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The Axe Files - Ep. 168: Penny Pritzker

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Axelrod: [00:00:16] Of all the people that I met in government and politics one of the most remarkable is Penny Pritzker. When you hear her name, often they add the prefix billionaire Penny Pritzker because she comes from a very prominent Chicago business family and helped build that business to even greater heights. But what's remarkable about Penny is not just how able she is but how down to earth she is, how thoughtful she is, how grounded she is, and all of those things were evident in her service as Secretary of Commerce under President Obama when she traveled the world representing American business and American workers. Now she's giving a lot of thought to what happens in the future and the changing nature of our economy and what our obligations as a country are to all of our citizens to adapt to those changes and make sure opportunity is widely held. I sat down with Penny the other day in Chicago to talk about her life, her career, and the future of our economy.

Axelrod: [00:01:22] Penny Pritzker, it's great to be with you always. You know there's always this word that's added to the end when you hear the word Pritzker. It's always like the billionaire Pritzker family and it connotes obviously privilege in all of this, but the Pritzkers didn't exactly come over here on the Mayflower. And I was reading about your family history in preparation for this conversation, but talk about your great grandparents now and particularly, great grandfather how he got here.

Pritzker: [00:02:00] Well David first of all, it's great to be with you. And this is a wonderful honor to get to have this conversation. My great grandfather came to the United States from what was Russia, but is geographically today part of Ukraine 135 years ago. And my family was escaping the pogroms. In fact, my family had a grain store outside of Kiev because Jews were not allowed to live in the cities and the grain store was ransacked. And for 60 hours my great grandfather and his father hid in the attic of their grain store. And when they came down everything was gone, destroyed. And that was the beginning of the impetus to move and to try and get out of Russia. And fortunately, they were able to come to the United States and I had the privilege when I was in government to be able to go back and actually see the village that they came from. And then the place where the grain store was.

Axelrod: [00:03:06] You know my father you know was an immigrant from the same area. But some time later and I always wanted to get back there and and see where he was where he was from. But your great grandfather was like a nine year old boy.

Pritzker: [00:03:25] Nine year old, yes.

Axelrod: [00:03:25] At the time.

Pritzker: [00:03:26] When he got to the United States, he came to Chicago and sold newspapers on the corner and was fortunately there used to be a hospital called Michael Reise which was on the South Side of Chicago. And my great grandfather got very sick and fortunately they took care of him--

Axelrod: [00:03:48] On the first day or something. I read that he was he was one of the first patients they took in.

Pritzker: [00:03:53] And when he left they gave him a coat. So he's you know just to describe our humble beginnings. He you know couldn't even afford a coat. And yet my--his mother had something called the nickel club and used to--the immigrants would save nickels to be able to help the new immigrants. And so even back then there was a sense of gratitude for the good fortune to be in the United States and their obligation to try and help others. And my great grandfather went you know went from being a nine year

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old grew up, became a pharmacist and then became a lawyer by age 30 and he couldn't get a job in a white shoe law firm. So he had to start his own law firm.

Axelrod: [00:04:44] No Jews allowed.

Pritzker: [00:04:45] Exactly. So Pritzker and Pritzker which you know began the legacy of the family being lawyers by training, if you will. And you know he had three sons. My grandfather being one of them. And then my grandfather had three sons, my father being one of them. And so I come from this you know, it's 135 years later, and yet they really began traditions. My great grandfather and his wife that exist today and really this idea that to whom much is given much is expected and that has permeated very much my life and that of my parents and my grandparents.

Axelrod: [00:05:33] You know your grandfather, this is, your great grandfather didn't speak English when he came here this is sort of the issue [unclear] because the president's embraced a legal immigration bill that would create merit based immigration and one of the qualifications that would be prized would be the ability to speak English. It feels like your family has made a tremendous contribution to this country, would have been a shame if he had been prohibited from entering this country because he didn't speak English.

Pritzker: [00:06:14] Well probably David it would have been worse than a shame. My guess is is that either through the pogroms or for the invasion of Hitler and the Germans during World War 2, my family probably would not have survived as Jews in that part of the world.

Axelrod: [00:06:33] Nor would mine it.

Pritzker: [00:06:34] Exactly. I went back to the seventy fifth anniversary remembrance of Babi Yar where 35,000 Jews were rounded up and shot in 48 hours. And in the same area where my family had their grain store and so we probably would not be--

Axelrod: [00:06:54] In fact 1924, Congress enacted a very strict anti or very strict legal immigration law that with very draconian quotas that would have prohibited my father who came two years before that from entering this country. But the point I was meant, there's no doubt it would have been--And in fact, many Jews couldn't come because of that law and did lose their lives. But beyond that I'm looking at it from the other direction because the argument for this legislation is that it is good for our economy, it's fair because it doesn't--it doesn't pit low wage immigrants against people who are looking for low wage jobs though there isn't. There wasn't a lot of--there weren't a lot of statistics presented to support the argument that this is a big problem. But but so many--so much of the strength of our country has been immigrants who came here and through their energy and industry and talent ended up making enormous contributions to this country and your family is a testimony to that as are many many other families.

Pritzker: [00:08:12] Absolutely. Well, look our country has thrived because we've welcomed immigrants, immigrants from all different kinds of situations. Yes, we've welcomed some with high capabilities and education but frankly some you know if you look at from an economic standpoint, 40 percent of the Fortune 500 was started by immigrants or children of immigrants. Now that's not--you know--so the economic argument that we're going to limit immigration and it's going to be good for our economy doesn't make sense.

Axelrod: [00:08:50] But they would argue that of course that well we're not going to let those kinds of immigrants and those immigrants who are high end immigrants who can create you know Silicon Valley companies and so on that.

Pritzker: [00:09:03] You know that misses the point. The point is is that if you look in our communities, the

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job creation in the small business creation that goes on by immigrants is--is extraordinarily important to the health of our communities and the ingenuity that comes from someone who is newly arrived within the last generation in our country who had their perseverance, their resilience, their capacity to be innovative is amazing. Yesterday my husband and I, we awarded scholarships to DACA students here who are the dream [crosstalk] undocumented immigrants who have graduated high school here in Chicago. We gave out 67 scholarships yesterday. The colleges that these young people are going to is just--it--they're all going to college and they're persisting in college, they're staying in college, and completing at a rate not seen by any of our other public schools here in Chicago. So it's the idea that we can somehow judge who's the right immigrant and who's not the right immigrant. I don't understand. And then there's the you know demographic challenge if we stop you know welcoming people to our shores the way we have. This is our history. This is the fabric of what our country is about, it will change the fabric of our country. But it also demographically the workforce will then level out [crosstalk] country. We're an aging country and if you look at countries like Japan and the challenges that they face by virtue of not being able to have immigration they're actually adopting automation much faster for low wage jobs because they don't have the people to fill those jobs. So I don't think the argument actually holds water.

Axelrod: [00:11:13] Let's return to your story. And I want to obviously talk to you a little bit about more about the current policies of this administration. But your your your family prospered your your grandfather's somewhat controversial element of your family history was was a very prominent lawyer some of his clients were not and business associates were not exactly top shelf in terms of their activities. And that was part of that history. But your your your father and your your uncle invested in in inns around airports, one in Los Angeles, one in San Francisco, and those became the Hyatt chain.

Pritzker: [00:12:15] You know when I when I was born my father about six months after I was born, my father and mother moved out to Los Angeles and actually we lived in the motel by the Los Angeles Airport. In fact my mother used to call me in the stroller along the sidewalk next to the runway. Believe it or not, back then there were sidewalks near the runway and you know so I literally grew up as my father my uncle my father bought this motel and then we moved to Northern California because we're building another motel by the San Francisco airport and that motel we actually had to stop construction on because we didn't have the money to finish it. And I grew up in a household where you know it was--we were building a business. And my mother and my father were intimately engaged in this process. My dad was running the company and you know back then, it's not you know that the partnership between my parents was typical. My mom was involved as my dad and my mother was you know helped with the style and the the the interior decor and the visuals and the service of the hotels. My father ran the business of these motels which were by airports. And you know I used to with my dad, was starting at age 5 to go to the office on Saturdays with him and I would submit the office was probably maybe about double or triple the size of this small conference room that we're in it was not a grandiose big office. And we used to--the motel was across the street. We go across the street. I'd go in the women's room, he'd go in the men's room make sure it was clean, make sure the toilet paper--there was enough toilet paper, so you know it was--I grew up with is surrounded you know the dinner table conversation was about building a business. And we were all in as a family. And and you know unfortunately my dad died when I was 13 years old.

Axelrod: [00:14:23] I know, I wanted to ask you about that because I lost my dad when I was 19 and I always said that was the moment when I grew up. That everything changed at that time. Your dad was just 39 years old. What happened then and what are your recollections of him?

Pritzker: [00:14:40] Well my dad unfortunately while he was athletic, was overweight and he had a heart attack and died of a heart attack playing tennis. He was in Hawaii and you know it was a tragedy for our family. My mother really never recovered from that she was you know became an alcoholic after that and dealt with deep depression--depression and really serious mental health issues. But today we have treatments for. But back then, we really didn't, it was pretty rudimentary. And so it was--but I had resolved

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you know my father had left a real imprint and my mother had on me about building businesses but also my dad was very interested. My dad took--Hyatt grew and in 1968 I think they took the company public and my dad wanted to go into politics. Actually I grew up with this family of building businesses and commitment to community and my dad actually was the finance chair for John Tunney who ran for the Senate and won in California. My mother--how I met first met Nancy Pelosi was my mother and Nancy Pelosi, we used to lick envelopes and stamps. That's back when you mailed out you know political notices. My mother was involved in the Democratic Party in the Bay Area in San Francisco. So it was a rich childhood until my dad passed away and then it really changed.

Axelrod: [00:16:20] And how did that change you? You had two younger brothers.

Pritzker: [00:16:23] Yes.

Axelrod: [00:16:24] And your mother was not in shape to always look after them as she probably wanted to. What did that--What did that mean for you?

Pritzker: [00:16:34] It really meant my brothers and I really had to come together and I tried to you know provide some guidance. Now obviously teenage boys aren't always love their older sister in their guidance but I tried to at least make sure that the household was functioning and that we could you know proceed in as normal a fashion as was possible given the volatility of my mother and it as you said. I really had to grow up and both for myself and but also for my brothers. And it was a in a funny way it was a--it was a special time because we were very close. But it was tough because then I went off to college and my middle brother went to college shortly thereafter and my youngest brother J.B. now candidate for governor, now running for governor of Illinois. He was seven when my dad died. So you know his middle school and high school years were really away from home. And when I was in college you know I use to--he went to Milton Academy, I was at Harvard and I--and I used to go on weekends to see him and you know try and provide some familial support for him.

Axelrod: [00:18:12] He did an interview that was really searing in which he talked about the fact that when he was little and your mom was unwell and she was drinking and so on that he would wait up for her to go to sleep because he was worried that she'd fall asleep smoking. That's that's a hell of a way for a kid to grow up.

Pritzker: [00:18:33] Yeah it was. It's not a time I like to spend a lot of time reflecting on. But it was--it had a lot of volatility built into it for all of us. And it forced us, as I said, to come together but also forced us to grow up.

Axelrod: [00:18:50] You you said that there was a lot of there were traditions in your family and then you talked about the different generations, lots of guys.

Pritzker: [00:18:59] Yes.

Axelrod: [00:19:00] Lots of guys in the in the Pritzker family. And I saw that you wrote a letter to your grandfather saying "Dear grandpa I would like to know why you only talk to the boys about business" for you--for your birthday. "I want you to understand that young women are interested in knowing what you know too." This was on his 80th birthday.

Pritzker: [00:19:22] Yes.

Axelrod: [00:19:23] And how did he respond to that?

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Pritzker: [00:19:25] Well that was interesting it was his big celebration. He had been a very successful businessman and he graduated from the law into business and he had the letter with him. At his party there about 400 people at this party. And he grabbed me and walked out into the hallway and he said to me said "You know Penny I was born in 1896. How am I supposed to know that young women are interested in business?" But he said if you're serious about it. He said I think the foundation of being in business is knowing cost, accounting, and understanding accounting and so come spend three weeks with me this summer and I'll work begin to teach you about accounting. And so I thought that was really and particularly as I reflect on it really poignant because it was honest. And yet he pushed himself out of his comfort zone and said I'm going to try and support you.

Axelrod: [00:20:26] And you you did play on your own to try and earn your way into this business, not just walked into this business. You went you've got a masters in business, you've got a law degree. What was your mindset in in how you approach your family business?

Pritzker: [00:20:48] Well if you thought about our family, there as I said there was my great grandfather who was the lawyer and he had three sons. And my grandfather had three sons. And you know the men in my generation were involved in business. And so I figured and they were all except my Uncle Bob and my brother Tony. they were all lawyers. By training my Uncle Bob was an engineer by training so I figured that I needed to go to law school. And if you will, I needed to go through the hazing in order to join the fraternity. It was a very male dominated organization when I joined you. I went to law school I went to business school. I came back to Chicago and and arrived. And it wasn't obvious what I was going to do but I wanted I had seen my family build businesses and I figured I wanted to do that too. And but it was an environment where there were no women. There were no women, there were no women vice presidents, there were no women in the organization. There was--there were no women parking in the parking garage if you will know women eating in the dining room if you will. And so it required me to I think find what I call the white space. I had to figure out where did I fit. And I felt that the place that I fit best was to really actually create new businesses. And so I became an entrepreneur within two years of arriving back in Chicago. I--there was talk of starting a new business in senior living and I basically said to my uncle I want to do that. And that's how I started my first business which was classic residence by Hyatt. And it was you know I was 27 years old. I had a terrific education and I had worked during school as well but there was so much I needed to learn and I had to learn by doing. And I made a ton of mistakes. I didn't know. Some of the people I hired were wrong, some of the decisions I made were wrong.

Axelrod: [00:23:12] That was a bumpy enterprise at first.

Pritzker: [00:23:14] First few years because when we opened our first properties we were in a housing crisis. So the people that we were going to serve couldn't sell their homes and it was a new industry. Today, we know senior living but you know 30 years ago it was a brand new industry and that wasn't really an industry. There were probably four guys and me, you were trying to--

Axelrod: [00:23:37] You really were ahead of your time.

Pritzker: [00:23:39] --build build a new industry and we didn't really know what we were doing and we weren't sure exactly what the market wanted or needed. And so it took a while to figure out. And in fact I was so worried about the early days that I went to my uncle at one point and we had invested you know about \$40 billion into the company. And I was not sure it was going to work and I thought that was more money than I had ever thought I would be responsible for in my life. And so I went to my uncle and I said you know because I had been to business school and I said there's an opportunity cost to us pursuing this. And I said to him I think if we can't turn this around in six months you should fire me and we should liquidate. And fortunately he had a lot of experience and a lot more wisdom than I did. And he recognized

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the demographic shift that was going on in the country and he basically encouraged me to keep addressing the problems, be agile, to not and to you know what welcomed me when I would show up at his desk with the challenges I was facing and he would try and advise me. And it was a wonderful lesson for me because it really taught me that first of all we're in a time of great change now also in business and that things don't just happen overnight. They're not, they don't happen on schedule when you're running a new business you need to and you need to be basically riding a wave of demand. And he saw that wave of demand that demographic shift and had the patience and willingness to let me make mistakes. But then to fix them and it turned out we built a company that employs thousands of people today. And you know that provides housing and solutions for families and seniors all over the country.

Axelrod: [00:25:38] So we've got to do a little commerce ourselves we're going to take a short break and we'll be right back with Penny Pritzker.

Axelrod: [00:25:47] You you got deeply involved in in real estate, generally. And among those people who you met along the way in your real estate business among those people who you partnered with not happily apparently was one Donald J. Trump. How did that come about? And tell me about your experiences and your impressions of him?

Pritzker: [00:26:12] Well I wasn't really involved in the relationship with Donald Trump but one of the things that one of the very first deals that Donald Trump did was a deal with Hyatt Hotels, my uncle and my cousin to create the Grand Hyatt in New York an old hotel Commodore right.

Axelrod: [00:26:32] It was over Grand Central Station.

Pritzker: [00:26:35] Exactly. And it was a challenging partnership that ended. There were times litigation.

Axelrod: [00:26:44] Yes, it ended well for lawyers.

Pritzker: [00:26:46] Yes. At that time Mr. Trump was quite litigious as he seems to be. And it ended with the family ultimately buying him out of the hotel. But it was a tough slog. And I'm not really I was not really intimately engaged in that.

Axelrod: [00:27:06] You had some interactions with him though, did you not?

Pritzker: [00:27:09] I did. I went to try and buy a piece of property from him to build a senior living community in New York. And I it was just one meeting. It was quite an experience to go to his office. A few photos of himself up there every wall every every spare inch on the wall was covered with magazine cover.

Axelrod: [00:27:33] But did you find him to be a--did you find him to be a proficient at the art of the deal guy, the big negotiator?

Pritzker: [00:27:45] You know we never got very far in the negotiation. He wasn't much into the idea of selling property, but he knew there was a lot of theatrics around the meeting. And you know . . .

Axelrod: [00:27:58] You're just going to leave it there and leave is hanging?

Pritzker: [00:28:00] Well, it was it was you know his desk was elevated. So he sat above you when you sat lower and I finally I said who we sit at the table over the other part of the room.

Axelrod: [00:28:13] You're not like an excessively tall person.

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Pritzker: [00:28:15] No I'm not I'm rather short in the desk is elevated was sort of came up to my shoulders. So it was quite an awkward situation. And so we we moved to the table and then you know we had a conversation. He ultimately was not interested in selling and you know as I learned early on if you want to make a deal you need a willing buyer and a willing seller.

Axelrod: [00:28:39] You along the way did work with Marty Nesbitt who was one of your partners in a successful business. Airport parking business the parking spot and through him I gather it was through him that you met Barack Obama or was it through others?

Pritzker: [00:28:57] Yes. Well the story is actually I hired Marty to help me with a retail property that I had problems with. And but he was really interested in starting a business off of airport parking and I said if you help me we'll see if we can you know execute your business plan which was very as you said very successful. Marty and I worked together for 15 years and the story of meeting Barack Obama and Michelle Obama really came through my five year old and 7 year old at the time wanted to play basketball and I didn't know anything about basketball as you said I'm not very tall--it was not a sport I played. And so I--

Pritzker: [00:29:36] You are an equestrian?

Pritzker: [00:29:37] I was an equestrian and played tennis. My--the question I asked Marty was I said "How do you do basketball in the city of Chicago?Where do you--where do you--where do you go and Marty had been a very accomplished basketball player. And so he said "Oh we're all going to the Lincoln Belmont, why this Saturday so bring the kids!" And so we did. And the coach there was Michelle Obama's brother Craig. And we [crosstalk] a wonderful star and a wonderful coach. What an what a blessing to have him to coach our children.

Axelrod: [00:30:17] He now is in the Milwaukee Bucks.

Pritzker: [00:30:20] Exactly. Exactly. So the idea he was coaching 5 year olds and 7 year olds was pretty amazing start for him in this world a bet in basketball coaching. But anyway on the sidelines were Michelle and Barack Obama and we met and became friends and spent time together and that's how I got to know.

Axelrod: [00:30:44] I remember you know having breakfast and talking about this offer that was on the table for you to become finance chair of the Obama campaign in 2007 and I hesitate to say it's an offer because all that was was 24/7 work for a couple of years but you you weren't sure about it. What were you--what was your reluctance and what and what made you decide ultimately to do it?

Pritzker: [00:31:17] Well my reluctance was I was a mother or at that point our kids were teenagers and I had full business career and I also you know was married and civic responsibilities and I didn't understand how I was going to do all. I couldn't quit my job. I was going to do all that well and be the national finance chair for a presidential campaign of someone who I really respected and what my reluctance was not to let him down. And how was I going to do that well and I called my husband on the way home and said to him I know you're not going to believe this request for me to play this role. And I said I just don't see how I can do it. And Brian said you've got to come you know come home which I did. We're standing in the kitchen and he very dramatically starts knocking on the door of our kitchen. And he said you know this is destiny knocking on the door of our country and you need to find a way to how--

Axelrod: [00:32:26] Wow that is dramatic.

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Pritzker: [00:32:27] And well he loves the dramatic flare periodically. And you know I Barack Obama is someone who I have enormous enormous respect for and trust in. He's a man of extraordinary not only intellect and knowledge of our Constitution, but of integrity. And and so I wanted to make sure if I took this on that I could really deliver for him. And is one of the greatest experiences of my life to be able to do that and work and I treated it like it was a start up in my mind it was just a new business and a startup and how well it actually was.

Axelrod: [00:33:09] I mean there was there was nothing there.

Pritzker: [00:33:12] There were 11 of us, if you remember even when we started and there were three rooms, three telephones, 11 of us, four desks, not enough chairs. and a hole in the wall. I believe was our first office.

Axelrod: [00:33:24] There's no cash in that hole.

Pritzker: [00:33:25] And there was no cash. And and we went on to you know raise the money that you know really facilitated Barack Obama becoming president of the United States.

Axelrod: [00:33:38] You raise an enormous amount of money and a lot of it was online small donations a lot more than people expected. Were you surprised by the reaction that he engendered?

Pritzker: [00:33:51] You know what I was and I wasn't you know remember it's so hard to imagine how new the internet and email was when we started but this is a man who connected with everyone you know with with with Americans in a way that people wanted to be a part of a movement. Barack Obama when he ran he ran on change and hope and the future of this country--we're not a red America or blue America. And and that notion that idea inspired people to support him. You know this better than I do. You were his most senior adviser. And so it didn't surprise me that that the online fundraising was really successful.

[00:34:44] I think I think there is I remember the plan called for him to raise \$2 billion online in the first quarter of 2007 and you raise \$12 billion which was really a harbinger of things to come. That doesn't belittle the person to person efforts that you made all over the country and all the sort of traditional fundraising work that had to be done. But it was inspiring, the number of Americans who just wanted to sent in their \$5 or \$2 or \$10 to try and advance this campaign.

Pritzker: [00:35:16] Yeah it was you know we we struggled early on with the online. But eventually it really it we connected with people with his personality with home parties and things like that. It was really an amazing experience.

Axelrod: [00:35:30] You were going to you were very much high on the list to join the administration in the first place in the first administration and you couldn't and you couldn't because it turns out that when you build these ginormous business empires, it's very hard to work through them and disentangle yourselves--yourself from them in order to sort of know that may be a quaint concept now because it doesn't seem to be as pressing a need in Washington today. But you you you basically deferred your service while you work through what is within your own family.

Pritzker: [00:36:14] We were in the middle of restructuring our family and it was just not possible to extricate myself in a way to comply with the Office of Government Ethics and the ethics standards that the Obama administration set up so it wasn't possible to do. And fortunately I was able to you know work on a few different--the Presidents Economic Recovery Advisory Board and the Jobs Council and some other efforts to support. But it really wasn't possible until the second term to be able to untangle the web to be

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able to comply with the Office of Government Ethics.

Axelrod: [00:36:54] Let me ask you about that for a second because I joke about it but the fact is that the president obviously has a large family business with lots of interlocking pieces. His son in law is in the administration, the same as daughter. And there are others in the administration and yet the standards don't seem to be the same. Why is that important? Or is it important? Did you feel that the ethics provisions were onerous at the time that you were considering service and ultimately when you had to when you came to serve?

Pritzker: [00:37:34] You know there's no greater honor than serving your country and you've had the privilege of doing that. It's hard work and you're barraged by different issues coming at you and it's really important that your focus is on what's right for the American people and what's right for the country and not any distraction about either a conflict of interest or an apparent conflict of interest. And so I found yes it's hard to comply. It's not easy but there--you sacrifice that many people have made to comply with the ethics standards that we've had historically. But it frees you to be able to be completely focused on what's in the best interest of our country and that the privilege of serving. You owe that to your country is the way I think about it. So for me it was not easy to do. I--they claim that when I sent in my forms I crashed the system because our situation was so large. But I feel I would do it all again. And I and I think that I couldn't have done it in the first term. It was not possible and you want to be freed of those issues. It causes too much distraction otherwise.

Axelrod: [00:39:10] Walter Shaab, the newly departed head of the Office of Government Ethics said we're in danger of becoming a kleptocracy because of the failure to abide by these ethics guidelines. Is that a fear that you have?

Pritzker: [00:39:31] Well look I can't. You know that's a strong word.

Axelrod: [00:39:34] It is yeah, that's why I ask.

Pritzker: [00:39:35] What I would say is is that I don't think it helps anyone in government if you're being accused of conflicts of interest. And so putting yourself in a position where that is not a question. There's plenty of questions about your judgments and what you're doing regardless of who you are when you're in government which don't want to do is question your motivation. And if you begin by starting to question motivation then you never know the rest just gets worse.

Axelrod: [00:40:12] So clearing the decks is the way to avoid that?

Pritzker: [00:40:15] I think so.

Axelrod: [00:40:16] And I want it noted that I sold my business to when I went into government but that was like lunch money for all you guys so it wasn't as big a deal.

Pritzker: [00:40:23] But David that's not fair. I think that that's not lunch money that's important you built a business you spent much of a career building a business. And when you make those decisions I mean I sold things, too. You make these decisions you don't--

Axelrod: [00:40:38] It was hard I built that business over 25 years.

Pritzker: [00:40:40] Exactly you don't make those decisions lightly.

Axelrod: [00:40:44] But enough about me let's talk about you in the Commerce Department. You it was it's

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a strange department. You know Alan Dixon who was a senator from Illinois once said the two most meaningless agencies in government are Labor Department in a Republican administration and a Commerce Department in--in a Democratic administration. But you you did very meaningful things there.

Pritzker: [00:41:13] Well you know when the president asked me to take the job of secretary of commerce he said a number of things. First he said the bar was low. But then he said there's a very important job to be done. The relationship with the business community was not where he wanted it to be and he asked me to come in and really build a bridge to the business community and make sure the voice of business was heard in policy making. He didn't say the voice of business is going to dominate policy making but he said it's an important voice and it's not being heard the way I would like it. And he also said and he said and I want you part of my economic team and part of--And if there are economic issues as it relates to national security you need to weigh in there. And then finally he said I want you to be the chief commercial advocate for the United States of America and for American business. And those are important roles. Of course we didn't talk about the 12 different agencies that are part of the Department of Commerce. But you know it was--it was it's a department to me that actually makes sense. In fact you know I think that it only makes more sense in this competitive world that we have. I think I actually would combine some other parts of the government together if I were--

Axelrod: [00:42:38] Absolutely.

Pritzker: [00:42:38] --able to reorganize.

Axelrod: [00:42:39] That's almost impossible to do.

Pritzker: [00:42:41] Yes and President Obama tried to do reorganization in Congress didn't give him the opportunity to. But it would make enormous sense. But having said that you know the first thing that we did to try and change the image and frankly the culture of the department was when I came in, I put an open for business sign you know like an old sign that used to be on a retail store. I put that on the door to my office and it became a theme of what we did and it was important because it was sending a message. It's a--we're we're trying to have a new day, a new approach, a new relationship. And then we also tried to impact the culture by one of the first places I went was New Orleans and I went to an incubator and they had this sign that said trust your crazy ideas. And they gave me the sign and we put it up on my chief of staff's office door. The idea was to promote entrepreneurialism within the department, within our thinking and what it did was we were able to give people permission to come up with the best ideas. You know when we started, what we did is we said we're going to take the first hundred days and we're going to listen to our major stakeholders. So we went out and talked to 400 business leaders. We had a ton of vacancies in the department so we're going to fill the vacancies and put a strategic plan together. And I don't know if any others secretary, that's usual in government showed up at the White House which we did after 100 days with the strategic plan. And we I went into a room, there were like 50 people from the White House and I laid out what we were going to do that we were going to focus on you know foreign direct investment and trade that we were going to focus on innovation in terms of you know advanced manufacturing the digital economy workforce training we're going to focus on data. You know it was the beginning of big data and we were we had a huge repository of data. We're going to focus on environmental intelligence because we had the weather service and Noah and we're going to do all this and try and operate the place better. And I show up with this business you know strategic plan called are open for business agenda and then get a phone call from Dennis McDonough says the president chief of staff and chief of staff please come in and please to present this to the president. Well you get the blessing of the president on your plan and you've got a culture that is about open for business and entrepreneurialism and it begins to. It's amazing how a department will come together behind a vision and a focus and that kind of culture a central part of that vision had to do with trade which is a highly controversial issue particularly in those areas that haven't profited from a train. We live in this here. We're

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here in go we're in the region that a region that has suffered great losses in manufacturing particularly in the 90s as a result of globalization. So there's a great deal of resistance to trade. Donald Trump obviously mind that you were a big champion of trade, the TPP the Trans-Pacific Partnership that the Obama administration worked long and hard to negotiate. Similar effort was on under way with Europe. Those are now defunct because the president ran on it really on an anti-trade platform you wouldn't necessarily characterize it that way.

Axelrod: [00:46:41] What's been lost on in in in those in those deals and what do you say to the people who have lost their jobs and we're deeply skeptical of them?

Pritzker: [00:46:54] So whenever I think about trade I think about a number of things. But first and foremost there's a person I met one of the blessings or benefits of being secretary of commerce should travel a lot you meet a lot of people. I met a gentleman named Tom Kelly from Lorain Ohio worked in a steel plant and he had lost his job because of dumping steel into the United States Department of Commerce had put in place 175 new tariffs to prevent steel dumping. But this gentleman whose plant was you know State of the art not a lot of people working there. But he lost his job and he then got a new job in advanced manufacturing. But at half the pay. And you know I think about him and his family I hold that in my head as to when you think about trade. You can't just think about the benefits for corporate America. You've got to think about the human element of this. And my attitude is is a lot has been lost by us walking away from TPP. And the reason I say that is as follows. TPP had many things in it like small business chapters and state owned enterprise chapters and customs chapters that made it easier for small and medium sized businesses to take advantage of markets outside the United States. Remember 95 percent of customers and consumers are outside the United States. So we need access to those markets for Americans to have jobs. And for Americans to have opportunity and for American business to create opportunity for our American workforce and also to lower barriers in many of the participating. Exactly. Exactly. Their tariffs would have come down dramatically. And particularly in the fastest growing part of the world. So what have we lost. We've lost the opportunity to set the rules of engagement in trade in Asia. You know we had countries that were stepping up to American standards to raise their labor standards raise their environmental standards begin to play by rules that reflected American values. The other thing we've lost is market access because those tariffs all sit in place today in our prevent American commies particularly small and medium sized ones from accessing those markets. But the other thing that you know we need to do we need to do is really address the need of our workforce and frankly trade adjustment assistance isn't sufficient.

Axelrod: [00:49:42] It was a it was really largely a failure.

Pritzker: [00:49:45] It's not broad enough and it doesn't recognize that the challenges you know it's politically one thing to say you know trade is the bad guy for American workers. But that's simplifying something that's more complicated. We're going through a period of extraordinary automation and so globalization trade for sure have impacts on some people. Automation are affecting other workers. It leads to the angst that the American public is feeling. And we have to have an economic strategic economic competitiveness plan for our country. That really is focused on workforce training and education for our American populace for 21st century jobs.

Axelrod: [00:50:32] Before you go on let me just take a short break because I want to ask you about that.

Axelrod: [00:50:39] Before we I'm deeply deeply interested in this issue of automation as a piece of what's a big piece of what's going on right now. I've talked about it before but we should also cover just for a minute. What this does relative to China and the role that it's playing in the world because the president was very tough on China in his rhetoric in the campaign? But it seems like they're the greatest beneficiary of a lot of what he's done since since January 20.

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Pritzker: [00:51:15] China is a complicated place as it relates to the United States because you know decades ago we used to be pretty easy for American business to do business in China. Today it's much more difficult. China wants to be able to have its own indigenous companies producing products for their own market and they want to sell their products here in the United States and we benefit from less expensive products that we get from China. We shouldn't ignore that. But the challenge today and this is something that we talked a lot with the Chinese about is it's time for them to step up and really recognize that they're an innovative economy as well and they need to begin to protect intellectual property. They need to play by the rules of engagement when it comes to trade that are not just benefiting them but benefit the whole world. And you know I think that we spent a lot of time working unsuccessfully on with the Chinese about how they engaged with American business and how they engaged. Not so much in the United States because frankly our tariffs are low which is the way it should be I think. But how there should be reciprocal benefit for American companies and for foreign companies with our allies in China and that also frankly we had you know evidence of stealing of our technologies. And so that was not playing fair. And so China is a complicated place. I do believe though that we should keep the economic issues with China in one pocket and the national security issues in another pocket so that we don't confuse the two because we do have important national security issues that we need to work out with them well including North Korea and then one of the president's plays has been we're going to turn the screws on some of these economic issues. If you don't give us greater cooperation I think it's a mistake to link those two. You know I do think though the business community has changed its attitude towards China used to tolerate the kind of lack of protections. And I think that over the last couple of years you've seen China changed the rules to make it much more difficult for American businesses and I think so their frustration American business frustrations very high with China. But I don't think that we should move unilaterally against China you really need to work with our allies in order to have effect because otherwise you can take action and you could have a European companies or Japanese companies just go around.

Axelrod: [00:54:12] Well this leads me to the point I was trying to make which is on TPP it seems that the the the abandonment of TPP was advantageous to China in that you lost the value of that alliance and you created more opportunities for China to be to to to to dominate that market in ways that they would would otherwise not have.

Pritzker: [00:54:38] Absolutely and so you know for example if you think about TPP--It's a relationship with 12 countries and if you think about today we have no benefit of that of those of that trade agreement. And you take a company like let's say electric mirror which is a company I visited in Virginia. They want to sell their product they make the TVs that sometimes are in yours. They make a competitive product to a product made in China. They want to sell it into Vietnam. They're at a 30 percent disadvantage because of the tariffs that because we walked away from TPP they don't get. We've left a wide open lane for China and they're going about it with our CEP which is a competing multilateral agreement with very low standards but with lower tariffs to create a regional trade agreement and the United States is not part of that other TPP countries are going forward with TPP without the United States we're not part of that. So we're kind of being left out and I don't understand how that benefits the American worker.

Axelrod: [00:55:53] So on this issue of automation. Automation now accounts for four of five jobs that we that that are lost that are displaced relative to trade. And yet the focus in politics tends to be on trade when robots and computers are largely displacing workers. What does you talk about education you talk about training you talk about having a national strategy? How do we accomplish that?

Pritzker: [00:56:29] Well I think first of all I'm not as glum as others that robots are going to take over every job because there's lots of new jobs being created in advanced manufacturing. I think there's a need for a million million and a half new workers.

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Axelrod: [00:56:45] Not necessarily for the people who have lost their job.

Pritzker: [00:56:48] Well, they need to be retrained. And that's the challenge right. If I'm someone who loses 1 job and in one area how do I become retrained. That's really difficult. I've seen it done in Houston where the oil and gas workers were being retrained for petrochemical jobs. So it's a local. The solutions are local. I think that one of the things that we're trying to do I'm working on a task force right now to put together a playbook for governors because I really think that implementation of training and education for a 21st century workforce and for 21st century jobs is something that has to be executed. You know at the local and statewide level I don't think it's national. There are things that the Congress can do like making sure that we have a 21st century social safety net. We have 55 plus million workers in the gig economy today out of a workforce of I think 140 million. So we need to recognize that people are more benefits well and whether they have benefits or not. The point is that they need to be mobile and they need to make. We have a system that was designed for. You go to work for one company and you stay at it for most of your career. And so I think we need to modernize our social safety net. I think we need to break down the silos locally between business which knows what demands they have and what needs they have in terms of their workforce domestically as well as the education system. And we have to start with K-12 community colleges and the colleges and universities is not something you just deal with at the community college level.

Axelrod: [00:58:36] You have to make sure that people have the skills that they need.

Pritzker: [00:58:38] Exactly because the jobs of the future and many of these skills you begin acquiring in middle school you know so it's not something that you start you know when you graduate and and that also is much more affordable. We need much more flexibility for a community college is offering a training program where you can get a certificate that makes you employable. Why can't I take that course as a high school student? You know we need those. And there are places in the United States. Different communities different states that are adopting these kinds of progressive policies we just need to make it much more--

Axelrod: [00:59:17] If there isn't a strategy that the that we're going to continue to have in a polarized economy where people who get education training have the skills to fill these jobs are going to prosper and the people at the top who are investors in the businesses that are benefiting from from all of this innovation. All of this technology will prosper but you'll see more and more people who are struggling. And that's a prescription for huge anxiety and unrest.

Pritzker: [00:59:57] David this economic divide that we have in our country is not sustainable and it's not right. And so I look and say that's why I am very focused. This is the issue of our time is to help Americans you know be prepared for the opportunities that will come and that are that exist today. And for me it is I'm passionate about this I have been for a decade. The issues have evolved. The urgency is only growing. But I think that there's much greater awareness of the challenge and I'm a believer that at the state level at this point I think that governors want solutions so that they can address this. They see it on the ground may God bless the party regardless of party and so you know the task force I'm working on is bipartisan and I'm really. I'm also working with Microsoft and the market foundation on this. They're working in Colorado and they're looking for other states to adopt to create technological tools that can help support this effort. There's an and you know there are members of Congress who are interested in the workforce of the future and the future of work and training in our country. So there's a there's a growing focus on this issue. And you read about in the popular press to me we need to produce practical solutions that can be implemented at the local and state level and the pain points in terms of our social safety net an opportunity. The other thing is this is where federal policy matters. You know we need to continue to create economic opportunity through trade agreements through smart tax reform through infrastructure investments through investing in R&D and innovation. You know one of the things that we

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cannot underestimate is we're in an extremely competitive world. You said China China has a plan for 2025 to have indigenous industries in most of the cutting edge areas. We've got to keep up with that kind of competition in order for the you know Americans to thrive.

Axelrod: [01:02:23] Well if we don't what we're going to have a situation where more and more people don't feel a stake yes because they don't feel like it because they become they come to believe that the game is rigged. As the president famously said in his campaign and that's that's a that's a frightening prospect for the country for our democracy. So Penny Pritzker, it's great to be with you. I appreciate your support for the Institute of Politics at the University of Chicago. We hope to see you there in the not too distant future to talk about these issues. And I know you're going to stay in this fight and I appreciate that as well.

Pritzker: [01:03:00] Well David thank you very much and thanks for having me.