



Michigan COMMENTARY

ROBERT BOWMAN: A PROFILE

by Bev Farrar

Over the years, it has become clear to Michigan Treasurer Robert Bowman that his fondest Walter Mitty-esque ambition is beyond reach. "My arm is too weak, I'm too slow and too short, and Alan Trammell already has the position sewed up," he says. But in lieu of playing shortstop for the Detroit Tigers, Bowman believes he currently holds the next best position--managing money for Michigan.

With every passing month, there is more Michigan money to manage. With Bowman's assistance, a state budget in serious deficit has been restored to balance and state retirement funds have rocketed from a value of about \$6.3 billion to a phenomenal \$15 billion.

Bowman left his home state of Wisconsin for an undergraduate degree in economics from Harvard College and then an MBA at the Wharton School of the University of Pennsylvania. He began his working career in 1979 as special assistant for domestic finance with the U.S. Treasury Department in Washington.

In the late 1970s, the Chrysler Corporation was in serious financial straits; in Washington, Congressman James Blanchard was running point on a deal to get government loan guarantees for the troubled company. Bob Bowman played football with Blanchard's congressional staff, forging ties to movers and shakers beyond his novice level of experience. Bowman insists he was very much the "waterboy" to Blanchard's "quarterback" on the 1979-80 Chrysler bailout. Nevertheless, the link was forged that would lead Blanchard in 1983 to invite Bowman--then with the New York investment firm of Goldman Sachs--to become the nation's youngest state treasurer.

It was a move that would catapult Bowman into unexpected prominence. The glow of flattering press coverage, local and national, follows him from Lansing to Wall Street with variations on two themes: a financial salvage job of extensive proportions and Bowman's relative youth--he took over the Michigan Department of Treasury at 27. Even many Republicans credit Democrat Bowman with astonishing success.

Bowman credits his staff. He tries, he says, to get the best and brightest people he can--people who like public service--to contribute and serve.

"Competence in government is not something we hear a lot about," he says, but he has found it in his staff at Treasury. "Public employees have heard for so long that they . . . weren't supposed to be as good as private sector employees. In fact, they're not only as good, but in my opinion, they're better," he says. "That's why I've got people here who are offered [salaries of] six figures" to go elsewhere.

Bowman thinks state government offers exceptional opportunities for productive public service. "Local government is one of the toughest jobs in the world," he says, "small budget and a lot of accountability. You live, sleep, and die with your neighbors." Federal government, on the other hand, "is just too big, and you're not going to change life." A federal employee, "can't see what he's doing and the people can't see what he's doing. There's so little accountability. State government is big enough to make a difference, but also accountable enough. One can be measured and gauged as to one's performance."

Bowman's success with Michigan's retirement funds owes a lot to fortuitous timing, as he readily admits. Entering office in January 1983, Bowman took advantage of a recent legal change allowing greater portions of retirement funds to be invested in common stocks. During his first five years in office, the Dow Jones stock market average rose from the 800 range to over 2,300--a staggering increase reflected in the value of funds controlled by Bowman.

Ironically, quick killings do not figure heavily in Bowman's professed philosophy of handling public money, a philosophy he labels conservative.

"The way to treat [public money] is to think of it as your grandparents' money--something limited that they have to live on, worked all their lives for. They are no longer employed, they would lose everything" if the funds were mishandled. "Anyone sitting in my chair" would feel the same regardless of political bent, Bowman says. "There's nothing more important than the safety of public money."

"But safety doesn't mean that we put it all in the mattress, put it all in the bank and let it earn four percent," he adds. "This money has to be actively managed and invested. Sometimes that means taking risks. Our winners have outpaced the losers, but we're wise enough to know it won't last forever."

Today, as the stock market peaks after its dazzling rise, "we're looking at trying to get more and more in real estate," Bowman says. "We think . . . that two percent inflation is not the law of the land. The seventies were the decade of real assets--precious metals, real estate; the eighties are the decade of financial assets--stocks and bonds. The nineties we don't know about, but we better not be 80 percent in the stock market. We better be aggressively managing that money to prepare for tomorrow."

Bowman believes that as an institutional investor he holds an advantage over many other investors--the capacity to take the long view. "We are a patient investor. We pick our companies carefully," Bowman says. "We do know that over the long pull, the stock market outperforms any other financial assets, and with a pension fund we have the ability to be in for the long pull."

He illustrates his point with the story of Union Carbide stock, which declined about 30 percent at the time of the Bhopal disaster. As the stock fell from \$45 to \$33, stockholders and the media pressured pension fund managers to unload Union Carbide. A Detroit newspaper took Bowman to task on the front page for suffering a \$10 million paper loss. At the same time, Bowman and his staff were discussing how much Union Carbide stock they should buy. In the end, given the potential lawsuit problems, they bought none but

held what they had. The stock soared and leveled off at about \$62, making a substantial gain for the retirement fund--a fact "that wasn't carried on page one," Bowman notes.

In addition to his success with retirement funds, Bowman reaps a large share of the credit for guiding Michigan's dire financial crisis to resolution when Governor Blanchard began his first term in 1983. With the help of a substantial income tax increase in effect from 1983 to 1985, the State has erased an estimated \$1.7 billion budget deficit.

It was at this point, as Wall Street smiled on Michigan's improved fiscal condition, that Bowman came to national notice. As his official biography notes, Esquire featured him as "The Kid Who Saved Michigan" and business magazines applauded his whiz kid performance as financial savior of the now-solvent state. He even catches an occasional editorial bouquet from local newspapers, which are more prone to damning government than to praising it.

In the tradition of the good soldier and team player, Bowman passes out credit--to his staff, to other department heads, and most frequently, to Governor Blanchard.

"Timing is everything," Bowman concedes. "The governor came in at the right time and was the right person . . . for the right job." During the first term, Blanchard's aim was twofold, Bowman says, "to balance the books and put people back to work...easy to measure, hard to achieve."

The next job is the "new agenda" for the second four years, a course more difficult to measure. "It's not numerically oriented, but humanly oriented, quality oriented," Bowman says. The new agenda is both demanding and amorphous, as Bowman says, because we do not all agree on the directions "human investment" should take.

"Human investment is never done. You look at the education system. Twenty percent of the graduates can't read or write. Another 20 percent [of students] drop out before the eighth grade. If you're a black male in Detroit, the odds of you graduating from high school are one in ten. So say we get up to three in ten, improve by a factor of 300 percent. Do we feel good? There's so much more to do. The task is so large. It's a mural, not a snapshot." On the other hand, he considers budget balancing a snapshot. "It's done and there's no disputing it. We can be attacked for shamelessly promoting it, but only because the national media for so long promoted the decline."

"Human investment is a tough agenda, but I think it's the right one. A lot of what the media call welfare reform is really human investment--getting people productive in society. I'm one of those people who believes everyone wants to [be productive]," Bowman says, acknowledging a streak of idealism. "I know there are some conservatives who think that people actually enjoy being on welfare, that they seek to be on welfare. I don't think that's true."

The Michigan "given"--that the economy will be cyclical--means the state has to come to grips with the change wrought by today's world conditions, Bowman believes. "We can't change the direction of the wind. If the international economy is strong, we ought to be building on that and planting

seeds for tomorrow, because tomorrow is when the wind will blow the other way."

The other way, he says, is manifested most clearly "when someone is laid off. You can call it modernization, reindustrialization, mechanization, but when somebody's laid off, it's called 'hurtin'."

Among the other items on the second-term agenda is an old idea whose time finally seems to have come--property tax reform. "I think we'll pass something this year," Bowman says, "because everyone's on board. Whenever there are so many plans out there, compromise can happen. If everyone wants to cut property taxes, I think we'll get there, but not 100 percent of what anybody wants."

Bowman does not see any immediate probability of broader restructuring in school financing, oddly enough, for the same reason that he believes property tax reform will occur--"too many balls in the air." Bowman thinks most people believe that every child deserves the same opportunity for a good education, but moving from there to the reality of genuine reform in school funding is quite another story. He doesn't see it happening in 1987.

An additional tax issue involving Bowman is the current effort to reduce Michigan's income tax from 4.6 percent to 4.4 percent, offering a return to Michigan taxpayers of an estimated \$170 million windfall expected from federal tax reform. A recent legislative proposal would tie the income tax reduction to property tax changes, a concept Bowman says could be worth looking at because "it's all tax relief."

With or without such controversies, the remaining three years of the second term will have a plethora of concerns to occupy Bowman's considerable energies. Bowman acknowledges that he is one of the fortunate few who look forward to going to work every day. There has been little criticism of the results of his performance as state treasurer. Few people choose to argue with outstanding success.

Bowman can be somewhat volatile, sometimes occasioning comments that he is inconsistent and insensitive. He sometimes also is alleged to be headstrong and too intense. He may offend those less committed to his point of view from time to time, but his record of success is based on his hard-driving professional commitment to winning; he has been willing to let the chips fall where they may.

Bowman says he is not a reflective person who maps out a personal life plan. He professes to have no long-range goals, saying, "anyone who's made a five-year goal and reached it has somehow underachieved. If your goal hasn't changed, if you're not growing and learning and absorbing new knowledge every year, and therefore adjusting your life and your goals, then something's going wrong."

Yet it strains belief that a rise so meteoric could be due more to serendipity than to strategy. Various press reports--and a recent change of residence--suggest that Bowman is considering a run against Republican Congressman Carl Pursell of Plymouth.

In his personal life, Bowman, a bachelor, retains his youthful enthusiasm for athletics--he plays tennis, racquetball, and softball in two leagues.

But professional life dominates his days, and no one denies his success in that realm. For the moment, his position as the country's most widely known and highly lauded state treasurer is entirely satisfying. He loves his job and is, quite simply, having a good time. "You can't get any better than that," he says.

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