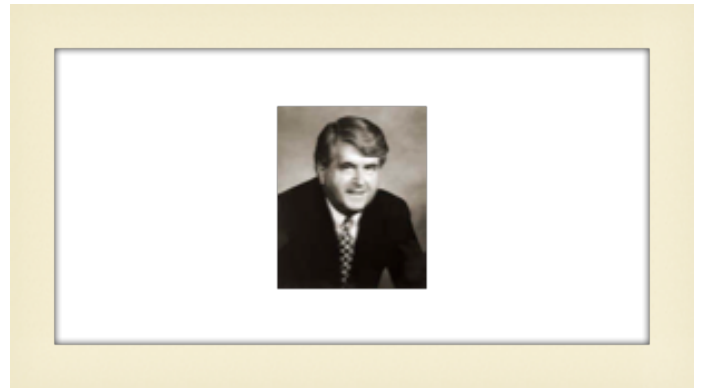


## Q&A: J.P. Bolduc

By Judith Meyer , *Managing Editor/days*  
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***In 1982, a Lewiston man managed a controversial investigation into government waste - the Grace Commission - whose cost-cutting ideas never took hold. Now, a quarter-century later, are they worth another look?***

Twenty-five years ago, Lewiston native J.P. Bolduc spoke to the Lewiston-Auburn Area Chamber of Commerce about his work heading President Ronald Reagan's Private Sector Survey on Cost Control, later known as the Grace Commission.

The Commission was a privately financed group of 161 business leaders who gathered in June 1982 to recommend ways of reducing government waste as the nation struggled toward economic recovery. In January 1984, the group presented 2,478 recommendations for saving \$424 billion over a three-year period. Congress acted on very few of them.

In its report, the Grace Commission warned the national debt could reach \$13 trillion by 2000 without bold action, but reforms could hold that climb to \$2.5 trillion.

The debt in 2000 fell between these predictions, at \$5.8 trillion. Last November, the U.S. debt was \$10.6 trillion, and will rise as the bailout and stimulus packages are paid out.

Bolduc is former president and chief executive officer of W.R. Grace & Co., a Fortune 100 company, former president and CEO of J.A. Jones, Inc., a multinational, multi-billion dollar engineering and construction firm and is founder and CEO of JPB Enterprises, Inc., a private equity firm based in Columbia, Md.

A trustee of the Williams E. Simon Graduate School of Business at the University of Rochester, a member of the Advisory Council for Graduate Studies and Research at the University of Notre Dame and three-time presidential appointee, Bolduc offers his views on the Grace Commission report as they relate to the current state of the nation's economy.

**Are there Grace Commission recommendations that could be brought back to Congress for consideration in our current economic climate?**

How many do you want? We issued 2,478. If implemented, they would have saved taxpayers over \$140 billion per year. Now, some 25 years later, the potential savings is significantly greater.

In my 40-year career, I have not seen an organization - whether business, bank, hospital, charitable institution, foundation, university, state or city - that doesn't have its fair share of waste and inefficiency. That's why every organization should be reviewed and analyzed every five years to root out inefficiencies and capitalize on efficiencies.

Those cost saving opportunities were there in 1983. They are still here today. And, they will be there tomorrow, unless American taxpayers demand better, more responsible government from their elected officials. Here are a few of those opportunities:

**Means testing Social Security eligibility.** The average Social Security recipient will receive, in his or her lifetime, 11 times more in benefits than the money they contributed to the system. Is it any wonder we have fiscal problems?

**Government layering is rampant.** Deputies, assistants, coordinators, special assistants and administrative aides plague our bureaucracy. This is inefficiency and unnecessary spending.

**Lack of enforcement on delinquent taxpayers.** Effective and accountable management would yield billions in additional revenues to the government.

**Post offices.** There's one right around the corner. There's another around the next corner. Or, is it five or six within a two-mile radius of your home? Could you - or would you - operate a business profitably with that number of post offices? I doubt it.

**Cost of retirement.** The government's military and civil servant retirement benefits are two to three times richer than in the private sector. Why?

**Consolidating government.** If none other than back office operations. Some rural counties house over 20 federal offices, not to mention overlap and duplication in large cities. I could go on and on.

**What is the most significant thing we could do to contain government waste/inefficiencies?**

A two-word answer - employee incentives.

Currently, bigger is better in federal government. Employees get rewarded and promoted based on the size of the budget they manage and the number of employees they oversee. Therefore, managing efficiently for the best overall interest of the taxpayers gets rewarded with a reduction in grade level, title and salary. That's because the executive's budget is now less and the employees under his supervision are fewer.

Accordingly, the principle driver is spend it all. Grow your budget. Hire more employees. And, if you grow your budget and your employee base enough, your grade level will get reclassified, your title will change and your base salary will increase.

The federal government needs to be managed like the private sector. We must challenge its executives, managers and employees to seek and implement efficient measures and reward them with bonuses.

**One of the Grace Commission recommendations was "every dollar we can stop spending is a dollar that the government does not have to borrow." The trillion-dollar bailout seems to conflict with that idea. What do you think of the bailout?**

The United States is experiencing its most serious financial crisis. It will take unprecedented steps to return the economy to just 24 months ago. The bailout was initially thought by Treasury Secretary Henry Paulsen to be part of the solution. But it has not produced the kind of positive impact expected.

From the beginning, I believed the bailout, which initially focused on rescuing financial institutions, was targeted too far up the food chain. In my view, one of the most effective ways to address this crisis is to focus on the source of the problem - the over extended borrower.

If subprime lending is the most pronounced cause of the economic downturn, targeting financial institutions takes too long and fails to provide the kind of stimulus needed.

Do I favor the bailout? No. Is it absolutely necessary? Yes. We - as the most powerful and influential nation on earth - must restore confidence in our financial markets.

With that, will come the recovery we so very much need.

**The Commission concluded "one-third of all (income) taxes is consumed by waste and inefficiency in the federal government." Is that still true?**

Yes.

**If one-third of income taxes is lost to uncollected taxes and the remainder is spent on interest on the federal debt, is there a better model than the IRS to fund government?**

There certainly is. That is at the heart of reforming our tax system, including the IRS. What a shame - taxes are so complex an entire industry has developed to support their filing.

Most individuals must turn to others more knowledgeable to prepare their tax returns. The taxpayer is then required to execute the return when, more often than not, he or she has no content knowledge of the forms they just executed. Yet they remain liable for the accuracy, completeness and content of the return filed.

I don't have the solution to this massive problem, except to say it lies in a simpler, fairer, easy to understand and interpret tax alternative like a flat tax, sales tax, consumption tax, etc.

**W. Peter Grace said the project was "structured and staffed to effect enduring improvement so that our children and grandchildren would not inherit a situation that would be devastating to them and to the values of our economic and social system." Would you consider the commission successful in these efforts?**

No. Our role was to advise, counsel and recommend; we had no authority or power to implement. Neither did President Reagan. Most authority was vested in Congress.

We may have lacked authority, but we sure as hell gave it our best shot.

That's as far as we could take our recommendations. In the process, we encountered a number of obstacles. We were sued by Ralph Nader for allegedly violating Sunshine laws, subpoenaed by members of Congress, ridiculed by special interest groups, picketed and boycotted at W.R. Grace retail stores and the recipient of physical threats.

That said, I and many others who participated would do it all over again. It wasn't easy and, at times, most frustrating. But in the end, we made a difference.

And my in managing the media, interacting with our board of directors, trying to reason and negotiate with Congress, special interest groups, bureaucrats, the

White House, the Office of Management and Budget, the private sector, and those who contributed \$78 million in dollars and in-kind services so the Grace study could be performed at no cost to taxpayers and, most of all, the 2,000-plus executives who contributed their time - mostly full-time - made for a most rewarding and enriching undertaking.

Our challenge then, as today, is with our elected officials who lack the intestinal fortitude to do what is right for the country. Where have our leaders gone?

**You've led a very accomplished career. How did your upbringing in Lewiston prepare you for that?**

Allow me to quote Thucydides: "We must remember that one man is much the same as another, and that he is best who is trained in the severest school."

My early years were spent in a home without indoor plumbing. It was a warm home, though, with caring and loving parents who were fair but firm. It was a Catholic home that afforded no opportunity to compromise or deviate from Catholic values. This philosophy of doing "right" - all the time - no matter who was watching was reinforced by a parochial school education which emphasized "Dare to be Different - in the Right Way." My parents were most understanding and reasonable, but set expectations you never forgot and always delivered.

That's because you loved and respected them.

Then it was working at age 13 during the summer for 50 cents per-hour or \$4 per-day. You were expected to report to work - whether sick, tired or disinterested.

It mattered not - you were expected and you did.

Part of that ethic was developed in my days as a Lewiston Daily Sun paperboy. Rain or shine, snow or sleet, hot or cold, I was responsible for delivering the morning paper to 113 residents between 5:30 a.m. and 6:45 a.m. before going to school.

And I did, because it was expected of me.

I never missed a morning from age eight through 12 years old, not even on February 22, 1951 (I believe) when 28 inches of snow fell. It took me four hours that morning to deliver my papers. And I did, because it was expected of me.

Along my five-year journey as a paperboy, I met my idol - a customer named Shapiro who always had two new Cadillacs in his driveway (my parents struggled to afford a used car) and whose standard of living inspired me to seek the American dream.

And I did, because it was expected of me.

Upbringing only, however, won't let you realize the American dream. It takes friends and family to support you, especially if they are also from Lewiston and of the same upbringing.

First, my high school sweetheart, Evelyn Talerico, whose mom and dad owned Luigi's Pizzeria and who I wed in 1961. And, with reassurance from my two closest friends, who were also college-bound - Mike Masselli and Dr. David Clifford - I went off to St. Cloud State University in Minnesota on a baseball scholarship. It was expected that I would graduate from college and go out into the world and make a difference in my life as well as those of others.

And, I did.

Today, Evelyn and I, along with Mike and Dave and their high school sweethearts, Barbara Callahan and Carmen Dupuis, all brought up in Lewiston, are all still married after nearly 46 years and each of us have been blessed with four children (two boys and two girls each).

This is a storybook ending to a remarkable journey that's taken me from Maine to all 50 states, over 100 countries, the service of three presidents (Nixon, Ford, Reagan), head a Fortune 100 company and now lead a family-owned enterprise whose board of directors are my four children and lovely wife, Evelyn.