

SOME THOUGHTS ON CAREERS, ETHICS, AND PUBLIC POLICY

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Ambassador Richard T. McCormack

When Greg Fleming, my highly respected friend and former boss at Bank of America/ML, asked me to say a few words to you about careers and ethics, I felt deeply honored. All of us are relay runners, and some of you in this room will soon be asked to pick up the baton from my generation and carry on the race.

Greg asked me to say a few words about some of the lessons of my own career that may be relevant to you, offer some thoughts about ethics and the powerful value of good mentors, and finally outline some of the many public policy problems that you may face when you leave this school and begin your careers.

THE UNPREDICTABLE EVENTS THAT SHAPE CAREERS

When I graduated from Georgetown, I passed the foreign service exam, with the intention of a career in the State Department. But that summer, I decided to spend a year or two abroad to develop some language skills and enrolled in the University of Fribourg in Switzerland, where the classes were multilingual. A senior professor encouraged me to enter the PhD program, which I did, and graduated three years later.

When I returned to the U.S., I applied for a job in Congress to learn how our Congress works. I was asked by the House Republican Conference to help run the summer intern program and work on several public policy issues, including Vietnam. We also helped fix Washington's poorly organized Project Headstart. These efforts drew the attention of the senior people in the Republican leadership, and I was advised to consider a career in the political system rather than the career service. A senior Ambassador reinforced this advice.

So after spending a year doing trouble shooting for a few of the senior managers in the Peace Corps, I called my new friends in Congress and offered my services. My first task was to write the White Paper on Race Relations for Arlen Specter, who was a promising Republican running for Mayor of Philadelphia. I spent some months talking to the nation's top experts on racial problems, visiting impacted neighborhoods and schools in Philadelphia, and wrote a long report, which Specter issued without a single word change. When he narrowly lost the election, my friends suggested that I take a position running operations research in Southeast Asia for a large American company.

So I spent much of the next year living in Saigon, but traveling throughout the region learning as much as I could, and offering suggestions to the top U.S. officials charged with managing the U.S. war effort. When the Tet Offensive occurred, I linked up with Herman Kahn, who was a

prominent think tank leader, and who had been charged by DARPA with looking for some out of the box ideas for dealing with the multiple problems we were facing in the region.

Later that summer, Richard Nixon's Presidential campaign recruited me to help coordinate some of the foreign policy issues, including Vietnam. Nixon liked my papers, implemented them, and eventually made it possible for me to take up an interesting position in the White House working with Roy Ash, Walter Thayer, Governor John Connally and others on a major effort to streamline some of the management problems in the Government. During the earlier transition, I was asked to serve as special assistant to Governor William Scranton, who I was informed, would be invited to become Secretary of State.

As I will share with you later, Scranton declined the President's repeated offers of the State Department, to my immense disappointment, since I had very much enjoyed working with him on the transition staff at the State Department.

From this early beginning, my life has gone on like that for the next 40 years, serving at the State Department, The Treasury Department, The Senate, the IMF, various think tanks, and as a senior banker in New York.

What I try to do is look ahead at where our future problems are developing and then offer ideas and suggestions to the nation's leadership for addressing them. I travel all over the world, and I listen carefully to what informed people have to share. These conversations and the research that accompanies them, form the basis of reports and recommendations which often circulate at the highest levels of our government.

Since returning to Washington after spending nearly six years on Wall Street during the financial crisis, I was asked to visit Afghanistan and make an assessment. I later wrote a major paper on the politics and economics of the global financial crisis. This report was published and drew favorable comments from a number of central bankers in the U.S. and elsewhere. This summer I spent part of my time traveling between Beijing and Tokyo with the former chairman of the Joint Chiefs of Staff and others, trying to persuade the Chinese and Japanese of the great dangers of playing chicken with naval and air units over the Senkaku Islands, when public animosity between the two countries was so poisonous and volatile. I am happy to report that these efforts did have an impact on both governments. Of course, all this was very much behind the scenes, but at the highest levels of governments.

I cannot tell you how much I have enjoyed this career. When the Republicans are in office, I have often served in the Administration in some capacity. When the Democrats are in office, I identify people like Erskine Bowles, Griffin Bell, and a few senior career officers in the State Department and elsewhere, and send my thoughts and recommendations through them.

I have tried to maintain a low public profile. This is not because I was a clandestine intelligence officer as some thought, but because there are many advantages in this quiet approach. President Reagan, in fact, had a slogan on his desk at the White House which read, roughly, "There is no limit to the good a person can do, if he doesn't care who gets the credit for his ideas."

I also know that in every administration, there are no more than 10 or 15 people who make all of the major decisions. All you have to do is find a way to connect effectively with one of those individuals, maintain your credibility by good judgment and careful research, and your ideas will be considered at the highest levels of the nation.

A few years ago, I was asked if I would do an oral history to put some of this background at the service of young diplomats in training. Last year it was published and is now available under the title "Conversation with Ambassador Richard McCormack." I will leave a few copies of this for you, since it is full of details of an often exciting life that has included surviving multiple assassination attempts.

ETHICS AND PUBLIC POLICY

Preparing for this lecture, I looked briefly at the Wikipedia article on ethics. I found pages and pages devoted to the subject of ethics in all the technical dimensions of the subject, going back to antiquity. It was all very interesting, but my own view is that the bottom line of these pages can be summarized by a single sentence: Try to be a good person and do the right thing.

Aristotle wrote that the pursuit of happiness was the proper object of life and he thought following the path of virtue was the most likely way to achieve this. I totally agree with this.

I also know that you in this class already have a highly developed sense of personal ethics, or you would not be attending an ethics lecture at Yale Law School. You have developed these ethics observing your parents, grandparents, friends, and mentors.

The challenge you will face is preserving these high ideals and ethical standards over time as you enter highly competitive elite careers of various kinds. Believe me when I say that preserving your ethical standards is very much worth the effort. And I have a few practical suggestions about how to improve the odds that you will succeed.

1. Choose your future mentors, employers, and colleagues carefully and keep the good people you meet over time close to you after you have moved onward in your professional paths. Let the circle of good people around you expand and accumulate. There is power in groups of good people working together. Think of the difference between a finger and a fist. So build constantly, expanding your circle of good, capable, and honorable friends.
2. When you interview for a job, first check out the corporate culture carefully. Reputations exist for a reason. Find out what your friends say about the institutions you are thinking of joining. And when you have your job interviews, watch the body language. People sometimes lie, but the body language is a much more reliable teller of truth. Trust your gut on this one.
3. Play a long game with your career. Be a long distance runner, not a sprinter. You can cut corners to advance more rapidly, but you will sooner or later pay a price for this. Henry Kissinger once told a large public audience at the Heritage Foundation that the tragedy of his life was rising too high too soon. After serving as a young Secretary of State, he reported that the rest of his life had been an anticlimax.

4. When you make mistakes, as you will, try to fix them and do your best to repair the damage that you may have done to other people.
5. When you are rising in a highly competitive career, you have to work hard indeed, but be sure to devote enough time to keep your family intact. If you devote enough time, love, and patience to keep your own family together, you will be very happy that you did when you are my age. So will your spouse and children. Also, a family is the foundation of your life. If the foundation is neglected, I have seen many once impressive careers implode.
6. You need to plan a career, but with the knowledge that the most important things that influence this career, for better or for worse, will be events and developments that you never planned for or expected. They just happen along the way, like the accidental discovery of penicillin or the chain of events that led me to Merrill Lynch at a critical time in my life. Lifelong learning and growth is a key to being able to profit from the unexpected opportunities that will happen along the way. Another key is to make your focus on what you might contribute, rather than what you can get. People who give more than they take are welcome everywhere.

LESSONS FROM TWO IMPORTANT MENTORS: Governor William Scranton and Dr. Herbert Stein

Now a few words about some powerful lessons from two men who strongly influenced me in years past: Governor William Scranton and former Chairman of the Council of Economic Advisors, Dr. Herbert Stein

1. The first lesson I learned from Governor Scranton during the Nixon Transition in 1969 was that there was more to a public policy career than the pursuit of more and more titles. Scranton turned down the Secretary of State job twice when Richard Nixon offered it to him. Scranton told me that getting things accomplished was more important than holding a top position. Bromley Smith, the Executive Secretary of the National Security Council for many decades, said the same thing to me. He told me that the most influential foreign policy advisor to the President could be his driver, if that was the person the President listened to. Scranton deeply understood this, and I never forgot it.
2. When he became governor of Pennsylvania in 1960, the state had one of the highest unemployment rates in the nation. When he retired four years later, it had one of the lowest. Scranton also taught me the importance of speaking the truth to power. I was present when he said at a huge news conference in 1970 after the Commission on Campus Unrest report was issued: “There is a failure of moral leadership in this White House.” You never forget a dramatic moment like that.
3. He also told me “If you don’t fight, you don’t count, but fight intelligently.”

4. Scranton ran for President in 1964, even though he knew he had not the slightest chance of being elected because he was upset by the use of race as a wedge issue by part of the Republican establishment and wanted to raise the flag around which people who agreed with him could rally.
5. Henry Kissinger described Scranton in his memoirs as “an utterly selfless individual.” He was indeed.
6. Scranton cared deeply about your university where he had studied as a young man and devoted much of his time in later years helping this university in fund raising and other ways.
7. He emphasized to me that the most important word in a politician’s vocabulary is the word YOU. Your concerns, your children’s future, your communities. He noted that political figures who think it is all about themselves and their careers seldom accomplish much and have few real friends.
8. A year ago last summer, I received an invitation to have lunch at the home of the 96 year old Scranton in Pennsylvania. I hadn’t seen him for some years, and I knew that he was in failing health. What I found was an older man with his mind completely intact and focused on the future. He wanted to know how my children were coming along. What I thought about the Syrian situation. What parts of the Dodd Frank legislation did I think needed adjustment. And finally he said, “Dick, I want you to be very frank with me. You have spent most of your time in public service. Do you have enough money to retire when the time comes? Tell me honestly, do you need more money.”

When I told him that my six years at Bank of America/ Merrill Lynch had taken those worries from me and that I really didn’t need a penny more, he sat back in his chair and laughed and laughed. Then he said. “Well, now I can die in peace.”

And a few weeks later, he quietly passed away.

But those of us who knew him and worked with him over the years will never forget this man, what he stood for, and how he quietly got so much accomplished.

I also owe a great debt to Dr. Herbert Stein, the former chairman of the Council of Economic Advisors, and one of the world’s leading economists.

Stein did not believe that monetarists or Keynesians or any other School of Economic thought provided all the answers. He felt that some of the ideas from different schools of thought were appropriate in different circumstances depending on the state of the economy. He was, of course, a friend to market economics and to orthodox monetary policies. But he felt that there were only a few hard and fast rules that should be rigidly applied to all circumstances.

He worried greatly about the emphasis on econometrics in the nation’s leading universities. He believed that the overemphasis on higher mathematics and model building had stripped the economic training of economists of the broad background that was, in his view, essential to provide the basic assumptions and context on which more reliable models could be constructed.

He worried that economic history was being neglected. He said that many of our nation's economics departments had become mere factories for producing brilliant technicians useful for the derivative industry on Wall Street. Stein felt that this narrow, technical focus generated economists who were ill equipped to produce the kind of judgments that are needed to guide government decisions.

But Stein is remembered not just because of his books, editorials in the Wall Street Journal, and all the rest, but also and importantly because of his great human qualities. He had a beautiful spirit.

He kindly offered to support me with his talent when I was named Under Secretary of State for Economic Affairs, and I never received a bad piece of policy advice from him in the years I served as the President's G7 economic summit Sherpa. He also toiled effectively on the special task force I led addressing Israel's various economic problems.

Shortly before he passed on, he invited a room full of his friends to join him at AEI for a brown bag lunch. When we had gathered, he stood up and told us that he invited us to hear about his latest book, which was not about economics but about what seemed to him really important in life.

He said, "If you want to double your happiness, don't think you can do it by doubling your money because you are doomed to failure. But I can tell you how you can double your happiness, and I will use a personal example to illustrate this point."

"Earlier this year, I was waiting for my bus to take me from AEI to the Watergate where I live. I take the bus not because I couldn't afford a taxi, but I was a child of the Depression, and I don't believe in throwing money away pointlessly. So as I was sitting at the bus stop, a blind lady was trying to cross the road, and she became disoriented. She was helped to the bus stop and sat beside me. It turned out that she was getting on the same bus as I was and so I helped her get on the bus and we sat together. It turned out that she was getting off near the same stop as I was. But she was fretting about being late for a class at George Washington University where the professor had told the students to never come in late.

So when we got to her stop, I got off one stop early with her and decided to help her to her class, which was many long blocks away. As you know, I have leg problems about which this blind lady knew nothing. But with great difficulties, I took her arm and together we walked those long blocks to the GW University. I then helped her up the steps and took her to the classroom. Then I went home, exhausted.

But I felt wonderful for three whole days because I had done what we Jews call a mitzvah, an act of loving kindness. And if you want to increase the amount of happiness in your life, just perform more mitzvahs."

Fortunately, the world is filled with good people like Scranton and Stein. The vast majority of them are not famous but, they are wonderful human beings and worthy role models for their families and friends. You will find some of them in every bank, every institution, and every

university. Look for such people, be their friend, and let them be your friends. You will find that they will support and reinforce the values and ideals that you currently have, and will show you the way to advance professionally with your values intact.

FINAL THOUGHTS ABOUT ISSUES INVOLVING AMERICA'S FUTURE AND WITH WHICH YOU MAY BECOME INVOLVED IN AFTER YOU LEAVE YALE

1. The wheels are threatening to come off the Administration in Washington at a time when the nation faces many problems. This Administration needs an Erskine Bowles, the man who helped President Clinton reenergize his administration after the lost election of 1994. The White House needs someone who is widely trusted in Washington and who can quietly organize some bipartisan task forces to address some of the nation's pressing problems
2. Many of the countries in the Middle East were created after WWI out of the collapse of former empires and many contain mutually hostile tribal and religious components. They were held together for many years by strong men and supportive oligarchies. Many are now falling apart into civil conflict. We need to work with others to find some answers to this spreading turmoil. This can only be done by those with immensely deep local knowledge of the history, personalities, and complexities of each of the very different societies in the region. There is no one size fits all solution.
3. Greg Fleming can tell you that you can sometimes predict the next financial crisis by watching where excessive debt is building up. I worry a great deal about Japan's vast sovereign debt and other forms of consumer, bank, and sovereign debt in other parts of the world. I also worry about the mispricing of risk in bond issues and the potential for a bursting of bond bubbles at some point in the year or two ahead. The world also needs to address the real structural problems everywhere, including here in America. Most of these structural problems cannot be resolved merely by the printing of money by Central Banks.
4. Afghanistan is a special problem because of its history and fragmented society. When you drive over the Khyber Pass, you will see a great stone on the top of the ridge containing a plaque with the names of Alexander the Great, Genghis Khan, the British, and the Russians and other who attempted to impose their will on that nation. It is a sobering reminder of that nation's daunting military history.

Two years ago, I was asked to visit Afghanistan. I have a copy of my report which I will leave with you. You will see that the overwhelming corruption, violence, drugs, fragmentation, and uncooperative neighbors led me to question our prospects for success. However, since that report was written, Dr. Ghani was elected President, and he has formed a broadly based government. He is being helped by his unusually talented wife Guha, whom I have known for many years. Both are incorruptible. The two of them add a dimension to Afghanistan that I did not anticipate in my report. Maybe something can be done there after all, but it will not be easy and the odds are still stacked against them.

5. Managing our relationship with China may be the biggest geopolitical challenge of your generation. There are deep historical grievances in China stemming from the country's history in the past few centuries and loss of territory. Economic strains are also now developing in China.

We obviously have to stand up for our democratic values, but your generation will need to avoid pointlessly provoking China, which is likely to evolve politically only at a glacial pace. Equally important, you will need to avoid allowing a power vacuum to develop in that part of the world, which would invite future conflict that could spread.

Finally, despite all of the obvious challenges your generation will face, there are massive reasons for optimism based on the history of the post World War II period. The widespread privation and brief life expectancies that were widely characteristic of much of the world 70 years ago, have been replaced by steadily rising standards of living. Billions of people have left subsistence agriculture and have entered the global work force, dramatically increasing the productivity of the global economy.

Educational opportunities are spreading worldwide, further increasing productivity.

Every decade new technologies have appeared which in turn have spawned vast new industries undreamed of a few decades ago, but which have elevated the condition of mankind

We have also avoided major wars between the great powers, which consumed much of a century's accumulated wealth in 1914 and again in 1939. Peace provided the indispensable context for this tremendous increase in global living standards.

Your task basically is to keep this good thing going, and I have every confidence that you will successfully do so.

Thank you.

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

1616 RHODE ISLAND AVE. NW
WASHINGTON, DC 20036
DICK.MCCORMACK41@GMAIL.COM
TEL. (202) 775.3162
CELL (703) 300.1817
WWW.CSIS.ORG



Ambassador Richard McCormack
Senior Advisor

 /CSIS
 @CSIS