobs again. If, both for cultural and for reasons of bad schools, these guys drop out…By cultural, I mean the gangs are very active in recruiting them, and it's very hard not to be in a gang.

I could divert to an interview I did with a young fellow who was coming to seek public aid. I was sitting with a public aid interviewer, and he [the young man] couldn't go to school without joining a gang, without getting

beaten up. You can't join a gang without doing certain bad things in order to qualify and so forth. I say, God, if I were that kid, I'd probably do the same things, if I wanted to live.

So you end up with the men being in the gangs. I don't have the exact numbers; somebody who's listening to this would say, "Gary, you're wrong. It's not 60 percent of the men between eighteen and twenty-nine that are either in prison or have been in prison." Maybe it's seventy; I think it might even be higher. They've been on street corners, because they can't get jobs.

DePue: But they're not the easiest people to count anyway, are they?

MacDougal: No, because they're homeless, or they're shifting from one apartment to the other. They're hiding behind the refrigerator, so that their girlfriend can get aid. There's certain people that would say, "It's all about discrimination." It's very complex.

It's also about the motivation, because they…As I say it, and I've said it many a speech—I speak on this stuff all over the country—if your mother hasn't worked, if your father has been in and out of prison, and nobody in your family and nobody in your building has finished school, how can you be expected to think that finishing school really will lead you to a job and to a better life? The connection between school and a better life isn't demonstrable in any kind of meaningful way to these young people when they're growing up. So they drop out, and they have nothing to do. Then, if you don't have a job, and you need to put bread on the table, what do you do? You've got to eat.

DePue: I'm going to echo the criticism you would hear from conservatives today and ask you a question about the 1960s welfare programs, the War on Poverty programs that the LBJ [Lyndon Baines Johnson, the 36th U.S. president] administration launched, and ask you, from your perspective then and perhaps now, was that part of the problem?

MacDougal: Yes. Yes. You've got to give a consistent message to the people who need to move from dependency to self-sufficiency. And the message needs to be something like, "It's up to you. The government can help you make the transition, but the help is temporary. It cannot become a lifestyle." The human animal, of which we all are different species of, if you can get along without working, there's a real temptation not to work. (laughs) So it has to be viewed in the context of helping you move from point A to point B.

The programs were so fragmented; they were totally open-ended, without any kind of limit to them, that Reagan was right, there was a culture. In fact, you got more money for every kid you had.

One of the things in this booklet that I did with the Heartland Institute is evaluate in which states have a family cap and which ones don't, because

people respond to incentives. My kids, I used to pay them ten cents an A. I don't see anything wrong. You can call it a bribe; call it an incentive; call it whatever you want. If you're going to pay somebody for having kids—the bigger the welfare check, the more kids—don't be surprised if they have more kids. So it was, in my mind, well-intentioned, but totally screwed-up.

DePue: How about childcare? This is another aspect of having the children and then trying to get to a job.

MacDougal: I think childcare is essential. There's several things that…Setting aside some of the special problems—people with learning disabilities, people with drug issues, people with other kinds of problems, disabilities that requires special attention and that will put limits on what you can achieve—the basic things…

I picture the woman in the backyard. She's down there in the South Side; I'm sitting, talking to her. She's got two kids. And we want her to become economically self-sufficient. What does that take? Well, first of all, she hasn't graduated from high school, so she doesn't have any real skills. But she is a worker, and she wants to do something. So you can get her a minimum-wage job, whether it's stocking shelves or whether it's working in a hospital as somebody that does entry-level work there. But that's not going to be enough to pay for childcare. So part of the package she needs, until she gets her training and her abilities up to a level where she can pay for her own childcare, is childcare.

[The] second thing she needs is transportation. If she can't get to work, or if it costs her more to get to work than she can afford, and working is no longer worth it, what she's got at the end of the day, don't be surprised if she doesn't work. So there needs to be transportation. My book talks about how we arranged for buses and transportation to get meaningful numbers of people on the South Side into jobs, whether it be at United Airlines or UPS or Marriott or whatever.

The third thing—and an unthinking conservative would be against some of these things that I'm talking about. I view myself as a thinking conservative, obviously. I'm a little bit biased, not totally objective—the earned income tax credit. Now, I'm getting a little bit into policy-wonk talk here, but let's say the minimum wage is $8.50. It varies by state and so forth, and even by city, sometimes. One of the, I think, very smart bipartisan government initiatives—largely bipartisan, not totally bipartisan—is the earned income tax credit, which says, if you work two thousand hours—I can't give you the formulas; maybe it starts at 1,200 hours a year. Two thousand being fifty weeks times forty hours, somewhere in that range. It's a sliding scale—and you earn the minimum wage, there is a reverse income tax. You can fill out your tax form, and you can get a check for as much as $4,000 each year, which will bring you up, almost to the poverty level, by virtue of you

having worked. This is kind of a bonus that you get, until you work yourself up the pay scale.

Presumably, if you go to work in a hospital and you do a good job as a janitor or whatever, and then you go on up, pretty soon you'll be a nurse's aid or whatever. You might go to night school and so on. It's what I call an economic ladder of success you start climbing. But you've got to help them get on that first rung. To get on that first rung, the earned income tax credit is crucial, because without it, you may not be able to afford…Well, you get a childcare credit, but you've got to get clothes; you've got to be able to buy lunch and do the things that are necessary. So those are kind of, I would say, the three essential ingredients where government can help people getting started up this ladder.

DePue: I must say that the analogy that you use quite a bit, and you've certainly used it well in the book, is the ladder. Many of the things that we're going to address here, you basically…The analogy would be, it's a rung on the ladder, and if you're missing a couple rungs on the ladder, you're not going up the ladder.

MacDougal: Forget it, right. Right. I really would have liked to have been the secretary of HHS. (both laugh) But anyway, I gave it a try. I really would have liked to have been the Pat Moynihan of the Republican Party, if I'd gotten elected to the Senate. But I'm having, I think, some impact working with state governors. Jim Edgar was the first, and I've worked with a number of them since then, because the state, if you really think about it, is where the action is.

DePue: That's the system we inherited from our Founding Fathers, at least.

MacDougal: Yeah, federalism.

DePue: Going back to childcare and the problems of the decline of the American family structure, especially in these poverty-ridden areas—

MacDougal: Yeah, we could go on about that, but I think—

DePue: One of the questions I wanted to ask was, previously, it would have been the families that would help provide daycare, especially the extended families.

MacDougal: Yeah, the grandmother.

DePue: What happened to that?

MacDougal: Well, the same thing.

DePue: The grandmothers weren't around to help anymore?

MacDougal: Well, some grandmothers are. In fact, one of the things the MacDougal Family Foundation did is we picked the worst high school in Chicago, one of the worst, a candidate for the worst, which is Wendell Phillips, on the South Side. That's a place where the dropout's 50 percent. All the numbers are terrible, and very few people go to college. We said we'd meet with the top fifteen kids, which are the only realistic ones to go on to college. We'd asked them [to] bring in their parents to a session, when they were juniors.

We would explain the value of college and how it leads to a better life and that you don't have to worry about money, because we will pay your tuition, books and everything, everything above a Pell Grant. Pell Grants are what are, if you're poor, you're entitled to from the federal government. So, you've got the money. It's just a question of you wanting to do it and getting in.

Who would come to those sessions? Never both parents. Maybe there was an occasion. And we did this for six, seven, eight years. Usually it was the mother, but sometimes the grandmother, because the mother often had drug problems and had abandoned the family, and the kids were brought up by a grandmother, sometimes an aunt.

So, sometimes there is an extended family situation, but the devastation of drugs and unemployment is so great that there's still not a family, in the way you and I think about it, where the mom goes off to work, and therefore the grandmother is there to do childcare. It tends not to work that way.

DePue: How about the issue of child support payments?

MacDougal: Well, if the guy is usually not working…First of all, unwed motherhood is the, far and away, majority of what we're talking about here, There is really normal child support there. Even if there was some kind of court order, getting it enforced…I mean, it happens. In fact, there's somebody in the state government that's supposed to work on that, trying to get money to these women. But that's only a small straw in the wind. It's not something that is going to make a difference.

DePue: One of the themes that we picked up on, that we talked quite a bit about yesterday, was the important mentors in your life. That all happened when you were a young man and just making a way in the world. Is that a problem for these communities?

MacDougal: It is. If nobody in your family works or finishes school and nobody in your building and nobody that you know, where's your role model? I don't mean this to be critical of the black community, but—and perhaps I would behave the same—but the ones who did succeed—and there are more and more black success stories—they leave these neighborhoods, the South Side and West

Side of Chicago. Now that there's integration of housing, black people can buy homes in white communities, which used to not happen. It caused lots of problems when it used to happen.

Now, more and more communities are fully integrated. This building has, I would guess, maybe 10, 15 percent black owners. They don't prefer to stay down in the South Side with the bad schools and bad crime. You've got to understand it. A lot of them come back for B. Herbert Martin's service on Sunday, but they are not living there; they're not engaged. It's a real shortfall. I wish more of them would do what some of us white folks were trying to do. But there isn't much there, so they're left without role models.

Now, this isn't exclusively the case. B.J. Walker, whom I talked about, who was our executive director of Jim Edgar's task force, had one of those heroic mothers who, against all odds, wanted her daughter to get a good education. And she did. She ended up getting her master's at Northwestern. I think she got a scholarship to Mount Holyoke for her undergraduate education, because as you know, these formerly all-white schools are desperate to find some diversity in their student body. So there are scholarships and so forth, maybe more for them than for the rest of us, if some heroic mother can, in fact, steer her child.

There's a heroic mother that I've been working with lately in Garfield Park, which is a real tough area. And miracle of miracles, her son ended up getting a scholarship and getting accepted at the only resident Episcopalian choir school in the country, which is Saint Thomas in New York, which is where we go when we are in New York. We got a call from the director of the choir school who said, Olajuwan's mother doesn't want him coming back to Garfield Park for the summer. They want to send him to summer camp. Could you help out?" So my wife and I paid for a scholarship for his camp. Olajuwan just graduated last June. So there are these heroic mothers that deserve angel's wings, but they're rare.

DePue: The next rung on the ladder I've got on my list—you've touched on it a little bit—is transportation.

MacDougal: Yes. That is so key, and it's very doable, if somebody can sit down with, say, the bus lines, and work out schedules that work or if employers can understand what they need to do. There's no simple answer to this. I used to commute an hour each way, and that was probably too much. But two hours, forget it, and for a minimum-wage job?

But here we are, on the South Side of Chicago, where employers aren't, for the most part, because it's too dangerous, and the workforce isn't a trained workforce, and their managers have to commute in and out of there. I was an employer that would have liked to have put a factory there. I had twelve, fourteen factories; I don't know how many in Illinois, four or five of

them. But if I went to my management team and said, "Here's what we ought to do. We ought to put a factory down in Grand Boulevard." They would have said, "You've lost your mind." They don't live near there. You just can't do that.

So, what have you got? You've got people who need jobs in the South Side, and you've got the jobs out in the suburbs. This one woman—I think I talked about the ladies in the backyard—had to take, I think, a bus and a train and then a cab or walk. I forget how she got from the end of the train station to where the factory was. This is just untenable.

So what did we do? The first fifty job commitments we received were from UPS [United Parcel Service]—I think the book talks about it—at the downtown Roosevelt Road (Metro Chicago) sorting hub. UPS is a big employer, but they did not normally hire people from the welfare rolls, since these women—and they were all women—normally lacked a GED or high school diploma and a good work history. UPS made an exception in this case, because of the presence of self-sufficiency coaches and on-site mentoring arrangements, made by the task force, and because I was a UPS director.

But the jobs were on the midnight shift, sorting packages. When all the packages that were picked up in Chicago that day come in to the hub, they are sorted that evening and then sent to O'Hare Airport and flown to Louisville. From Louisville the packages then go all over the world.

But the buses didn't run at those night and early morning hours. So part of the team worked on bus schedules, so people could go even to that place, which was already on the South Side, so that when they got off work, they could get transportation home.

UPS had a big sorting facility in Willow Grove, the one that Jim Edgar and I did the groundbreaking for. We convinced them to run a bus that coincided with the shifts, to Grand Boulevard, because, by a happy circumstance, they needed entry-level employees, people that could move packages, which you can train somebody to do, even if they haven't gone to high school or got their GED. So it was a special bus line that was run. United was good, because they were out at O'Hare, and they could go on the regular line.

It can't be generalized. It has to be kind of fine-tuned, where the people are and where the jobs are. We did a lot of that. That needs to be done in all the cities in this country.

DePue: (laughs) Yeah. Local problems become national-level applications, as well, I'm sure. How about education? Again, you touched on that a little bit, but can you elaborate?

MacDougal: The schools are pretty bad. I got to know Wendell Phillips.

DePue: Wendell Phillips being a school?

MacDougal: Yeah. Wendell Phillips is a high school in the South Side of Chicago, in Grand Boulevard, kind of in the heart of what we're talking about here. The reason I got to know it well is I picked it for the MacDougal Scholarships. We interviewed the kids, and we knew the principals, as they came and went, the guidance counselors, and so forth. I could take you through the first meeting with a guidance counselor, her eagerness in talking about her retirement, which wasn't going to be for another eight years, and how they deceive themselves as to whether they're really being helpful to these kids or not. It was pretty awful. We had hopes that we could take the top fifteen of them…And some of them, with our scholarships, did in fact go on to graduate college. We brought them back as role models and so forth. But the reality is, the dropout rate at Wendell Phillips is 50 percent. Even the top fifteen, whom we interviewed for our scholarships, use terrible language. They just didn't learn.

DePue: Terrible in terms of the sentence structure and—

MacDougal: Oh, everything, everything.

DePue: …or foul language?

MacDougal: No, I don't mean foul. I'm sure there was plenty of that, but in interviews with us, no, it was just not good English.

DePue: The kind of speaking skills that wouldn't get them a good job?

MacDougal: That's exactly right; that's the point. But it's the culture. That's what they learned at home, and that's what they learned from their friends. To talk like a white person might get them beaten up. It's not their fault, in many respects, but it is the fault of the school, to not teach them the difference and what they needed to know in order to have job skills.

DePue: I'm going to come back to education and the problems in the schools in part two of our discussion of this. So how about GEDs [General Education Diplomas]? Were they available? Were they something that you saw people striving for?

MacDougal: No. But here's the way that worked. When I went to UPS, which was kind of our first test-case employer, they required a GED or a high school diploma to be hired there, because they didn't want just people to sort packages. They want people who, if they sorted packages, would go on and become a manager or a center leader and could become part of the organization. The culture there is, you work your way up. So I persuaded them to drop some of that, to drop that requirement and others, in return for our promise to mentor these folks, to help them be successful in the job. They would then go, get their GED at night school or get other training at night school. That worked really quite well.

That was kind of a formula that we pursued that worked pretty well. We didn't get it far enough statewide, much less nationwide, but they obviously needed those skills in order to get to the second rung on the ladder. We worked hard to incorporate that. I ended up meeting with Arne Duncan, my wife and I, explaining what we had learned in our years of experience at Wendell Phillips, coupled with what I learned working for Jim Edgar, running this task force.

DePue: Was that while he was here in Chicago?

MacDougal: Yeah, before he got promoted by my friend, Obama. "Friend" is an exaggeration. A guy that, when I saw him, when he was a US senator, said that he'd read my book, that he really liked my book, that it was in his library. His one complaint was that I didn't mention his name in it. And I said, "Well, you were a junior senator in the minority when I was doing all this, and so Barbara Currie and some of the others"—

DePue: So you're talking about when he was an Illinois state senator?

MacDougal: Yeah, he was the junior senator, minority when he was in Illinois. I was talking to him as a US senator, and he was complaining that he wasn't in the book. Now that he's president, he wouldn't care whether he was in my book or not, but at that time… And I said, "You were a junior senator, minority. But if I had known you were going to get to be so important, I would have put you in there anyway." (laughs)

DePue: While we're on the subject, was he helpful in moving your agenda forward? Was he involved in that in any respect?

MacDougal: Well, I had a second agenda that's probably not part of what we want to talk about. I took my Illinois experience, after I wrote the book and decided I wanted welfare reform reauthorization, to give states more power to do what we did in Illinois. So I met with some fourteen senators.

DePue: Illinois state senators or U.S.?

MacDougal: No, this is federal. I wanted to change the federal…I'm nothing if not naïve and—

DePue: (laughs) Optimistic.

MacDougal: …idealistic in my thinking. So Peter Fitzgerald, who was a good friend of mine, and who was a U.S. senator then…I'm digressing. I'll try to make it short. He was a believer in what I was doing and had read my book. He took me around to fourteen senators, including Obama, to try to get—the welfare law has to come up and be the TANF law, Temporary Assistance for Needy Families, [it] has to be reauthorized periodically.

We learned a lot, and I had some ideas, in terms of bloc grants and devolving certain responsibilities to the states, so that they could make it more of one-stop shopping and have all of the pieces of the puzzle together, all the things we've talked about, transportation, housing, childcare, earned income tax credit, put together in a package, in a unified program, where the governors would have some discretion, so that we wouldn't be treating the South Side of Chicago the same way we treated Arlington, Texas. I didn't succeed in that, but I did talk to Obama in connection with that.

DePue: What was his view on that subject?

MacDougal: He was very supportive. It didn't make the cut, in terms of his priorities. His priorities were to get to be president.

DePue: Well, I guess my question is, he would certainly have the reputation today of thinking that national-level solutions were better than state-level solutions.

MacDougal: He certainly would. I could share with you a letter that I wrote to a guy who lives in this building, whose car is parked right behind mine. His name is David Axelrod. I, quite honestly, within the last three months, have tried to get to David to persuade Obama that this—and my *New York Times* article that I think you've seen, about the $1 trillion we're now spending each year—that this would be a natural for him, for smarter government, without taking a position of either increasing the one trillion or reducing the trillion, that we could do on the national level what we did on the state level. That is, look for ways to make that money produce a better return on its investment, in terms of people moving from dependency to self-sufficiency.

I have failed on that. Axelrod has not responded. But my stubborn tenacity continues, and I'm now working with other people in Washington who have access to the decision-makers. I've been with presidents enough to know that it has to come out of somebody they trust. Obama's not going to take my letter and say, "Hey, we ought to do this."

DePue: But he'll listen to Axelrod?

MacDougal: Oh, yeah. Yeah, he will. Sure, he will.

DePue: Well, because he got him elected twice.

MacDougal: What better credentials can you have than that, right?

DePue: Next rung on the ladder…I'll throw two out at the same time, because they're very much related, I think, drugs and gangs.

MacDougal: Yes. That is tough, and I commend this book[13], written by the fellow from India—an Indian fellow, I don't know if he's actually from India—at the University of Chicago, which really takes you inside Chicago public housing and drugs and gangs and the danger and the connection between the police that work in that area and the drugs and the gangs and the symbiosis of the police taking care of the gangs and the gangs taking care of the police, and the role of drugs in all that. It's really quite powerful.

DePue: Did the—especially these high rise housing complexes—did they have their own security force, as well, that was separate from the police?

MacDougal: They really didn't have security, other than the gangs. The Casey Foundation board met here in Chicago, and I was working on the task force. I wanted to show them what we were doing, so I took them down to the South Side. On cue, there were gang members patrolling the corners of the public housing. My guide was able to point out these drug/gang security people. The police were afraid. The police were in a police station, from which they did not often venture.

DePue: Was your friend able to identify what gang they were by the colors they were wearing?

MacDougal: I didn't get into that. I'm sure he would know, if not by the colors—because most of them were just dressed with hoods and jeans and whatnot—but rather what the territory was, which gangs control which territories.

DePue: As I understand, it's not just the existence of gangs, but the rivalry between the gangs, as well.

MacDougal: Oh, yeah. This poor young fellow that had scars, that wanted food stamps and came in when I was sitting with an intake worker at public aid [the Illinois Department of Public Aid], he convinced me he had no choice but to join a gang, if he wanted to survive walking to school through gang territory.

But anyway, back to what do you do about that? I hate to appear narrow in my vision, but that primarily applies to the guys, the men. My work, and the work of getting people off the TANF rolls and into being productive members of society, is women. They are the welfare recipients. The women with the 2.1 kids have the future. They have these kids.

The men are on the street corners, shooting each other up, taking drugs and so forth or in prison or just out of prison or whatever. The demographics of the men is unbelievably bad. The future is the women. Moving people from welfare to work, which is what we did, is primarily women. When we got the fifty at UPS and had the wonderful result of thirty-seven of them still on the UPS payroll on the South Side of Chicago three years later, wonderfully that

[13] *Gang Leader for a Day: A Rogue Sociologist Takes to the Streets* by Sudhir Venkatosh.

turned out to be a lower turnover than UPS typically experienced in package sorters. So it became enlightened self-interest to hire them, and it became a reasonable business risk for UPS to do.

That was so successful that my friend from the Bush '88 campaign, that we used to call Junior, and we then called president, came to applaud both UPS and the welfare reform, with a big event on the South Side of Chicago, at the Roosevelt Road package center. I had helped persuade the White House that he should come to the big UPS south side facility. So the big presidential limo drove up, and there was the whole big place where the trucks—package cars, as they call them at UPS—where it was all cleared out. And it was full of people, maybe 1,000 people.

[The] President of the United States comes in. The mayor of Chicago, Richie Daley, comes in. The CEO of UPS, who stayed with me the night before, came in. And a woman who was part of this thirty-seven successful former welfare recipients, who had not graduated from high school, but whom we got a job for, had, in that three years, become a supervisor and a stockholder of UPS. [link to "Important Ray of Hope in Reforming Welfare" article http://macdougal.com/Articles/PublicPolicyWelfareReform/ImportantRayofHopeinReformingWelfare.aspx] That's how good she was. And [she] was getting her GED at night.

The White House asked me what the talking points should be, and I gave them. B.J. Walker asked me what the mayor should say, and I gave him what he should say. The UPS CEO asked me what…The only one I didn't do the talking points was for the young lady who spoke, who was the model of what UPS and the people on welfare and our reform had done, and she was the best of the four. (both laugh)

DePue: You say that with some modesty in your respect. That was the one person for whom you hadn't provided talking points.

MacDougal: That's right. But also, she had the best story. I mean, it would bring tears to your eyes.

DePue: You just said that the future of fixing this problem is the women. But much of what we've been talking about is that the problem grew out of the demise of the family structure in the first place.

MacDougal: Yeah. I would like to correct that. The future of the problem is more than the women. I think the future is both the men and the women and finding ways to make a more traditional family structure the norm, rather than the very rare exception. But in terms of where to start, if you're going to work on the problem, and what is most accessible by either a do-gooder outsider, like myself or government or churches or the private sector, it is the women,

because they're the ones who are taking responsibility for the two kids. They're the ones that are getting the welfare checks. They're the ones who are motivated to go to work and produce better lives for their kids. So that's why welfare reform is about women, not just me making that decision. That's the way it is nationally.

That said, boy, anything we can do to get jobs for the men, get them drug free, keep them out of prison, and get them to marry the mothers of their kids, wow. I'll tell you, I've learned a lot about this, but I don't know the answer to that one.

DePue: Well, that gets us back to the whole problems of drugs and gangs and a criminal record. So, maybe there are two parts to this question. They grow up in that culture, and that culture can't be good for future employers. It's not attractive to future employers, nor is the fact that they've got a criminal record.

MacDougal: Oh, absolutely. That's a tough one. You know, it's funny you should ask, (both laugh) because the other thing I've written about and care about is what I call ex-offender reentry. That's not in this book, and it's not about Jim Edgar, and it's not about the task force. But it is about the problem.

At Casey, I got involved in this problem. There's a whole demographic picture I could paint for you, and there's a whole series of actions that can be taken, because the way it is now, when you get out of prison with a record and no education and oftentimes without even a valid ID and no ability to make a living, I say don't be surprised if this is the person that breaks into your house, or this is the person that gets involved with drugs, because they want to eat; they want to live. So I went to Jeb Bush, down in Tallahassee. A woman, a very smart woman, who's a longtime friend, was his chief of staff.

DePue: Was this when he was governor?

MacDougal: When he was governor. She said to Jeb, "You've got to talk to this guy, MacDougal. He's got an idea for you." So, I flew down to Tallahassee.

DePue: Well, it didn't hurt that you'd worked on his dad's campaign and his brother's.

MacDougal: He knew who I was, and I certainly knew who he was. I did have the credibility. He's a great guy, by the way. I mean, there is a governor who really gets it. He's smart, and he cares.

Anyway, I said, "We have this problem—and you've got it in spades in Florida—of these ex-offenders." I had the data. Twenty-six thousand came out of prison every year in Florida, and most of them were back in, something like 70, 80 percent, within three years, or charged. It was going nowhere. From a conservative's perspective, it's a horrible waste of government money. These people should be working. From a liberal's perspective, it was a waste of a

human life. So we talked a lot about it, and I persuaded him to set up a governor's task force on ex-offender re-entry in Florida.

I got him some really top help. There's a woman, here in Chicago who is an expert on ex-offender reentry, named Linda Mills. I brought her down. We recruited a couple of chairmen from down there, including a woman, very smart woman, college graduate, who was an ex-offender. Then we got the typical cross section of state leaders, just like we did in Illinois, and then some private sector people, chamber of commerce and so forth.

For the last two years of the Bush governorship, we really got a lot done. So, anyway, the ex-offender, that's something that ought to be done here. The right governor will do that, and it has bipartisan payoff to it.

As you might see from my book, when my wife and I went to Stateville, we interviewed folks in the prison library there. One of them said, "It was all my fault. I wanted a fancy car. I got involved in drugs. I was twenty-one or something. I got the fancy car, but look where I am now. I'm in Stateville for ten years," or whatever.

A second one said, "I was an unruly kid. My mother would try to get me to do the right thing, but my friends were out there goofing around, and I'd crawl out the back window. It was all my fault."

Then a third one said, "It's your fault, not my fault. You white people look around here. We're all black. This is genocide. You just don't really want us to be out there taking your jobs and doing your stuff." So you get kind of a cross section of the problem by talking to the people in prison. But the answer there is the same old answer, education and jobs. [link to Washington Post article "Jeremiah Wright's Wider Toll" http://macdougal.com/Articles/Politics/JeremiahWrightsWiderToll.aspx]

DePue: The next thing on my list is mental health issues.

MacDougal: This is a tough one. I had, I guess, my first wife's cousin's daughter who was mentally disabled. In California, they have programs where you can get job training for things like a nurse's aide, where they can work to their full capacity and be happy and do a good job for an employer and so forth. This is a whole specialty area that doesn't fall in kind of the mainstream thing that we'd been talking about so far, but is very, very important, especially if one of your children is a Down syndrome child or has other issues, bipolar or whatever.

DePue: Would that be something that you can find common ground between liberals and conservatives?

MacDougal: Oh, yeah. I would think there'd be no question about that. When I started with the governor's task force in Illinois, there were 650,000 people on welfare,

TANF, and we reduced it to 80,000. That was something like 87 percent. We had a leaver's study, to determine what happened when they left welfare, done by a Northwestern think tank. Most of them had gone to work. There were some that were double-dipping, that were working and getting paid in the cash economy. It was kind of a mix, but simplistically speaking, most went to work, because they knew welfare was going to end, and because they knew…They couldn't show up for the appointments during the day to plan for a job, because they already had one and so forth.

We really were smart, I think, to focus on the bulk of the program and not get off into the disabilities. That said, there's a lot that can be done in the area of disabilities that is not being done, and there are separate benefits for the truly disabled.

By the way, with regard to drugs, some of the people that we found jobs for, with the job training, mysteriously kept losing them. They were great in the office, but they got out into the job, and they had drug issues. There are those who think there should be universal drug testing before anybody should get welfare. In fact, there's bills in various legislatures, I think nationally, on that.

I think that's a really bad idea. I think, first of all, it's wasteful, from the conservative point of view, of all the money that goes from people [who] are tested that don't need to be tested. Although there's a fairly large population on welfare that have drug issues. Homeless, it's about a third. On welfare, I think it's a lot less. But you can spot when they need testing. It should be selective; use a scalpel, not a meat ax.

DePue: So part of the problem, though, is not just drug use, but drug addiction.

MacDougal: Yeah, yeah. It's one of the reasons that people can't hold a job, but why are they on drugs? By the way, there's an insidious part of this that I try to display in my book. The folks who are in the business of alcohol and substance abuse treatment—you know who they are. They're big users of state money, and they're big lobbyists—I give a talk to them about connecting with a job. When they finish the treatment program, we should have a job there, so they don't end up as recidivists.

The providers weren't as enthusiastic about that as I might have thought. Their business is finding customers for their programs. I was horrified when the thought came across my mind that they don't really want these people to go away, maybe, as badly as we think they ought to want them to go away. (laughs)

After I gave my talk, which I was surprised it wasn't greeted with the enthusiasm that I would have hoped, one of the provider guys came up and he said, "I'm really embarrassed about my group." These were the top alcohol

and substance abuse providers in the state of Illinois. "But you're absolutely right. There should be a job waiting at the end, so these people don't come back." So there's a lot of self-interest that I learned about. It was a real eye-opener. I can be as skeptical and cynical as anybody, but, boy, I learned a lot.

DePue: This might be the perfect segue to, essentially, the last rung on the ladder I wanted to talk about today, the issue of race and civil rights leaders and their role in this.

MacDougal: I had a phrase I used to use in my speeches on this; I'm trying to recall it. Why would an employer, let's say in a place like Arlington Heights, be reluctant to hire a black guy from the South Side of Chicago? Now, would it be because he just doesn't like black people, because he's a racist? The answer is no. The answer is that being a black guy from the South Side of Chicago is shorthand for being at high risk for drugs, for poor attendance record, for other characteristics that, when you're trying to hire a good employee, that if there's somebody else that doesn't have that background, that is…I call it…It's Bayesian[14], not bigotry. Bayesian being the statistics.

DePue: How do you spell "Bayesian"?

MacDougal: B-a-y-e-s-i-a-n. If I can bring a new word to a Ph.D., I feel like I've done my job for this morning. But look it up. What it is, is you're running through your mind what the odds are of this person being a good employee, and you're saying—you know the kind of neighborhood they come from; you know what the culture is; you know what the mentality is—and you're saying, here I've got this eager beaver guy from Mexico, a Hispanic person, or maybe a white person or whatever, that doesn't come from the African American ghetto, where drugs and unreliability and so forth, are characteristics. There's no evidence that that's a characteristic of this person. This person could be the hardest-working, showing up early, most on-time person you've ever met.

But an employer doesn't have the ability or the time to judge whether this is the one in twenty that will be a good employee or be one of the other nineteen that has been hanging out in the street corner and doing drugs or whatever. They've got these other two that have done nothing but hard work their whole lives, and you end up not picking the black guy from the South Side of Chicago or the West Side of Garfield Park or whatever.

Somebody smarter than I has written about this, where the employer is, "It's enlightened self-interest; it's not bigotry." Does that make sense to you? Am I making my point?

[14] Bayes' Theorem is a simple mathematical formula used for calculating conditional probabilities. It figures prominently in *subjectivist* or *Bayesian* approaches to epistemology, statistics, and inductive logic. Subjectivists, who maintain that rational belief is governed by the laws of probability, lean heavily on conditional probabilities in their theories of evidence and their models of empirical learning. *Stanford Encyclopedia of Philosophy.* (https://plato.stanford.edu/entries/bayes-theorem/)

DePue: Yes, it makes sense, and I'm going to challenge you here. We should say, by the date, that we're about a week or a week and a half away from hearing the verdict for the George Zimmerman[15] case, where he had an encounter with a young black boy, seventeen or eighteen-year-old boy with—

MacDougal: Yeah, Trayvon Martin.

DePue: Trayvon Martin. And Trayvon Martin ended up dying, because George Zimmerman killed him, and according to the trial, it was when George was on his back and Trayvon was beating him up. And that's—

MacDougal: Self-defense.

DePue: Yes, self-defense.

MacDougal: Trayvon was six-three or six-four or something like that.

DePue: But, there's an outcry in the black community now, because they're saying that Trayvon Martin was profiled, that George Zimmerman profiled him. And you have just, let's say, rationalized a scenario where it's okay for employers to profile. That would, in their minds, be symbolic of racism.

MacDougal: Yeah, you're absolutely right. I guess what I'm saying, as a former CEO—I had 5,000 people in my company—as a former employer, that it's understandable if a personnel officer does his or her best to determine the odds, Bayesian, as to whether they're making the right hiring decision, if they've got a choice.

You have to go with the information available, just as if you're a bearded Middle East person boarding an airplane. They come, and they sit down in the row in front of you, and they've got a bag, and you're saying, "Is that person more likely to have a bomb, or is it the little old grandmother that's sitting across the aisle?"

I guess I can't see good sometimes. We should be open to the idea that alternatives, racial profiling, is sometimes nothing other than enlightened self-interest, in terms of decisions you make that are necessary to ensure the safety or the success of a flight or an enterprise or whatever.

You're talking to somebody who talked UPS into hiring fifty—and United Airlines and Marriott and everything else—people who would not normally have been hired, because they lacked the education and because

[15] After a dramatic three-week trial and more than 16 hours of deliberation, on 7-14-13 an all-woman jury in Sanford, Florida reached a not-guilty verdict after accepting that 29-year-old George Zimmerman had acted in self-defense when he shot and killed black teenager Trayvon Martin. (http://www.telegraph.co.uk/news/worldnews/northamerica/usa/10178361/Trayvon-Martin-murder-trial-jury-finds-George-Zimmerman-not-guilty.html)

they're from a tough area and have no work history. Now, were the normal UPS policies profiling, or is that just common sense?

Without getting into the Trayvon Martin thing, if George Zimmerman—and I'm not even sure whether it was primarily a white community, or it was a mixed community—saw this fellow wandering through somebody's yard, with the legendary hoodie on…I guess if I'd been walking through there and didn't live in the area, and he stopped me, I would think he would have a right to stop me. If I fit the profile of people that have caused trouble in the past, which we've just been talking about that, I would understand that.

But, of course, what's happened is these…Now that Obama is president, people like Jesse Jackson and Al Sharpton and so forth, are looking desperately for a marketplace. They're scratching hard for relevance. They've been upstaged.

So I think a lot of it is sometimes in the self-interest of the people that are stirring it up. But they might have a point, that maybe the Florida law on self-defense…I did not sit in the trial for a week and listen to all the points and the lawyers go back and forth. I guess I have some kind of faith that the jury did the right thing. But clearly there was profiling, and there was a murder, and the whole thing was terribly unfortunate.

DePue: Well, murder…The verdict was that he was not guilty of murder, of second-degree murder, or even of manslaughter, so—

MacDougal: There was a killing.

DePue: There was a killing.

MacDougal: I'm not a lawyer, so I don't know the difference between a murder and a killing. (laughs) I thought—

DePue: Trayvon died, and I think both sides would agree that that was a tragic situation—

MacDougal: Oh, gosh, yes.

DePue: …but whether or not it was justified self-defense…It wasn't even…I can't even remember the terminology now. That particular law that's being so questioned now, that didn't come up in the case. That wasn't what the case hinged on.

MacDougal: Yeah, yeah. But, yes, employers—

DePue: The "stand my ground"—

MacDougal: …profile. I profiled all the time. If somebody was first in their class at MIT and came up from the ranks, scratching for everything, kind of internal drive, and somebody else was an average student at Yale and came from a wealthy family, I'll pick the first in his class from MIT every time. Is that profiling? Well, I suppose. But I prefer the up-from-the-ranks person.

I think profiling, when you're an employer hiring or when you're making judgments of other kinds, is what you have to do, in order to make a good decision. (laughs)

DePue: Then we'll close with this. You've touched on it a little bit already, but is the way that the civil rights community, and you've mentioned a couple, Jesse Jackson, right here from Chicago; Jeremiah Wright, whom you mentioned earlier, right here from Chicago; our own president, right here from Chicago…Is the way that they address the problems helpful?

MacDougal: Often not. I just had a lunch with the new head of the Russell Sage Foundation—where I used to be chairman—where one of the things I was involved in getting Russell Sage into was studying poverty. It's a very important thing to learn about and a very complex subject.

I think we've passed the point where we should view things through the prism of race. I think we need to switch that, almost word-for-word, or case-by-case, into poverty, regardless of race. If you're a poor person from a family without education, that's white, Hispanic, whatever, whether it's in LA or here or whatever, it's the factor of being poor from a family where education hasn't been the norm. These are the folks that we need to help move from not participating in society and being dependent on government, into self-sufficiency.

I've been to a black wedding in Chicago. I've never seen so many black millionaires in my life. I was one of the few whites in a dinner in New York for the Harlem Children's Zone, for Geoffrey Canada. There's a black CEO at American Express; there's a black CEO at Time Warner. It's all a whole bunch of folks like that, talking about their vineyards in Italy. We've got the president of the United States, the chief law enforcement officer, African American. I think the time to talk about them as not being able to succeed has passed. We should be talking about people of whatever color. In other words, the economically disadvantaged. That's a word I would use, rather than African American.

DePue: Well, I'm going to finish with this quote. I took this right out of the book, I think. "Everyone deserves a ladder of opportunity." This is obviously your quote. "But it's up to the individual to climb it."

MacDougal: There you go.

DePue: I think that's essentially what you just said.

MacDougal: It is. It is. I'm glad you picked that out.

DePue: This has been a great discussion today. It's fun, but I think extremely important, to talk to somebody like yourself, who has a passion for the subject. Quite frankly, why I jumped on the opportunity is because, as much discussion as I had with Governor Edgar and his people, I didn't walk away from that thinking that we'd discussed what he had done in welfare reform nearly enough.

MacDougal: I appreciate your interest in it, because a lot of people will skip by it. I guess I'm obviously not totally objective. But I think, as Jim Edgar looks back on his term, the whole fiscal thing having come unglued in the most incredible way imaginable for the state of Illinois, whatever accomplishments he made there have, unfortunately, been eroded.

But the fact of moving the welfare rolls in Illinois from 650,000 to 80,000-90,000, that has sustained, all the way through 2011. I've given you the charts. By leading that, he's made a permanent, I think, I'm hoping—it's already been quite a few years—contribution to the quality of Illinois governance.

DePue: At the next session, then, we'll start off by a discussion of the various agencies, both federal and state, that existed at that time to address it, and then your recommendations and implementing the changes that resulted from the recommendations.

MacDougal: So we're going to have another session? You're pretty clever. (laughs)

DePue: If you're willing to.

MacDougal: No, of course. I obviously have a passion for the subject. I don't know who's going to be listening to these tapes, but maybe if just one or two people get some ideas out of them, it will be well worth the hours that were spent.

DePue: Thank you very much.

MacDougal: Okay.

(end of interview session #2)

Interview with Gary MacDougal

ISG-A-L-2013-059.03

Interview # 3: September 5, 2013

Interviewer: Mark DePue

DePue: Today is Thursday, September 5, 2013. I'm in Chicago, Illinois this afternoon, sitting across the table from Gary MacDougal. Good afternoon, Gary.

MacDougal: Good afternoon, Mark. It's good to be with you and talk about these interesting topics.

DePue: Well, I certainly have found it very interesting. Last time, we heard a lot about your early business career. I think that was important to hear, just to get a sense of your frame of reference, how you solve problems and bring that problem-solving methodology to the world of welfare reform.

Last time, we finished up with quite a lengthy discussion about your work on this Governor Edgar task force, during his first administration and actually going out and doing a lot of work on the street, working with the people and talking to folks and learning about the background. So I wanted to pick up on that.

But I'm going to put you on the spot here. I just mentioned the Edgar administration. Their first few years are spent trying to figure out how to fill a $1 billion deficit hole. I believe it would be fair to say I don't think Edgar's focus was on anything like welfare reform. Having said that, in a time of recession, it's awfully tough. I thought I'd ask you to read a couple passages from your book [*Make a Difference: How One Man Helped Solve America's Poverty Problem*] that might be illustrative here, as we get started. The first one is your description of Jim Edgar, which I've highlighted.

MacDougal: You want me to read it out loud?

DePue: Please.

MacDougal: "Jim Edgar was an enormously popular governor, holding a voter approval rating, usually in the 70 percent range, quite a remarkable accomplishment for a Republican governor in a state with more Democrats than Republicans, two Democratic senators. Illinoisans accurately viewed him as a totally honest, totally reliable politician, who truly cared about making things better. He was also given to incrementalism, rather than bold change, with a strong aversion to political risk that goes right to the core of his being. Jim worked his way up through the political system in Illinois, step by step, with meticulous planning and hard work." I still think that's a pretty good description.

DePue: There's one part of it that I think even his political opponent in 1994, Senator Dawn Clark Netsch—who recently passed away—would probably agree with. When I had a chance to interview her, perhaps one of her most pointed criticisms of Edgar was his lack of vision. That's what she described. You were kind of alluding to that in this, as well?

MacDougal: Well, in a way. Yeah, an incrementalist tends not to be painting a big picture and then making bold moves toward that picture. I guess that would be my feeling. I'm, of course, not an expert on everything he did, but I did know him reasonably well. And I certainly experienced that in connection with the work that I did with him.

DePue: I wanted to have you read one more passage. It starts on the bottom of page ninety-seven. This is more Edgar's view of who you were at the time.

MacDougal: Right, right. Here's the quote. "I was trying to figure out how I would describe Gary MacDougal today, and I decided the right word was "tenacious." When I was running for governor, back in 1990, he was a big help in lots of ways. When we won the election, I was very thankful for his help and thought that that would be it. Well, he wouldn't go away. He kept coming around and talking about the need to reform welfare and human services. So, I finally decided to let him go ahead and see what he could do." He added, in jest—I would add, only partially in jest (both laugh)— "We formed the task force, as much to get him off my back as anything else."

He did say that publicly to a fairly large dinner that we had at the time the task force was ending, and many of the key people from the task force were moved into the newly formed human services department [Illinois Department of Human Services].

DePue: I know by my own personal experience and from everybody I've talked to about it, Edgar is not one who casually throws out compliments or praise.

MacDougal: No, that's true; that's true. He saves them (both laugh) for some future day, which may or may not arrive.

DePue: One other piece of housekeeping here, I wanted to ask you to very briefly talk about your thoughts about running for the U.S. Senate in 1992, if you could.

MacDougal: I felt that there was a need for a U.S. senator, and in particular a Republican U.S. senator, who cared about the problems of the economically disadvantaged. I felt that there was a niche there. It was a niche that was filled on the Democratic side by Daniel Patrick Moynihan, who was somebody I had enormous respect for.

So I felt that this was something that I could do well, that I was passionate about doing. But I recognized, to be a U.S. senator, it's not all about the economically disadvantaged. There are many other issues as well. But I felt that I had been fortunate in being economically self-sufficient, having built my company up, and I felt there was time for another career and that this is one where I could really make a difference.

DePue: But you ultimately decided not to run.

MacDougal: Yes. Running for office is a complicated business. I spent six months running up and down the state, going to Lincoln Day dinners with 103 counties—102, 103, [Illinois has 102 counties] a lot of counties, (both laugh) a lot of Lincoln Day dinners, and lots of people to meet. I enjoyed it a lot, but it could get very, very tiresome. It was not a good activity in some ways. I admire Jim Edgar and Brenda. It's hard on the family. I had just met the woman who's been my wife for the last twenty-one years. I wanted to balance that.

But more importantly, the support I had from the chairman of the national Republican Party, Lee Atwater, and I was told, from the president and others, changed when Lynn Martin, who'd come out for President Bush in 1980, I was told went in the back door and got him to agree to support her.

Then I got invited to the White House, sat in that big chair you've seen, right next to the president, and had the opportunity to explain to him why I thought he was making a big mistake, because my positions agreed with his. I had already put together the "who's-who" of Chicago on my finance committee, [the] head of Amoco and big companies here. He put his head in his hands, the president did, and he said, "Boy, I've made a big mistake here, but I've given my word." I said, "Well, I'll be a good soldier," and I went out, did a press conference with Lynn Martin, and agreed to withdraw from the race and support her.

DePue: Which allows you even more time, now, to focus on your passion and work at the State of Illinois level on this.

MacDougal: Right. There was also kind of a partial run against Alan Dixon, because the poll showed that he was weak, and they wanted me to run. Jim Edgar wanted me to run. I got partway into that.

There's a book on my shelf behind me by a couple of *New York Times* reporters called *Strange Justice*[16]. It's about Clarence Thomas and how he got that final vote to get into the Supreme Court. He got that vote, the book says, by the White House promising that they would take the strong opponent, which was me, out of the race if he would vote for Clarence Thomas. I have that book as a souvenir of that second possible Senate race that I made.

DePue: Well, that is interesting.

MacDougal: Yeah. I went to one of the key people in the White House and said, "Did that really happen?" He was very equivocal in his answer. I did find that the financial support I had for the first go-around, which would have been against Paul Simon, which would have been tougher, kind of dried up the second time around. People were reluctant to take on Alan Dixon.

For one thing, he was on the banking committee and so forth. But some longtime friends said, "I'll write you a check, but I don't want to appear on your letterhead." It was that kind of thing. So I thought, Well, if there's not enough commitment there, it's a lot of hard work, and I don't need it. I've got other things I can do, and I've already had some good experiences. The book came out later with that business of Clarence Thomas, and it fits with what I experienced here in Illinois.

DePue: To complete the story, as you mentioned, Alan Dixon had always had a reputation of being very popular among—

MacDougal: Al the Pal.

DePue: Al the Pal. But I don't think the Clarence Thomas vote worked for him. That was the Year of the Woman[17]. Lots of women found themselves propelled into the spotlight, in part because of the anger over that vote and him getting onto the Supreme Court.

MacDougal: Absolutely, yeah.

DePue: He was actually defeated in the Republican or, excuse me—

MacDougal: Democratic primary.

DePue: …the Democratic primary by—

MacDougal: Carol Braun.

DePue: …Carol Moseley Braun. That's how she ended up being senator from the state of Illinois.

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[16] Strange Justice: The Selling of Clarence Thomas by Jane Mayer and Jill Abramson, (1994).

[17] ***The Year of the Woman*** was a popular label attached to 1992 after the election of a number of female Senators in the United States. (https://en.wikipedia.org/wiki/Year_of_the_Woman)

MacDougal: Yeah. Well, I was a small part of that puzzle. (laughs)

DePue: I wasn't aware that you had a part, so that's fascinating.

MacDougal: I'll show you the book at some point, if you're interested.

DePue: Sure. Let's get back to focusing on welfare. Now, I mentioned last time, you did a very thorough job of laying out studying the nature of the problem. I want to finish off that discussion with just a couple quick questions.

In your experience, dealing with these people, talking to people in the communities, did you find that this assumption that many conservatives have that the poor were just lazy, that they didn't really want to have a job; they didn't want to move up; they were content to just take what they got from the government, to be accurate?

MacDougal: Not at all. I found a lot of people who would love to have a job, but they just didn't see it as something that they could pull off, that they were capable of doing. They lived on the South Side; the transportation to where the jobs were was terrible; there were childcare issues. I came away with a feeling that there were a number of important, understandable barriers. Of course, there's a little bit of everything in it. You can't generalize, one size fits all. But there were a lot of people out there that, given some help, could, in fact, hold down a job of some consequence, and that would be something they would very much want to do, because it was not only about money, it was about personal worth and self-esteem.

So, in my book, I do…The first chapter on the ladies in the backyard, I describe each of them. So it's not about being lazy, it's about barriers that they face, some of which were created by government, and these barriers keep them from working.

DePue: That's the next step. So what I want to have you talk about next for a few minutes is the infrastructure, both at the federal and the state level, that existed when you were studying all of this, that's supposedly going to be helping the poor.

MacDougal: It was highly fragmented. It was clear that the left hand and the right hand weren't working together. We had six departments that overlapped, that were supposed to help the economically disadvantaged, the people on welfare. To navigate that maze was a very complicated thing, even for somebody with a Ph.D., much less somebody who had dropped out of school at an early age.

So I saw an enormous opportunity to make things better and make it easier for people to take what I call the step to the first rung of the ladder of opportunity, and that is an entry-level job.

DePue: When you said six departments, you're talking at the state level?

MacDougal: Yeah, six different state departments.

DePue: I think this is what you're referring to. I'm going to read these off, just to make sure we're in the same sheet of music, Department of Employment Security.

MacDougal: That's one of them.

DePue: Department of Human Services.

MacDougal: Right.

DePue: Department of Commerce and Community Affairs.

MacDougal: Um-hmm.

DePue: State Board of Education?

MacDougal: You know, I'm not sure which chart you're looking at…I think you are looking at the client describing the many job training programs and the various departments they are in. While they can be useful to the folks on welfare, they are not the six core departments at the center of moving people from dependency to self-sufficiency, because you're leaving out some of the big ones. No, this is…No.

DePue: I grabbed the wrong one.

MacDougal: Yeah, yeah. I can rattle them off for you. Of course, any time you do a list of six, you leave one off. But…Here they are. Do you want me to read?

DePue: Yeah, go ahead.

MacDougal: There are aspects of all the ones you just read that can help this population of people who are on welfare or unemployed and who'd like to be employed. However, the key ones include the Department of Alcohol and Substance Abuse, a large percentage of people in the communities we're talking about have that problem. The Departments of Mental Health and Developmental Disabilities, once again, a big portion of what they do is focused on economically disadvantaged. Rehab Services, therapy, training and support. Public Aid, this is the welfare payments themselves, plus food stamps and Medicaid, which gives special medical benefits, largely to people below the poverty line. And Public Health, there you have the WIC program, women, infants, and children's food supplements. That gives you an idea of the fragmentation. *[Note: My sloppiness on my recollection here can be explained by the fact that the original plan did include DCFS* [Department of Children

and Family Services], *making six agencies to be combined. Pate [James "Pate" Philip][18] demanded that DCFS be excluded, making five.]*

Most of those departments have nongovernmental organizations, have providers, they call them—in the federal level, they call them NGOs—to whom some of the services are subcontracted.

For example, in Alcohol and Substance Abuse, there are various organizations that they give money to that provide alcohol and substance abuse treatment to people. So there's another sort of private sector group of people that are also working with the same heavily overlapping population.

Then there are other people that need to be involved and that often are involved tangentially, churches, businesses, and so forth. So it's a very complicated system, a network that needs to be brought into play to help people move from dependency to self-sufficiency.

DePue: One of the things that the Illinois State Constitution, 1970, the writers wrote into the new constitution was quite a bit of power at the executive level for the governor to reorganize government in logical, sensible ways. So why, twenty years after that, are you encountering what you've described, I think, as kind of dysfunctional organization?

MacDougal: When I was a partner at McKinsey, if I ran across something like this—and there are some charts in my book—where the customer, who clearly is a person who needs help, had all of these different places where he's supposed to get help. They're supposed to be working together, and they aren't. I would say this is an opportunity for a consultant to come in and just apply plain old common sense to how you help somebody in a holistic way [to] figure out what they need and take off of your shelf the products that are necessary to help them accomplish what they need. So yes, it was a mess.

Now, not to exonerate previous governors who left Jim Edgar with this mess, some of whom you'll be interviewing, this fragmentation exists in most states. There's some important exceptions, but still to this day…And it's reinforced by the feds, because, as Jim Edgar said to me one day, he said, "You know, 70 percent of these problems we're trying to deal with are caused by the feds, because the money that flows into this—an awful lot of it is federal money—and it comes in by program, not in a holistic way." So the alcohol money flows into alcohol departments in all those states from the department in Washington, and the same with all the rest of them. Federal money reinforces dysfunctionality at the state level. Governors can, in fact, overcome that, but they start behind the eight ball.

[18] A longtime Republican member of the Illinois General Assembly, Philip served both the Illinois House of Representatives and the Illinois Senate, including a decade as the president of the Illinois Senate. (https://en.wikipedia.org/wiki/James_Philip)

DePue: Any other reflections on the nature of bureaucracies in general that you learned when you went out and studied it?

MacDougal: They're not entrepreneurial. When someone walks in the door with a problem, you can't use a cookie cutter, because everybody's different, just like every human being or every flower or every whatever. So, when we did move to a much more holistic organization, where, if you went into what used to be a public aid office and is now a Department of Human Services office, the caseworkers are supposed to now—and they do, in most cases—look at all of your needs, not just the ones that they are set up for.

Sometimes, you have to reach outside the box. You have to call somebody in the community and say, "This person has such-and-such a problem. Can you help?" because often, the one issue that there is no program for is maybe the key to having the rest of the programs work for self-sufficiency.

But I don't blame the people in the bureaucracy as much as I blame the system. I think, you look at the constraints that often exist, and you say, "Gee, if I had that job, I'm not sure I could do any better than the person in it," even though it's clear that they're not able to solve the problem that's in front of them.

DePue: Did you find a lot of frustration talking to some of the state workers?

MacDougal: Yes and no. I characterize the caseworkers that we had. I forget the number, but it was several thousand. When we put in the new organization, roughly a third of them just rose to the occasion and thrived. They said, "This is what I really came into human services to do, to really help people." Some of them are quoted in my book. The regional manager down in Springfield—I think her name was Michelle Hare—I remember how excited she was, because she got to be able to do what she'd always wanted to do, because the system now allowed her to do it.

Then another third of the caseworkers—let's say there is a rough total of 3,000 and a thousand, thousand and thousand. I'm not sure the numbers are right. It's been a while.

Another estimated third of the folks weren't naturals at it. But with training and with examples and casework, they [could] be made effective. They [could] be trained and taught how to do a more creative, holistic job and think in terms of measured outcomes, people that were dependent that now have a job.

Then one-third are just not suited at all. They needed to be retired or moved to some other more routine job, because they're just not suited to sitting down with somebody and learning about their lives and coming up with

creative ways to help them get from where they are now to where they need to be.

DePue: From your previous business background, would you have been satisfied that there was a third of the people out there who you didn't think were suited for their job?

MacDougal: Well, I would say, we would never let it get that bad. (both laugh) But, you know, there's a big union there. I remember the union president, Henry Bayer, coming to me—he's still quite a power in Springfield—and saying, "Gary, I don't care what you do, as long as it doesn't affect my workers at all, either their pay or their hours or working conditions or anything else."

I said, "Well, Henry, this is all about helping people. If we need to change things in order to do a better job at helping the people the taxpayers are wanting to help, then we're going to have to make some changes. But I'm mindful of what you've just said."

But that's what you're up against. Henry Bayer didn't express any interest at all in the folks that his union workers were supposed to be helping. He only expressed interest in not affecting, in any kind of meaningful way, negatively, his workers, a third of whom probably are in jobs that they shouldn't be in.

DePue: So that kind of takes us back to your comment about these being institutional problems.

MacDougal: That's right, more systemic than individuals. But in the private sector, back to your question, I used to think we always had a bottom 10 percent that we ought to, every year, take a look at, see if they should move on or be reassigned or whatever. I think it's a constant process, because people change too, and the jobs change. If you're not constantly looking to have the right people in those jobs, you're not going to achieve what you want to achieve.

DePue: Is there a lot of resistance for these kinds of institutions to change and start to work cooperatively?

MacDougal: Yeah, there is. Henry Bayer is a good example. He came to my office with the idea of saying, "I don't want you to change anything." (laughs) It was useful; I'll give him credit. We set up a committee to meet with employees and to listen to them, as we were going through the change process—that included his number two, Roberta Lynch—so that they knew what we were up to, and we got a chance to explain why we needed to change, what we needed to change.

We listened to what the concerns were. In the corporate world, we would have done that anyway, and I'm sure we would have ended up doing it

in this major, major change process that was going on here. It can be worked with, but there is resistance.

DePue: I want to focus on a couple different institutions. One of them's not even one that you've listed here. But the first one is DCFS. DCFS, of course, has the huge challenge of, when you have families that have been disrupted, the state rightfully has to step in and try to—

MacDougal: Usually it's single parents with issues [such] that [they] can't take proper care of their children.

DePue: I know that one of the things that Governor Edgar is most proud of is the changes in adoption procedures and adoption laws that had a direct impact, eventually, on the DCFS caseload and their ability to address it. Did you find some resistance, initially, from DCFS officials to change?

MacDougal: No, Jess McDonald, who ran DCFS, was one of the most energetic, entrepreneurial department heads that we had, and Jim deserves great credit for picking Jess. He was a great contributor as a task force member.

Now, it's interesting for me, this priority that I'm hearing about now, about adoption, because it's clear [that] adoption is a very big deal, and there are all kinds of legal and other barriers to adopting kids. And there's the issue, so many of them are black kids, and can they go with white families? It's a very complicated thing, and it's hard to do right.

I would be interested in learning what the adoption rate was before he [Governor Edgar] and Jess did whatever changes they did, and what it was after, the numbers and the percentages, because I guess I wasn't aware that there was a big change. I knew there was a constant effort in trying to find suitable adoptive families. But my recollection of the numbers is that they were quite small.

DePue: Well, as a shameless promotional for our own program, I had a pretty extensive interview with Jess McDonald as well, and it was very interesting. He inherited a huge problem. There was a lawsuit, an ACLU [American Civil Liberties Union] lawsuit.

MacDougal: Well, the whole thing…Oh, yeah. The court was running DCFS, in effect.

DePue: And the caseloads for the caseworkers was astronomical.

MacDougal: It was obscene, yeah. And his big objective was to get out from underneath the court order. As I recall, he did.

DePue: Yeah. The way he would describe it, and what I've heard from Edgar, there was phenomenal success in the DCFS world, as well, that there were parallel successes with what was going on in welfare.

MacDougal: Yeah, I'm sure there were. As to adoptions, specifically, I would be interested in seeing those numbers. In my view, adoption, nationally, needs more attention and more promotion, because these kids…You can't wait around before they get the kind of nurturing environment they need. There's still enormous needs on the South and West Side of Chicago.

DePue: If I can characterize this, hopefully accurately, that the difference…This is very simplistic, but it went from a shift where the focus was on what's best for the mother or the parents, to what's best for those children.

MacDougal: Yes. Saving the kid, yeah, yeah. And that makes sense, because you've got drug-dependent mothers. They're almost all single mothers, usually with two or three kids, with different fathers for each kid. What Jess had was an enormous challenge, and there's nobody that worked harder. I was actually at a DCFS meeting a couple of times in Springfield that went on to 9:00 or 10:00 at night, with him and his staff. They just left no stone unturned to try to make headway on this very, very difficult problem.

I think Pate Philip, who insisted that DCFS be left out of DHS, was wise in his own way by saying, "That problem is so challenging that it could get in the way of doing the rest of it. And so let's leave that out, let Jess work on that, and we'll work on everything else." DePue:Leave DCFS out of—

MacDougal: Out of the new DHS.

DePue: One other—

MacDougal: And it was because of Pate that it was left out.

DePue: This is certainly a state function, but it's not one that you listed. That's the educational system. Let's focus in particular about what was going on in Chicago schools at that time, when you first got here and you inherited all of these problems to study. Any reflections on the challenges that the school system presented to you?

MacDougal: Many schools were poor, and they still are. My family and I spent a lot of time giving MacDougal Family Scholarships to Wendell Phillips High School, so my wife and I were down there a lot, over a period of ten years. The school was very poor.

I think Jim Edgar would talk most about the funding issues. In my view, charter schools and competition and school choice are the answers there. I know many tries have been made to move in this direction. In Chicago, in particular, there's been real progress on charter schools, not so much on choice. I know that was a big challenge for the governor.

As far as our direct contact with schools, the person who came into the public aid office, which then became the DHS office, after the reorganization,

was usually the mother, because the typical TANF/welfare client was that mother I've talked about, with 2.1 children. So it was the mother that was coming in and getting the benefits. The 0.1 child is always a little odd-looking. (both laugh)

DePue: It works out statistically, I guess.

MacDougal: Yeah. That is the average.

DePue: One thing we didn't really talk about much, but is certainly a factor in these first couple years of the Edgar administration, when you're just sinking your teeth into this, is a pretty tough economy. There just aren't as many jobs available in the first place.

MacDougal: That's true, but if you look at the history of the welfare rolls, which became the TANF rolls, because remember, in 1996, Newt Gingrich and the Contract with America produced the most major change in federal welfare spending and approach in decades. The rolls came down dramatically, and with the ups and downs of the economy, they didn't change all that much.

Now the question is why. Well, nobody knows for sure why. Having spent a lot of time in this area and with these people, I would say this, that the first step out of dependency is an entry-level job, because, keep in mind, these are people who do not have any job history. In most cases, they don't have high school or GED graduation. So they're not highly sought after by employers, but there is a need for entry-level workers that is constant, making beds in the hotels, working in kitchens, doing various labor-type work, fast food. That's the first step, having a job, showing up, what we call soft skills, showing up on time, taking direction, getting along with fellow employees and so forth.

There's a good bit of turnover in that world, so finding entry-level jobs for people who are on welfare is not as hard, in our experience, as some other challenges. That's why we were able to go to places like UPS, Marriott, United Airlines and get them to help.

To Jim Edgar's credit, he hosted a governor's summit, where we had many major employers. We got them to agree to take meaningful numbers, even during this period. UPS agreed to take fifty and United took fifty or 100; Marriott took some. They were able to meet those commitments, because they have enough turnover in those kind of jobs.

DePue: Many of these entry-level jobs would have been minimum-wage jobs. What was your view about minimum wage and whether or not it should be higher than it was at the time?

MacDougal: My view is that the minimum wage is not the way to make work pay. I believe strongly in making work pay. If you go to work, you need to be better off than

if you didn't go to work. There's some issues on that relating to some of the states, and there's a recent study out by the Cato Institute on why that's not the case in some states. That's a whole twenty-minute discussion right there that I'm going to walk by right now.

Making work pay is done in a way that a lot of people don't talk about and don't think about. That is the earned income tax credit. This is bipartisan, federal legislation, whereby, if you get a minimum-wage job—let's use $8.00 an hour—and you work, say, full-time—and by the way, places like Wal-Mart are $10.00 an hour—but let's just use the $8.00. Two thousand hours is a typical work year. That's $16,000 a year.

If you have the two kids, and you're a working mother, and the state provides you with some childcare, which they do, even after you are working, you can get the earned income tax credit. It varies, but let's use a rough number of $4,200 a year. So you add that to the $16,000, and you're at $20,200.

We got legislation to let Medicaid continue after you work for a couple of years. So you add all that up, and you're above poverty.

DePue: Does all of this mean that you weren't advocating an increase in the minimum wage, but it's because of—

MacDougal: Absolutely. I'm against increasing the minimum wage. I would be for increasing the earned income tax credit, because raising the minimum wage causes employers to hire fewer people. The economists have studied that, and I think that's pretty clear.

DePue: And from what I'm hearing you say, the key to begin with is getting that entry-level job, so you can have that path upward?

MacDougal: Yes. Once you've got a job, and you've shown you can do the job; that's the first step to getting a better job. This one lady, who's sort of one of my heroes in this world, a woman who'd never worked and had two kids, went to work for UPS. She did well, and she ended up going to school at night and getting her GED and then became a manager at UPS and a stockholder.

There are other examples, where they study being a nurse's aide at night, I think at one of the community colleges, while they're earning money and continuing to hold onto some benefits. The ideal system, which Illinois does a pretty good job on—some states are terrible on—is you don't want to make getting a job a step backwards, economically. You want it to be a step forward. And as you get promoted in the job, you don't want the benefits that fall away to make you worse-off than if you hadn't been promoted. It needs to be an incentive to keep moving up.

DePue: Well, that gets us to…Now that you've had all this time and energy studying the problem, let's talk in just very broad generalities to begin with. What did you see as the solution to the problems of poverty in the state of Illinois?

MacDougal: Well, there are really three things that needed to be done. We were spending about $10 billion a year, mostly on the folks who were in poverty, and the core of them being the ones that were on the welfare rolls. The welfare rolls then were about 650,000. It was clear from all the studying we did and the task force meetings we had and the charts of how help gets from these programs to the people, that we were too highly fragmented.

So we needed to do three things. We needed to integrate the services to the degree possible. These programs that are dictated by the feds, you can't do everything you want with them. But we were able to consolidate all or part of five departments into one department of human services and have them run or connected with the 125 welfare offices, which now became human services offices, throughout the state. So integrating services, number one.

Number two was connecting these services with the community. What does that mean? Well, there are a lot of private groups that are working on this same problem. There's Catholic Charities; there are various community groups; there are chambers of commerce. And it varies by area, but each one of these human services offices needed to get out and know their community and get to become involved in their community. The biggest part of the community that needed to be connected to all this were the employers, because guess what? That's where the jobs were, and guess what our goal is? Get these folks into jobs.

Then the third thing is to measure the outcomes. You don't know whether or not you're doing a good job with the $10 billion or with the five departments. If you're the governor, the first thing you ought to ask is, "What progress are we making? How many people have moved from the welfare rolls into work?"

So we put in measurement goals for each of the 126 offices. They had charts on the front door. You come in, and you can see how many people are on TANF—most people call it welfare, but it's Temporary Assistance for Needy Families—how many were on last month, and how many are on this month? What are the trends? What are we doing? How many are left? We actually ended up with ten offices with nobody on welfare. That was pretty exciting. I didn't know that could be.

DePue: Where were they?

MacDougal: Downstate, for the most part.

DePue: Well, that brings up another question. I read this when I was preparing for this interview. This is certainly something you emphasized, was one size does not fit all. What did you mean by that?

MacDougal: That's right. One of the offices that ended up having nobody on welfare, they started working through the caseload, and they found people jobs. They found some people already had jobs and were double-dipping. Some extremists would portray welfare as a big scam. It's not a scam. These, for the most part, are people in need, who need help. But there's always a percent that are abusing the system. I would say, maybe 10 percent of the 650,000 that were on the rolls at the time we started measuring and federal welfare reform came in, of the 650,000, maybe 10 percent double dippers in the cash economy.

When we started getting the caseload down to the point where we really knew who they were [and] were able to work with them…They couldn't show up for their meetings because they were at work. (laughs) There were different needs. Sometimes there's a transportation need. In downstate Illinois, there were—I think it was from Metropolis—there were a lot of unemployed, and there was a chicken processing plant, with jobs available, about an hour and a half away. The people, of course, didn't have cars. If you don't have a job, you can't afford a car. So there was a transportation need.

Well, we got a bus and ran a bus that hadn't existed before, from Metropolis to this town where this plant was. That was one way to solve a group of problems for one group.

Another case, the caseworker got the caseload down to the point where there was a woman with two kids, and they [the kids] were both autistic. They needed special schools. They were in the wrong pot. They should have been in the Social Security program for people with disabilities. They got money to send these kids to special schools, and she had to drive them. So they were eligible for things they didn't know they were eligible for. The way to solve that problem was through a different government support system. So they left the welfare rolls and went into disability. You have to look at every case; they're all different.

DePue: What were the challenges you found, the differences between urban versus suburban versus rural, downstate?

MacDougal: That's a good question. I don't worry as much, maybe, as I should about rural poverty. I have a place down in Oklahoma. There's a good old boy who lives on the corner there, and he has some chickens and a cow and some pigs. His wife has a little vegetable garden. He gets support from a number of government programs. I'm not saying he couldn't use more money, but he seems to have carved out a very okay life for himself, television set, decent…It's more than a shack, but less than a house.

You can find, if you've got land and space, you can find a way to grow vegetables and have chickens and so forth. So you don't see, in my mind, the real tough kind of poverty that you see on the South Side of Chicago. Now, I know there are drugs in the rural areas, particularly meth, but there are really drugs in Chicago. I mean, you have gangs, and you have murders, and you have…

Maybe I'm a little biased, but I think urban poverty is a tougher poverty. When you're looking at concrete and not a lot of ways out, not very good transportation, your options are fewer. I see that as a tougher need.

Suburban, you don't see a lot of suburban poverty. I know it exists, but the folks that work in the suburbs tend to come out of the city to go near their employers, the poor in the tough areas of the city., They're the ones that are, in my mind, the tougher, more needy folks.

DePue: You've talked a lot about the South Side of Chicago and the West Side of Chicago, where there's persistent pockets of poverty. But how about places like Decatur and Springfield and Rockford, where there is substantial poverty there?

MacDougal: Yes. In Springfield, in particular. I've been over to the side of Springfield, the African American part of town. The housing projects there are not as violent as the ones in Chicago, but they still have their own serious problems and issues.

I spent time in Decatur. There was a very good community group there that involved a real cross section of the town that was working on these problems. I think the chances of rallying people, involving the community, which is one of my principles—you know, holistic services, connecting with the community and measuring outcomes—I think the chances are better in a place like Decatur. They have more of a feeling of community. [They] feel more of a responsibility for what goes on in the town. This isn't to say there isn't racism; this isn't to say that they've solved the problems. But I think it's more doable.

Now, one of the things that disappointed me is Edgar's term ended before we completely did our work. One of the things we would have done is connect the state human services system, the new department, with community groups in Decatur and Springfield and other cities and towns throughout the state better than we did. We didn't really make strong connections there. But I think that would be the next step if we'd had more time to work on it.

DePue: You mentioned that you wanted to have measurement goals for each one of these places. So a couple questions come to mind. One, are the measurement goals different from place to place? And what were the goals?

MacDougal: The biggest one was moving people from dependency to self-sufficiency.

DePue: Was there a percentage that you were looking at?

MacDougal: The idea is that everybody can eventually be moved from the welfare rolls into work. So it was a question of progress, measuring progress, rather than saying, you should be down to ten by next Wednesday. Then we'd measure the caseloads and other things to see that the office had the resources to do a good job.

So it was a question of measuring, more than establishing a specific goal, because the population of those who are clients of a given office had a lot of variation to it, as does job availability, so it'd be very hard to come up with a responsible goal. But that didn't mean we couldn't have a chart on the bulletin board, on the way in, that showed the progress we were making. And the progress was nothing short of fantastic.

As you can see from the book and from the chart that I gave you, the most recent HHS [Department of Health and Human Services] data that I have goes through December of '11, but it's unlikely to have changed a whole lot. Illinois went from 642,644 in August of '96, down to…Well, it was as low as 85,000, but now it's at 99,843 in December of 2011, which is down 84 percent, despite the bad economy. That makes it one of the top three or four states. [link to Washington Post article, "Illinois' Welfare Success" http://macdougal.com/Articles/PublicPolicyWelfareReform/IllinoisWelfareSuccess.aspx]

Now you say, all right, anybody can reduce the rolls. You just tell people they aren't eligible, and the rolls go down. Well, Northwestern brought in people to study what happened when people left, so-called leaver studies. I have the leaver study. Most of them went to work. If they left the rolls, why did they leave the rolls? Leaving them for work was the prize. That was the primary goal.

DePue: But the numbers went down, even if they left and didn't have a job?

MacDougal: Well, yeah. Not everybody who left the rolls left for a job.

DePue: But why did they leave—

MacDougal: Sometimes they left the rolls because they shouldn't have been on the rolls in the first place. But an interesting thing. Nationally, now, there's a five-year limit. I thought, Oh my goodness, what are we going to do if, at the end of the five years, there are people there? Do they end up out on the street? We didn't want that. You can talk to Howard Peters about this, because Howard…and also Joan Walters.

At the end of the five years, in terms of who was going to go off the rolls in five years, they were down to five cases for the entire state. For these

five cases, they had an alcohol and substance abuse worker or other relevant helping specialists around the table, with the case manager. What is it that this family needs or that this woman, with her 2.1 kids, needs in order to become self-sufficient? They really got it down to the point where you could really provide whatever was needed. If it didn't work, lo and behold, most of them had a plan B. You know what that was, usually? Go live with a relative. (Mark laughs) Listen, it's a little warm. Do you think I should turn on the A/C [air conditioner]?

DePue: Yeah, absolutely. I'll pause here for a second.

MacDougal: Because you've got a necktie on. (pause in recording)

DePue: We took a very quick break. What I wanted to ask you about here, just a couple things, and it's in the nature of the way things were reorganized, but let's start with this one. Was there incentive pay for your people who were successful in helping people move off of the welfare roll?

MacDougal: No. That's something that governments and unions have a terrible time with. But I call what they get "psychic income." The quotes in my book from people like Michelle Hare, whom I referred to before they get a lot of satisfaction out of helping people and seeing somebody go from a tough situation into a positive situation. State workers are not badly paid, and as we've learned, their pensions are really quite good.

DePue: As long as the State of Illinois can figure out how to pay that $97 billion.

MacDougal: Well, I don't think it's possible. I think there's going to have to be some adjustments here, but that's a whole other world, isn't it?

DePue: Now what I'd like to have you do is give us some detailed discussion about how this new department was reorganized. I have this vision of there were a lot of different people and a lot of different agencies, and now it's being melded together, and I'm thinking, Well, there was a lot of redundancy, and there's probably a downsizing of staff involved, along with the reorganization.

MacDougal: Well, let me speak to that. We looked at all different ways to do this, to bring them together, and decided that it just couldn't be done by having the six separate departments coordinate with each other better, that it had to have unified, single leadership. And Howard Peters ended up doing that. However, we still needed expertise in these individual areas.

The way you do that in business, and the way we ended up doing that here, is we had departments that reflected the know-how of the previous, separate, independent entities. In other words, there is an alcohol and substance abuse part of the new Department of Human Services.

Each of the departments was represented in a staff way. Do you know what I mean when I say the difference between line versus staff? So there were staff capabilities under the new head of human services to hold onto the expertise that existed in the separate departments and provide support to the caseworkers as needed.

Now, this is a process that took place over six months. As I recall, the legislation was passed on July third. I happen to remember that because that's my birthday, and I was down in Springfield for the signing when that happened. The implementation of the department was quite a bit later.

We brought in McKinsey and Company, who makes a living reorganizing companies. As a former partner, I went to the head of the Chicago office, and he saw this as an opportunity for meaningful public service. They did a terrific job, *pro-bono*! They sent a group of six consultants to Springfield, for six months, to meet with all of the departments, understand what each job was, what they did and make sure that the functions that were needed showed up in the new organization chart, in the new, integrated, larger Department of Human Services.

Then, to get from here to there, there were a lot of committees. There was a committee on the unions and employees, and there was committees on providers. Providers were panicked about what would—

DePue: Committees were legislative committees or executive branch or—

MacDougal: No. In some cases, legislators were represented there, but they were primarily committees of state workers, and in some cases, providers. The providers, of course, got money from the state.

DePue: Providers like Catholic Charities?

MacDougal: Catholic Charities, Haymarket? What's the biggest alcohol and substance abuse provider?

DePue: I couldn't tell you.

MacDougal: There are just a lot of human services entities that get contracts from the state. They were panicked, because they owned and operated, had close relationships with people in these individual six departments, and they knew that their contracts were coming out of those departments, and they were traumatized as to what would happen if it all got combined under people that they didn't know. Would those people pick their favorite contractors and leave them out in the cold, or what would happen? So there was a committee of providers, and they were listened to and talked through what was going to happen, as it was happening. I can't recall all of the committees we had, but essentially, we had to learn a lot about combining it.

The bill itself might have been four feet tall, all the paper that Jim Edgar signed that day. I mean, nobody could have read it, like so many bills. It was huge, because there was a lot of previous legislation that needed to be modified. Even though the governor has a right to do a lot of things, this couldn't have been done without the legislature.

So there was a legislative committee on management information systems, at the request of the legislature. That committee, I got a friend named Phil O'Connor to chair that, who is a very experienced, very smart Ph.D. guy who's been involved in politics a long, long time. And we got a couple people from the House, Democratic side, the Senate on the Democratic side, and then the comparable Republicans on both sides.

We had a fellow named Jim Dimas [James T. Dimas], who was an expert on human services systems and was helped by some McKinsey people, giving presentations as to how the management information systems would work, when they were combined.

I don't know how much detail you want, but it is very complicated to take thousands of people with $10 billion worth of budget and put it together in a way that will work, when you throw the switch on the day that the new department commences.

DePue: Were there less positions, then, in the new—

MacDougal: Oh, I forgot about that aspect. The answer is no. The human services problems are sufficiently great and sufficiently complex that there was no downsizing to speak of. Caseworkers had too many cases, etc. Three of the departments, it was only part of the departments that were moved over; therefore, their structure stayed. Now, arguably, because they had less to do, they should have had fewer in their staff. I frankly doubt that that happened. This would be, for example, public health [Illinois Department of Public Health].

There were some jobs, for example, legal counsel. We didn't need three legal counsels, because each department has that structure. It could be that there were some jobs eliminated there, but there's plenty of legal work in the combined department.

The purpose was not to reduce overhead. Overhead is small, as a percentage of the money that's spent in human services. Most of it is spent on actual cash payments and services, food stamps, welfare payments, you name it. So the overhead people that handle the money, as it goes through, are maybe 15 percent. This isn't to say you should waste that, but that's not…

The image people have of bureaucrats chewing up the money isn't accurate. The image I have is the money being spent, but not producing results. That's where you lose your money, because instead of moving people

from dependency to self-sufficiency, you're just spending money on the people, and they're not going anywhere.

DePue: I know you had a pilot program. Was that before or after the legislation was enacted?

MacDougal: It was before. We started that almost right away. These were what we called test sites or community federations. We picked five communities to see how we could do if we integrated the services, because it was clear to most of us that fragmented services weren't working well, but we felt we needed to have some pilot programs to show that. So we picked a Hispanic community, Waukegan. We picked a black community, the South Side of Chicago. We picked a suburban community out in DuPage; we actually used DuPage itself.

DePue: Where all those Republicans live.

MacDougal: Right. That was part of the idea, though. We wanted them in the boat, Lee Daniels and Pate Philip. We picked the southern seven counties [Alexander, Hardin, Johnson, Massac, Pope, Pulaski and Union], the ultimate rural experience. We spent a good deal of time down there, great rib smokers and…

DePue: For people unfamiliar with Illinois geography and economies, there's a lot of coal down there, but the coal mining industry had seen much better days. This was an economically repressed area. It's not great for agriculture, like it is in the middle swath of the state.

MacDougal: Right. A good bit of poverty there, but spread out. The seven counties were huge [2,003 square miles]. It's just north of Kentucky there. Job opportunities are quite limited. In fact, I remember there was a company called Bunny Bread that had moved over into Indiana. There was one community where Bunny Bread was the sole source of jobs there. So we learned a lot about rural poverty from the southern seven pilot program we had. Then we picked Springfield, because Springfield is Springfield.

DePue: Where all the decisions ultimately are made. What did you learn from the pilot program, any surprises?

MacDougal: For example, the difference between rural poverty and urban poverty. I spent enough time down there to get an appreciation for the differences. I learned that who you picked to be the executive directors of these places, of these pilots, make a big difference. Some of them are very successful, and one or two of them didn't go well at all. Some of them are still in existence. That's an area [where] we could still do a lot more work right now.

We learned a lot in terms of how things worked or didn't work. For example, how the different departments operated in these different areas. Some of them weren't present much at all, with their own employees. It was

all done with subcontractors. But others, there were quite a few state employees.

DePue: The legislation that was ultimately proposed, what specific agencies were brought into this?

MacDougal: All of public aid, all of mental health, all of alcohol and substance abuse, and all of rehab.

DePue: I was thinking that public aid was separate.

MacDougal: No. What you're thinking of, and I think Jim Edgar's comments, which I think we talked about, was that because Medicaid was not brought in, that public aid wasn't brought in. But here's what happened. It's a little bit confusing.

The biggest part of public aid was TANF, the actual welfare payments. Then there were some other programs in public aid. Those were all brought into the Department of Human Services, and the former public aid offices, which I think it's 126—I think there are fewer now, because they've had some cutbacks—those public aid offices became the DHS offices, Department of Human Services offices. Medicaid, which was left out of all of this, continued to operate under the rubric of public aid.

DePue: Which Joan Walters was the director at one time?

MacDougal: No. Maybe initially, but there was another woman.

DePue: I think Walters would pretty much tie into the budget office until about '97.

MacDougal: Yeah. I think you might be right. I think she might have gone over there to run public aid. [Joan Walters, Director of Illinois Department of Public Aid 1997-1999]

DePue: So even though she was public aid, really what it was about was Medicaid?

MacDougal: Yeah.

DePue: Why wasn't Medicaid included?

MacDougal: That was viewed as very complicated and very specialized. I can't give you all the reasoning, but politically, it just didn't make it.

DePue: What was your initial recommendation, that it be included?

MacDougal: My recommendation, being the idealist that I am, was that everything that related to poor people would be in the same department, which would have included, also, DCFS, the Department of Children and Family Services.

In politics, if you get 80 percent of your ideal, naïve vision, you're doing pretty well. But you're talking about the parts on the edges. We still were left with a $10 billion department, with a higher degree of integration of services for people below the poverty line of any state.

DePue: How about the Department of Human Rights? I think that was a specific—

MacDougal: Gosh, I don't remember much about them at all. It wasn't a full-fledged—

DePue: I think it was a sub-department. You've already started to talk about it a little bit, about the political fight to get it approved in the first place.

MacDougal: Yeah. That was one of those rare moments in Illinois history where the Republicans actually had control of the House.

DePue: Yeah, let me just throw a couple comments in here. Nineteen ninety-four, and you mentioned already, Newt Gingrich, Contract for America. After the Year of the Women in 1992, that was kind of following the big fight at the national level about a nationalized healthcare system that kind of went belly-up. For a variety of reasons, the public was more inclined to vote for Republicans that year, and a huge sweep. I think Edgar benefited from it immensely. Finally after—

MacDougal: And Lee Daniels ended up as—

DePue: Lee Daniels was the Speaker of the House, thanks in part to the drawing in 1991, where the Republicans got to do the redistricting. So there was a four-year period where Lee Daniels was the Speaker of the House.

MacDougal: Yeah. And I hasten to say—

DePue: And Pate Philips was Senate president.

MacDougal: He was. Were that not the case, I don't think we would have ever had this reform, because, you know, my visit from Henry Bayer, the unions would not have wanted to change things, and the Democrats pay more attention to the unions than the Republicans do.

But anyway, politically, the way it worked is, I spent a good deal of time with Pate and with Lee on what we were doing. It was clear to me that we had to do things differently, that we had to do whatever we could do to integrate services, so that the money we spent would start to produce results.

I was thrilled that throughout all of these task force meetings…Which, we met once a month for a number of years, and set up these pilot programs, and we went around the state and developed data, and we had academics involved from Northwestern. We tried to cover the waterfront, business people.

There was a real momentum, led in a large part by Felicia Norwood, Joan Walters and most especially Howard Peters. They started to believe that combining the departments and integrating the services at the front-line level, so that when somebody walked into what was then a public aid office, which became—we changed the sign, Department of Human Services—that they could connect with all of these things, alcohol and substance abuse, transportation, mental health, whatever their needs were. And they attended every meeting. Now, I had a little bit to do with that, because I wouldn't set the meetings unless they could come. (laughs) I mean, I—

DePue: What was your official position at this time?

MacDougal: I was chairman of the Illinois Governor's Task Force on Human Services Reform.

DePue: Which is just a temporary office, until this problem is solved?

MacDougal: Well, we didn't talk about how long it would last. I was a volunteer. I wasn't paid, so there was no pressure there. I had a little card that said "Chairman." I could go into the communities and go into the various departments and talk to people, [and] learn about it. And I had a staff.

I brought in money from the Casey Foundation. I think it was $250,000 a year. It's been a while now, but I think that was the number. I hired B.J. Walker, who is a dynamic woman, who became the staff director. We had a communications person that got the articles in the *[Chicago] Tribune* [Articles available in Gary MacDougal's personal file at the ALPL] about the various progress we made. We had people who kept track of these various committees that were formed to study how to combine things. So we had a pretty good team. We had offices over on the sixth floor of the State of Illinois Building and built a lot of momentum.

DePue: But your comment that you read about what Governor Edgar said about you would suggest, could suggest, that he wasn't necessarily fully backing what you were doing. He wasn't an enthusiastic supporter.

MacDougal: No, he was not, in this case, a guy with a vision of what he wanted to accomplish in human services.

DePue: But one also would read into our discussion that when you did have these meetings and were talking to people, whether it's in the community or state agencies or whatever, they were paying attention.

MacDougal: Yes, because they knew that I was the governor's chairman of his task force.

DePue: Even though he wasn't too—

MacDougal: Yeah. When I wanted to see him, he would make time for it; he would. To his enormous credit, he signed the bill. It wouldn't have happened without him. But I have to say, as he said in his own description of what happened, his staff talked him into it. These were Felicia and Howard and Joan, because they became believers. He says he doesn't like big bureaucracies. Nobody likes big bureaucracies, but sometimes, if the task is a big task, and you've got a lot of pieces to it, you better have all those pieces under unified leadership. So there's a tradeoff here. I'm still not sure he is fully familiar with all of the details, but he cooperated.

One of the reasons we were in Springfield is we had a Springfield federation, kind of a community pilot program. We got him out there for an event, where we showed how to integrate. We had [an] integrated management information system for all of the cases in Springfield that had everything, alcohol and substance abuse issues, everything that related to a given customer was on this machine.

So he came out to the building where that was. He had the press watch them explain to him how it worked. I've got a picture; I think a picture of it is in my book somewhere. He played his part, even though this wasn't a key part of his vision.

DePue: Well, part of it, I would think, would be that once you get the legislation into the legislature, that you're doing due diligence to get it passed, by talking to legislators and working that part.

MacDougal: Yeah. And it wouldn't have happened without a couple of relationships that I had, I think. (laughs)

DePue: That's the next place we want to go, because I'm really curious about how this all played out in the legislature, Republican versus Democrat. You've got some very interesting personalities.

MacDougal: Oh, boy.

DePue: Pate Philip is completely different from Lee Daniels. Then you've got Mike Madigan, who's always a force to be reckoned with. So if you can talk through all of that, it would be helpful, how they lined up. Who would you say was more philosophically in agreement with what you were trying to do to begin with? Was it Republicans or Democrats?

MacDougal: I'm not sure anybody was philosophically oriented along the lines of integrating services, but I think both sides were receptive to the idea. Here's why. It's really a nonpartisan idea. The idea of one-stop shopping isn't a Republican idea or a Democratic idea, the holistic services. It's common sense. And that's the way I sold it.

On the Democratic side, I had to spend a lot of time with Barbara Currie. Barbara Currie is Mike Madigan's number two and has been for 100 years. She's a very nice lady. She cares about disadvantaged people. She's from Hyde Park. I can draw how her office is laid out there in Hyde Park today like it was yesterday. She is a smart lady, and she has common sense. So, one-stop shopping, connecting with communities and measuring outcomes; what's not to like? She understands that, and it wasn't partisan. We weren't talking about spending more money on a program or less money in the program. We were talking about how to take the money we were then spending and make it work better to help people become self-sufficient.

With regard to Lee Daniels, he's a very logical, lawyer guy, common sense. He said, "Fine." He had enough confidence in me; he knew enough about me personally. "You think this is better? I'm okay."

Somewhere along the line—I can't remember exactly how it happened—somebody got hung up on the management information system integration. I say hung up in a way that's less complimentary than it should be. It was a very important issue. When it got passed, it got passed subject to a bipartisan legislative committee feeling comfortable with what was going to be done about MIS [management information systems]. I think there have been enough horror stories about MIS systems and human services that they didn't want to get burned with that. So we had to work through that. We had a lot of committee meetings we went through…We had some experts come in. That whole thing was, I think, managed pretty well.

Pate Philip was a problem, and—

DePue: How would you describe Pate Philip?

MacDougal: Pate was brusque—some would even say a profane—no-nonsense guy who would make a quick judgment, and that was it. You never knew whether you were going to be on the right side of that judgment or the wrong side of the judgment. (laughs) He had the respect of his colleagues. He was a definite leader. He would remind you of the Marines, of course. But he was not what I would say was a deep thinker about the issues. He's been accused of racism.

I would say that his image of the typical person on welfare would be different from mine. He would make a bigger percentage of them as kind of hangers-on, living off the dole, and I would say more of them have barriers that we need to help them overcome.

DePue: In your estimation, was Pate Philip a racist?

MacDougal: I would say probably yes. My father was; my wife's father was. There's a generational thing there. But I guess I would have to say yes, honestly. I hate to say it on a tape, and I can't prove it. And he's never said anything in front of

me that for sure would put him in that camp. But, you know, I guess you'd have to say…

But let me go on to say, I think he also had some good common sense. So I walked into his office that day—this is in my book. I thought, once he'd read my book—and I gave him a copy of it—that he would never speak to me again, but he was fine. I walked in. He wasn't sure exactly what the meeting was about. I had been tasked with trying to sell him this reorganization.

DePue: Tasked by?

MacDougal: I can't remember exactly. I think maybe Howard and I agreed that I should go talk to him. So I made an appointment. I drove out to Des Plaines, DuPage [County]. I got all my papers in order and everything, and I kind of rehearsed what I was going to say. I walked into his office and I said, "I want to talk to you about our governor." I can remember the words like it was yesterday.

"That son of a bitch. He hasn't got a friend in the world. Whatever he wants…This human services idea, my guys are going to vote it down in the first ten minutes." So he did know why I was coming out. I thought, Oh, boy. This is tough. (laughs) It was clear he and the governor didn't get along. He probably wondered why an otherwise sane person, like me, was worrying about people on welfare.

But anyway, I've always kind of liked him in some strange way, and we've always gotten along in some sort of strange way. So, I started explaining how it was in his interest that this money not be wasted and how holistic services and one-stop shopping was a way to keep all the government on track, because he hated bureaucracies, and he pretty much hated government in general, even though he spent his career there. But how to actually tame this thing that he doesn't like so much and connecting with the community and so forth.

At the end of about a half-hour, I think he had a cigar, and he kind of started nodding a little bit. He said, "Well, the one thing you can't do is put DCFS in there." He said, "You'll get halfway down the road, and some child will get killed, and it will screw the whole thing up." I said, "Well, you know, you've got a point there." I said, "It's something we ought to think about." Then he said, "The other thing is, Joan Walters can't run it. If Joan Walters is going to run it, my guys are going to vote it down." I said, "Well, I'm sure there are a lot of people to run it. It's up to the governor to decide who's going to run it." That was pretty much it.

Oh, then he picked up the phone, and he called Steve Rauschenberger, who was kind of his guy—his budget guy—in the Senate for this, and he said, "Steve, I want you to talk to this Gary MacDougal. It's okay to go ahead on

this thing, as long as DCFS isn't part of it." I don't know if he mentioned Joan there again or not.

So I went right down. I got in the car and I drove down. Steve happened to be in the Senate offices in the State of Illinois Building that afternoon. I met with Steve right then, and we knocked out a plan to get this thing through the Senate. That's enough politics for now, maybe. (both laugh) Needless to say, it was all very interesting.

DePue: You had to walk out of that office feeling fairly good about—

MacDougal: I felt very good, particularly given how I felt the first five minutes. (both laugh)

DePue: Well, I've got one more question to put you on the spot. What was his objection to Joan Walters?

MacDougal: I have no idea. You know, it's funny. He likes Howard. We've just talked about whether or not he's a racist. Howard is black. He thought Howard was fine. I just assumed, she being the budget director, and he being the president of the Senate, that there had been some battles in the past that had produced this feeling on his part that she wasn't the right one to run it.

DePue: You haven't mentioned the Senate minority leader. I believe that would have been Emil Jones at the time.

MacDougal: Yeah. [I] didn't have to deal with him.

DePue: Did you end up having Senate Democrats in support, as well?

MacDougal: Enough of them. There were, I think, a few that the unions might have pulled back on. To tell you the truth, I can't recall that. There was a senator in the minority there named Obama [Barack Obama], who, in hindsight, he worked around the edges of the thing a little bit on how immigrants might be affected by all of this.

DePue: He would have been brand new at the time, I think.

MacDougal: He was brand new, freshman in the minority. What I did is I sent a copy of my book, when it came out, to all of the senators, inscribed, "To Senator Whoever." I sat there with a big stack of books, and I did all that. And I did all the state reps, because I wanted them to understand all that went into what they did, because I didn't want them to change it back someday.

So when Obama was a U.S. senator, and I was at an event in Washington—I had met him before, but just kind of around town—I said, "Hello, Senator, I'm Gary MacDougal." "Gary MacDougal," he said, "I've got your book in my library." He said, "I like what you said, but you didn't put my

name in it." He was a U.S. senator at the time, and I said, "Well, if I had known you were going to get to be so important, I would have put your name in it. But you were, at that time, a freshman in the minority," and so on and so forth. I thought that was amusing.

DePue: Did he have a significant role in crafting the legislation?

MacDougal: No, no.

DePue: What was your impression of him in the legislature otherwise?

MacDougal: One time, I testified before his committee. It wasn't his committee; it was a committee he was on. I can't remember exactly what it was, but it had to do with this, in this area. Maybe it was the Senate Human Services or whatever.

I was down in Springfield. There was a group of us, and this was being discussed. I remember this fellow, in the end, good-looking African American fellow, who asked very good questions. I remember thinking, He's a pretty smart guy, and you don't find many senators as articulate as he was. I don't mean to disparage all senators, but I'm just saying—I think history will prove me out—he is more articulate than most of us. So I do remember him in that connection.

Keep in mind, this was Pate's Senate at that time. I know Emil was his mentor. Even if Emil wanted to give him a big role, there was a limit to what you could do if you're in the minority.

DePue: So it passes. It sounds like it passed primarily on the backs of Republicans?

MacDougal: You know, I can't remember the vote, but it wasn't close. It was primarily because, I think, of Barbara Currie's involvement. And I can't remember the two senators that were on this bipartisan committee that Phil O'Connor had shared, but there was a general, tacit agreement, understanding, that this probably made sense. It wasn't as though it was over somebody's strong objection. I wasn't aware of any real strong objections coming from the Democrats in either the House or the Senate.

First of all, it was a bipartisan measure. It wasn't about spending more or less money or some favorite program or whatever. It was just getting the programs we already had to work better. We sold it on that basis, and I think that's the reason it passed. I should probably go back and look at the vote, but as I recall, they were both comfortable votes when it all came in.

DePue: Was it known at the time of the vote that Howard Peters would be the first director?

MacDougal: I don't think so. I know, just before the vote, Pate let me know—I can't remember how, directly or indirectly—that it better not be Joan. I saw Jim

Edgar over here at the Fairmont at some event. Maybe it was a political event; maybe it wasn't. I saw him, and I said, "Governor," I said, "I just want you to know that you better let Pate know that it's not going to be Joan Walters, or you're going to have a problem." My guess is that somebody like—what's his communications director, good guy? Mike Lawrence or somebody probably let Pate know that it wouldn't be Joan. Now, I can't remember the exact timing of the announcement, when it was Howard. Maybe it was known at that time that Howard was going to run it. I'm not sure. But I do know that Pate required assurance.

DePue: (laughs) What did you think about Howard Peters as the selection?

MacDougal: I thought he was terrific.

DePue: Give us a little bit more of a sketch on who Howard Peters is.

MacDougal: Howard Peters is kind of a guy, that's [a] self-made man, who came up—I forget which state, Tennessee or Kentucky—and got a job as a warden. I think he went to an all-black college and ended up head of the Department of Corrections, here in Illinois[19]. Did a good job. He was a real no-nonsense manager. He had a good nose for good people. He knew how to build a strong team. He would speak truth to power. He was smart. He worked hard.

Actually, all three of them, Joan, Howard, and Felicia Norwood, I think, were good people. [It's a] tribute to Jim Edgar that he recruited them. Jim moved Howard out of corrections, onto his staff. I forget his title, whether deputy chief of staff or something like that—

DePue: Yeah.

MacDougal: …with oversight for some of these areas. I think Felicia Norwood had the direct oversight for much of human services.

DePue: Even in the first term, she had that position.

MacDougal: Yeah, yeah. Joan, of course, as the budget director, had oversight for anything she wanted to have oversight on.

DePue: Well, it doesn't necessarily make you popular, when you're trying to balance the budget; you get to say no to everybody.

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[19] Born in Arkansas and raised in Tennessee, Howard Peters moved to Illinois in 1969 to attend Southern Illinois University in Carbondale. In 1971, he began working at the Illinois Youth Center in St. Charles, Illinois and over the next twenty years stayed with the IL Department of Corrections, steadily moving up the ranks. In 1990, while serving as warden at the Pontiac Maximum Security Prison, he was selected as the director of the Department of Corrections by newly elected Governor Jim Edgar. He later served as Edgar's deputy chief of staff and became the first secretary of human services. (https://www.illinois.gov/alplm/library/collections/oralhistory/illinoisstatecraft/edgar/Pages/PetersHoward.aspx)

MacDougal: No, no. I'm sure, if you and I understood both sides of the story, as to why Pate and Joan didn't get along, Joan's story would be a persuasive one and maybe Pate's, too, you know, oil and water. There's plenty of opportunity for them to be on opposite sides of the fence, I'm sure.

DePue: How well do you think the implementation went?

MacDougal: I think it went darn well, smoother than I might have expected. The morale was high, in spite of the fact that caseworkers were asked to do things they'd never done before. There was sufficient preparation and training, thanks to McKinsey. And Jim Edgar, Governor Edgar, expressed his thanks to McKinsey, having a special either lunch or dinner for them in the governor's mansion—It was something I couldn't attend, so I wasn't there—to thank them for all of this work they did in the six months of implementation and being the facilitators for all of the committees, the providers and the employees, and doing the detail of taking this concept of one-stop shopping and actually deciding which boxes on the charts were going to do which things and making sure that the caseloads were properly distributed and so forth.

DePue: You alluded before that one of the groups that was still resisting the change was the unions, the public sector unions.

MacDougal: Yes. They were very wary. To understand the job of a guy like Henry Bayer [union president] or Roberta [Lynch], you've got to understand where they're coming from. They get elected by union people, and union people elect them, based on what's going on in their workplace. If they're asked to do something they don't want to do, they go to the union reps. If there's a job that gets eliminated, it's their fault. So they're judged on keeping things the way they are. Taking risks for their people that elect them is not what they're paid to do. So they're bound, just by the nature of unions, to be risk-averse and to be averse to change.

DePue: Did the legislation make it easier for managers to move people out of positions they didn't belong in or to discipline the people?

MacDougal: Not specifically. That would have to be part of a union negotiation and union contract. So there was nothing on that. Of course, I didn't read the whole four feet. But what there was, was a stipulation that there be one department and that the services be integrated—kind of the language that I used in the book—so that as much of either direct service or connections with services as possible came from the caseworker, who was on the front lines, in the former Public Aid but now Department of Human Services office. These are the same offices, with different signs on them, I want you to understand, but they have different capabilities in those offices.

DePue: Would it be fair to say that one of the things emphasized the reorganization was decentralization of power, that the power really went down to those local offices and the caseworkers?

MacDougal: That wasn't the idea, but that was the effect. In other words, if you had six separate departments and people at the top of those departments calling the shots, all the way down on a specific function, like alcohol and substance abuse or like mental health, clearly that's more top-down than if you've got a region manager and a head of an office that has all of those functions in their responsibilities. The people up top become more staff, whereas before, they were more line. That implicitly makes the organization more decentralized.

DePue: I'm going to develop a case study, because I want you to explain how this would work. Are we okay on time here?

MacDougal: We are; I just was curious, and I'm wondering if it's cool enough.

DePue: Yeah, we're good. I'm going to create a scenario here and then let you respond to how this individual would be taken care of, if he walks into an office. Say you have a young man who never got his high school diploma.

MacDougal: Let's start off with the fact that it's women that are on the welfare rolls. It's not men.

DePue: Now I have to change my scenario all together.

MacDougal: Yeah. Men get food stamps, but they were eliminated from welfare a long time ago. They were perceived to be able to get a job. The women had the children, and so they become a needy family. The profile is a woman with 2.1 children. I'm sorry to interrupt.

DePue: So we've got a young woman, who did not get her high school diploma. She has two children, and they're both toddlers, two different fathers that are out of the picture. She has had serious drug and alcohol problems that she wanted to solve herself but never could. Her car was repossessed, so she's got no way to get around. Everybody's been telling her she's got no prospects; she's going nowhere. And probably—

MacDougal: And she isn't. (laughs)

DePue: And she walks into this newly reorganized office and says, "I'm at the end of my rope. I've got to kick this drug habit, but there are so many other things I've got to fix as well." What would happen to her?

MacDougal: You have picked the typical case, and that makes it, I think, instructive to talk about. Now, not everybody has a drug problem that comes in, so there's not drug testing for everybody. So, the caseworker…I've sat in with caseworkers,

and it's really interesting to hear the discussion that occurs, such as you're describing. Let's assume that somehow the caseworker figures out that there's a drug problem, either by behavior or whatever. They seldom would acknowledge it and say, "I've got a drug problem."

The ultimate objective is to remove the barriers to that person actually getting a job. One of the barriers is drug treatment. Now, before the reorganization, you'd say, "You need drug treatment. There is a thing called Haymarket, and it's a nonprofit over on the other side of town. Why don't you go over there and see if you can get on their list? They've got a treatment program for you." That would be the end of it, as far as the responsibility of the caseworker that she encounters when she walks in the door.

Now, it varies more office to office, but on Thursdays, somebody from the drug treatment provider would be in the DHS office and have office hours, and so, "I want you to come back on Thursday, and you're going to meet with Betty Smith, who is the alcohol and substance abuse person, and we're going to see what we can do about having treatment.

"Now, if you're successful in your treatment, you're going to need transportation. Well, it just so happens that we've got a program, a new program, where we are working with both United Airlines and UPS, where they have worker buses that go from the South Side of Chicago, or the West Side or whatever it is, to the package sorting facility in Willow Springs. They take a certain number each month. If you get clean of your drug problem, we'll see if we can get you on over at UPS. But you've got two kids at home, and so we can do childcare. There's a federal childcare program, and that is run out of this office also. We can get you childcare, once you get your job, but you can't get the job until you get the drug treatment."

Now, before, the drug treatment people, whom I've spoken to and met with at a breakfast meeting, they had no jobs at the end of their treatment. So what happens? You go back home, and you're back in it, and you cycle around. So by connecting them, in the way that they're connected, you've got a holistic plan for this woman.

And by the way, she will get TANF payments, monthly payments—which used to be called welfare payments—Temporary Assistance for Needy Families. They're thought to be temporary, because she's going to get a job. So she walks in and she gets the one-stop.

Oh, and by the way, you don't need job training for UPS, but for somebody else, you might need job training. Fill out a resume or whatever. I also have the job training program connection, too, and the names of the people and how to do that. So the caseworker's taking total responsibility for all of the barriers that are preventing this woman from becoming a productive

citizen. Now, I could go on another forty-five minutes, but I think maybe that's the first cut answer that—

DePue: Yeah. I think that's great. One of the questions I had was, would there be times when caseworkers from various departments within a particular office would get together and do a little brainstorming on how to solve an individual's problems?

MacDougal: Yeah. In fact, I think I spoke to that earlier, when we had people at the end of the—

DePue: I mentioned high level.

MacDougal: No, but this would be, at the end of the five years. "What is it that we need to do with this person?" It's an expensive thing to do, to have everybody around the table at the same time—the alcohol person, the job training person, the caseworker, and so forth—because, typically, each has pieces of the puzzle. There have been such meetings. I can't tell you how many or under what circumstances, but all of the people who are on the case are known to each other. That didn't happen before. It's more likely in a medium-sized city or a small town than in a big city.

DePue: But it wouldn't be too much of a stretch to say it's easy for one caseworker to walk down the hall and start chatting with somebody else—

MacDougal: No. Oh, no, no, no. But keep in mind, they're not all housed in each human services office. In some cases, they are, but not in all cases. If they give a contract to Haymarket, which is an alcohol treatment place, I would have liked Haymarket to station a caseworker, full-time, in the big Michigan Avenue office, which is the biggest welfare office, former Public Aid office, DHS office, because there'd be plenty of work for them. The degree to which that actually happened was not as full, not as extensive, as I would have liked. But the mechanism for that to happen is there, and it did happen in some cases.

DePue: How about organizations like HUD? That's a federal organization, but part of the problem—

MacDougal: It's interesting you should bring that up. It shows that you do have a vision of this whole thing, because I'm now trying to work at the federal level to do something…My *New York Times* piece talks about how obscenely fragmented federal programs are. I was a candidate to be the head of HUD at one point, so I looked into it a little bit. This is under Bush forty-three's second term. They have their own job training, alcohol and substance treatment. All this stuff exists within HUD. There's a degree of redundancy, if you will. We just didn't have enough time, in the second Edgar administration.

Getting this whole $10 billion department put together and all of that, we were lucky to get all that done before we got out. But the next step would have been to say, "All right, how are we going to integrate what we do with what HUD does?" because they're the same clients. There's probably some amount of redundancy in payments and everything else.

DePue: Well, we're talking about '95 to '96, as the timeframe when this legislation is going through. What was the month and year that it passed?

MacDougal: Actually, I think it was '96.

DePue: Was it the spring of '96?

MacDougal: I think it was July 3 of '96.

DePue: Which is generally the end of session, about the time most legislation gets reviewed and sent.

MacDougal: Yeah, and it shows up on the governor's desk. Don't hold me to that date. The miracle that greatly enhanced all of this work and that made us look maybe more prescient than we deserved to look, was the fact that, at the federal level, this five-year limit was put in at about the same time.

Now, some states chose to ignore that, and even though the fed stopped paying after five years, welfare payments, the states went on and did it—states like Michigan—because they felt it was cruel rather than an incentive to get…You spend five years getting yourself ready for work, rather than an indefinite, open-ended thing. But that created a framework and a level of urgency that greatly enhanced what we did at the state level.

DePue: Weren't block grants, that were now going back down to the states or giving the states more authority, also part of that legislation?

MacDougal: The welfare grant itself was that, was a block grant. The way it worked—I don't want to drag you through too much detail here—is that the number of folks on the welfare rolls, at the time of the '96 welfare reform, Personal Responsibility Act program.

DePue: The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was signed by Clinton on August 22, 1996.

MacDougal: Right. Which he had to be persuaded. Twice, he turned it down. His wife was dead set against it. Some of his key people walked out. But his advisor, calling from the Jefferson Hotel, said, "You promised to change welfare as we know it, to end welfare as we know it. If you turn it down this third time, your credibility will be shot, and you're going to hurt yourself on reelection." And he listened.

DePue: His advisor being? Morris, Dick Morris?

MacDougal: Dick Morris, yeah. I know Dick Morris. He was, at the time, cavorting in the Jefferson Hotel, while talking to the president and impressing his paramour with the fact that he was doing that. But that's a whole other thing. (laughs) But anyway, Dick Morris, yes, convinced him. Two of his prime people, one of whom is now the dean of the Kennedy School and the other of whom is a professor at Georgetown, quit in public protest for him signing that act.

DePue: Do you know the names?

MacDougal: The dean of the Kennedy School's name begins with E., David Elwood, David Elwood. God, I'm having to delve deep into the memory bank. And Peter Edelman was, I think, assistant secretary of HHS at the time[20]. I forget what David Elwood's job is. Maybe he was on the White House staff[21]. But they were sure that people were going to end up sleeping on the grates in the winter, and none of that happened.

DePue: How much of what you were doing, and all of the effort that you've made in Illinois here for the last four years preceding this, played into that legislation on the federal level?

MacDougal: I wish I could tell you. I've talked to Newt about this, Newt Gingrich, who led the charge on this. Newt and Rick Santorum were the two members of the House at that time. I've talked to both of them about this. I wish I could say they were watching Illinois carefully and learning from it, but the facts are that they pretty much decided that welfare shouldn't be an open-ended entitlement forever and that there should be an incentive to find work.

But let me tell you quickly how it worked. The number of people you had on the welfare rolls in 1986, when the legislation was signed, federal legislation, became the benchmark. In other words, in the case of Illinois, the 642,644 people that were on the rolls in August of '96, when this legislation passed, became the determinant of the amount of money Illinois would get from what was Public Aid and what became TANF, Temporary Assistance for Needy Families. So there was a fixed dollar amount set. Then the incentive—and here's a case where the government did use incentives with states, but is

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[20] Peter Edelman took a leave of absence during President Clinton's first term to serve as counselor to HHS Secretary Donna Shalala and then as assistant secretary for planning and evaluation. https://en.wikipedia.org/wiki/Peter_Edelman

[6] David Elwood, in 1993, was named assistant secretary for planning and evaluation at the U.S. Department of Health and Human Services (HHS) where he served as co-chair of President Clinton's Working Group on Welfare Reform, Family Support and Independence. https://www.hks.harvard.edu/about/faculty-staff-directory/david-ellwood

yet to use incentives with employees—you reduce the rolls, you still get the same amount of money. Let's take two minutes.

(pause in recording)

DePue: After a short break—

MacDougal: All right, so the amount of money, the number of people on the rolls by the amount of their payments, becomes a fixed amount. So the incentive, then, is for the states to get the rolls down by moving people from welfare to work, because as the rolls come down, two things happen. The extra money that you save by not writing checks to people can go to childcare and transportation, among other things, for keeping people at work and for making it possible for them to go to work in the first place. And the caseload comes down, so that instead of 175 cases per caseworker, it's some manageable amount, 30, 40, 50.

So you can actually work with the individual needs that people have.

So it became a real win-win. It built its own momentum, because as it came down, the money became available to do more things to help people, and the caseworker had more time to actually work to help people.

DePue: Now, I had thought, previous to what you just said, that one of the benefits of welfare reform was that there were less welfare payments going out, less TANF payments going out, and so the government's bottom line was improving. At the same time, you have more people employed, who are paying more taxes.

MacDougal: No, the government's bottom line did not get improved by that, for the reasons that I just explained, because that money was redeployed to help people. And that was absolutely the right thing to do. Now, what has happened is the overall amount…There've been battles in Washington to say, "Well, okay, that was the amount in 1996, but what about inflation? What about this and what about that?" So there have been subsequent fights about adjusting that 1996 amount. But it has gone up less than it would have if the welfare rolls had kept climbing, as they were doing.

At the time, nationally, just to give you an…there were 12.2 million people on welfare. But when welfare reform was put in, in the last several years, that has dropped down to 4.2 million. So that, nationally, is a 65 percent decline. Initially, Illinois's decline was heroic, because we were doing what we were doing with the integrated services, and it's still well above the national average, because Illinois is down 84 percent, and nationally it's down 65 percent. Some states have done terribly and have been flat. I've been working on the governors in those states to try to teach them how to do it. One of them was Mitch Daniels in Indiana.

But anyway, that's another story. The thing that we can take credit for, it seems to me, is that if Illinois was down only 65 percent, like the national amount, that would be 400,000, which would leave about 240,000. Over this period of time, there have been 150,000 to 200,000 more people who have left the rolls in Illinois than it would have been if we were just average. There's also an argument, given the existence of the city of Chicago as such a dominant situation here in Illinois, that we would have been more like California and New York. We would have been hard-pressed to even be average.

DePue: The late 1990s is known as this incredible economic engine that we had. That was the time that you had the Internet exploding, lots of that kind of activity. The federal budget, for practically the first time in anybody's memory, was actually having a surplus instead of the deficit. Was there any link, in your mind, between welfare reform and all of that?

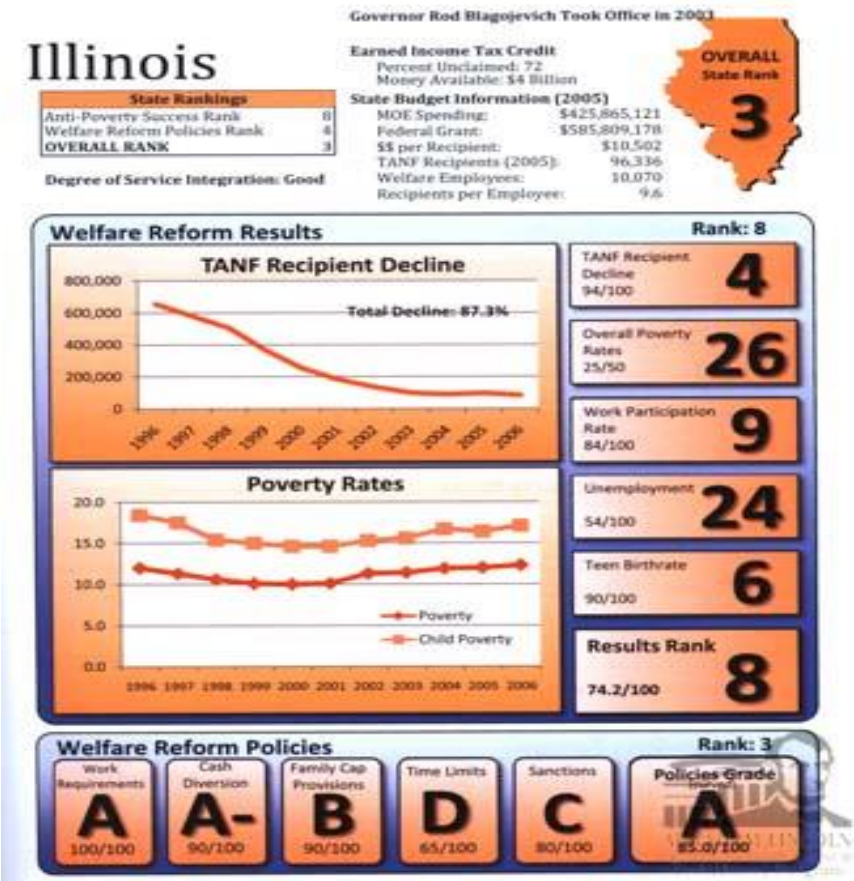
MacDougal: I don't think we could take credit for impacting national economic growth. It's, in my mind, hard to make that argument. One national thing that is interesting—I don't think anybody knows the answer to, though—is entry-level jobs, particularly the tougher ones, have been taken by immigrants. If you try to go to the Marriott over here, and you see who's making the beds, or you go in the back of the kitchen of the restaurants, they're all immigrants. Some percentage of them are not documented, I'm sure. These are entry-level jobs.

The number of immigrants coming in has been reduced by the fact that the economy hasn't been so great, but the welfare rolls have not gone up much. They've gone up a little, but not much. That would lead to the argument that maybe some of the work that people have been moved into, entry-level work, might have been occupied by immigrants, if we hadn't done what we did.

DePue: Do you understand why, in periods of high unemployment, the welfare rolls haven't correspondingly gone up?

MacDougal: I think the reforms have helped keep them from going up. Now, I can't prove this, but that's different from saying that the reform helped spur the economy, which I thought was your earlier question.

DePue: Yes, it was. What I'd like to have you do now, I've got the book put out by the Heartland Institute, *State Welfare Report Card 2008, Welfare Reform after 10 Years* and turn to the Illinois page. You were one of the coauthors of this book, right?



Illinois's page from the Heartland Institute's book entitled State Welfare Report Card, 2008: Welfare Reform after Ten Years, a study co-authored by Gary MacDougal.

MacDougal: Right. I wanted to have—and I talked Heartland into it, and Casey, who financed it—to evaluate how the states have done. Now, I admit I'm a little bit proud of how Illinois, I thought, would come out in all this. But I thought it was important to take what we'd learned and have states be graded, recognizing that it's a little imprecise, picking which quantitative measures to use and which policy measures to use.

DePue: Do these quantitative measures that you're looking at, do they have any correlation with federal welfare reform or simply what you were trying to do within the state of Illinois and applying it across the country?

MacDougal: It correlates in the sense that the states, most of them, dropped meaningfully the number of folks on welfare. Federal welfare reform needs to get a lot of credit for that. Ours was much more than that, and so Jim Edgar and what went on, what we did in Illinois, deserves also a piece of the credit. [link to Chicago Sun-Times article "Illinois Offers Blueprint of How Welfare Reform Should Work"

http://macdougal.com/Articles/PublicPolicyWelfareReform/IllinoisOffersBlueprintofHowWelfareReformShouldWork.aspx] There's certainly a relationship between the two.

DePue: So maybe, before I ask you to discuss the specifics, did other states, other governors, come to you, come to Illinois, as an example of how it could be done correctly?

MacDougal: Less than I would have liked. I wrote my book with the idea that other governors would be very excited about learning how, if you can take a state like Illinois, with a city like Chicago and reduce the welfare rolls 87 percent, I need to know what they did so that I can do it myself.

Now, I gave a lot of speeches on this. I spoke at Heritage; I spoke at American Enterprise Institute; I spoke at the Manhattan Institute; I spoke at the Kennedy School and all over the country, using my book as sort of a textbook.

DePue: The book came out in 2000?

MacDougal: The paperback is '05, and the original book was 2000. We actually had seminars at the Chamber of Commerce, where people from Chambers of Commerce all over the country came to Washington, using this book as a textbook. We set up a couple of days' worth of training so that these people could become community centers for doing this in their states.

In some cases, they went back to their governors. One of the people in this seminar went back to the governor of Alabama, and he invited me to his office and to meet with his staff. We set up a task force there to do something very similar to Illinois. We've done a lot of that. I've done a lot of that.

DePue: Other states?

MacDougal: In other states. I went to see Jeb Bush, and we set up a task force in Florida. I spent some time with Governor Daniels in Indiana. I wanted Jim Edgar, actually, when he got out of office, to come around with me and do some of this, but he didn't seem to have much interest in it. I was disappointed in that. If he listens to this, which I don't know that he will, I would still like him to come, because I think he has credibility from this and as a former governor. People would listen.

DePue: What are some of the other states that adopted many of the principles that you were advocating?

MacDougal: Well, here, what we tried to do…We're, by the way, updating this as we speak. There's going to be a new version of this coming out from Heartland, probably in the next three or four months. We tried to see the degree of service integration. If you see, there's degree of service integration. Illinois,

it's good. In Idaho, it's good. But Hawaii, it's poor. And lo and behold, Hawaii has done poorly on their evaluation. They're in need of what we did in Illinois.

DePue: We should say that each state has a page, and there's a row of grades, A through F grades, at the bottom of the page.

MacDougal: Right. I'll give you an example. Here's Georgia. Georgia has since done better, because the woman who was our executive director went down to Georgia as the head of human services and put into Georgia what she learned in Illinois and then some. But Georgia, at this time, was, before she came—her name is B.J. Walker—their cash diversion, they got an F on that. Well, that means that if somebody comes in and their car broke down, or they can't get insurance, their only remedy is to put them on the welfare rolls, whereas, in Illinois, we can give them cash to fix the problem they've got, if they sign an agreement as to what it's for and that they won't come back, because that's what their problem is. [They] won't come back for a period of time.

Family cap provisions, you don't get more welfare money each kid that you have. That's turned out to be effective. Sanctions, what happens if you violate the rules? How strong are the sanctions? So, Georgia then had a policies grade [that] added up to D; Hawaii was F, but Illinois was A; Idaho was A. So, it varies with the leadership more than the size and the complexity of the state.

DePue: Did you find any difference, hard sell or easy sell, based on the political party that was in power?

MacDougal: Well, I have to say, Republican governors were more interested in talking to me about all this than Democratic governors. That could well be that they're suspicious of me, because they knew I was a Republican, hard as I tried to make them understand that holding people accountable for outcomes and having one-stop shopping is not political; it's just common sense.

DePue: Have union leaders come around on the issue?

MacDougal: I haven't had much exposure to union leaders in the other states, so I can't really say. One of the under-performers was Texas, which is a very Republican state. I had a terrible time in Kansas, under a Democratic governor, but now that there's a Republican governor, Republican House, I've been going to Kansas and, I think, being helpful to them.

DePue: From everything you've said up to this point, this is by no means a closed chapter. You're still ready to go out there and take on this issue anyway.

MacDougal: That's right. There's nothing more satisfying to me than to help fix something important that's broken, that will help people who really need help.

DePue: I wonder if you can drill down closer into the numbers that you're looking at for Illinois. You've mentioned several times now the huge reduction in the number of people who are on TANF, compared to what was on welfare, but what are some of the other numbers you're looking at for Illinois that are significant?

MacDougal: In here?

DePue: Yeah.

MacDougal: When governors are running for office, they tell you they're going to fix everything. (laughs) But as Jim Edgar will be the first to tell you, there's a reality as to the limits on what governors can and cannot accomplish. But we tried to pick five measures that, if you were the governor, you would think it would be not totally unfair to hold them accountable for during their tenure, as it relates to economically disadvantaged people.

One of them, the leading one, is TANF recipient decline. How many people are on welfare when you come into office and how many when you leave? Another one is the overall poverty rate. Governors are supposed to bring in jobs. They're supposed to create a climate where employers will hire people. So the overall poverty rate is one. Illinois, it was 26 out of 50 on that one, fourth out of 50 on TANF decline.

DePue: What's the date of this publication?

MacDougal: This was done in '06.

DePue: It's interesting, because here we are, 2013, I think Illinois has the second-highest unemployment rate in the country.

MacDougal: Yeah, 2008. Yeah, it won't do well. Unemployment now, this time, is twenty-fourth, which is right in the middle. I'm sure it's down lower than that. I think Jim Edgar would argue that he's not responsible for what his successors have done, and he would argue that convincingly.

The teen birth rate…If you had to pick a single thing that results in somebody going into poverty, it's single mother, teen birth rate. The odds of your coming out okay and growing up and having a job are very, very long, very slim, if you give birth as a teen. There are a lot of ways to deal with that, but it's a really good indicator of whether you're making progress or not.

DePue: I'm seeing one D on Illinois's ledger, even back in 2008.

MacDougal: Yeah, time limits. This one might not be the fairest. It had to do with how quickly people had to go to work. In Illinois, we took some time for training and so forth. Let me see exactly; let me look back and see why that D occurred. It's been a while since I've seen this. There we go.

DePue: You're looking back at some of the individual tables in the back of the book. We'll go ahead and scan that one page for Illinois, so that's included in the collection here.

MacDougal: I can't give you a good enough answer on that one, right off the top of my head. It was quite a while ago. Lifetime limit, okay. Okay, Illinois did the exact five-year time limit; some states did less than that. They got higher grades. I'm not sure I would totally agree with that. The staff that put this together, I think, put more weight on that than I might have done myself.

DePue: I want to bring this up to the present climate, the present timeframe we're in. We thought we had a pretty severe recession back in the early '90s. It's mild compared to the recession we've had the last few years. In this last presidential election campaign, Obama was running for reelection as president of the United States, and one of the issues that came up was this whole controversy about welfare reform. It got into the political debate. I'm going to read a quote that I saw in the *Washington Post*. This was an editorial by Robert Rector. This is—

MacDougal: I know Robert Rector pretty well.

DePue: (laughs) Why aren't I surprised? Anyway, he wrote this. It was published on September 6, 2012. "The Obama administration had jettisoned the law's"—this is the Welfare Reform Law—"the law's work requirements, asserting that, in the future, no state will be required to follow them. In place of the legislated work requirements, the administration has stated it will unilaterally design its own work systems, without congressional involvement or consent. Any state will be free to follow the new Obama requirements, in lieu of the written statute."

MacDougal: That is not entirely accurate. What Obama has done…I don't agree with what he's done, but I don't think it's as horrible as Robert Rector does. Robert Rector has kind of made his name and some good points along with it, saying the poverty level in the United States is so high—it's $23,000 a year for a family of four—that they all have television sets, and there's even a swimming pool or two that he's been able to uncover. His general approach is that we're too soft.

What Obama did is he allowed his secretary of HHS, Kathleen Sebelius, to give states waivers on some of the work requirements. If, for example, somebody is going to school, they can get more credit for that. It's a very complex thing as to what counts as work. When you're getting welfare payments, you're supposed to be doing work or preparing for work, and it's very complex in terms of what counts and what doesn't count, what states are allowed to do and what they're not allowed to do. He gave her the authority to give states waivers. If a state will submit a plan that what they're going to do

is better, in terms of getting people prepared to become self-sufficient, than what the rules allow, she's allowed to give a waiver.

There have been very few waivers, as I understand it, under that, but there was a lot of fireworks and jumping up and down, that the work requirements were being gutted and that we're going to be back to the same old pre-reform, pre-1996 days, when people would just go to the mailbox and get their check, and they wouldn't have to do anything. I think the change that Obama did was overdramatized, and being an election year, it became something that people could seize on. [link to NY Times article, "The Wrong Way to Help the Poor" http://www.nytimes.com/2012/10/11/opinion/americas-ineffective-antipoverty-effort.html?mcubz=0] You can see the rolls are still pretty low.

DePue: Right. I also have an article that you wrote that appeared in the *New York Times*, also in the midst of the pretty heated election campaign, Thursday, October 11, 2012, entitled, "The Wrong Way to Help the Poor." I'm going to hand the article to you and put you on the spot and ask you to read a paragraph or two that would kind of summarize the point you're making.

MacDougal: All right. You know, the point here is pretty much the same as the one I've been trying to make in the discussion we've had up to now. That is, if you've got multiple programs that are not coordinated, many of which are run by rules created in Washington, you're not going to get the one-stop shopping, holistic results that you need.

So what we did on the state level—not completely, but to a greater degree than any other state—needs to be done at the federal level. I'm currently campaigning to do that. I'm talking with various people. Obama has read my book. I think, if the right people came to him—and I'm not the right person at this point, because of my political faith—but that he might be open to doing a bipartisan job.

Here's what I say. The title is "The Wrong Way to Help the Poor," and it points out that we're now spending $1 trillion a year, as a nation, most of it on people below the poverty line, which comes through a list of 126 federal programs. I can almost rest my case right there.

"Consider a thought experiment. Divide one trillion by forty-six million, the number of people in poverty, and you get $21,700 for each American in poverty, or nearly $87,000 for a family of four. That's almost four times the $23,000 per year federal poverty line. It's intriguing to think about converting all of this to a cash payment that would instantly lift everyone in poverty up to the middle class." Of course, that's not possible, but that was a dramatic way of saying that we should be getting better results from $1 trillion than we're now getting. [Link to Wall St Journal article, "A New

Republican War on Poverty" https://www.wsj.com/articles/gary-macdougal-a-new-republican-war-on-poverty-1410822789]

"A study identified seven Senate committees and subcommittees, eleven House committees and subcommittees, seven cabinet departments, and eight other agencies that each had a hand in overseeing one antipoverty program or another. A typical family could be eligible for twenty separate programs, each with its own set of complex eligibility forms and often managed by separate government offices." This was a plaintive plea to apply the kind of rational thinking to the federal government that we did in Illinois.

DePue: Here's a two-part question, which I'm not supposed to ask. How did we get to that mess in the first place, and why so much resistance to implementing what you would describe as very common sense changes?

MacDougal: The mess, I think it even happens in corporations. If you get a new idea, and you add something here, and you add something there, and you buy a company over here and so forth, there comes a time when you ought to sit back and look at everything afresh and say, "All right, what are we trying to achieve?" We're trying to move people from poverty into a decent living. Over the years, we've accumulated a rat's nest. What did we call it? Rube Goldberg design[22]. Even Rube Goldberg would think that, if we had worked hard to make it ineffective, we couldn't have done it better.

DePue: In the corporate world, eventually there would have been an impact on the bottom line, and your competitors would have driven you to the point where you've got to make a decision.

MacDougal: Well said; well stated. But in government, there's nobody, except the president, so I'm getting after him. And he knows better, but he's got Syria; he's got a few other things he worries about. (both laugh)

DePue: Well, have you been able to find, or are you looking for, congressional leaders to pick up this mission for you?

MacDougal: I think it's more of an executive branch thing, because the congressional leaders…Each of these committees has their turf. It's going to be very hard, just like it would have been in Illinois if I had started with Pate Philip or started with Mike Madigan. I don't think I would have gotten there. I think you've got to start with the executive branch.

[22] Rube Goldberg was a Pulitzer Prize winning cartoonist best known for his zany invention cartoons. He was famous for designing overly complicated machines that fixed everyday problems with wit and madness. The 1931 edition of the Merriam-Webster Dictionary listed "Rube Goldberg" as an adjective, defined as "accomplishing by complex means what seemingly could be done simply." (http://www.newyorker.com/tech/elements/object-of-interest-rube-goldberg-machines)

But I'm honored [by] the way Jim Edgar recognized this, even though it wouldn't be something he would do naturally on his own, but he had respect for his team and for what we were doing. And he did write a letter, nominating me as an Illinois citizen for a national governor's award for doing this. In expressing that, I think he understands its importance. And, if he's listening to this, hey, there's a lot more to do. Let's you and I go out in the country and…I think I gave you those, didn't I?

DePue: Yeah, I just wondered if it might be good to read the letter into here. If you don't mind.

MacDougal: All right. There are two letters there, one recommending me to speak at the RGA [Republican Governor's Association], and that gives you more explicit information, recommending to the head of RGA that I do it. I'd be honored to have it recorded. (laughs)

DePue: In respect to your modesty, I think I'll go ahead and read it myself.

MacDougal: Okay.

DePue: "Dear Gary, as governor of the state of Illinois, I was asked to nominate prominent Illinois citizens for the National Governor's Association annual awards. I was honored to nominate you for the award for distinguished service by a private citizen. Throughout your career, you've been a model Illinois citizen. As chairman of the task force for human services reform, you have helped improve the lives of children and families and build healthy communities throughout the state. As a member of the Bush administration, you served the nation in your work with the United Nations and the Bulgarian American Enterprise Fund. In the private and not-for-profit sectors, you have supported research, which will help us to better address the pressing social problems of our time. The award process is highly competitive. I regret to inform you that you"—Well, I shouldn't have read that far. (both laugh) "—that you were not selected as the winner."

MacDougal: Just leave it at that. But anyway, I'm honored that he put my name forward, and I'm honored that the other letter there, which you certainly don't have to read, is he went through great length to describe what I have done and why it would be useful to other states and why I should be invited to speak to the nation's governors about it. I am flattered that he thought I would be someone to do that.

DePue: Well, we'll back-up to present times now, because this was written back in 1998. Part of the current debate…Of course there's probably as sharp a political divide today as anybody can remember in the last half-century or so in the United States. I wanted to get your thoughts on—

MacDougal: That's for sure.

DePue: …the recent charges that conservatives levy against the Obama administration, that he is all right, and some would say that he wants to create this climate where Americans become increasingly dependent on government and governmental programs.

MacDougal: Well, you know, I don't know him well enough to know what his real motivations are, but I think the effect of what he's doing is creating greater dependence than I think is good for our country. The problem in our country…One of the main problems, particularly among people in poverty is obesity, not hunger. To raise the food stamps to the level of well above the poverty line—I don't know how far now, and billions and billions more—you're going to find people who are…food stamps are just what you have. I mean, this is what you do. This is not something to wean yourself off of. It's something that comes along with life, and you get used to, and you can use them in the doughnut store, and so on.

So, I think his constituency and his base, when they have clout that they now do, is getting him to do things that maybe, when he reflects after he's out of office, he might say, "You know, I'm not sure that was the right thing to do," because I think it is creating dependency. The number of people who are getting checks from the government has grown enormously.

If there's one thing, even in the corporate world, I have to say, we want to eliminate deductions, except for the deductions that my company gets. So people will say, "Yeah, this is horrible, except I don't want mine to end." I see a problem there, whether he is consciously doing that, in order to get votes for the Democratic Party or not. I don't know enough that I could say that with conviction. Will it have the result of that? Of course.

DePue: What's the future for welfare reform? As you've mentioned already, the numbers are still very low.

MacDougal: Low, you mean the 4.5 million or the one trillion?

DePue: That the numbers have been reduced, in terms of what's on TANF now.

MacDougal: I think we've got to do two things. We've got to keep it low, and I think my personal goal—and I've been called idealistic—I don't think there should be fewer than a million people on welfare in a country that's the richest country in the world, or at least it has been the richest country in the world.

Look at the 12 million immigrants here that are undocumented. Seven million of them are working. That's 7 million jobs right there. I don't see jobs as a problem. I see these barriers that you and I have been talking about the last couple of hours as a problem. That, if the people get the drug treatment, alcohol treatment, whatever it is, transportation, childcare, some amount of job training and some help, that we should have the rolls down fewer than a million.

To be spending $1 trillion on people—spend it largely below the poverty line—I think that the resources are there. It's not a question of money. It's a question of letting the people on the local level use the money in the most effective way, which means some amount of decentralization. It means more block grants, and it means holding people accountable for outcomes.[Link to Wall St Journal article "The Missing Half of the Welfare Debate" http://macdougal.com/Articles/PublicPolicyWelfareReform/TheMissingHalfoftheWelfareDebate.aspx]

DePue: Just a few questions to close things up. You've had a very successful corporate career and ventured off on your own and proved that you could be successful at being the ultimate American entrepreneur as well and then decided to make this major shift in your life and make some very significant contributions to our whole problem of welfare and poverty in the country. So with all of that, what are you most proud of?

MacDougal: Well, I'm most proud of my family. I'm a lucky guy with a—

DePue: We all have to say that, so beyond that.

MacDougal: On the larger picture, things that make a difference in other people's lives are what make me happy. I guess, whether "proud" is the right word or "pleased" is the right word or "happy" is the right word, making a difference in other people's lives is what really counts.

This foundation that I'm running in Eastern Europe, it's become the largest one in Eastern Europe. I'm really excited. In a couple weeks, I'll be over there, going through Roma villages. Roma being the gypsies. This is the bottom 10 percent of the people in the Balkans. There are about twelve million of them. I'll be meeting with Roma leaders, helping Roma stay in school. We've got a major initiative there. We're putting out about $20 million a year in this foundation, and about three or four million, so far, a year on Roma issues. Having them stay in school, having them connect with jobs, this is very exciting for me, and I'm very proud of the team of people that we've created over there. If you were sitting around the table with them now, you'd be very excited, hearing them talk about what they're doing.

So it's the things that are making a difference in other people's lives. I tease that it's Episcopalian guilt that I was lucky that I wasn't born in poverty and so forth. But for whatever reason, I was given the gift of putting myself in the other person's shoes, empathy. So when I go in the South Side of Chicago and I see a woman there with the two kids, who dropped out of a terrible high school and who has no prospects and no transportation for a job and she hasn't graduated from high school, I say, That could have been me. I could have been born black on the South Side of Chicago. It's my job to see if I can help out.

Whether you call it [what] makes me happy, makes me proud, whatever it is, I guess proud; proud is good. I was proud when that woman got up there on the dais with the president of the United States, the mayor of Chicago, the CEO of UPS, and talked about getting a job at UPS, becoming a manager and a stockholder. I was really proud. I was more proud of her than I was of me, but it gave me that feeling.

DePue: I suspect your only hesitance in using the word "proud" is because a good Episcopalian is supposed to have humility.

MacDougal: There you go. I think pride is in the Bible in a number of not-so-great ways. (both laugh)

DePue: Exactly. Any exhilarating moments, especially exhilarating moments for you? Maybe the one you just mentioned.

MacDougal: Yeah, that is exhilarating. Having the president of the United States come to Bulgaria and talk about our foundation and what we're doing is exhilarating. But just seeing one person who looks at you and says, "You've changed my life," that's exhilarating. That happens to me from time to time, and I want to keep it happening. In order to keep it happening, I've got to keep working. (laughs)

DePue: Yeah, so this is by no means a book that's been finished yet.

MacDougal: Not at all. In fact, as I said, I was on email today with a woman who's very close to President Obama, has been a principal advisor on human services issues. I composed a letter to her that I think is quite persuasive, along with this article, telling her that I'm willing to get on the plane and go to Washington and help them fix the ineffectiveness of the trillion we're spending a year.

DePue: In terms of the things you've done in the public arena, anything that's been particularly disappointing to you?

MacDougal: I'm disappointed that more governors haven't grabbed on to what Illinois did and said, Gee, this isn't an impossible thing. The poor don't always have to be with us. We can actually do some stuff. I guess I was a little naïve. I thought when I wrote the book, and 15,000 copies out there, and I was giving these seminars and running around giving all these talks, that I would be getting more governors interested. I've had some, but it's a big problem, and there are a lot more. Now, in defense of these other governors, they've got to worry about balancing their budgets and roads and strikes.

DePue: Getting reelected.

MacDougal: Yeah. That's the main thing they worry about. So I've got to understand and respect why they haven't been lined up outside my door asking for my help.

But I'm out there selling my help, and enough of them are still asking; that is encouraging.

DePue: Especially for the last fifteen, twenty years you've been focusing on the issue of welfare reform and poverty, how have your own personal views changed? How have you as a person changed? Or have they?

MacDougal: Not a whole lot, in terms of what needs to be done, in terms of who these people are, in terms of the difficulties or the roadblocks that unions and some politicians will put in the way.

In this one, we never did get the management information systems done properly. The person that had done all the work for the task force wasn't allowed to have that job, and some other person was put in. This other person, I think, was in there because they might have had a chance to put out some contracts. I don't want to go any further, but I think I have a pretty good idea that a guy named Bob Kjellander, [who] was the head of IBM, he was the IBM rep there in Springfield.

You asked about disappointments. That was a big disappointment. I was convinced we were going to get the information system really state of the art, and we didn't. I learned later that we ended up with a warehouse of IBM computers that became obsolete while sitting in the warehouse. Patrick Fitzgerald, the U.S. attorney, named Kjellander "Individual K" in another related investigation.

DePue: Well, I've been firing the questions, and you've been handling them very well for the last three sessions. What haven't we talked about that you'd like to bring into this equation?

MacDougal: You've done an excellent job of covering the waterfront. For me not to have an immediate answer for that is a very rare thing, I just want you to know, (both laugh) I think you've done it.

I do think the issue of corruption in Illinois is something I've been spending some time on in the recent years and have written about, including the Springfield paper, I've written. It's a tough cycle that needs to be broken. It affects all of this that we've been talking about, because when you give a contract to somebody, are they really getting it because of their merits, or are they getting it because they know somebody?

DePue: Do you think the citizens of Illinois just have too high of a tolerance for corruption?

MacDougal: Absolutely, I think that's the key. As long as they think, "Well, that's the way it is, and I can't do anything about it," It will continue. The guy that most convinced me of this was Patrick Fitzgerald [former United States Attorney for the Northern District of Illinois]. I invited him to speak to a dinner we had

the other night. I said, “What can we do?” because [in] Bulgaria, we've got corruption, too. I had him speak to our America for Bulgaria Foundation Board of Directors. He said, “In some states, a $200 bribe, people will say, 'Wait a minute. What's this?' In Illinois, a multimillion dollar contract to a crony is, ‘the way it is.’”

DePue: It should be mentioned, Patrick Fitzgerald is largely responsible for putting the last two governors in jail.

MacDougal: Two out of the last three, right? Yeah, he's one of my heroes. I call it bipartisan sleaze, because this kind of activity has been in both parties. And the people who practice it give money to both parties. It gets in the way of a lot of what we've been talking about. It's a shame.

DePue: I would hope that in some small way maybe this interview will help advance your cause as well. It's been a fascinating ride to listen to your stories and understand the problems from your perspective, somebody who's really studied it at the ground level and all the way up. Thank you very much, Gary.

MacDougal: Mark, thank you. I've been interviewed by a number of people over the years, and the wonderful thing about you is you are genuinely interested in the topic. This is a very specialized interest, and that's wonderful to see and heartwarming, that there's somebody who really is interested in this. I have enjoyed it very much.

DePue: Thank you.

(end of interview session #3)