

What Happens Next – Sunday June 13, 2021
War on Cops, Risk in Finance, Be Happy, Casablanca

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 Good Policing, Risks in Finance, Being Happier, and the Movie Casablanca.

Our first speaker today is Heather Mac Donald who is the Thomas W. Smith Fellow at the Manhattan Institute and Contributing Editor of the City Journal. She has written several books but today I want to focus on her book *The War on Cops: How the New Attack on Law and Order Makes Everyone Less Safe*. On What Happens Next, we have discussed policing and issues of race, and today, I hope to learn about why attacking the police might undermine the safety of minority communities.

Our second speaker is Chris Varelas who was a colleague of mine at Salomon Brothers in the 1990s. Chris has a new book entitled *How Money Became Dangerous: The Inside Story of our Turbulent Relationship with Modern Finance*. I've asked Chris to tell a couple of stories from this storied career that will help us appreciate how much banking has changed from an entrepreneurial culture to a stodgy and boring business.

Our third speaker is Tal Ben-Shahar who is a positive psychologist. Tal has a new book called *Happier, No Matter What: Cultivating Hope, Resilience, and Purpose in Hard Times*. Tal will give us some tips on how to enjoy life and deal with catastrophe like COVID or the next unexpected problem that affects us individually or collectively.

Our final speaker is Aljean Harmetz who previously was the NY Times Hollywood Correspondent and is one of the pre-eminent film historians. She wrote the definitive history of a movie classic entitled *The Making of Casablanca: Bogart, Bergman, and WW2*. I hope to learn from Aljean how Casablanca had one of the greatest scripts in the history of film, despite having multiple writers working on the script simultaneously. I also want to find out why the 1943 best picture became a cult classic.

I would like to expand our audience of What Happens Next so that more people can enjoy our programming. I started a social media outreach using Twitter. We want to increase user engagement and we want you to be part of a community of interested listeners. I am going to continue an experiment today where I include twitter questions on the live program, so please tweet me and I will do my best to include your comments. Our twitter username is

whathappensin6, where six is the number. I want to hear from you. So please tweet, whathappensin6.

With that I would like to introduce our first speaker Heather Mac Donald to speak about the ongoing War with the Cops, and why this fight will make us all less safe.

Heather Mac Donald:

Today, I'm going to examine the claim that policing is systemically biased, particularly when it comes to the use of lethal force. I'm going to argue that the claim is an optical illusion, created by selective media coverage. I'm going to throw some numbers out here because I infer this is a crowd that can handle it. Every year, the police fatally shoot about a thousand people, the vast majority of whom are threatening the officer or a bystander with deadly force. About 50% of those police fatalities are white and about 25% are black. The Black Lives Matter folks look at that 25% number and proclaim police bias, since blacks are about 12% of the population. That is the wrong benchmark, however.

Police activity should be measured against crime, not population ratios. And if there's one thing to take away from this talk, it's that, the problem of the benchmark. Policing today is data driven. Officers are deployed to where people are most being victimized and that is in minority neighborhoods. And it is in minority neighborhoods where officers are most likely to interact with armed, violent, and resisting suspects, which predicts officers' own use of force.

In the 75 largest US counties, which is where most of the population resides, blacks constitute around 60% of all murder and robbery defendants, though they are only 15% of the population in those counties. Nationwide, blacks commit homicide at eight times the rate of whites and Hispanics combined. In Chicago, blacks commit about 80% of all shootings and homicides, though they are less than a third of the population. Whites commit about 2% of all shootings and homicides in Chicago. A black Chicagoan is 50 times more likely to commit a shooting than a white Chicagoan.

These disparities are repeated in every American city and they have enormous consequences for police use of force. The greater the chance that officers confront armed and resisting suspects, the more likely they are to escalate their own use of force and that chance is far higher in black communities. So that 25% or so share of fatal police shootings each year comprised of black victims, when measured against a crime benchmark, does not support the Black Lives Matter narrative.

What about individual cases? George Floyd's death was immediately portrayed as a symbol of systemic anti-black police violence, but if we conclude from an individual case that the police are biased against black men, we could just as easily conclude from other individual cases that the police are biased against white men.

Take the death of Tony Timpa, which adumbrated the death of Mr. Floyd. In 2016, the 32-year-old schizophrenic called 911 in Dallas to report that he was off his medication, frightened, and in need of help. Three Dallas police officers responded and kept him face down on the ground for 13 minutes with a knee to his back, all the while joking about Timpa's mental illness. Timpa was handcuffed and had not resisted or threatened the officers. He pleaded for help more than

30 times, exclaiming that the cops were killing him. He was dead by the time the officers loaded him into the ambulance.

Very few Americans outside of Timpa's family know his name. His death did not make international news or spur widespread riots. Because Timpa was white, his death did not fit the Black Lives Matter narrative and this was of no interest to the activists or to the press. There are many more Tony Timpas. The perception that questionable police tactics occur almost exclusively against black males is a function of what the media choose to cover.

The charge that blacks are at daily risk of white supremacy extends beyond police/civilian interactions to civilian-on-civilian interactions. As LeBron James tweeted, quote, "We are literally hunted every day, every time we step outside the comfort of our homes." This, too, is a sentiment at odds with the data. In the universe of all non-lethal, interracial violence between blacks and whites, blacks commit 88% of that interracial violence, whites 12%. It also bears noting that a police officer is anywhere from 15 to 30 times more likely, depending on the year, to be killed by a black male than an unarmed black male is to be killed by a police officer.

In conclusion, the deligitimation of law enforcement, the constant message that officers are racist simply for fighting crime have led to demoralization and depolicing. Last year, homicides in the US saw the largest annual percentage increase in recorded history. That crime increase is continuing into 2021. The law-abiding residents of high-crime communities have been the initial victims of this growing wave of lawlessness. Last year, over four dozen black children nationally were fatally gunned down in drive-by shootings, shot in their bedrooms, back porches, and at birthday parties. None of them was killed by a cop or by a white criminal. They were all shot by black gang bangers.

The only thing that will slow this false narrative about police racism is if white children start being gunned down in drive-by shootings, as well. The allegedly anti-racist press ignores young black victims, but goes into crisis mode when white children are shot, as the reaction to rare school shootings shows. Cumulatively, there are several Newton, Connecticut every year in the black community. Only police pay consistent attention. It is not just lives that are at stake. This attack on law enforcement undermines our justice system and fundamental rights. It is essential, therefore, to counter the lies about the police and to hope that reason still has a place in public discourse. Thank you, Larry, for this opportunity to address our audience.

Larry Bernstein:

Thanks, Heather. Let's get started about how it's affecting policing. How do police respond when they're attacked as being delegitimize, whether being racist, whether being overly aggressive? Are they less aggressive in policing? Are they not getting in the field? How does it play, day to day, both in the black community and in the white communities?

Heather Mac Donald:

Policing is political. And if cops get the message relentlessly, which comes about every day now, that they are racist for engaging in proactive policing in high-crime communities, things like getting out of your car if you're driving by and you see somebody hitching up his waistband as if he has a gun at 2 a.m. on a known drug corner, the cops don't have to get out of their car. They

don't have to make that stop. That's purely discretionary. They're mandated to answer 911 calls when somebody has already been shot or somebody has already been robbed.

When they're told that they're racist for engaging in that proactive discretionary policing, it's quite understandable and arguably proper that they do much less of it. So cops now are in a purely reactive mode. They're driving around in their cars, waiting for the next 911 call to come out of their radio, and they are not engaged in those types of stops, which actually discourage violence, which try to intervene in suspicious behavior before it ripens into a felony.

So you have now a massive drop in stops and arrests and you can graph it. I mean, there is a discrete, obvious, inverse proportion between the amount of proactive activity of cops and the amount of violent crime. Violent crimes, as I said, last year had the largest percentage increase in homicides. We're likely to hit about 20,000 homicide victims. Over half of those will be black, even though blacks are only 12% of the population. When cops back off of policing, it's the law abiding residents of high-crime neighborhoods who suffer most.

I mean, I have been to numerous police community meetings in high-crime neighborhoods, whether it's Central Harlem, South Central LA, Brooklyn, Chicago, South Side of Chicago. What I hear again and again is those good, law abiding people begging for more police protection. They want more officers, but more importantly, they want more proactive activity. They say, "Why aren't you arresting the dealers?" or, "You arrest them and they're back on the street the next day. Why aren't you getting those kids who are hanging out by the hundreds on a block, fighting? Why don't you move them on? Why don't you arrest them? Whatever happened to truancy laws? Whatever happened to loitering laws?"

So it is primarily people in those neighborhoods that are hurt when the cops back off, but this thing is spreading. It's spreading now through carjackings. Carjackings are out of control in Chicago, Philadelphia, Washington DC, and elsewhere. And eventually, it's possible that these drive-by shootings will be coming to a neighborhood near you.

Larry Bernstein:

We had Peter Moskos on our call a few months ago. I don't know if you know Peter, but he wrote a book called *Cop in the Hood: My Year of Policing Baltimore's Eastern District*. And he's a sociologist, a professor, and he took a job at the police academy and was trained to be a policeman. And he describes how he would drive up to a corner where some African-American drug dealers were hanging out and he would say, "Listen, guys. When I come around the block, I want to see you guys gone." Is that sort of telling people to disperse, is that also going down? Is that sort of asking for identification, asking, "What are you doing at this place? Explain yourself," using discretionary police tactics to try to ascertain who the bad actors are and getting them away from the corner?

Heather Mac Donald:

Well, I know Peter Moskos and he's done some great work. And I would imagine, yes, because cops now, they fear that any interaction that gets out of control, if they're caught on a cell phone video using more than just verbal commands, they can blow up and they just don't want to put their careers at risk. You have now a massive flight from the profession. People are

taking early retirements. Recruiting is over. I mean, it's over. Defunding is kind of an irrelevancy because, even if a police department wants to beef itself up, which may now do, nobody's going into this job. The longstanding cop families are telling anybody they know, "Don't even think about it because, from the day you start this job, you're a racist and there's nothing you can do to clear your name."

So I would imagine that, yes, those types of discretionary ... And you're absolutely right, Larry, to note that you do not have to make an arrest. If you see somebody drinking from a bottle in public, which is a misdemeanor, you don't have to make an arrest. You can just pour out the scotch or whatever it is and say, "I don't want to see you do this again," and good cops know to use that discretion. I would imagine that that sort of activity is also down.

Larry Bernstein:

We just got a question from the audience. This one is from my good friend, Neil Ross. Neil wants to know, would ending the War on Drugs substantially reduce the murder rate? Is it the drug wars that's driving this epidemic?

Heather Mac Donald:

No, it's not. The drive-by shootings that we're seeing now are just kids with beef and grudge matches that have offended each other on social media or whatnot and you get a chain of retaliation. It's also, let me just fend off another question, the media loves the explanation this, because of the pandemic, now they're quickly saying, "Okay. Well, violence went up because of the pandemic," as if these kids are out there shooting each other because they're out of a job, that they would otherwise be putting bread on the table and they're just struggling for subsistence. No, they all have smartphones. Smartphones are the police's best friend. They throw gang signs on their smartphones. They show off their money and their guns.

But we've been hearing that this is all because of the pandemic. Now that the pandemic is ending, the New York Times has been writing articles saying, "Well, expect crime to go up because the pandemics and lockdowns are ending." So they've got it covered in both directions. The drug war, I have not written a lot on decriminalization of drugs. I'm, frankly, an agnostic. All I can tell you is this. If you look at the work of Michael Fortner or others, James Forman at the Yale Law School, they document in just massive detail that the impetus for the War on Drugs has come again and again from the black community, who says, "We want the dealers off the streets."

And the cops, it would be racist not to respond to those requests. They're not making those policy decisions. We can have that high-level policy decision, but do not blame the cops for enforcing drug laws because that is what they hear. I've been in police community meetings in the 41st Precinct of the South Bronx where somebody stood up and said, "I smell pot in my apartment corridor. Can you do something about it?" People that live with open-air drug trade and drug use, generally, feel like it's a pall on their community.

I don't think that that's the main thing driving it. At this point, it is kids that never learned self-control. Their gun is their power and they are using it in an utterly grotesque, callous, cruel ways.

Larry Bernstein:

Let me try a different direction. We had a book club with, I can't recall the woman's name, but a New York Times reporter who wrote a book, who is opposed to these new gun courts in New York. Bloomberg passed some very strong anti-gun laws and the result is that they have arrested a number of African Americans for illegally having a gun and that can result in prison time for people who are caught with these illegal guns, but now the progressive left does not want to enforce the gun laws. Where should we be on gun laws and how does that enforcement follow the same sort of script as the one you've described?

Heather Mac Donald:

Yeah. It's amazing. On the one hand, if there's one of these very rare mass shootings, the left love mass shootings because they have a greater percentage of whites, although they're still disproportionately committed by blacks. They'll go on about gun laws, but then in Chicago, as well, under Rahm Emanuel and some of his police commissioners, they wanted to have stricter enforcement of gun laws and the black caucus in Springfield wouldn't let them do it because of disparate impact.

That's the two things. Take away the benchmark issue. Take away, as well, disparate impact. Disparate impact is the concept now that is unwinding every single standard in our civilization when it comes to behavior, academic achievement. And criminal law, it is true, has disparate impact on blacks. That's not because the legal system is racist. It's because there are vast gaps in criminal offending. The solution to that is to remit the family, but if you unwind the law, which is what's happening on a de facto basis now, it is black lives that are taken. These kids that are shot, it's utterly heartbreaking.

So gun laws, we can enforce them. I'm not a gun nut, to be honest. On the other hand, I am going to notice this, something that Bernie Sanders noticed before he really was as prominent as he is, politically, that everybody in Vermont owns a gun and they have virtually no serious street-level, violent gun crimes. Gun crime is a function of social breakdown. It is not a function of owning guns. But that having been said, I'm certainly open to more restrictions, but I don't think it's going to make a damn bit of difference because these guns that are being used are often overwhelmingly illegal.

Larry Bernstein:

The Black Lives Matter Movement became huge last year. I mean, the demonstrations here in Chicago, where I'm from, were massive. Thousands and thousands of people turned out after George Floyd was murdered. What do you make of the success of the Black Lives Matter Movement in the context of their demands for defunding of the police? Why has such a substantial portion of the population bought into the Black Lives Matter thesis?

Heather Mac Donald:

Well, as I say, as an initial matter, it's because they don't know anything about what the real data is with police and criminal violence and police use of force. I remember, several years ago, the head of the Congressional Black Caucus stood up, it was around 2016 and 2017, and said,

"Well, as we all know, the vast majority of victims of fatal police violence this year have been black." And at that point, it was maybe 21% of victims of fatal police violence were black.

So, as I say, the public is completely in the dark about the reality of police use of force. They are completely in the dark about the degree of violence that is going on in inner-city neighborhoods. It is astonishing to me and the media will not cover it. It is astonishing that we continue to talk about phantom police racism when every single day there are two dozen blacks being killed in these drive-by shootings that nobody gives a damn about, except for the cops. Kids, I mean, in Minneapolis over three weeks in May, three children, a six-year-old, a 10-year-old, and a nine-year-old, were shot in the head. Two of them have now died. The boy, the oldest one, the 10-year-old, is still on life support. He'll be a vegetable for the rest of his life.

In Chicago, you have 10 children already, under 15, have killed this year. That's three times more than last year. That's more than all children killed in 2019. This is happening on a daily basis. Nobody wants to talk about it. They would rather focus on the idea of systemic racism. Americans so far from being white supremacist turn their eyes away in shame and embarrassment for the breakdown of social norms in the inner city that is leading to levels of violence. If white parents had to put up with what black parents put up with, there would be a national revolution. It wouldn't last for a day. But the country turns its eyes away and talks about ... We are shooting the messenger, which is the police.

The police are not the problem in these communities, criminals are. And yet, we've been having this completely deceptive discourse for the last three decades about phony police racism in order not to talk about a far more difficult problem, which is exponentially higher rates of black violent street crime.

Larry Bernstein:

We have a question from an audience member, Irwin Warren. He asks, "Why are African-American mayoral candidates, as well as district attorneys, overwhelmingly running on defunding the police and not enforcing minor crimes or prosecuting minor crimes if the victims are, in general, African Americans?"

Heather Mac Donald:

Yes. That's a great question, Irwin. It's a mystery. Now, there's a few that break, but generally, at this point, political power that flows from the victimhood narrative is so vast, why would anybody give it up? Crying systemic racism is a ticket to power and media attention and federal dollars. It is amazing to me. It's a political failure. It's a lacuna. I urge anybody, find out when there's a police community meeting in your neighborhood, your city's ... one of its high-crime neighborhoods and I can guarantee you, you will hear exactly what I have reported. You will hear people begging for more police and more aggressive enforcement. And that just never filters up. I don't know. It seems like nobody else cares, but the police and a few voices on the conservative media side.

And again, disparate impact is the name of the game. The only way to avoid disparate impact in law enforcement is not to enforce the law. That's the sad fact, but that's the case. And as I say,

the disparate impact concept, whether it comes to academic standards or behavioral standards, is what's driving our culture today.

Larry Bernstein:

If you had to predict how this is going to play itself out, how do you see it? Do you imagine a world where, when you have less policing, greater and greater incidents of violent crime in certain communities? Will there be white flight? Will there be black flight? How do you see this thing playing out and will there be a counterbalance to return to policing or do you suspect that what we have here will be long lasting?

Heather Mac Donald:

Well, there's definitely white flight going on right now. The Times says it's all from sort of pandemic, but no, there's a heck of a lot happening in cities and black families that can get out are also getting out. And this summer is going to be unbelievable. The crime rates are going up much higher. And let me also just inoculate your listeners again against the pandemic explanation. Crime went down in the western world. Violent crime went down, property crime went down in every place other than the United States during the lockdowns. And it only went up in this country after the George Floyd riots. It was going down here, too.

So, this is not because of lockdowns. This is because the police have backed off. Crime has gone up much faster in 2021 than it did in 2020, following the George Floyd riots. This is going to be a bad summer and it's not going to change, as I say, until whites start getting shot. They're getting carjacked like crazy now and there's random shootings. We had one in Times Square, but the only thing that will get the public's attention, the media attention, is if this starts happening to white people because we basically have a racist press that does not give a damn about black victims, unless they've been killed by a cop.

Larry Bernstein:

I just want to repeat that question in a different way. Why isn't the African-American community up in arms when the violence increases dramatically in their own communities? As you kind of described, there's one segment of the community that's anti-policing and there's another one, the law-abiding ones, that so desperately want the police. Why isn't that latter segment have a voice making their needs and concerns known?

Heather Mac Donald:

Well, it tends to be people that are more elderly, that are terrified now to go out and go to the store. I've seen so many elderly women. One woman stood up in the 40th Precinct of the South Bronx and said, "How lovely when we see the police. They are my friends." This came out of nowhere, just apropos of nothing. And I think, for a lot of young people, there's just the power of ideology. There's the power of this narrative. As I say, the racism narrative is the key to power now and people would rather have that power than deal with the problems on the ground. I don't purport to be able to understand it. I can just describe it.

And you're absolutely right. It's a very bizarre disconnect in what's going on, but you do have some pushback. I mean, Detroit now has announced that it is going to be cracking down on those low-level broken windows type offenses because the shootings are so out of control and people are begging for the loud parties, out of which you get these drive-by shootings occurring, the street racing, the insane driving that's going on and noise, there are complaints coming out. And the police chief there, to his credit, is saying, "We are going to do an absolute crackdown on this."

So those things happen. And then what happens is the media gets its hands on the numbers and say, "Aha, they're disproportionately making arrests or issuing summons in black neighborhoods." There's one of the great police chiefs, Ed Flynn, who was a Milwaukee police chief for a long time, also he was in Arlington, Virginia, other places, and he's been one of the few police chiefs that are willing to talk about the dilemma that police chiefs face. And he said, "If we listen to the community, those voices that do want enforcement, we will generate the arrest and activity data that the ACLU can use against us in the next racial profiling lawsuit."

So it's a very hard thing for the cops. Which voices do they listen to, the media and the activists and the politicians or the elderly woman who is scared to death by the kids that are hanging out in her lobby, selling weed? I spoke to a cancer amputee in the Mount Hope section of the Bronx, who said to me, "Please, Jesus, send more police," because the only time she felt safe to go into her lobby was when the police were there. She said, "When you can come down, you can talk to the good people and everything's A okay." People were begging to have a surveillance watchtower put back up on their block, which the police would use to try and watch to see who was shooting whom.

Bernard Harcourt of Columbia Law School will look at that police surveillance watchtower and say, along with Michelle Foucault, "Ah, the panopticon. This is oppressing blacks with the surveillance state." They're putting it there because that's what the good people want. Hello?

Larry Bernstein:

We had a book club a few months ago about the 1964 police city riots. And the African-American community demanded more black cops and more blacks in senior roles of the police department. In Chicago today, where I'm from, we have a black police Chief, and many African-American police officers, did this dampen this defunding, or anti-police, rhetoric.

Heather Mac Donald:

No, it hasn't. Not that I can see. I would also say that the demand for more diversity on police forces is self-defeating. It doesn't matter. In fact, the Obama justice department did a study of Philadelphia Police. That was one of these voluntary. They brought them in. It wasn't a consent decree type pattern, or practice, investigation. They found that black and Hispanic officers were more likely to engage in what's known as threat misperception. That is shooting somebody who has a cell phone, because you think it's a gun, than white officers were. There's no evidence that there's less use of force if you have more minorities, but in order to get more minorities on a force at this point, this is painful to say, but it's just simply the case. They end up getting rid of criminal background check requirements, or clean record requirements, and lower the

cognitive testing, or educational background for getting into the academy. Neither of those are good solutions. I think policing hiring should be completely colorblind and just take the best candidates.

Larry Bernstein:

I'd like you end your chat on a note of optimism. Heather, what are you optimistic about?

Heather Mac Donald:

That presents that I'm optimistic about something. I don't know. I guess I do see that there's maybe some pushback now against the white supremacy narrative. Certainly, when it comes to the diversity training, and people being brainwashed with this idea that all socioeconomic disparities today are due to systemic bias, rather than to cultural differences, behavioral differences. There does seem to be some awakening to the poison of that. If that goes forward, that may be some pushback against what I think is a very dangerous narrative. I have to say, I fear things are going to get worse when it comes to crime before they get better, but pendulums do swing. If New York City could come back from its late 1980s, early 1990s, and become the safest big city in the country, maybe we can do that again.

Larry Bernstein:

Heather, thank you so much. We're going to go on our next speaker. Christopher Varelas. Chris is a former Salomon Brothers and Citibank Investment Banker, where we worked on the same team. He worked in the media technology group and is the former Head of Citibank's National Investment Bank. Chris has a new book out entitled *How Money Became Dangerous: The Inside Story of Our Turbulent Relationship with Modern Finance*.

Chris Varelas:

I would like to talk about how the financial system has become extremely complex beyond the comprehension of oversight of any one person or institution, friends and colleagues, both inside and outside the industry, lament this complexity, feeling vulnerable and exposed to it. Seemingly random volatility. This is a relatively recent phenomenon. Much of the complexity has arisen over the past generation. My parents and most in their generation only concern themselves with two numbers. Interestingly, they were both years. The year they paid off their mortgage and the year they qualified for their pension, but that is no longer enough. I now receive endless questions about all aspects of the financial world, as I'm sure many of the people on this call do as well. I get questions about inflation, deflation, MMT, SPACs, crypto, meme stocks. What is one to do in a rapidly evolving world that one does not know, or understand well enough, to make informed decisions?

The answers are not simple. They're never easy and seldom satisfying. Each financial complexity seems built on in a function of many interrelated forces. To help explain this complexity, and how we got to this point, I wrote the book, *How Money Became Dangerous*, to explain the most important 10 plus evolutions in the financial system over the past 35 plus years. I start with a simple creation of the computer spreadsheet in the eighties. The computer spreadsheets, super-charged financial innovation, it allowed us to ask and model what is possible rather than

being confined to the single scenario analysis of what is most likely. It also removed the incentive to include character assessment, and financial analysis, as there is no column for character in a spreadsheet. We all know what happens to those things not measured. From there, I go on to Salomon Brothers, arguably the most freewheeling Darwinistic firm in the history of the corporate world, of which much has been written.

Salomon was the first partnership that turned into a public company to tie compensation to individual rather than firm performance. The balance sheet became other people's money, which combined with an eat what you kill corporate compensation structure led directly to the US Treasury bond scandal in the early 1990s. Arguably, the first time the poorly supervised actions of just one person with access to vast resources shook the financial world. Salomon Brothers, where Larry and I both worked, highlight perhaps better than any firm the dual nature of finance. Both the good and the bad, which the world of money provides us. Larry and I both had the good fortune of working there at its zenith. People were truly amazing, brilliant, and unique. Always pushing the envelope. Their talents proven out by the amazing things alumni have gone on to do. Michael Bloomberg, just to name one. In the book, I use the legendary, now legendary fortune cookie's story, at a critical point in its corporate history, Salomon was advising Northrop on his strategic alternative.

We of course, created an analysis with hundreds of pages, computer spreadsheets, built burning hundreds of man hours. At the point of the big meeting, circumstance left Eduardo Mestre, the Head of Mergers and Acquisition, and myself, a lowly associate alone without the presentation for the big meeting. We had nothing. While commiserating as to what we should do, I showed Eduardo a fortune cookie, joking how it seemed to summarize ours and Northrup's current situation. Eduardo's eyes lit up and he told me to blow the fortune cookie up on one page and make a bunch of copies and said, "Let's go in with that." We went into the boardroom with just a fortune cookie and convinced Northrup, in arguably its most important meeting of its corporate history, to go hostile on Grumman, which changed the arc of Northrup and the entire aerospace industry. That was pure Salomon Brothers.

With freedom comes risk. Individuals left to their own devices combined with a large balance sheet, low accountability, and limited oversight is a recipe for bad outcomes in crisis. The creation of the financial supermarket was the inevitable result. These supermarkets hope to get the scale and scope to achieve the benefits of a globalizing economy, but needed to create a limiting culture and standardized process of oversight. Salomon was absorbed by Travelers Insurance and Citibank to become Citigroup, the largest financial institution at the time, with over 400,000 employees operating in over 100 countries. The only company I believe to have more locations in other countries than McDonald's. My career did benefit from that scale and scope. I was able to offer my clients everything they could possibly need, but it came with a stifling bureaucracy. What is better? The complete freedom and liberty to constantly push the envelope of innovation and risk? Or the scale and scope of the financial supermarket in the globalizing world?

Not an easy question, but it has huge implications for the ability to attract talent and manage risk. I cover many other changes, and bring it all together in the end, with a focus on the pension system told through an inside perspective on the Orange County and Stockton California bankruptcies, which together truly highlight how the state and local pension system

is broken. In short, return assumptions for most pension funds are bogusly high in order to avoid cash pressures on the cities, unions, and other entities funding those pension programs. Nobody in charge has the incentive to call it out. The politicians in charge that influence, or often sit on the pension board themselves, in fact, make it worse by using the aggressive return assumptions to issue even more pension benefits, making the hole bigger while kicking it down the road, knowing they won't be around when the bill comes. This in turn creates dangerous knock-on effects, pension fund investments are moving further down the risk curve in search of yield in hopes of achieving their unrealistic return assumptions.

This is one of the reasons we see so much wealth being allocated and invested in the illiquid space of private equity, venture capital, and hedge funds. This dynamic is also certain. This is setting up with a certain, to be a huge political value battle over who is responsible for filling a multi-trillion-dollar gap. In close, the financial world has fascinated me for over my 35-year career spanning almost every vertical within the industry from commercial banking, to trading, to M&A, to private equity. I love it, because this is where practice and principle most often collide with a constant instantaneous scorecard. The next 35 years, it'll be just as interesting. Let's hope it goes well. As of now, the outcome is highly uncertain.

Larry:

I want to start out with some questions about the fortune cookie story, because I love it. I think there's a lesson here for young people and people who make presentations. With every added year, the professionalization of meetings, and Zoom calls with PowerPoint presentations, takes us away from the heart of the matter, what we're talking about. When I read your story and about Eduardo Mestre, at that Northrop meeting you referenced here on your presentation, was without relying on the statistics, Eduardo was able to focus the board on the critical issues of the day. Where should we take Northrop and Grumman in the future? Can you comment a little bit about the investment banking presentation and how different Eduardo Mestre's meeting was, and the lessons to be learned for all of us from the fortune cookie?

Chris Varelas:

Eduardo really had an impact on me and my career. Hopefully, I've given that gift to others as well. I think the first thing Eduardo said is every time we gave him a presentation, he's like, "How is this meeting going to be memorable to the people we're presenting to? Assume they see 10 banker presentations? Why is ours going to stand out? What's going to be different?" Also, at the end of the day, what is the question? What is the question that needs to be answered?

Knowing that that decision is much more about emotion, and often ego, often many variables, but even if you were to take away the human fallibility's that go along with every decision, it also really was the core focus of what the meeting should be about from his eyes. The beauty of the fortune cookie story is that we were not constrained, in that case, by the need to go through 100-page presentation. To get lost in the weeds. To get lost in the details, and to stray from really whether or not we should be the consolidate or the consolidator, knowing that to be a consolidator was going to require a hostile takeover in an industry that was known for not pursuing that approach.

I did make the change from that to say, for a year in my group, I said, " We're not going to make presentation. I just want you to think about the conversation you want to have and how you want to have it. You can do the work to support it, but don't get lost." Now, I agree with your point. Now, people almost need, hide behind, want to focus on some narrow-

Larry Bernstein:

Like a crutch?

Chris Varelas:

Yes, like a crutch.

Larry Bernstein:

Most of us aren't going to be in the board meeting, making presentations to the board, for their most important transaction of their lives, but we will be in meetings all the time where we have to present our product, or sell something, or articulate a message. How do we prevent getting caught in the weeds? How do we use presentations successfully to make a point? How do we use the strategy of the fortune cookie to help us in our presentations to make it as Eduardo Mestre would say, "Memorable for the people in the audience."

Chris Varelas:

There's so much there. The core of it, for me, having done thousands of board meetings, literally thousands. I know it sounds like, "Congratulations," but having been an advisor for 35 years, involved in continual M&A transactions, and being on boards themselves, the first two are very simple. It's almost going to sound cliché, but everyone goes in with the anxiety of thinking, "My number one objective is I got to be smart and I have to let people know I'm smart." The best way to be smart is to talk about the one thing I know the most and have that be really the core of the meeting. One of the toughest things about managing investment bankers, or private equity people, whatever it may be is to get beyond the ego, and the anxiety, and the need to show that they're the smartest person in the room.

I find as lead director, my number one thing in every meeting is to control that anxiety, fear, or power move to assert themselves so that you can have the conversation that you need, because people are trying to hijack it in every possible way. What amazes me is, because when I get asked to do these lead positions, I always ask them why. I feel like I know the least in the room about the particular technology or product. They say, "Well, no, you're the one skilled at making sure we have the conversation we want to have."

Then, from there, it's about EQ. It's like, "Okay, what matters to the person I'm talking to? What is the advice they're looking for? Not the answer they're looking for, but the advice they're looking for and how do I provide it?" All these things are so simple. It was very frustrating. Wall Street's a great example. I was given all kinds of management jobs, and I really liked it, and I was told I was a good manager and I was asked how I was a good manager? I would give these answers and management would get very frustrated saying, "It's got to be more than that."

I go, "Let me just ask you a simple question. Why did you put me in charge of investment banking? Why did you put me in charge of national investment banking's culture committee?" The answer is, "You did the most deals of anybody." It was never, "You're a good manager." It was never, "You look like someone who could manage people and do a good job." It was, "Okay, you did more of those deals than anybody else. You're the one in charge." Then, you remember the Salomon culture. The last thing you wanted to be was overhead. It was embarrassing if you spent time on management.

Larry Bernstein:

Yeah, for sure. So true. I want to go back and now talk about the change in culture on Wall Street. My God, when I joined Salomon brothers in 1986, it was just the most fantastic institution. There was no wizard behind the curtain. It was a free for all of incredibly entrepreneurial activity, very bright, enthusiastic, creative people trying to solve problems. It was phenomenal. Then, you described it today. It's a financial supermarket, but it's highly bureaucratized, and not freewheeling, creative, fun, and no one in charge. It's the opposite. Citigroup has killed the fun. The question is, "Why did that happen? Is that natural?" The second question is, "Imagine you've got a college student who wants to go into the world of business. Investment banking used to be the place where you wanted to go to work as an analyst. Would you encourage your child to do that? Would you encourage them to do something else, because of the change in the culture of these institutions?"

Chris Varelas:

The first one has definitely far-reaching consequences to the industry, because if you're not attracting the best and the brightest, how is this industry going to innovate and evolve for the positive? That's very, very concerning. The fact is when you have Salomon Brothers for all its beauty, and it was a beautiful place. It was probably the most meritocratic place, too. It didn't matter. Skin color didn't matter. Nothing mattered. I was surprised that nothing mattered. Now, were there less women than you would like? Of course, because it was such a brutally open place, but the women that were successful were very well-respected as you recall. It was also a very meritocratic place, but the problem is once the balance sheet got separated from accountability, once we got in the global economy, the bad actors, which were only one or 2%, could do so much damage that just the fear of that tail risk of just one or two people required a very compliance driven entity, which then, of course, given so hard to manage, was not a place that people who wanted freedom and liberty to expand and create risks and push the envelope. There was a mismatch, then, of certain types of talent. That's why these entities have had no choice but to become blander, safer entities. My daughters graduating from high school. Going on to college. I get this question from many. It's hard for me to argue for going into investment banking, because I don't view that as where the critical decisions are made anymore. Unfortunately, the Northrup's of the world now have their own internal advisory teams. A lot of the products have become a commodity. Interesting, now, the real juice is in the capital allocation game.

Private equity and venture capital is interesting, but I always ask them when we tell them where, "What are the most interesting challenges that you face right now?" Those are within

systemic risks in the financial institutions, but not at the micro level. Now, the big questions are, how does social media get managed to make sure that how they're talked about doesn't come to be where we're focusing really on the wrong. We're not even asking the right questions, let alone trying to come up with the right answers. I always say, "Where's the tension? Where's the interesting tension in the world? Go get the job that is resolving that tension." Unfortunately, investment banking analyst, that's not where the tension is. It was when you and I were there, because we were actually in the room when these big decisions, corporate decisions, were being made.

Larry Bernstein:

Well, I want to go back to your issue about complexity in the financial system for a second. Immediately after Lehman Brothers went bankrupt, I called former CEO of Salomon Brothers, John Gutfreund, and I asked him to lunch and I asked Mr. Gutfreund why he thought Lehman Brothers went bust. He said, "It was at the point where the institution itself got to be more complex than the ability of management to manage the process." I think you're basically making a similar point as Mr. Gutfreund as to what's going on right now. First, do you agree with Mr. Gutfreund about the complexity versus management ability? If financial institutions are becoming exceedingly more complex with time, I don't believe in the ability of management to get better. What can we do to simplify management problems to allow financial institutions to survive in a more complicated financial system?

Chris Varelas:

Yeah, that's the big question. I believe complexity is rising, accelerating, and the leadership within finance is not, is not commensurate with that. I acknowledge, or I agree with them, but I believe that the gap is actually widening. Then, you combine it with the models of business are all about scale, scope, and efficiency. It's all about mass producing products on a global level, standardizing it, because that's what creates the biggest margin it. It would take me, I guess I don't want to say read the book, but it's all of these forces, all of these guard rails are getting taken away. The removal of character. The removal of accountability. The removal of mission statement. The removal of time. Everything is increasing risk while not increasing our ability to deal with it.

This is to me what's so fascinating in finance, but the answer typically in the world of finance is yes, every bad idea starts as a good idea. We create something. It gets pushed to a limit. It breaks. The system is resilient enough to then take it to basically backtrack, but hopefully the innovation pushed us more forward than back. Hopefully, net, more people were better off than were hurt. It doesn't answer the question of what group. Each group that's hurt is specific to the financial innovation being pushed beyond its limit, but that's the system we live in. We take the freedom, and then we take the pain that comes when that freedom is pushed beyond its limit. What's worrisome, now, is it feels as though we're creating a systemic risk of complexity that when pushed to its limits and does break, which will happen in many different forms that are hard to predict, the fallout will be large. It will be very acute for certain groups of people. We don't have anything set up to basically be a safety net for that.

Larry Bernstein:

Chris, I want you to end on a note of optimism. What are you optimistic about?

Chris Varelas:

When I speak to groups, I'm shocked. I didn't expect this. I'm shocked by the number of women that come to me and say, "The financial system is ruining their lives." They don't feel like they can get good jobs. They don't feel like they're going to be able to get married, because it's hard to find a spouse with a job. They won't be able to afford to have children. They don't think they're going to have the stability to have that retirement, sometime down the road, whatever that means if they get there.

They're very, very negative, but then they come to me and they say, "tell me what to do. What should I do? I want to do something." There is an intuitiveness about humans that I think appreciate the sensitivity of the system. They see it impacting their daily lives, and they really have a desire to make change. The question is, "How do you develop that plan and the leadership to bring about evolutionary change that's going to matter?" There's clearly the desire to do something. It's the occupy Wall Street 2.0. Like, "Okay, we got angry. Now, what can we do about it?" Their desire for change is very encouraging.

Larry Bernstein:

Chris, thank you. Our next speaker is Tal Ben-Shahar. He is a Pioneering Positive Psychologist, and he's the author of *Happier, No Matter What: Cultivating Hope, Resilience, and Purpose in Hard Times*. Tal, why don't you tell us how to be happy?

Tal Ben-Shahar:

Thank you, Larry. I'll actually tell you how to be happier rather than happy. I started off in this field of Positive Psychology, the science of happiness, because of my own unhappiness. Many people ask me today, "Tal, 30 years hence. Are you finally happy?" My answer to that is that I don't know, because I don't think there is a point before, which we're unhappy after which we are happy. In other words, it's not a binary zero one, rather it is a continuum. The continuum means that this is a journey. A journey that ends when life ends. How do we become happier? It's not easy talking about this question today in our predicament. One of my friends recently said to me, "Tal, shouldn't we quarantine happiness. At least until this whole COVID-19 is over, or the social unrest phase is over?"

My answer to that is no. I actually think that the science of happiness is more important than ever. Here is why. I want to draw on a term that was coined by NYU professor Nassim Taleb. The term is anti-fragility. What is anti-fragility? Anti-fragility, the opposite of fragility, is essentially taking resilience to the next level. When we talk about resilience, a term actually taken from engineering, we're talking about the ability of certain material to go back to its original form after pressure, or stress, has been put on it. You squish a piece of rubber, and it goes back to its original form subsequently, or you throw down a ball and the ball's resilient. It bounces back up. That's why when we talk about resilience, we talk about bouncing back. Anti-

fragility takes this idea a step further. It's about putting pressure on a system, on material, and as a result of that pressure, it doesn't just go back to where it was before.

It actually grows stronger, bigger, better as a result of that pressure. You drop a ball. If it's anti-fragile, it doesn't just bounce back to where it was before. It bounces back higher. Now, it turns out that there are anti-fragile systems all around us and within us. A very simple example is our muscular system. You go to the gym and you put pressure on your muscles. As a result of that pressure, subsequently after, maybe a week, a month, a year, you grow stronger, bigger, healthier, better as a result of the pressure that was put on your system. We are physiologically and anti-fragile system, but not just physiologically, also psychologically. Most of the students that I teach most, not all, are psychology majors.

I always ask them the following. I say to them, "I'd like you to put your hand up if you know what PTSD is." All hands, almost psychologists or non-psychologist, go up. PTSD. Post-Traumatic Stress Disorder. They studied it in psych one, or they read about it in the newspapers. They know what it is. Then I say, "Okay, put your hands down. I have a second question for you. The second question is, put your hand up if you know what PTG is." Very few, if any, hands go up. PTG stands for Post-Traumatic Growth. Now, here's the thing. Post-traumatic Growth is potentially twice as likely as post-traumatic stress disorder. In other words, growing through trauma from trauma, anti-fragility, is twice as likely as breaking down as a result of trauma for agility. If, and this is a big if, two things happen. The first thing is that we know about the possibility of post-traumatic growth.

We know about the very existence of anti-fragility. Just knowing about it significantly increases the likelihood there off. Now, as I pointed out earlier, very few people know about the PTG and therefore the potential for anti-fragility, for growth following hardships and difficulties, is not realized. Second, there are certain conditions that we can put in place in order to increase the likelihood, significantly increase the likelihood, not guaranteed, but increase the likelihood of post-traumatic growth of anti-fragility. Here lies the purpose of the science of happiness during difficult times, whether we're talking COVID, whether we're talking about economic downturn, whether we're talking personal difficulties in our relationships, in our work.

It's easy in our relationships, in our work. What's important, and this is what the signs of happiness can teach us, is first of all to know that it is possible to grow as an individual, within a relationship, as an organization, as well as collectively as a nation, a society. It's possible to grow. First of all, if we know about the possibility and second, if we know what conditions to put in place in order to increase the likelihood, significantly increase the likelihood, that we grow from hardship that we'd become anti-fragile.

Larry Bernstein:

In the last few decades, the idea that if something traumatic happens in your life, that there's an expectation that it will weaken you and that we need to build up a system to deal with your post-traumatic experience. I don't hear anyone ever talk about this as an opportunity for growth other than Kelly Clarkson in her famous song, but why has society embraced the fragility aspect of trauma and played down or rejected or not even considered the opportunity

for growth, the knowledge of it, or for that matter the ability to encourage growth from a traumatic event?

Tal Ben-Shahar:

It's a great question. And there are a few reasons for it. One reason, perhaps the main reason, has to do with our desire for a quick fix or an easy out. Everything has to be instant and fast. Now when we experience hardships and difficulties immediately in the moment, it's hard, it's difficult, it's painful by definition. And what our culture seeks is a quick solution to it. So how do we do it? Well, one way is to perhaps medicate it away. Another way is to avoid hardships and difficulties. And that's a problem because when we avoid difficulties and hardships, we don't cultivate that system. Again, going back to the analogy of, of the gym. If you go to a gym and all the weights are on zero, you're not going to get stronger. You only get stronger when there is resistance, same in life.

And you see it with child-rearing, for example. Parents are literally, and I'm using this word with intention, are obsessed with helping their children avoid difficulties and hardships, with solving problems for their children. So the children don't lift any weights. And then they don't develop those muscles. You know, Maria Montessori put it nicely. She said, "Don't do for a child what a child can do for him or herself." We see it in the realm of leadership as well. The best leaders, the best managers, this is research by Morgan McCall USC, are ones who have gone through the most difficulties and hardships and challenges. So instead of trying to avoid and prevent difficulties and hardships, I'm not saying we need to look for them, but I'm saying we need to deal with them, confront them, cope with them as opposed to avoid them or help others avoid them.

Larry Bernstein:

There was a book *The Blessing of a Skinned Knee*. I think that the advent of the cell phone has allowed parents to be a helicopter parent, to be involved in almost every decision, to be able to monitor and also assist children in their upbringing to a much greater extent than ever before. Is that something that we should... Is that the same concept of active participation or is that something different that you're saying it's okay to skin your knee, and to figure out how to get up?

Tal Ben-Shahar:

The answer is yes, i.e both. It's absolutely the ability of parents to be more involved, whether it's because they're in touch constantly and it's not like the child is on his own or her own all day until the parents come from work. It also has to do with the general fear factor that has a significantly increased. Some people associate it with the milk carton when children went missing and parents became more afraid. It's certainly connected to media. We're exposed to horror stories and parents are afraid of it. It's the heuristic effect that Daniel Kahneman talks about. We see that kids have hurt themselves, seriously hurt themselves and no parent wants that, so we become more protective. But we become more protective and through that overprotection, we're also hurting our children. And of course, as you know, it's so much more of an art than a science, meaning making mistakes, experimenting, and learning from it when it

comes to how much do you need to help your child? But if you help too little or too much, you can always correct. The thing is we need to experiment. And the goal is not, the objective is not, to avoid all hardships difficulties.

Larry Bernstein:

I have a question about communication. It seems that children or young people today, young adults, choose to text instead of picking up the phone to deal with a problem. It may have started from original miscommunication, I don't know what, but they're very reticent to use the phone and instead choose very short texts as examples to communicate. Even in the dating world, the young adults that I speak to are fearful of asking a girl out on a date for maybe fear of rejection, but also fear that they will find that too intrusive using a phone call instead of a text. And then in management situations, I also think that managers are very concerned about how to deal with problems at work with their employees and the directness of challenging an employee. How do we think about methods of communication and what the softening of dealing directly with a problem has done to our collective resilience?

Tal Ben-Shahar:

Yeah. There's a real problem around that. I think it was Faulkner, but I'm not sure who said that, "How do I know what I think until I see what I write?" So a lot of our thinking, a lot of our analysis, comes from writing. It comes from communicating in depth and what just short text messages do is they help us or our children avoid thinking. And that's unfortunate because if we don't learn how to think, we also make worse decisions, not just when it comes to dating also when it comes to political decisions. We go a lot more for what's emotional and arousing rather than what's rational.

The lack of thinking, that is the problem that is a result of a lack of communication and vice versa. It's a downward spiral because we communicate less because we're thinking less. Now, how do you create an upward spiral? How do you reverse this no thinking no communication? By making writing more central. Schools need to take responsibility for that. Parents need to take responsibility for that. Schools, you need more papers, more longhand papers and high standards in schools, not lowering the standards as they'd been doing until now. Second, parents need to spend time with their children. They need to talk. And if there is a pregnant silence and they often used, "So how was your day, good? Then they need to probe. And they need to also lead by example. They need to share about their day, but communication needs to take center stage again. It's important, as you pointed out, for relationships. It's also important for our becoming rational animals once again, as Aristotle pointed out.

Larry Bernstein:

Let's just expand on that a second. The thing that we can no longer seem to tolerate anymore is the uncomfortable situation. I mean, the Larry David show obviously has taken that to an extreme. It's a show about uncomfortable situations. And Seinfeld had a bunch of those as well, but today it seems that the young people are doing everything they can to avoid an uncomfortable situation. Yet it seems to me what you're saying is the greatest learning gets and personal growth gets done because of either an uncomfortable situation or a traumatic event.

How should we encourage everyone to jump into that uncomfortable situation with the objective of growth?

Tal Ben-Shahar:

The most important thing that we can do is, as is usually the case, is to lead by example. What that means is as parents share our difficulties, our hardships, our struggles, and what we learned from them, as managers create in the words of Amy Edmondson from Harvard Business School, psychologically safe environments where we as managers, leaders express our difficulties and hardships. And where we encourage not just failure, we encourage talking about learning from failure. So failure doesn't become the end of the world. It becomes the beginning of learning. And one of the mantras that I repeat over and over again, whether it's to my kids, to my clients, is "Learn to fail or fail to learn." And when you look at the most successful leaders throughout history, business people throughout history, artists, scientists, they have failed more times than others. In his book, *Originals*, Adam Grant talks about how the distinguishing characteristic of highly original individuals or highly innovative creative individuals, and it's not that they get it right, either they fail more times than others.

Larry Bernstein:

We had Ernie Freeburg talk about Thomas Edison and his repetitive failure as a means of the creative process. So most of the innovators are failing all the time.

Tal Ben-Shahar:

So Thomas Edison, two of the things that he said, one he said, "I failed my way to success." And second, when this was pointed out to him that he failed 1000 times trying to invent the battery, he said, "I haven't failed 1000 times, I've succeeded 1000 times. I've succeeded in showing what doesn't work."

Larry Bernstein:

And let's say you wanted to be either happier or more resilient. What sort of active exercise can I do to challenge myself to be either happier or more resilient in more difficult situations?

Tal Ben-Shahar:

The first one has to do with what we've just been talking about, which is giving ourselves the permission to be human, giving ourselves the permission to experience the full range of human emotions. It is when we reject painful emotions like sadness, like anger, like fear, like frustration or anxiety. When we reject these emotions, they only intensify. They grow stronger and paradoxically, when we embrace and accept them, they don't overstay their welcome. So how do we accept and embrace painful emotions? One way is to talk about it. We know that we talk to whether it's our best friend or a therapist, we feel better after expressing rather than suppressing our emotions. Second, writing about it. There's a lot of research on the importance of journaling. And that also has to do with your question about writing longer sentences, not just text messages.

When we write and express what we went through, we help the emotion be integrated into who we are and grow from it. And the third way of expressing emotions is shedding a tear. There's a lot of research on when we cry, we're releasing oxytocin for example, the love hormone, which calms us. We also release an opiate. This is through expression rather than suppression of emotion. So that's first, giving ourselves the permission to be human. Second, relationships, number one predictor of happiness. Number one predictor of physical health, and number one predictor of post-traumatic growth is quality time we spend with people we care about and who care about us, whether it's chatting, whether it's doing things together. And the interesting thing about the relationships is it doesn't matter what kind of relationships, meaning it can be romantic relationships.

They can be with our family or an extended family, or with friends, or with colleagues, as long as the relationship is supportive, authentic, not perfect, but supportive and authentic, then that relationship facilitates not just happiness, but also growth following a hardship. In the words of Francis Bacon, a British philosopher, "Friendship doubles joy and cuts grief in half." And today we have the data to show just how right he was. It's permission to be human, it's relationships. And one other thing is physical exercise. There's research showing that regular physical exercise has the same effect on our psychological wellbeing as our most powerful psychiatric medication. In fact, it releases norepinephrine, serotonin, dopamine. These are the fields, good chemicals in the brain. During COVID my kid, we have three teenagers, they were largely on Zoom. Throughout the year when they were on Zoom, I never used to ask them how they did in school.

But every day I would talk to them about exercise, or I would go exercise with them or encourage them to exercise, because I just know what it does for the brain, how important it is for the body and the mind. So regular physical exercise, even if our favorite gym is closed, even if we are in lockdown, is critical for wellbeing, for anti-fragility. And finally, one more, and this is probably the most talked about study or group of studies in the field of positive psychology. Gratitude, turns out that Oprah was right. Keeping a gratitude journal is good for us because what keeping a gratitude journal, especially in difficult times, is critical. Now my favorite word in English is the word appreciate, and the word appreciate has two meanings.

The first meaning of the word appreciate is to say thank you for something. And that's a nice thing to do. Cicero called it the mother of all virtues, just about every religion had gratitude at its core. But there's another meaning to the word appreciate beyond gratitude. And that is to grow in value. The economy appreciates, money in the bank appreciates. And the two meanings of the word appreciate are intimately linked, because what we know today is that when you appreciate the good, the good appreciates. Unfortunately, the opposite is also the case. When we do not appreciate the good, when we take the good in our lives for granted, the good depreciates. We have less of it.

Larry Bernstein:

I want to talk about dying for a second. In the Jewish tradition, we have a Shivah, which is the family gathers after the loss of a loved one, but during COVID that wasn't possible. One of the great things about religion is these life events have been tested out over thousands of years and have been focused and refined, but Shivahs weren't possible because we couldn't get

together physically during COVID. I'm just wondering, what do you think we've learned about how to deal with loss when we couldn't do a Shivah and what we can learn from that experience and what we can take to heart?

Tal Ben-Shahar:

You know, Larry, if we were talking 15 months ago, I would've pointed out when it comes to relationships that 1000 friends on social media are no substitute for that one best friend, that we need those face to face, live, in-person interactions. And I'm still 100 percent behind it. However, what can we do that over the last 15 months, that has not been possible for many people around the world. So rather than making the distinction between real and virtual relationships, which is an important one, but less helpful today, we need to make the distinction between superficial and deep relationships. So, yes, ideally, we want the Shivah. And again, all the research points to the importance of being together in the same room, crying, laughing, going through the process. There's no substitute for that. But when that's not possible, short of that, we need to make the distinction between superficial and deep.

We can still enjoy deep relationships through technology, whether it's by phone, whether it's on Zoom, or as people used to do in the not so distant past, through writing, through letter writing. And we can still have and enjoy deep relationships with all the benefits thereof, one of the benefits being dealing with hardship. It cuts grief in half. So this is what we need to focus on. Even if we're forced, relegated, to virtual relationships, let's not give up on depth. Not ideal, however, essential.

Larry Bernstein:

Tal, let's end on a note of optimism. What are you optimistic about?

Tal Ben-Shahar:

So what I'm optimistic about is that what we're seeing is that people are changing as a result of COVID. So more people are talking about and acting with kindness. More people are appreciative rather than taking for granted. More people are focusing on the basic important values, basic and important when it comes to goodness and basic and important when it comes to happiness. And then what I'm optimistic about is that this is, or at least some change, is going to remain, even when we go back to whatever the new normal is. More appreciation, more focus on relationships, more focus on goodness and happiness.

Larry Bernstein:

Our next speaker is Aljean Harmatz. She is the author of the book, *The Making of Casablanca: Bogart, Bergman, and World War II*. In previous episodes of *What Happens Next*, we discussed literature and film, and I thought it would be fun to re-examine the classic, *Casablanca*, with a preeminent film historian. Aljean was formerly the Hollywood correspondent for the *New York Times*. Aljean, please lead us off with a discussion about why *Casablanca* is still relevant today.

Aljean Harmatz:

Well, the men and women who made *Casablanca* nearly 80 years ago would not recognize the

movie industry today, yet Casablanca endures. The movie is now outlasted the century in which it was made and the people who made it. But the movie only seems to get stronger. Whenever American moviegoers are asked to name their favorite movies, Casablanca, The Wizard of Oz and Gone with the Wind are invariably in the top 10. As a fantasy, Oz is timeless. As a movie that looked backwards 75 years to the Civil War, Gone with the Wind was equally timeless until recently, when audiences were forced to take a deeper look into the movie's treatment of its black characters. What makes Casablanca's longevity so remarkable is that it was produced as a current event in 1942, a movie set in 1941, just before America's entrance into the war that had already engulfed Europe.

Hundreds of forgotten World War II movies and half a dozen other characters played by Humphrey Bogart duplicated Rick Blaine's journey from isolation to commitment. Yet, although movies, so much of their time and place seem stale decades later, Casablanca refuses to be relegated to film school classes. In 1989, it was one of the first 25 movies designated as a cultural treasure by the National Film Preservation Board. A decade after that, it was the number two movie on the American Film Institute's list of the top 100 films of the industry's first 100 years. And more recently, in a Valentine's Day poll on AOL, men overwhelmingly picked Casablanca as the most romantic movie ever made. The question is why?

The unexpected magnetism between Bogart and Ingrid Bergman is one reason. Bergman was not the producer's first choice to play Ilsa, but the actress he wanted, Michele Morgan, was asking for \$55,000. And David Selznick, who had Bergman under contract, would loan her to Warner Brothers for \$25,000. And that was not the movie's only lucky accident. Based on an unproduced play, Everybody Comes to Rick's, the movie came with a song attached, As Time Goes By, which Max Steiner, who composed the movie score, hated. Steiner convinced Hal Wallis, Casablanca's producer, to let him write his own song instead. But Bergman had already had her hair cut short for her role in For Whom the Bell Tolls. So As Time Goes By stayed in the movie and became a classic.

The second reason is the successful tension between the three men who wrote the script. All three were premature anti-fascists, but only Howard Koch would be blacklisted, even though he was not a communist. His idealism permeates this script, but never overwhelms it, because the other writers, Julius and Philip Epstein, undercut it with a cynical approach. It is the twins who are responsible for lines that are still used today. "I'm shocked, shocked about gambling," says Captain Renault, just before he is handed his gambling winnings. Koch rewrote the Epsteins to give the movie more weight and significance and the Epsteins then rewrote Koch to ease his more ponderous symbols and lighten his earnestness. A perfect example comes when Sydney Greenstreet offers to buy Rick's Cafe. Koch has Greenstreet ask how much Rick will ask for Sam, his piano player, and Rick responds, "I don't buy or sell human beings." The Epsteins then have Greenstreet respond, "That's too bad. That's Casablanca's leading commodity."

The third reason: Rick's Cafe was not filled with the usual Hollywood extras. Described as quote "bits on day check," some had a line or two, some were speechless, but almost all were refugees from Hitler, playing refugees from Hitler. Lotte Palfi had one line in Casablanca. "But

can't you make it just a little more please? as a woman trying to sell her jewels in Rick's Cafe. She had played numerous theater ingenue roles. Ingrid Gruning who spoke 30 words in Casablanca, had run the second most important drama school in Berlin. Curt Bois, the pickpocket, was a successful comedian in Vienna. Marcel Dalio, Rick's croupier, had starred for Jean Renoir in Le Grande Illusion. Wolfgang Zilzer, who was shot in the opening scenes of Casablanca and died with his fingers curled around a Free French pamphlet, was a cabaret star. They had all left on the far side of the Atlantic Ocean of celebrity an esteem that could never be reclaimed. Three of the refugees were luckier. Paul Henreid, Conrad Veidt, and Peter Lorre were in the immigrant vernacular St. Bernards, actors whose starring roles in European films gave them a chance for success in Hollywood. And the second most emotional moment in the movie, second, only to the final scene at the airport, is when Henry leads the patrons of Rick's Cafe in the Marseillaise to drown out the singing of German soldiers.

There is one final ingredient and even today the movie is in some sense, ambiguous. All the way through the movie, Ingrid Bergman did not know which of the actors she was going to end up with. Was it to be Rick Blaine or Victor Laszlo, Humphrey Bogart, or Paul Henreid, who was her husband? She had only met Rick after she thought her husband had died. He was the leader of the underground and he was essential to the war against the Nazis.

In the end, of course, Bogart gave up Bergman for the good of the country. We all feel, I think, that in equivalent situations, we too would give up our own private life for the good of the world. Perhaps we wouldn't, but it's nice to think we would.

Larry Bernstein

Thank you. What surprised me was that in literature, we don't have multiple authors for one piece of fiction. But here we had, I think, at one point there were nine different people involved in the script and you highlighted the Epsteins and Howard Koch, but there were others working on the script. Why were they so successful in piecing together a script that frankly makes the movie?

Aljean Harmetz

Yes. The script does make the movie and there were seven writers, but the first four that tried were discarded. Some of them only wrote a scene or two. Only one of them actually had any effect on the movie. It was the last and the only effect was in one scene. The last three were the writers of the movie, Philip and Julius Epstein and Howard Koch. They were the three that wrote the movie.

Larry Bernstein:

And the Epsteins are really funny. I mean, it seems that every one of those funny lines that Bogart gives, those all deserve to be given to the Epsteins. Is that a fair assessment?

Aljean Harmetz:

They were written by the Epsteins, yes, definitely.

Larry Bernstein:

You also highlighted how times change when we look at films. You gave the example of *Gone with the Wind* and how recently it is not as appreciated because of their treatment for black characters. As I watched *Casablanca*, I kept asking myself the question, could a film like this be made now?

In particular, I was thinking more of the natives to *Casablanca*. Really the only scene where there are natives is a scene where the Ingrid Bergman character, Ilsa Lund, is looking at buying some fabrics. The native says, "It's £700," and then when Rick comes by says, "Oh, you're a friend of Rick's. I'll make it 200." She says, "No, thank you. How about a hundred?"

So, they make the natives out to be shysters and that's it. Here we are in a foreign country set in a foreign place, and there's almost no indication that there are foreigners even living there. Do you think that would be acceptable in today's environment?

Aljean Harmetz:

Well, I think there are other reasons that *Casablanca* couldn't be made today. There's too much talk and not enough action. There are too many characters and the plot thins in a hard-to-catch-your-balance way instead of walking a straight line.

I think there's no Humphrey Bogart to allow the audience a permissible romance without feeling somewhat sappy. In my last line in the book I say, "And the studio would insist that all the ambiguity be written out in the second draft." There were about eight drafts of *Casablanca*, by the way.

I don't know, in terms of the native characters. Certainly, some people I think would scream about it, but would real audiences? I haven't heard about anything on social media and *Casablanca* is widely available on streaming.

Larry Bernstein:

Fair enough. One of the ambiguities in the film that was never answered was, what was Humphrey Bogart even doing in *Casablanca*? Claude Rains' character, Captain Renault, suggests that, "Did you steal the church's funds? Did you run away with a senator's wife? Did you kill a man?" Bogart responds, "A combination of all three." They never answered the question. I guess why can't we have ambiguity? Why do we have to have all our questions answered? Doesn't a better film allow for ambiguity?

Aljean Harmetz:

I think so, but if you see what's successful today, which is mostly comic books blown up into film, there are heroes and there are villains. There always have been, but in this movie, *Casablanca*, there are heroes who are flawed, and there are villains who have the possibility for redemption.

Larry Bernstein:

I have a half a dozen interns who work on the show. And I asked them what they thought of the movie, Casablanca. And none of them had seen it. And I think there's a distaste for older films, particularly black and white ones.

I mentioned earlier that, as a child, I got to watch Turner Classics. I was exposed to these old films. And it was because there was very limited stuff on TV. Now with it seems like with an infinite amount of material, the older films have been discarded.

Aljean Harmetz:

I think you're absolutely right; I had the same experience the other day when somebody of 20, 22 had never heard of Casablanca. So, I think it's now going to be kept alive in film classes.

Larry Bernstein:

You mentioned the current blockbusters are a bunch of cartoon characters. And it's been true for a long time now. I looked at a list of the top 10 movies over the past decade and they were virtually all of that genre and I hadn't seen any of them, but when I looked at the best pictures or that have been nominated for best picture, I had seen those films.

Does this reflect a split in the type of viewing experience that people want? There are still the sophisticated, sharp, interesting, comedic films that fit the needs of critics like you. But also, giving the 17-year-old boy what he wants as well. Can't they both be made?

Aljean Harmetz:

Sure they can both be made, but they may both have to be distributed differently. In other words, I think you will be able to pack theaters with the Marvel Universe. And I think you can pack streaming, not only with those films, but with the more serious, or the more subtle, or the more interesting, ambivalent films.

Larry Bernstein:

You highlighted the singing of the song Marseillaise as a high moment in the film. And what I thought was interesting was they turned to Humphrey Bogart's, Rick Blaine's characters, old girlfriend, Yvonne, who is at the bar, and she is belting it out. And there's tears running down the side of her cheeks. At the same time, she is the one who has brought a German officer to be her date, which also caused a bit of a kerfuffle with a French officer who calls her a boche, someone who is sleeping with the enemy. Why do you think they combined the girl who's sleeping with the enemy to be the one belting out the song and is so emotionally charged?

Aljean Harmetz:

I think, by the way, she's sleeping with the enemy because it's the best way she can get back at Bogart for spurning her. And I think that choosing her to have the tears shows even more the depth of the song on all of the people there.

Larry Bernstein:

The film also, it's an archetype in many dimensions. I agree that it's a very romantic movie, but in some way, I think of it as a buddy movie. Just like one of those Eddie Murphy, Nick Nolte films, here is Claude Rains and Humphrey Bogart, two buddies going at it throughout, and they are constantly intertwined. And at the end, it appears that the buddy relationship has gone to the next level. How do you think about Casablanca as a buddy film?

Aljean Harmetz:

I've never thought of it that way because they're sparring all the way through the movie. You picked part of that conversation. I thought that the part you didn't say, between Claude Rains and Humphrey Bogart, was even funnier. "Why did you choose Casablanca?" "I came for the waters." "What waters? We're in the desert?" "I was misinformed."

Larry Bernstein:

Fantastic.

Aljean Harmetz:

Yeah. I'm laughing when I repeat it.

Larry Bernstein:

It's great dialogue.

Aljean Harmetz:

You know that that last line, "Louie, I think this is the beginning of a beautiful friendship," was written by Hal Wallis, the movie's producer, several weeks after the movie was finished. He was not satisfied with the end of the movie.

Larry Bernstein:

It's done as a voiceover because the film had already wrapped.

Aljean Harmetz:

Yes. Absolutely. Yes.

Larry Bernstein:

But I think the reason why that line is so successful is it's built on the buddy movie that preceded it was my point.

Aljean Harmetz:

I see. I hadn't seen it as a buddy movie because the buddies are usually more attached. They're not sparring most of the way through.

Larry Bernstein:

All right. Let me try a different question. Casablanca wins the Academy Award for best picture in 1943, and it disappears after a while. And then it reappears after Bogart's death. In the book,

you mentioned it started being played at some Harvard theaters, and then it blossoms. Why do you think it became a cult film?

Aljean Harmetz:

I think part of it was because it started with the college students. And probably because of Bogart's death, when a major actor dies, usually all of his films are suddenly available in a way that they maybe had been forgotten before.

Larry Bernstein:

My favorite movie growing up was *It's a Wonderful Life*. Why that became a cult film, I think it's because Frank Capra, who was the director of that film, it was made by his own film company. After he passed, his heirs forgot to renew the copyright, and *It's a Wonderful Life* entered the public domain. And it was free to show it. It was on television, almost continuously between Thanksgiving and Christmas. And as a result, it became a cult film in the 1980s.

And Turner acquired *Casablanca*, and they showed it more than any other film on the Turner Classic Station. Do you think that potentially the sale to Turner and the re-runs on the Turner Classics allowed *Casablanca* to be such a watched film and loved?

Aljean Harmetz:

It's pretty likely that it had a great effect. But the film's ambiguity is what has kept it from feeling stale today. The one character whom the film critic Pauline Kael referred to as stale is Victor Laszlo. And he's the one character who's perfect. Everybody else in the film has some ambiguity, and there's none in him. And he's the only person in the film who's uninteresting today.

Larry Bernstein:

Yeah. He is a bore.

Larry Bernstein:

What did you think of Ingrid Bergman's character and her performance? Did it make the film?

Aljean Harmetz:

I think that Michelle Morgan would have been no match for Humphrey Bogart and there would have been no chemistry. The amazing thing was that if you said, "I'm going to put Ingrid Bergman in a movie with Humphrey Bogart," if you'd been a studio executive, you would have said, "Oh, but there won't be any chemistry." And wow, you would have been wrong.

But as Lauren Bacall quoted to me what Bogart would say to her, "If Ingrid Bergman looks at a man like that, that man has sex appeal." It's all on the way Bergman reacts, not the way the man reacts.

Larry Bernstein:

You mentioned why the characters find this film so important, but it's also very important for the audience. And each person brings their own emotional response. At the time of its release, the war had just really begun. And my own family had its own issues. My grandparents were desperate to get out of France during the war and come to the United States. When the war started, my grandfather joined the French Foreign Legion, and my mother and grandmother were stuck in Paris, and like Ilsa Lund and Rick Blaine, they were there when the Germans came into Paris and rushed for the train station where Ilsa doesn't show. But my grandmother describes the train station as absolute pandemonium.

They later found my grandfather and spent the war in Marseille. And ironically, it was the US invasion of Casablanca in November 1942, when the Germans decided to occupy Vichy France, that's when my grandfather decided it was time to make a rush for the border. They had a US visa, but like all the people in the movie, Casablanca, they couldn't get a French exit visa. No Jew got one in 1942.

So, my grandfather sent my grandmother to the old port in Marseille to get a forged exit visa, which my grandfather said cost very little money. And then they rushed for the border, fled over the Pyrenees. And like Victor Laszlo, ended up in Lisbon catching a boat to the United States.

I find, as a personal story, that my family lived a similar experience and therefore, I have a very emotional attachment to the film. But it's different for each individual who watches the program.

Aljean Harmetz:

Yes, I think it is, but in a simpler time, I think we all thought that if we were put in the situation of giving up something we wanted badly for the good of all, that we would have done it. Today, I doubt that very much.

Larry Bernstein:

That's fantastic. Aljean, thank you very much. Tal Ben-Shahar what can you add to our conversation with Aljean about Casablanca.

Tal Ben-Shahar:

Well, first of all, I can't tell you how moved I was or am, because I think there was a lot at stake here in terms of whether or not we get this generation, the future generation to watch these movies, to watch classics, to read the classics. It has to do very much with what you, which is the ability to communicate and the ability to think. If all we watch are fireworks and fast-moving entities onscreen, because that is what our brain is used to watching, then we have little hope. If we sit down and are challenged and there are ambiguities, then we learn how to think. Then we learn about the human condition.

Larry Bernstein:

Tal, why do you think Casablanca became this cult movie and of all the films made that year or even during the war is the one that's most seen, most known, most thought about, had the greatest impact?

Tal Ben-Shahar:

In many ways, it had it all. When I talk about the field of happiness studies, I talk about micro happiness and macro happiness, so individual happiness and environmental happiness, just like there is micro and macroeconomics. This movie had both. It talks about the condition of the human being on the micro level. So there's a love affair, and this is something, those interpersonal emotions that we can all connect to, relationships. But then it also talks about the environment, about the macro, about good versus evil. These are also very important conversations to have. These are all very important sentiments to experience. Again, on the individual and the macro level, it has them both and also the complexity of the characters, where it's not just good or bad. It's evolving characters, complex characters, real human beings, in other words, that we can connect to.

Larry Bernstein:

Tal, you spoke about the role of trauma and personal growth in your conversation earlier. What's unusual is that most of the characters in this film are under almost constant trauma, fear of death, fear of capture and dying in Casablanca, as one character says in it. "I'm going to die here in Casablanca." Some of them grow, and some of them don't. There's a belief that Rick Blaine grows because he decides to join the fight. Even Captain Renault decides that he's going to stop taking advantage of young women in trouble and join the free French in Brazzaville along with Rick. How do you think about trauma and personal growth as one of the features of the film?

Tal Ben-Shahar:

I think you can sense it throughout. Again, this movie was made, released before the end of World War II and before the publication of the seminal book by Viktor Frankl, Man's Search for Meaning. One of the ways to bring about post-traumatic growth, one of the ways to grow through hardship for anti-fragility is by finding meaning. When we talk about happiness, most people today talk about pleasure. "I went to the beach. I was so happy" or "This ice cream makes me so happy." Yeah, this is part of happiness, but it's a small part of happiness. The bigger chunk of a happy life is a sense of meaning and purpose. This is the transition that the characters went through throughout the book.

So at the end, both Humphrey Bogart and Captain Renault, both of them found a deep sense of meaning and purpose that transcends everything, that helps grow through hardships, that helps post-traumatic growth. It's this sense of meaning that, by the way, not just through hardships and difficulties, but is essential for a good life. There's research actually coming out of Stanford by William Damon saying that the most harmful and dangerous affliction that our young generation experiences today is the lack of meaning and purpose, which is why this movie is so important today.

Larry Bernstein:

Aljean, I want to bring you back into the conversation. In that last scene, Rick Blaine tells Ilsa Lund that she has to get on that plane, that, "You may not regret it now, but you'll regret it later, maybe not tomorrow, maybe the next day or maybe years from now that you didn't get on that plane." What do you think? Do you believe him? Do you think that she regrets it, getting on that plane within five minutes and or regret not spending her life with her with Bogie, or have we already forgotten Ilsa, As soon as she's on the plane, we in our hearts are more focused on the concerns of Rick Blaine and Captain Renault?

Aljean Harmetz:

Oh, no, I'm sure that she already regrets it, but it is her "duty." I want to say something about the end of the movie, which is it could so easily have essentially turned into sentimental slush that would have spoiled the rest of the movie. I want to point out because Tal mentioned Claude Rains's character going off with Rick. The screenwriters Epsteins kept the movie from falling into the trap of sentimentality, I think, because when you see what Captain Renault does before that trip across the desert is instead of saying any highfaluting thing, he starts to pour himself a glass of Vichy water, and he takes a look at it and throws it in the wastepaper basket. It's a wordless scene, but it's really mentally important.

Larry Bernstein:

To show that he switched teams to the Allied side.

Aljean Harmetz:

Yes.

Larry Bernstein:

Tal, as a final question for you, Aljean was just mentioning how easily we go to sentimentality. I think that reflects a greater desire not only in the movies, but also a desire for the public to have a positive sentimental ending and slush as a typical ending. In other words, the movie studios aren't doing this for their own cause. They do it because that is what the public either seemingly wants or does want. What is that sentimentality about, and is it something that's healthy, or is it unhealthy?

Tal Ben-Shahar:

I think the question or, rather, sentimentality is part of the human condition, whether we like it or not. The question is how much do we let it dictate how we live our lives? You look at the decision that Ingrid Bergman had to make. She had to make a distinction between sentimentality and a sense of meaning and purpose. Sometimes they are in conflict, and we all experience these conflicts. It's a conflict between right and right, because yes, of course she and Rick deserve to live happily ever after. At the same time, they also understand that there is something more important than sentimentality. It's also about a larger sense of meaning and purpose. So, this choice between right and right, as Joseph Badaracco from Harvard Business

School talks about, is at the center of the ultimate decision that both Bogart and Bergman have to make. This is also part of the reason why this movie has staying power, because we all face right versus right decisions in our lives, at work, in our homes.

Larry Bernstein:

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

Next Sunday on June 20th, Mark Mahaney who has consistently been recognized as the Number One equity analyst in internet research on Wall Street. We are going to hear from him about Amazon, AirBnB among others.

Another speaker will be Paul Podolsky who will tell us about his challenges of parenting an adopted child who is now a criminal. He will discuss his book entitled Raising a Thief: A Memoir. I imagine the enormous heart ache and difficulty of this predicament.

In my discussion with Aljean Harmetz, I mention my grandfather's escape from the Nazis. If you want to learn more about it, please check out my grandfather's memoir The Maquis Connection available on Kindle and audio book. I do the reading of the audio book.

My Aunt Sharon has made a documentary about my family's escape from Vichy France entitled a Song for You. A link to the Maquis Connection and my Aunt Sharon Karp's film is on our website. Please take a look.

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](https://twitter.com/Whathappensin6). We want to engage our audience and hear your views and ask questions for the show. 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.