When I was invited to speak to you today, this wasn’t what I expected – to be speaking inside a hockey rink. When I heard about it, though, I hoped that at least the speaker would get to ride in on a Zamboni. Alas.

Let’s face it. I am an unusual choice to speak at this event. A life long newspaper reporter -- even one who works for a publication whose middle name is Wall Street -- is an unusual choice. I don’t have an MBA from any business school, let alone this one. I have never written a check to Dartmouth. I am not, have never been and will never be a CEO. I supervise eight people, which hardly qualifies me to opine on management or share the secrets of building a great company. I work in an industry that has lost its business model and hasn’t found a new one. I do chair the administration committee of my synagogue, but somehow I don’t think anyone at Tuck knew that before now.

So why me? What can I possibly tell you -- the Class of 2010, your friends and families -- that you might possibly remember in a few hours, let alone a few years... other than that guy from The Wall Street Journal didn’t talk too long?

Well, one function of newspapers -- sometimes unappreciated, rarely welcomed -- is the mirror we hold up to those with power and money, the way we reflect the society in which we live. So let me tell you what that mirror shows today.

You and your debts -- an average of $86,000 each, I gather for those with loans – graduate a time of a great crisis of confidence in American finance and American business. We Americans had come to accept that maybe we don’t make things as well as the Japanese, maybe we can’t make things as cheaply as Chinese and Mexicans, but the one thing we know how to do is run a good financial system...NOT.

Americans have pretty much decided what happened in the past few years: Wall Street got bailed out. Main Street didn’t. And, you can see why they think that. The banks are boasting about their regained health, the stock market is up, the bonuses are back ...and unemployment is nearly 10%, half those without jobs have been out of work for more than six months and one in every four homeowners with a mortgage has a loan greater than the value of his or her house.

When the Gallup poll asked Americans in which institutions that had a great deal or quite a lot of confidence...

For the military it was 82%
For SMALL business, it was 67%
For churches and organized religion, 59%
For the Supreme Court, 39%
For newspapers, 25% said they had a great deal or quite a lot of confidence.
For banks, 22%
For Congress, 17%

And BIG business? 16%, lower than any time since Gallup began posing the question in 1973. Goldman Sachs wasn’t on the list. Neither was BP. But we can all guess where they’d show up.  

Ok, I didn’t come here to depress you or criticize your future employers. And please don’t blame the messenger. Instead consider the lessons we learn from the past few years and what they mean for you as you leave the classrooms of Tuck and the glories of northern New England.

Let me suggest three lessons, three because every good speech I’ve ever heard had three points.

LESSON ONE: Money is not the only – and probably not the best – way to measure your success.

Now, I’m not so foolish as to argue that money doesn’t matter or that incentives don’t matter or that you shouldn’t expect a return on your huge investment here at Tuck.

But something really did go wrong with our society. Andrew Carnegie, John D. Rockefeller, Henry Ford, Bill Gates... all may have been rapacious SOBs... but they built things of enduring value: steel, oil, railroads, the automobile assembly, software that made the personal computer useful.

Can we say the same about modern finance? About the talent and effort that brought us CDO squared and CDO cubed? About the alchemy that convinced people that if you put enough subprime mortgages in one pot you could call them triple AAA securities? About the geniuses who created Soundview Home Loan Trust 2006-OPT5 M8... a $38 million subprime-mortgage bond created in June 2006 on which a financial house of cards was built that produced roughly $280 million in losses to investors by the time the bond's principal was wiped out in 2008? Seven dollars of losses for every dollar of mortgage lending.

Finance – where I know a lot of you will go from here – finance is a means to an end: to make it possible for entrepreneurs to pursue their dreams, for big companies to realize economies of scale, for ordinary people to afford education, homeownership and comfortable retirement. But practitioners of modern finance lost sight of the end.
Finance became a game detached from any purpose other than running up a bigger score than the competition.

And this lesson applies to those of you headed for consulting firms too. Your advice is a means, not an end. And be prepared: If we move towards truly paying for performance – in management, in medicine, in credit ratings – will consultants be exempt? How about linking compensation to whether your advice proved wise – with clawbacks if it doesn’t?

I read with interest remarks delivered from this podium last year at this time by Robert Lane, the CEO of Deere. “Embrace the rich irony of business success,” he said. “Apparent success, premature claims, appearances that later collapse. This is not success. Do not seek it. Do not claim it. The irony? The irony is you cannot, as a company or an individual, directly serve yourself if you are to create such lasting success. It’s impossible. You cannot generate enduring success for a great company or for yourself by acting as if ‘it’s all about me.’ Only in the short run, can you directly serve yourself. Only when others – customers, employees, shareholders, the environment – have been well served on a sustained basis – only then can you deem yourself a successful executive.”

Put differently, we have learned that VALUE matters. Value can be defined, discussed and dissected. When people in business, armed with fierce minds and all that is taught in great schools like this one, disregard that, and pursue a false god... measuring themselves by the size of this year’s bonuses and how much money they made...well, you have just seen the result the result.

LESSON TWO: Trust is essential to successful capitalism. The erosion of trust in institutions – not just in business, but in government, the media, in the elites – is corrosive.

This is counterintuitive. You’d think that trust is less important in a market society with buyers and sellers who often never meet, may not even know each other’s names, than in 18th century New Hampshire farm towns where everyone knew everyone else. But think about it: There’s not really much the cab driver can do if you get out and don’t pay the fare. You’ll probably never see him again. You just sign here, turn the page, and sign again. We pay for our food at one window at McDonalds...and trust that we’ll get the burger and fries at the next. No living human being has ever read the disclosure forms that accompany the typical mortgage. You just sign here, turn the page, and sign again. And there’s never enough “due diligence” .... Ultimately either you trust the other guy or you don’t.

The invisible hand depends on the invisible handshake.
“Trust,” economist Kenneth Arrow, the Nobel laureate, wrote 30 years ago, "is an important lubricant of a social system. It is extremely efficient; it saves a lot of trouble to have a fair degree of reliance on other people's word."

In September 2008, a lot of people discovered their trust was misplaced… lenders discovered borrowers couldn’t or wouldn’t pay their debts. Wall Street discovered the folly of trusting their sophisticated customers to be sophisticated. And Investors discovered that they had been foolish to trust the AAA rating the Goldman Sachs or other brand name. Great financial institutions, we learned, stopped looking at their customers as clients and instead saw everyone as a counterparty. We all learned that we had put too much trust in regulators. The consequences of this pervasive lost of trust – heck, banks wouldn’t even lend to other banks – proved catastrophic.

It will take a long time to restore this trust. Make that your objective. Be worthy of the trust people place in you.

LESSON THREE is about leadership. One person CAN make a difference. Be such a person.

I’ve spent some time in the past few years watching Ben Bernanke, who took Alan Greenspan’s throne at the Federal Reserve just in time for the worst shock to the U.S. economy since the Great Depression itself. Bernanke was Time magazine’s man of the year for 2009, but let’s face it, he is hardly seen widely as an American hero. If Americans think Wall Street got bailed out and Main Street didn’t, then Bernanke is one of the guys they hold responsible for that injustice.

I think otherwise. Let me tell you why. Ben Bernanke is no great prophet. He helped create the conditions that produced the biggest bust of his lifetime. He did NOT see this coming until it was too late. But once the crisis hit, he resolved to do whatever it takes to avoid another Great Depression. He was creative, aggressive, risked his reputation, withstood insulting criticism from members of Congress. He almost didn’t get reappointed. But he persevered. Or take Dartmouth alum Hank Paulson, the Treasury secretary…justly criticized and caricatured for his zig zags, for saying I’ll do this and then doing that, accused of favoring Goldman Sachs, who threw himself into this with the same determination he brought to the Dartmouth football team in the 1960s. Because he wanted to save the American economy.

A new round of books celebrates the shorts, the ones who made money because they saw it coming. They were impressively clever. But they aren’t the ones I admire most. I admire the ones who said to their bosses:

This doesn’t seem right. We shouldn’t do it.

This may make us a lot of money, but it is really in our client’s best interest.

This seems to be good to be true – and probably is.
The ones who were unafraid to ostracized to ask their colleagues to stop for a minute to think.

Resolve to be one of those people. There are costs, but ultimately you will be defined by how you handle yourself in perhaps a half dozen moments like that in your career.

And remember this: In life, NOTHING is off balance sheet.

One of the things that makes the American economy great and enduring is its self-correcting quality. We are a nation that asks: What works? And when we find an answer, we say: Let’s try it. You graduate at a moment of enormous opportunity. Oh, I know that’s what commencement speakers have said for the entire history of American higher education.

But let’s face it, the ones who graduated from here five years ago simply jumped on a super-fast train just as it started to leave the station and went along for the ride. What’s the challenge in that? You have a real challenge.

Shakespeare wrote, "Sweet are the uses of adversity which, like the toad, ugly and venomous, wears yet a precious jewel in his head."

Seize the jewel.

Already, some of the old ways are returning. The urge to go back to how it was, to pretend that the last few years were just a hiccup, to get on with the business of making money and keeping score by how much money you make is very strong.

So here’s the challenge: Will you go into business to repair the old machinery, hoping to return it to what it was five years ago, with the big paychecks and clever schemes that bring short-term returns and long-time risks?

Or will you be the generation that builds something different, that puts the train on a new track, that prizes lasting value over ephemeral short-term gains, that pursues what really ought to be the mission of business and finance and enterprise: To do greatest good for the greatest number of people?

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1 “Confidence in institutions,” June 14-17, 2009.
http://www.gallup.com/poll/1597/confidence-institutions.aspx

