

# INVESTOR'S BUSINESS DAILY

Monday, January 30, 2006

## The Home Depot's Bernie Marcus On Why He Couldn't Do It Today

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**IBD Staff**

**M**ost IBD readers know the story of The Home Depot and its founder Bernie Marcus: how he and partner Arthur Blank felt like middle-aged has-beens after they were unexpectedly fired from their jobs running Handy Man Home Centers in 1978, but then used their experience to create something new – “humongous hardware stores (as they were described in our 1999 *Leaders & Success* profile) with tremendous selection and low prices” that would make it unnecessary for “do-it-yourselfers to run from hardware store to lumberyard supply house every time they worked on a home-improvement project.”

Two decades later, after building The Home Depot into a chain of nearly 800 stores (now there are 2,043, with 325,000 employees), Marcus retired. He has since been engaged in a number of philanthropic causes, chief among them Atlanta's Georgia Aquarium, the largest in the world, to which he contributed \$200 million.

The aquarium is his way of “giving back and saying thanks,” Marcus says. “I came to Atlanta 27 years ago unemployed and with very little money. The Home Depot got its start in Atlanta, and what I have today I owe to Atlanta and the state of Georgia.”

Marcus is also involved, through his institute and foundation, in programs for children with disorders of the brain and research on traumatic spinal cord and brain injuries.

What caught our eye most recently was news of a second book by Marcus (the first was published in 1999 and titled “Built from Scratch: How a Couple of Regular Guys Grew The Home Depot From Nothing to \$30 Billion”) in which he finds fault with the current business environment. Following are excerpts



**WHY IS THIS MAN SMILING?** No doubt because Bernie Marcus was pleased to be cutting the ribbon last November at Atlanta's Georgia Aquarium, made possible by a \$200 million gift from Home Depot's co-founder. But Marcus may also be relieved he's no longer running a public company in a legal and regulatory climate that he fears is stifling the entrepreneurship that made Home Depot possible. NB: A different photo was used in the article.

from an interview with him about the project.

**Q:** *How did you settle on the topic for your second book?*

**A:** Harper-Collins asked me to write the book and it's about whether we would be able to start The Home Depot in today's legal and regulatory climate. I honestly don't believe we could. We went public after opening our

fourth store because we needed the capital to open more stores. Going public and entrepreneurship were the keys to our success. If you're a public company today, you have to be surrounded with lawyers and you can't make a decision without a lawyer on one side of you and an accountant on the other side. Today, you just can't use your business judgment to take the risks that must be taken for a new company to succeed. And, one share value-killer lawsuit can kill a startup company. Back in 1978, those lawsuits were rare. Today, all you have to do is pick up a newspaper and read about one after another.

**Q:** *Sounds like you're relieved to no longer be CEO of a public company.*

**A:** Absolutely. The worst thing I could imagine is to be the CEO of a pharmaceutical company today. I can't think of an industry that has done more to alleviate suffering and improve the human condition than pharmaceuticals. Yet the industry is under a withering assault from plaintiffs' lawyers and is depicted by some in the media as a pariah. I don't think that Jonas Salk could have developed the polio vaccine in today's legal environment.

**Q:** *What's the solution?*

**A:** Common sense legal reforms that fairly balance the interests of consumer and business and restore predictability to our tort system. That's all tort reform is – restoring fairness and predictability to our tort system without restricting access to our courts for legitimate claims.

**Q:** *What can be done to bring about reform?*

**A:** There are a number of organizations at the national and state levels that are working to do just this. I helped form the American Justice Partnership (AJP) with John Engler, the former governor of Michigan and now the president of the National Association of Manufacturers, and Steve Hantler of DaimlerChrysler. The AJP is a new approach to legal reform that, for the first time, brings together national and state organizations to obtain measurable results. The support to achieve reform already exists, but requires better alignment among national and state organizations, leadership, funding, and coordination through a shared vision of success. This is what the AJP was

formed to do. If you haven't visited the Web site – [AmericanJusticePartnership.org](http://AmericanJusticePartnership.org) – you ought to.

**Q:** *Is anything meaningful being done about the problem at the federal or state level?*

**A:** Our representatives in Congress and state legislatures are decent people, but sometimes they don't understand the consequences of the laws they pass. Then there are state attorneys general who use the power of their office to make a name for themselves to seek higher office at the expense of the shareholders, employees and customers of the companies they savage in the media. The SEC is another story. Don't get me wrong, I'm not defending companies like Enron and WorldCom. But instead of using a surgical knife to protect the public from those companies, state and federal regulators are using a blunt meat cleaver. And this is one of the biggest threats to our free enterprise system, our capital markets and job creation. This is why I helped to form the American Justice Partnership and encourage others who feel like I do, to join us.

**Q:** *You've retired from The Home Depot and are now a leading philanthropist. What does tort reform have to do with philanthropy?*

**A:** It's another way of my giving back. Some might say that I don't have a dog in this fight since I have made my money and no longer run The Home Depot. I disagree. The free enterprise system allowed an unemployed guy like me to succeed and in the process help to create jobs at The Home Depot for more than 300,000 associates as well as millions of supplier jobs.

I'm concerned for the next generation of entrepreneurs whose creativity, risk-taking and innovation are stifled by the current legal and regulatory climate. Will they be able to create the next Home Depot? I worry about this.