

Schwarzman defends buy-outs

GENERAL FINANCIAL

By Martin Arnold in London

Stephen Schwarzman, chairman of Blackstone, told the CBI conference in London yesterday that private equity was "here to stay" and defended it as a way to spread globalisation's gains more equitably around the world.

In his first public appearance since Blackstone's flotation in June, Mr Schwarzman admitted people were "legitimately befuddled" about private equity after his industry failed to realise that buying household name companies required more sensitivity.

However, he said the spate of public attacks on his industry from the media, unions and politicians were "simply not true" and based on the fundamental fear of the unknown and worries about the impact of globalisation.

"We take tough, unpopular decisions that other management teams dodge," said

the Blackstone boss, who saw his personal wealth increase above \$10bn with his company's flotation.

"We move people from jobs rooted in the past to jobs of the future, to markets that are set to grow," he said. "If we are guilty of anything it is of telling our story badly and that must be changed."

He said private equity redistributed the benefits of globalisation by generating returns for billions of pensioners.

"Private equity has for the first time allowed ordinary citizens to act as a capitalist during one of capitalism's major booms.

"This has given the little guy, or little woman, via his or her pension fund, 80 per cent of the wealth creation that has historically been the exclusive preserve of the very wealthy," he said.

Emerging markets were also benefiting from private equity's redistributive talents, Mr Schwarzman said, as it transferred western capital, management expertise and corporate govern-

ance standards to countries, such as Brazil, China and India.

"Private equity minimises the risk of market bubbles caused by emerging market speculators by taking a long-term investment point of view," he said.

Some private equity executives have blamed Mr Schwarzman's glittering 60th birthday party in February for fuelling the political controversy that blew up in the US around private equity.

But Mr Schwarzman blamed a PR failure. "I've been in this business for over 35 years and I've seen pretty much everything. So there is little that surprises me. One thing that does is being attacked for outperforming public companies in Europe, the UK and US."

In a subsequent debate, dominated by fans of the buy-out industry, a rare note of criticism came from Will Hutton, chief executive of the Work Foundation.

Mr Hutton said the recent code of conduct on transparency in the UK private equity from Sir David

Walker, the City "grandee", was "one of the less honourable moments of private equity history". He argued it should have agreed to disclose more, such as pay for top buy-out executives.



Stephen Schwarzman

