Investment Banking and Women, Cycles in American Politics, Future of Office
What Happens Next – July 18, 2021

My name is Larry Bernstein.

What Happens Next offers listeners an in-depth analysis of the most pressing issues of the day.

Our experts are given just SIX minutes to present. This is followed by a Q&A period for deeper engagement.

This week's topics include Women and Investment Banking, Cycles in American Politics and the Future of the Office.

Our first speaker today will be Anne Clarke Wolff. I attended New Trier High School with Anne and we worked together at Salomon Brothers/Citi for over a decade. Anne managed the fixed income capital markets at Citigroup. She then led global sales for treasury and security services at JP Morgan. And then most recently global corporate banking at Bank of America. American Banker named Anne one of the most powerful women in banking.

Anne's latest project is to create from scratch a women-run investment bank. I hope to learn from Anne what challenges she faces for setting up an investment bank from the ground up. I also want to find out what the market appetite is for investment banking advice from women bankers.

Our second speaker will be Paul Rahe. He is the Charles and Louise Lee Chair in the Western Heritage in the Van Andel Graduate School of Statesmanship at Hillsdale College. Paul has written on the classics from the ancient world as well as the foundations of democracy that was introduced during the American Revolution. Today, Paul will speak about cycles in American politics.

Our third speaker is Lisa Picard who is the CEO of EQ Office which is Blackstone's office division. Prior to that Lisa ran Canyon Ranch Spa and Resorts. In her career. Lisa has managed the development of 6.5 million square feet of real estate with a market value of more than $5 billion. I hope to learn from Lisa about the future of office.

If you are interested in listening to a replay of today's What Happens Next program or any of our previous episodes or wish to read a transcript, you can find them on our website Whathappensnextin6minutes.com. Replays are also available on Apple Podcasts, Podbean and Spotify.

I would like to expand the What Happens Next audience so that more people can enjoy our programming. I started a social media outreach using Twitter to increase listener engagement.

Please use twitter or email me to ask questions during the live discussion. Our twitter username is whathappensin6, where six is the number. I want to hear from you. You can always email me at larrybernstein1@gmail.com.

I have asked Susan Saltzstein who is one of my best friends. Susan is a partner in litigation at Skadden. She will join me in asking questions.

Our first speaker today is my good friend Anne Clarke Wolff.

Anne Clarke Wolff:

Great. Thanks, Larry. And it's great to be back with the group again. Since leaving Bank of America in January, I've decided to try to tackle some of the inherent challenges in the investment banking industry. I'm launching a new firm called Independence Point Advisors.

So why? The current incentives on Wall Street have led to a decline in thoughtful corporate finance advice. Bankers focus on league tables and near-term ambulance chasing. Conflicts are abundant. Compliance restrictions frustrate. Public scrutiny on compensation has led to \ high stock and low cash compensation that frustrates many.

What do I hope to build? A place where exceptionally talented people with high content can provide great advice in a new ecosystem with attractive incentives. Elements of the old Salomon Brothers. What will we focus on? Independent capital markets advice, especially in the act of debate, whether founders should do an IPO versus selling to a SPAC.

Fixed-income capital markets advice given the absence of highly experienced people who are independent of the big balance sheet banks, and co-advisory and M&A to compliment other advisors' perspectives.

We hope to leverage a community we've curated of over 500 women who serve on corporate boards. Can they help us identify companies who are unhappy with their bankers? Can they point out where an independent advisor could be helpful in a key transaction? I've also discovered that there are talented people who would like to act as senior advisors partnering with an advisory firm, but they want part-time or flexible time that is compatible with other board obligations. And finally, is there a model where a modern firm can be flexible in location with less than 100-hour work week increments?

What will be different? The key punchline is these exceptional people will be 70% women and minorities in a women owned firm. We will only succeed with exceptional talent and I'm mindful to not lead with diversity, but the question is whether diversity can be an added as a competitive advantage.

Does diversity matter? There's been a lot written on the topic, and I know this group will have strong opinions. You could say diversity's the result of a level playing field in a competitive environment, unless you believe white men have a monopoly on excellence, diversity is inevitable when the playing field is leveled. But does diversity lead to better advice? After 32 years of experience inside the three biggest banks, I've witnessed the benefit of diverse teams, as well as the lack of cognitive diversity and client problem solving.

There are fewer women managing directors at each firm today than there were at Salomon Brothers in 1990. When I was hired, I was interviewed by a female PhD in Math from Arkansas, a Lebanese man, a woman M&A banker and a red-haired Midwestern man. This lineup would be unheard of today. While personal experience is always anecdotal, let me share some of the data that I've found interesting. An enterprise decision-making platform studied business decisions made over a two year period, and they concluded that diverse change make better decisions 87% of the time, with geographic and age diversity the biggest contributors to improve decision-making. Mostly female organizations were 44% more likely to include men and women in decision-making 69% of the time, compared to mostly male organizations, only 48% of the time.

HBR published an article on why diverse teams are smarter, and that they boiled it down to three key points. They focus more on facts. They process facts carefully. They're more innovative. BCG followed this up with their own view in The Mix that Matters: Innovation through Diversity, and found the companies with higher diversity in management earned 38% more in revenues from new products and services than those with lower diversity. And finally, the Pew Center studied areas where women are stronger. They're 34% better at compromise, 34% more likely to be honest and ethical, 25% more likely to stand up for their beliefs, and 25% better at mentoring.

That's a lot of data, and knowing many of you, I know you will say, "Well, this isn't causal." Let's address the data. From my own experience women and minorities have had to be exceptional to secure a seat on Wall Street, and then to survive and advance. I'm simply going to curate a group of talent that's always had to be exceptional, had to work hard, had to differentiate themselves by the quality of their advice and commitment to clients. No, I am not aspiring to be a 100% anything. Not a 100% woman or any one group, and white men are absolutely part of the solution if we're going to drive true diversity of thought.

Then the question is, do companies care about diversity and their advice providers? In the capital markets there's clearly a growing trend for companies to include minority firms, most of which came out of the municipal bond market, and interestingly, none of them have tried to create a scalable advisory business or hire talent from the street. And yet, according to Refinitiv, minority banks took part in 29% of the debt sales this year versus 22% last year, which represented 43% of the proceeds in the US investment grade market; up from only 33% in 2020. But in M&A, do I think companies really care about diversity and their advice providers? Is this the last frontier? If they don't currently care, I think they will. Investors for a variety of reasons believe diversity is better, and are walking the talk with their capital.

And there are four themes related to M&A advice. The first is the trend to clearly add a second independent advisor to a meaningful M&A deal. Independents have seen their market share grow from 5% to well in excess of 18%. The three or more women on corporate boards, when will board members ask about the diverse representation of their advisors? If companies can get great advice and show some of their fee stream is supporting a challenge or model to improve Wall Street diversity, could we benefit? And finally, will LPs continue to challenge private equity firms and reward firms that take creative approaches to building the pipeline of diverse talent?

Can this succeed? The first challenge is there aren't that many women left on Wall Street and many are risk averse despite the fact that what I'm building will offer them far superior economics. Will the big firms fundamentally fix what's required and hold on to this diverse talent? I'm willing to bet not, given what we're seeing and the female exodus from the workforce, especially during COVID. And then finally, are there enough companies that want to play a role in broadening representation of Wall Street? Here I'm optimistic. And I would close by saying, come join me or hire us. Thank you, Larry.

Larry Bernstein:

You say that there are fewer women on Wall Street and less diversity in Wall Street than when we started in Salomon. I started at Salomon Brothers in the Capital Markets Group in 1987. The head of my department was Jessica Palmer. We had probably at least 50% women in our department, all in very senior positions. Why has there been a decline in women participation in the management of investment banks, what's driving that?

Anne Clarke Wolff:

The first observation, when it was most noticeable to me, was there was a big exodus of the population right behind me during the mid to late 90s when candidly a lot of women were dating men who became incredibly wealthy with the emergence of private equity and hedge funds. As the work and the culture within the firms got frustrating, it became even easier for people to leave. But I would say there are three factors that are still true 20 years later. People leave because of inclusion and I think that what you're seeing, in fact, following me too, was inclusion was getting even worse. You and I joked about when there was a stripper on their trading floor at Salomon. Women would say, "That's fine. Just include me in enjoying that rather than excluding me."

The second point would be the quality of the work and especially the quality of the work for this generation has become... There's even less client contact today than there was 20 years ago, and so you could spend three years at the beginning of your career in investment banking and not meet a single client. And so I think that if you're just sitting behind a computer till one or two in the morning, I think that you're going to see less and less willingness to tolerate that. And then finally, the data's pretty clear that role models really matter. It's a big issue, especially for black and Latino candidates coming up, that they see just a complete absence and void at the senior levels, but even for women. The number of women I had to counsel on, "Yes, you could actually have children and do this job," was stunning, and the number of those role models frankly have vanished, and so I think a lot of people in a very vibrant economy are choosing technology and other sectors.

Susan Saltzstein:

Anne, it's Susan Saltzstein. It is incredible, those statistics, and I think that what you've described anecdotally from my perspective is what I'm seeing also in the law, which is that women are leaving in greater numbers and choosing pathways that don't lead to partnership. And so I guess one of the questions for you is what about the bottom up? It seems that we're focused on, which I think we should, on women who have the experience already to be marketable to companies, to boards. What about the daughters out there and what do you think in terms of changes that need to be made to make sure that our daughters stick around in the various firms around Wall Street?

Anne Clarke Wolff:

It's a great question, and given that our daughters are right dead smack in this demographic as 20 year olds. It's amazing that our daughters and their friends wouldn't even think about either of our careers right now. A big part of my passion is being committed to being 70% women and minorities at all levels, and the first thing I would do is a massive sophomore college internship program, because if you don't go to women and minorities when they are freshmen in college and say, "Try it," they don't believe that this world is even open to them. And so no matter how many times Goldman Sachs wants to think that they will show up at a campus, they're going to end up largely with self-selection with the people showing up to that meeting.

To me, this is you've got to start early. You've got to give people that first positive experience, and I do think that they're going to force us to change. And what I find in talking with a lot of young women is when I talk about modernizing investment banking, what should the role of social media be in an industry that's been scared to death of social media? Where's the role for financial technology? I see a real opportunity to try to be a digitally native investment bank. And then the final component is, going back to just this whole concept of flexibility, I am thrilled that the three big bank CEOs are taking a very 60-year-old male approach to return to the office, because I don't think that the talent in the next generation is going to put up with that for much longer. And so I'm willing to take the risk that if we can make the work interesting, create some elements of flexibility, and I'm not naive to think that transactions can be done in a flexible time period. But I think that there's a way to meet this next generation in a very exciting way, and I'm hoping that their passion for mission will make them want to be part of what we're building. It's a big part of what motivates me to try to do something that will be inherently difficult.

Larry Bernstein:

We've got a question from Claire Graham. Claire is an intern on What Happens Next? Her question is, "Do you think that the maternity leave policy is that what's driving women away? Is it that it's too challenging to have children while working for the bank? If so, how would you change the maternity leave policy to allow women to stay?"

Anne Clarke Wolff:

So a great question from Claire. So as the mother of two kids, I took both of my three-month maternity leaves, but frankly, some of my best client relationships are because I was on the Blackberry when I was waiting to go into labor, not because I was a great banker, but because I was bored. You're sitting there, waiting for something to happen that you can't control. I think the issue is less about maternity leave itself, and believe it or not, up until very recently, almost all of the big banks would cut women off of their email and their technology when they went on maternity leave. Talk about feeling like you were left out, and it was very hard then to come back to work. That's one of the things that we worked hard to change at both the B of A and at JP Morgan, was just the absurdity of that policy.

The real answer isn't maternity leave. The issue is role models that show you can actually have kids and make it to your daughter's soccer game, that you can prioritize the piano recital. The way that I've always led both men and women is I'm very clear to say, "If you think there's a choice between your child or your family and your job, there actually is no choice. You choose your kids. You choose that life experience, and the clients and the work will largely accept that."

The real issue with maternity leave is that young women tend to worry and anticipate a problem long before the problem exists, and so they tend to take themselves out of the running for sticking with it, thinking it will be a problem five to ten years from now. So my brilliant advice is just keep showing up. Show up, and if you enjoy your job, you're going to figure out how to make it work. The corollary to that would be the women who leave the workforce for more than a year, it is nightmare getting back in. I hope I'm going to figure out an angle of how to bring back some of the incredible talent, because the world massively discriminates against women who take time off to raise their kids. That just can't fundamentally continue, especially in a very tight economy.

Larry Bernstein:

You mentioned flexibility in your plan. Here's what you said. "I'm looking for part-time women with flexible time, flexible location, and with less time constraints." Is that the critical variable that the major investment banks are missing, and is it that because the role models at these banks are individuals who work 100 hours a week, are available all the time, are on the plane all the time? Is it a problem with the role model? Is it a problem of the inability for firms to find big time jobs for part-time flexible time professionals?

Anne Clarke Wolff:

So it's a multi-part question. Do I believe that every CEO knows that they have a problem on diversity? Absolutely. Do I think one level down from the CEO, they probably know that? Yep. But then when you get three, four, and five levels down and you think about the group head in investment banking or, even worse, the vice president in investment banking, that young woman, the future Claire Graham, is going to be sitting there at one in the morning with a 95% white male population who thinks it's completely appropriate to be there until two in the morning. Despite the fact that I truly believe senior people want to address some of the underlying problems, most of what happens in the boiler room is happening late at night and more driven by the mid-level population.

In my own cynical view, and this is only my own view, is that this group frankly resents like crazy all of the talk about diversity. You don't necessarily see carrots for sticks. That would say at the mid-level you've really got to figure out how to keep as many different people in the game as long as possible.

So, coming back to your point on role models, if you don't see or experience that role model in your day-to-day existence, I think that's where a lot of people will just say, "It's too difficult." I had well-worn couches at both B of A and JP Morgan even when I was outside of investment banking, because there would be women on floors where they were the only person above an associate level on the entire floor. So yeah, it basically seeking me out. It's just somebody, frankly, anybody who could give them a perspective of how to make it work.

But I go back to a little bit also that when we started together at Salomon, Larry, an interesting data point would be I would say half of the men who we worked with in our early years had working wives. I do think that a man whose wife either currently works or used to work or, even better, the man whose daughter works is very different in terms of their role modeling on making this all happen compared to a population today which is in excess of 90% where people have a stay-at-home partner who basically takes care of everything for them.

I'd be lying if I said this is not an easy problem, but my own hope is if I can create a different ecosystem and if the minority is the majority and we want to deliberately change and leave the cultural baggage behind, I think that deliberate action will hopefully be really attractive to other people, including white men who want to see this finally change.

Larry Bernstein:

We've got another question from the audience. This one's from Valerie Blin. Valerie wants to know if the bulge bracket firms are really just doing cosmetic recruiting. She says that when she started at M and A, it was about a 40% class of women at the analyst and associate levels. But by the time she reached VP, it was all the way down to 5%, and it got worse from there. Is this just lip service, and what do you put the reason for why women dropped out at these banks at the VP and beyond?

Anne Clarke Wolff:

So I agree wholeheartedly with Valerie. I do think it's lip service, and I wouldn't attribute that ... I've worked at the three institutions. It's not unique lip service. It's actually consistent lip service. The reason why is that the easiest place for the firms to measure and to try to show some progress is in the entry classes. From my experience, all of the firms are going to work really hard to be 50/50 gender balanced and to have very stated targets on both Black and Latino representation in the entry classes. But from the moment those classes come in, there's virtually nothing reported about the attrition. That, to me, is the most stunning fact, which is why when I reference the diversity back at Salomon, people continue to be blown away by that.

I've always believed you don't change what you don't measure. This is one of the core things, that the measurement, unfortunately, is just at the entry level. I would love to pick up people like Valerie and Valerie's friends, because the other factor, especially in mergers and acquisitions, is that the women who become technically strong will often feel like they're not convinced that they're going to be a future originator or rainmaker, even though they probably will be even better in the long run than some of their male peers. But I think a number of women have a hard time visualizing themselves as ringing the cash register.

My hope would be that I've got a great setup for those women. I'm going to need really strong technical M and A women, and I'm more than happy to help create the opportunities. But I think that there's a way for those women to really, really shine. But it is profoundly the worst in mergers and acquisitions, and the firms that don't have either capital markets and the big banks, frankly, are relying on their consumer numbers to distort the reality and make it look like diversity's actually improved.

Larry Bernstein:

Tell me a little bit about your business plan. How do you plan to get in the meetings? How are you working with partners? What's your attack plan?

Anne Clarke Wolff:

I've been really lucky that a global advisory firm who wanted to recruit me has actually been really interested by the concept. We're fingers crossed, deep into discussions about whether we could forge an affiliation with a firm that would both provide us startup equity, but then also really values the 15 women senior advisors that I've curated. I think they have woken up and realized they have less than a handful of senior women in their firm. They know they're showing up at key pitches and they're risking losing more and more business when they show up with 10 white men to a pitch.

You could cynically say maybe they just want to *pinkwash* their team. But I also think they realize that the women that we've curated have an incredible network of board relationships and certain areas of expertise. So for that exclusive right, they're willing to pay us a service fee to effectively tap into that network, and that allows us really to get off to the races quickly on building the capital market side of the business. We will file to be an independent broker dealer. We want to be an approved women-owned business.

The hope is that we find our way into at least the minority capital markets flow, which given the data I shared, that's an existing market that people see growing. But I hope we do a lot better than that, because I'm being, as you would expect, incredibly focused on exceptional people. I think if we can show that we have recent people with great advice, there's also a chance to supplement that with some key advisory assignments. So, fingers crossed. But to your point, I think if we can launch with a little bit of help and play into timing in the world that right now feels very favorable to us, I hope that will give us a fighting shot.

Susan Saltzstein:

It does seem to me that with the movement both in the US and globally to increase the numbers, whether by statutorily or otherwise, women and minorities on boards, that's got to open up the avenues to your fabulous idea and business plan. Maybe you could talk about how you can capitalize on that, because it's often driven, relationships are driven by board members in a lot of cases. How do you think that will factor into what you're planning?

Anne Clarke Wolff:

It's a great question. I have to say I really didn't know how deep and how powerful the group of women board members were until I started to focus on this about 18 months ago. I focused on it after I joined my first public board for a great company called Amphenol. What you realize is that these women take their board service incredibly seriously. They show up prepared. They want to ask great questions. They want to be current on all of the critical governance topics. My hope is that if we both continue ... and we curate content with these 500 women on average every four to six weeks. I think if we can first just educate and inform this group on the benefits of cognitive diversity, can they ask the question?

I'm not counting on a single woman handing us a piece of business on a silver platter. I don't think that would be fair, but I think if they ask the question, I think that will create an opening. Then if it's between hiring Evercore or hiring us, every dollar that they spend with us will also help the company work toward their own ESG objectives, which I think a number of directors are very focused on the big commitments that companies made to shareholders where they would be by 2025 on ESG. Hopefully we become a convenient way to get great advice, but also to increase vendor diversity.

I think you're going to see with a lot of companies already substantially through their board change composition, the question is what's the next place where ESG will go? I think vendor diversity is the logical one. You see it probably on the legal side. There are a handful of the companies I work with where the general counsels are demanding that the law firms provide a staff with diverse teams or the accounting firms. So, is it a crazy supposition that it would extend to financial services? Maybe, but maybe not. But it's a group of people that I also think just from a lead generation have never been tapped into. So hopefully we can help put a spotlight on all this talent and the role that they can play in driving change.

Larry Bernstein:

I have a question about minority municipal bond and corporate underwriting teams. Historically, when I worked in capital markets and then later when I worked on the trading side where I was, I worked with these municipal firms as a customer. It seemed to me that the minority firms really didn't add a lot of value to the process. They were definitely paid as you said, when they got 40% of the proceeds of the US investment grade market, but they were really neither really selling the bonds nor were they providing much advice to the corporations borrowing the money. How do you think about the success and failure of the minority firm model in the capital markets area?

Anne Clarke Wolff:

That's a great question, and this is source of enormous frustration for the corporates who I know well. These big companies want to do the right thing, they want to spread their wallet and support the minority firms, but they're incredibly frustrated by exactly what you just said. I would share a couple of observations, and these are only my observations, this isn't based on deep data. The first observation is that at the firms I've looked into, virtually none of them have people with recent experience in a capital markets role on Wall Street. And part of that could be that they've not wanted to pay the costs of having to buy people out of other firms, so it may be that the economics just haven't worked for them. But they've largely relied on kind of home-grown talent or moving people, as you said, from municipal bonds, which is a completely different market than corporate bonds or equity capital markets. There's a significant training gap.

They're trying to use bringing orders in from their legacy municipal bond relationships as a way to prove that they're adding value. The challenge with that is most of us who've worked in capital markets know that hasn't really mattered for 20 years. In fact, it's probably more of a nuisance than really net new distribution to interesting buyers. And my hope is that without offending, the incredible hard work that these firms have put in, I'm hoping we can quickly draw the obvious conclusion that we have people who have run capital markets, we have people who've worked in syndicate and equity syndicate departments, and that there's the ability to lead with great advice.

And at the same time, the final important component is I'm committing to hiring minority junior staffing. And that's one of the biggest frustrations that corporates are observing. One of the biggest technology companies in the world wrote a paper on the lack of authenticity of their minority underwriters, because they found that there were actually very few people of color in the firms that were representing themselves to be minority underwriters. So I'm hopeful there's a real opportunity to improve upon a model that already exists and show that you can get great advice while also supporting the mission of hiring and training the next generation of talent.

Larry Bernstein:

Anne, thank you. We're going to go on to our second speaker, Paul Rahe. Paul is the Charles and Louise Lee Chair in the Western Heritage at Hillsdale College, and he's going to speak today about cycles in American politics.

Paul Rahe:

In November 1787, in writing to a correspondent on the subject of Shay's Rebellion, Thomas Jefferson observed, "God forbid we should ever be 20 years without such a rebellion." The real danger was that his compatriots would remain quiet under their misconceptions. In this he perceived a lethargy that he described as the forerunner of death to public liberty. And so he asked, "What country can preserve its liberties if their rulers are not warned from time to time that their people preserve the spirit of resistance? Let them take arms. The remedy is to set them right to facts, pardon, and pacify them. What signify a few lives lost in a century or two? The Tree of Liberty must be refreshed from time to time with the blood of Patriots and tyrants. It is its natural manure."

We are, I think, fortunate that Americans have rarely taken the arms. And that except during the Civil War, there has been very little spilling of blood. My thesis today is that it has rarely come to this for a reason. Thanks to the constitution designed by James Madison and his colleagues in Philadelphia in 1787, Americans have had a way to engage in an insurrection without bloodshed. They have done so at intervals of slightly more than the 20 years that Jefferson had in mind, and these upheavals have been occasioned by their fears of the very thing that Jefferson feared, the emergence of an oligarchy in Washington, DC that renders our federal government unaccountable to the country's people. When were there such insurrections? About once in every 24 years, I call it the 24-year itch.

In 1776 obviously, but that involved bloodshed and did not take place under the constitution designed by James Madison. In 1800 however, 24 years after 1776 if Jefferson himself is to be trusted, with the ouster of the Federalists a revolution took place. In the period from 1824 to 1828 with the movement founded by Andrew Jackson. In the period from 1852 to 1856 when the Whig Party collapsed and the Democratic Party began to fall apart. In 1876 with the end of Reconstruction. In 1896 with William Jennings Bryan's hostile takeover of the Democratic Party. In 1920 with William G Harding’s return to normalcy, and the largest Republican landslide in history. In 1946 with the Republican victory in the congressional and senatorial elections. In 1968 when George Wallace won the Democratic Primary in Michigan and shook-up American politics as a third-party candidate. In 1992 when Ross Perot ran as a third-party candidate and shook-up American politics again. And in 2016 when there was a hostile takeover of both of political parties with Donald Trump, who was not a Republican, winning the Republican nomination, and Bernie Sanders, who was not a Democrat, foisting his policies on the Democratic Party.

There is I would submit a rhythm to American politics. Once in every generation there is an anti-oligarchical and largely peaceful insurrection that leads to a reshaping of the American political scene. It ordinarily coincides with the presidential election, and even when the insurrection fails as it did in 1896, in 1968, and in 1992, it has a conserved considerable subsequent impact. I do not mean to say that events do not matter, the Civil War and the Great Depression are the most important events in the history of our Republic. I only mean to say that what I will call the anti-Federalist temper, the sneaking suspicion that the establishment in DC constituting the members of both political parties, are acting in concert to benefit themselves and their friends, runs deep in American politics, and occasions an eruption roughly once in every quarter century. I would also submit that the eruption that took place in 2016 was an especially powerful one, and that we are in for turbulent times as we take in its implications.

In 1787 Jefferson wrote to Abigail Adams and to Madison on this theme. To the first he observed, "The spirit of resistance to government is so valuable on certain occasions that I wish it to be always kept alive. It will often be exercised when wrong, but better so than not to be exercised at all. I like a little rebellion now and then; it is like a storm in the atmosphere." To Madison he remarked that political turbulence is an evil productive of good. "It prevents the degeneracy of government and nourishes a general attention to public affairs. It is a medicine necessary for the sound health of governments."

Larry Bernstein:

Let's go back to the 2016 revolution that occurred as you said in both parties. On the Trump side, one of the areas that was this anti-expert, anti-bureaucracy, anti-federal governments at its core, but it doesn't seem like the bureaucracy has been changed by any of that. They are just as powerful in their abilities to continue to run the government. How will this revolution check the bureaucracy? And to what extent was the revolution on the Democratic side, the Bernie

Sanders side, was that a pro-bureaucracy, a pro-expert revolution? And so that's where the rubber meets the road, and is that the hostility that we should expect? Is it a bureaucratic battle?

Paul Rahe:

Let me start with Sanders because it's the easier question to answer. The effect of what Sanders did was not to throw out the likes of Hillary Clinton and Joe Biden, but to put them in a box where virtually all of their underlings once you get below the cabinet level are people that are as progressive as Bernie Sanders. And the effect of it is a real push for a fairly radical change in American policy, which may or may not go through. But what it did do is it forced the Democratic Party to cater to its left wing in a way that it had not done in previous administration: Jimmy Carter, Bill Clinton, not even Barack Obama.

On the Republican side Trump was defeated by the bureaucracy to a considerable degree, the media elite, the elite within his own party. But that one's not over, and the reason is that he achieved his victory in 2016 by bringing in people to vote, many of whom were not voting previously. And by appealing to a demographic that the Republican Party has ignored for a very long time, which is the working stiff. And my instinct is he has changed the direction the Republican Party will go. Democratic Party has abandoned the working class to a large degree, it is now become the party of people who live in the fanciest zip codes in America. And that abandoned group, which includes many African-Americans and many Hispanics, could easily be picked up, and to some degree was picked up by Trump. Not to a sufficient degree to win him the election. But I think the voting composition of the Republican Party is going to look rather different.

And there are two major effects Trump has had, neoliberal policies are dead. The whole neoliberal globalist agenda has ground to a halt, and there is now a recognition that you need to focus on American citizens who have been nudged out of jobs by the export of American industries. That's one side to it. There's another area in which he affected a decisive change that has been picked up by the Biden Administration, and that has to do with both American economic relations with China, and also with American political relations within China. For 30 years, from the first Bush through Democratic and Republican administrations, we followed a policy towards China that was one of opening up our markets, of encouraging their economic growth, and of bringing them into the liberal world political order. And it is now almost universally recognized by policy makers that that policy was a disaster.

The Obama administration began to think about that, that's what the pivot to Asia was supposed to be about. But it was the Trump administration, largely because he took on the bureaucracy, and I'm thinking of the foreign policy bureaucracy, that was set on a kind of path from the first Bush all the way through Obama, and Trump won that battle. That's going to make a huge difference down the road.

Larry Bernstein:

When I look at your list of revolutions in American history, your choices seem a little ad hoc. So for example, in the middle of the century you have the Harding landslide in 1920, and

Republicans taking back the Congress in 1946. If someone had said to me, what was the most important change in government during that period? I would've thought it would've been the election of 1932 with the land slide of FDR. What he did was he radically changed the role and scope of the federal government, something that the 1920 Harding landside could never have considered, and nothing that the 1946 Republican landslide and the Congress would have stopped. Why do you view these choices that you made as not being ad hoc? Why can't we just say that there's constant change, and tension, and different roles for government, and that a democratic process allows for change in leadership, change in ideas in that battle with the public?

Paul Rahe:

Look, I don't deny that events matter. You could have said what you said just about the Great Depression, you could have said about the election of Abraham Lincoln. 1860 is a much more important date than these dates that fit into the rhythm of American politics, and 1932 is. When something big happens, it has a huge impact, but despite that, every so often there is this upheaval and there's a kind of pattern to it. For example, your two examples, 1920 and 1946, both of them involve a kind of rebellion against the administrative state. The Harding election is a rejection of what Woodrow Wilson stood for, both in foreign affairs, but also in domestic affairs. The dry run of the New Deal was under Wilson those last two years, in which the American economy was run out of Washington. Similarly, 1946 had a rather huge impact.

Harry Truman wanted to keep wage and price controls after World War II. And think about the impact of the Taft-Hartley bill on American relations between companies and workers and so forth. Labor is still trying to get the Taft-Hartley bill repealed. So, is it as big a change as 1932? No way. And is the end of reconstruction as in 1876 as big a change as 1860? No way. Events matter more than this rhythm, but the rhythm goes on and the rhythm will have an impact. It will force an adjustment in American politics.

Larry Bernstein:

Let me go and give you a different example of the same concept. You focused on George Wallace's victory in the Michigan presidential primary. And you also mentioned the success that Ross Perot had as a third-party candidate in 1992. But if someone asked me during that period, what were the two biggest impacts over the period, I would have thought that the election of Ronald Reagan in1980 is a rejection of big government, would be one. And another one would be the huge land slide the Democrats had in 1974 that put an enormously large left-wing class, in the House that made policy throughout 1970s and 1980s. How do you think about why Wallace and Perot and not those other two factors as being real factors of change?

Paul Rahe:

They were factors of change and look, let me throw something else in: The Great Society. That was New Deal number two. So, lots of other things happen, but when you get something like what George Wallace did, it forces a rethinking and, and it took place. I covered the Wallace campaign. I was a 19-year-old reporter for the Oklahoma Journal, a now defunct newspaper in

Oklahoma City. And I covered that campaign. It was just in the state of Oklahoma. It was absolutely fascinating and he turned out a set of voters that the parties had to adjust to. It was very important for putting Nixon into office, that those voters, largely Democrats left the Democratic Party. In 1992, the Ross Perot phenomenon, I think had to do with the savings and loan scandal. And by and large, that involved Democrats, but it involved also the son of the elder George Bush out in Colorado.

There was a sense in which there was real corruption, and there were grievances that had to be dealt with. And Ross Perot played upon that. And it forced a kind of rethinking, I think had Bill Clinton been elected that year without Ross Perot running in the presidential race, Clinton would have followed very different policies, much more to the left.

Anne Clarke Wolff:

Given how incredibly polarized our country is, is there any hope that a centrist revolution or a centrist candidate can tackle that or do you think that we're just going to have to continue to go to the extreme polarization before we hit a tipping point?

Paul Rahe:

It's a good question. I'm not sure that I have the answer to it. The polarization may continue until somebody wins a big victory. And see, right now, for the last, since say the year 2000, it's been a 50-50 country. Michael Barone is a friend of mine, and I can remember talking with him about this. And he said to me, this was true in the post-civil war period, too, not so much at the presidential level, but at the congressional level. And in those days, Congress really ran the show. And you'd get things moving back and forth and back and forth and he said, the competition becomes extremely bitter in those circumstances because each party thinks they can win. I don't know how this will play out, but I do know that the Republican Party is very likely to change in character in light of the demographic that was brought into the party by Trump.

And the Democratic party is going to have to cope with the Bernie supporters. And they have got to cope with it without going over fully to them, or they're really going to lose. It's a tricky balance to play. That doesn't answer your question, but I don't have an answer to your big question.

Larry Bernstein:

You talked about a lack of bloodshed. Why has the democratic process or these bloodless revolutions that you've described every 24 years calmed the violence? Why is there a sense of legitimacy to democratic change? Is there a sense of legitimacy because of the constitutional constructs? If we wipe out some of the major balancing acts that our constitution allows with separation of powers, do you think we will tend to move back towards more violent ways to settle disputes?

Paul Rahe:

Look, if you eliminate the separation of powers, then what you will have is a kind of dictatorship, a kind of monarchy. And we've seen something like that at the state level, in a lot of the states in response to the coronavirus crisis. And it has generated a great deal of anger and resentment, partly because the many of the regulations seemed arbitrary, partly because the people who handed down the regulations often did not abide themselves by their own regulations. People notice hypocrites like that. The separation of powers has a way of diffusing that, and the importance of the legislative branch, which has been declining in American politics, really ever since Teddy Roosevelt found his bully pulpit, but more in recent years.

The decline in the significance of the legislative branch is not a good thing because it is, especially the House is the most responsive to shifts in public opinion. And that allows a kind of accommodation of the people who are aggrieved. The way the democratic process works is we are asked every four years, shall we execute the guy in office, and we can execute him without bloodshed. It's often focused on him and not on his opponent. You can see that in the 2016 election.

And it allows for a venting of anger, resentment, and so forth, and that venting if it can be channeled in such a way that no permanent damage is done to people, is a very good thing. Behind Jefferson's thinking, by the way and all this is Machiavelli, Machiavelli and his Discourses on Livy was the first figure to say, solidarity is not good for politics. Conflict is good for politics and tumults meaning riots. If your institutions are right, can be an excellent thing. And Jefferson is the heir to Machiavelli in that way. But in a certain sense, electoral politics serves the same function and it allows a redress of grievances without violence and it's crucial that that be a possibility, which is to say that there be frequent elections and that the elections be conducted fairly, that the votes actually get counted.

Larry Bernstein:

Let me try something. I want to go back to Anne's question for a second. And she was really asking you, when can we have a centrist house, a centrist Senate, and a centrist president. And you just mentioned that these elections are really close, that these are a 50/50 nation, that we could easily see a flip in the Senate or the House in either direction at any moment. Why have the political parties not tried to govern based on the median voter to grab that central place? Why is the Biden administration choosing to govern from the hard left? I don't know if in your opinion, if Trump governed from the hard right or he governed from the center. I think what he may have done is just governed in a way that was inconsistent with previous partisanship. What are your thoughts about why political parties do not govern from the center when you have a voter stock that's very close to the middle?

Paul Rahe:

One reason is the two parties have gotten to be very good at turning out their basis. And so there has been a tendency to concentrate on turning out your base. And if you can turn out enough of them, then you win. The reach for the center takes place when your base is not enough. Trump's a kind of bad example of this because he stepped on traditional

Republicanism, just as hard as he stepped on the sort of the Democrats. And he actually brought into the Republican Party policies that on immigration, for example, that the Democrats had once champions. When we had blue collar labor unions on a very large scale, there was within the democratic base, a real suspicion of immigration. And it was shared by African-Americans because their jobs were at stake. The Republicans wanted cheap labor, so they wanted relatively open borders. It was complicated because of course the decision reached in the 1920s to limit immigration was lifted under John Kennedy. But he was kind of emphatically from an immigrant background himself, and that had an awful lot to do with it.

Larry Bernstein:
Paul, thank you very much. Our next guest is Lisa Picard. She is the CEO of EQ Office, which is Blackstone's Office Division. She spends her time thinking about where the office market is heading. Lisa, go ahead.

Lisa Picard:

If we're going to talk about the future of office, we really have to talk about the future of work, the future of the worker, and then the future of the workplace.

Now, first on work, I think given the pace of technological changes, work is deeply knowledge-based, and in a world where there's repetitious tasks, they'll definitely become more robotic processes to sort of program that algorithm.

The World Economic Forum in 2019 said that 25% of the workforce will be comprised of new roles, and that really over 50% of the existing workforce must grow and advance and upskill themselves. In essence, the workforce must become more flexible, remote and decentralized. And we were already seeing this de-centralization., Now the talent is driving decisions and they were different driving decisions before, but even now with the great attrition that's happening, there's incredible tensions between leadership and talent. And with these acute talent shortages, specifically knowledge workers with digital skills, companies are having to pay more to attract hire, and also pay more for the existing talent.

And really what's happening is that talent seeks leadership, proximity and opportunity. And if that opportunity is less cost housing, or if that opportunity is the potential to grow their career, that's what's really driving a lot of the decisions. Talent is also wanting the fresh start; this is what's leading to the great attrition.

But ultimately, the worker is driven by opportunity. And I think that when we look at what happens with the workplace, what job will the office perform going forward? Leadership they're seeing two functions in the organization; there's the defensive moves and there's the offensive moves. The defensive moves are getting your labor and your workforce to do everything that it already knows how to do. The offensive moves are the things that grow and advance the business, move it down the field. And the offensive moves are incredibly hard to do in isolation, and so, that's what's really creating this tension between leadership and talent. Talent, love the freedom, love the calling the shots and making its own day, with the exception of the younger cohort. The younger cohort is actually seen that they've kind of fallen back behind.

And so, given the nature that the work is rapidly changing, that the worker needs to upskill. And now that the workplace is becoming a place that needs to mentor, needs to educate, needs to entertain, needs to rejuvenate on the whole aspect of wellness, what that future of the office has to do is pull people to the office, not push them to the office. Not a dictatorial, “You must be here," but pull them. And I like to think about them in the four CS. The effective workplace offers concentration, offers an ability for collaboration among colleagues, offers community, a place that you feel like you are part of the purpose and belonging. And fourth, it offers convenience; all the things that you can't do at home. And I've been adding a fifth one, control. Giving you control over your environment. And I would probably like to end with just saying from master of yoga, "Difficult to see, always in motion is the future."

Larry Bernstein:

You said that 25% of work are new roles, and 50% is existing jobs that have to be upskilled. That's right.

Larry Bernstein:

So, what does that mean? Take any field, describe what that means in context? And how does the office environment fit into upskill?

Lisa Picard:

Let's just take a worker at Salesforce who maybe have been in marketing, and realize that the nature and the way in which you reach the customer from a marketing perspective is more the pull than the push. And this employee was sort of skilled in the push, which means, "I'm pushing out messages to you via digital channels," versus working with an influencer network, or working with collaborative companies who actually pull people into selling that product, right? And this worker decides, "You know what, I'm going to upskill and I'm going to figure out how to actually learn coding. And I'm going to learn how to essentially digitally code some of these aspects or algorithms that naturally find buyers through digital networks, as opposed to me writing copy."

I also think that people who do repetitious work, and they're cranking out a product, they may be producing financial models, and it's a very easy job that they can do at home because someone just gives them the assumptions, they plug it in. Or we might offshore that through Upwork, where we're paying somebody 50 cents an hour in India to do that work, right? Just because it's just input and entry.

And just as much as manufacturing jobs got off-shored because that skilled labor could be done cheaply and effectively in places like Asia, we're seeing the knowledge workers becoming a commodity, and particularly people that can provide knowledge work If you're just planning to continually crank out your work, then I think that's problematic.

Larry Bernstein:

I had a friend of mine who is a commercial real estate broker in Chicago, and pre-COVID, I asked her what type of subleases are out there, what's available. And she told me that basically every law firm in Chicago recognized that they had way too much space. They had an office for everyone. And they're going to this model where an employee that came in could use any office. They could just kind of click and play. And Nicholas Bloom, who was on our show a few months ago, analyzed the future of work. He's a professor at Stanford. He imagined a world where the marketing team might come to the office on Monday and Wednesday, and the technology team might come to the office on Tuesday and Thursday, and Friday, maybe we all get together to talk about firm-wide decisions.

Lisa Picard:

And there's a notion of if your organization is siloed and you're still in a hierarchical or traditional machine-based structure, as opposed to an agile network structure, then it's perfectly logical that you would sort of set up the marketing team to show up one day and then each of the silos to show up a particular day. But if you're a networked or an agile organization, you're figuring out the teams, the collaborative teams, and those teams are developing charters for how they want to work and make decisions together. And you'll find that those companies are actually driving different solutions.

I was talking to a CEO one day who was really struggling with the talent that wants to work at home, and some of the talent, the younger talent, that wants to be in the office, because the younger talent all felt like last year, they lost the advancement in their careers. And in fact, a side note to that is that over the last few months we've been interviewing for analysts and senior associates. And when asked why are they leaving their current job, the number one reason why they are saying they're leaving their job is because their manager is not coming into the office. They feel that they're going to miss this opportunity for learning.

I was talking to a technology company in Seattle was going to go with that Hoteling model that you mentioned, that everybody would sort of be able to check out a desk when they arrived, and there was an insane revolt that happened within the organization, largely because there's this logical thing that happens when you give somebody space in an office, they feel a part of the organization.

Larry Bernstein:

I remember in 2008, when the crisis hit, I spoke to some buddies of mine who worked with a Canadian bank in New York City, and they always assumed they were going to grow. And they had an extra floor just in case for growth. And when everyone said, oh my God, not only do we not need that extra floor, but we have an extra floor to go, it put an enormous pressure on office rents. This is a very vertical supply curve where price is going to collapse if an enormous percentage of the market becomes available. What do you think the needs for office space will be? Will it be down 10, down 20, down 30%, and will it have an incredibly dramatic, negative impact on real estate?

Jane Jacobs talked about what's the implications for B minus, C plus office, is that it needs to be transitioned into residential. Do you see, a tremendous excess of office space and that that office space will be transitioned towards residential in dense urban areas? How do you think about the whole picture?

Lisa Picard:

No, this is a phenomenal question, and it really comes down to supply constrained markets and supply constrained markets that have demand drivers and non-supply constrained markets that don't have demand drivers. And let me give an example of what's really going to happen here is that we have the bifurcation of two kinds of products, right? The human loves new products. And we have new construction, which is always desired and seems to be a panacea for talent attraction, and to get that, companies pay an enormous price to get new construction. And what I mean by an enormous price, they sign 10, 12-year leases. And I don't know what technology company knows how big they're going to be in three years, but certainly over 10 years, they're going to be wrong.

And so typically, to your point, what happens is they plan 10% growth a year. They sign a 10-year lease. They're doubling the size of the space they need day one, then what they need currently. They'll get 2X the space, and this, as to your point, takes down a heck of a lot of space that may end up on the sublease market for a while. Or if they have a good cash position, they just want to control it just in case it is creating pressures.

Then you have everything else, if it's still your father's office building, and it's going to be your father's office building, it's going to be a race to the bottom because the market and the customer is only going to be able to differentiate by price. And if there's a ton of supply in these non-supply constrained markets, or in markets that don't have demand drivers, that don't have really big demand drivers, like DC or Chicago, I think we're seeing demand come back pretty strong in New York right now. But I think it's got a long road to go because there's a lot of products.

But in markets like LA and markets like the Bay Area and markets like Seattle and Boston, there are constraints to supply Things are defined to a particular area, and they have very strong demand drivers. And in those markets, I think you're going to find product will do just fine. In fact, it'll take a little bit of time to absorb some of the stuff, but I don't think you're going to have issues that you saw in Dallas, where some of the product is considered obsolete, and obsolete means that it's been vacant for more than three years.

Larry Bernstein:

I don't know Dallas, but I'm familiar with New York City a little bit. And you mentioned new product, and the newest of the new product pre-COVID was Hudson Yards was coming online. And there was a lot of excitement. People were planning to move out there. A number of my hedge fund buddies got some space in Hudson Yards and they were totally psyched. And then when COVID hit, not only did Hudson Yards get in trouble, but all the retail and a bunch of the residential properties also really didn't do well. How do you think about the new new, as you think about Hudson Yards and the problems that it has?

Lisa Picard:

What's interesting about new products and new markets is it creates an entirely new energy. Even if it doesn't make any sense from a geographic perspective, you talk to any real estate person who understands the traditional dynamics in New York and they're like, Hudson Yards, I just don't get it. And I got it just because it's new product, it's the shiny new object.

I think how they do over time really depends if there's infrastructure to support a population to get relatively easy access to that. Fulton Market in Chicago. It was outside the loop. People were like, that's crazy. There's no train that goes over there. Well, there's this thing called Uber, and there's really great food and beverage and amazing environments. And those buildings just keep getting built and built and built in a market that has pretty substantial vacancy. I think you're going to see continued bifurcation of this market, between new products that have high amenities, great ground floors and energies, that really feel that you're a part of the community.

Larry Bernstein:

Fulton Market started as a food and beverage mecca. Where did this come from? Oh my God, this place is fantastic. And then office kind of went to the new food and beverage place.

Is that kind of a different way of thinking about it? This is not if you build it, they will come, but we built food and beverage, and then office said, oh my God, we've got to be next to that because that's where the fun is. Is that how-

Lisa Picard:

Well, yeah, and that's where talent wants to be. Talent wants to be near the cool stuff. And if you can highlight to people on your HR tour, look at all these cool restaurants and places you can be, and you can hang out with your colleagues, people start to envision their lifestyle. Now, keep in mind, work is a lifestyle now. It's not a place that I clock in at 8:00 and clock out at 5:00. These are people that are part of my community, and so I want to know what's a part of my community. And so much so that this ground floor experience and environment is so much a part of how we curate office buildings now.

Larry Bernstein:

Brooklyn. When I was a young man, Citi put out that tower in the middle of Brooklyn, and it was sort of like, God, is anyone going to go out there? And now we have a whole host of young people living there with cool hotels, cool restaurants.

But I haven't seen a lot of office being built in Brooklyn. Would you think that Brooklyn is going to become a new office mecca or is it going to remain just primarily residential, retail?

Lisa Picard:

Here's the interesting thing about office and the way in which companies pursue office space. Jobs follow people. People don't necessarily follow jobs unless it's like I've always wanted to work for Tesla and I go follow them to Austin, Texas. But for the most part, jobs are going to that location so they can capture that talent.

If you think about Brooklyn and my access to talent, how do I get Brooklynites? I mean, downtown is sort of like the centroid for getting Brooklynites and also people in New Jersey and people further up Manhattan. And I think that the challenge with putting office in Brooklyn is that it's not the centroid of talent. You can access Brooklyn talent by being in downtown, but you can't access talent elsewhere when you're in Brooklyn.

Larry Bernstein:

Yeah. It's pretty limited to Brooklyn only because of the transportation problem.

Lisa Picard:

That's right.

Larry Bernstein:

Well, that was why it was interesting what you mentioned with Fulton Market, which is not very transportation-friendly. The Metra station's not bad, but the rest of it isn't really designed to go that area.

But you said, oh, but what about Uber? Uber can solve that. Uber can't solve a lot of things. What COVID did with traffic has been non-existent, but traffic's going to come back with a vengeance. And when it does, it's going to limit where we're working.

So how do you think about the transportation nexus as being the critical variable for where are you going to build your new office buildings?

Lisa Picard:

It's a phenomenal point. And going back to the Fulton Market example, I think the thing that really shifted in and was the vote of confidence is when McDonald's moved their headquarters in from the suburbs into the Fulton Market neighborhoods. Because they were deliberately going after... They couldn't hire young people. And as soon as they went into Fulton Market, they were able to hire a ton of young people who wanted to work in that market.

And they realized that McDonald's was a different company because it had totally shifted from the suburbs and moved into the city.

But I think your comment about transportation and access is really going to be key.

When I look at a market, we'll say, like Austin, which was the only market that actually had job growth during 2020, office employment growth in 2020. Austin that has had unbelievable growth and has absolutely no infrastructure to support transit except the car. This is going to be a really interesting experiment.

Larry Bernstein:

I feel like there's a ton of uncertainty. And you opened with what's so incredible about the new building is they're able to lock people down for ten-year leases.

Do you think the long-term lease is a thing of the past or is that something you can still persuade? Or is it fear of the unknown sublease market and the unknown employment market for them? But unknown future for them is so high that they may not wish to enter term leases.

Lisa Picard:

Yeah, exactly my point of the bifurcation of the market. You're only going to enter the long-term lease to essentially engage in new construction. Because then the quantity of supply of new construction is so finite. And to get it, you're willing to commit huge resources and swallow a big pill.

And what's happening in the office industry is the lease has gotten shorter and shorter and the retention rates smaller and smaller. And in essence, the landlords have to do more to create a stickiness and a higher service level.

Larry Bernstein:

Pre-COVID, WeWorks was the phenomena. They took down a crazy amount of space. In every market, they were the number one guy. And they offered a product, to get rid of term, and in exchange, we're going to jam you in tighter than you ever thought was possible in an office environment. And not just with people you work with, but strangers. Now in a period of COVID, that seems insane.

Lisa Picard:

I think the concept that was there was actually allowing sort of a much more flexible lease strategy. A lot of the WeWork practices were in essence buying top line revenue to essentially obviously reach their revenue targets, and many of the things weren't sustainable. They structured a lot of things that had duration matching issues between long-term leases and buying really short-term deals. But I think the model in and of itself, a high service level model with a really good digital layer that gives companies a purview as to usage. There are operators in the space who've really figured out the model and they're in it for the long game.

Larry Bernstein:

You started the conversation by saying, "Look, it's about collaboration and getting pulled to work." If Nicholas Bloom is right, where we need to meet at the office to talk about and collaborate about certain things on a very flexible schedule, is that Regus space where they can offer conference rooms and digital technology in a very easy way, is that going to dominate and allow for multiple firms to work in shared spaces? Is that our future?

Lisa Picard:

I think you're going to see the hotelification of the office market. They're going to see a variety of different products that suit different needs. A lot of people don't like the Regus model. They don't like the aesthetics. They don't like the vibe. They'll go pursue a different hotel brand, one that they do like. Many owners are getting into the space and figuring out ways of which they can parse out the space and also provide a product for the market that the marketplace wants. But I do think what's interesting today is that the legacy way of building out space, the legacy way of procuring space, of hiring a broker, procuring your space a year from now and basically it takes six months to build it out with all the requirements that cities have and the construction processes, that most people when they're out in the market and they need space, they realize they need it today and they can't wait a year to get it.

Larry Bernstein:

I went to a shared space in London pre-COVID, and I went to visit a friend of mine. He was in some space, but it was weird. There was no window and it was packed. It was very dense office. It was, "Okay, we got to hang out. What are we going to do?" We went downstairs and they were offering beer and it was like a party going on in the office, which was kind of complicated. I said, "This is ridiculous. I can't work here. Let's just go to a restaurant and order some food and talk."

Is that really what young people want?

Lisa Picard:

I like to think about how did you learn? When I was in college, I had a laptop that lasted like about maybe 35 minutes, and then I had to find a plug and plug in, and so that really drove me to learn how to work in a dorm room. Then, the next generation really had mobile devices that lasted much longer and they could work from a Starbucks and they could work on top of rooftops and they'd learn to work in cafes because it was sort of a unique space that they felt like they could see and be seen. What happened is the whole generation of next workplace to attract the millennials looked like Starbucks cafes because that's how that workforce learned how to do projects and collaborate on assignments.

I think if you want to look at the future of work, look at how kids are learning today. Will that learning truly be decentralized and distributed? Will it be fully online content? Will kids truly learn that way? And I think the reason why you're seeing all of these bars and cafes and things of that nature that are brought into fancy new workplaces is because they're attracting people from college and say, "Hey, look, this is just like college for you. It's like you never left."

Larry Bernstein:

I usually end our show with a note of optimism. What are you optimistic about in the office market?

Lisa Picard:

I think what I'm optimistic about in the office market is that I think there's a whole new revolution of unique workspaces that truly allow humanity to thrive. What we're seeing is this integration of a lot of wellness aspects and a lot of concern of making sure humans can perform and perform at their best level. If that's bringing in natural light, if that's bringing in spaces that allow a little R&R, if it’s bringing in medical services or dental services so that there's this aspect of convenience, I think the workplace is not going to be about seeing the human as a machine, but actually seeing the human as a living organism that that needs care, quite honestly. Then, I think all of us can do our best work.

Larry Bernstein:

Dean Adler, when I asked him about the future of office, he mentioned getting access to fresh air. He imagined that new construction would have balconies, would have the ability to engage with the outside. Is fresh air... goes back to that wellness point you're making?

Lisa Picard:

Yeah, it's a big deal. It's a big deal. If you think about it like humans as machines, we sort of put them in assembly line or cubicles, in the Dilbert style. If we look at humans as things that need to have light and air to thrive, a lot of companies, the tech companies actually have requirements if you're building them a new building, they have to have a certain frequency of open windows or windows that can open. These are even in high rises. Decks and rooftops and access to the outdoors become key leasing features. We're looking at spaces across our portfolio that we can begin to open up, not at just the ground plane, but other levels of the building, because these become really treasured amenities and really create differentiation in your product.

Larry Bernstein:
I want to ask Anne for what you are optimistic about?

Anne Clarke Wolfe:

I loved hearing Lisa's presentation because it highlights that the generation behind us is changing work and what started out as a movement about ESG and will provide a revolution about how to get advice. I am optimistic if we listen to young women and minorities who have a clear perspective for the world should look like, then the world will be a better place.

Paul Rahe:

I am very optimistic about medicine. It seems to be that the Corona virus did enormous harm and I am not sure the lockdowns did much good. But the work done on the vaccine is a turning point in terms of manufacturing vaccines and that real good will come from this.

Larry Bernstein:

I think it was amazing how the hospitals and doctors experimented to treat successfully patients with Covid.

Paul Rahe:

Going back to the future of work. There will be more working at home and less business travel and these changes will do lots of good. I am less optimistic about the Cold War with China and that adversary is much more formidable and I don't know how this will work out.

Susan Saltzstein:

I am optimistic about what Anne had to say about a Women run Investment bank. I was surprised and pleased by how we discovered that we can work from home and that we could be very productive in a new environment that wasn't in a box or a cubicle. I think our world will become more inclusive without being exclusive.

Larry Bernstein:

That ends today's session. I want to make a plug for next week's episode.

Our first speaker will be Robert Pondiscio who you met previously on What Happens Next when he spoke about The Success Academy. Next week he will speak about his work on Critical Race Theory. He opens his essay in the current issue of Commentary noting that Critical Race Theory took over in two ways: first gradually and then suddenly. Robert will speak about how teachers, either individually or in grade level teams, decide for themselves what gets put in front of children with little if any oversight from the principal or the school board. I think you will find this discussion to be particularly controversial.

Our second speaker is a leading authority on golf strategy. Scott Fawcett has revolutionized how Golf pros play tournaments. Scott has quantitatively analyzed shot selection in terms of relative risk and reward. Scott's logic and his results are radically changing the sport for both good players as well as golf professionals. I think his insights have implications beyond golf as his methods applies to all sports and other dynamic games like your business.

Our final speaker will be Wharton Marketing Professor Jonah Berger. I met Jonah when I took his course offered by The Teaching Company entitled How Ideas Spread. Jonah has a new book called Catalyst that helps explain why certain marketing strategies are most effective. Marketing plans that do not persuade by argument but instead encourage you to make up your own mind to use the product are more effective. Jonah is a highly engaging speaker and I am sure this is going to be a superb presentation.

If you are interested in listening to a replay of today's What Happens Next program or any of our previous episodes or wish to read a transcript, you can find them on our website Whathappensnextin6minutes.com. Replays are also available on Apple Podcasts, Podbean and Spotify.

Please check out our new social media outlet on Twitter at Whathappensin6. We want to engage our audience and hear your views. I want to create a community that learns together.

I would like to thank today's speakers for their insights. I would also like to thank our listeners for their time and for engaging with these complex issues. Please stay tuned for next Sunday to find out What Happens Next.