JOHN: Now first of all, you have to remember that our ratings spoke to a narrow subject, the capacity and the willingness of a central government to pay its debt in full and on time. And to make that assessment, we evaluated five components, political risk, economic risk, fiscal risk, monetary risk, and external risk.

CHRIS: Welcome to *No Turning Back,* a podcast hosted by General Stan McChrystal and myself, Chris Fussell. Our goal here is simple: to have serious conversations with serious leaders so that we can learn from the best and navigate these complex times together. Thanks for joining us.

ANNA: This week, we continue our risk mini-series on *No Turning Back,* with a very special, distinguished guest: John Chambers, the former chairman of S&P's sovereign rating committee. We couldn't think of a better guest to discuss the nuances of financial risk.

John spent 24 years at Standard & Poors, or S&P, and is known most for downgrading the US credit rating in 2011. His insights and experiences are topical and relevant as the United States worked through the debt ceiling debate earlier this month.

John is a fascinating thinker: he has a liberal arts background in English and philosophy, with decades of experience and observation under his belt examining financial risk to the United States' economy. In the discussion, John shares his perspective on today's debt ceiling debates, the five components of S&P's risk assessment, and how he teaches risk at the Executive MBA level, at NYU's Stern School of Business. And one extra point: John is also a US Master's Swimming All-American, competing (and winning) races for his age group, and shares why exercise is so important to his routine.

Stan and Chris's reflections, in today's episode, were particularly thought-provoking. They dive into existential risk: when and how leaders consider how entire efforts will fall apart, how we should be thinking about the risk to our republic, and also discuss how a "crisis in confidence" can generate more risk to our society.

Stan's latest book, *Risk: A User's Guide,* touches on more topics like these, and is available everywhere books are sold.

STAN: Great. Well, John, let me start on behalf of Chris and Anna, at thanking you for being on this today. And I think our listeners will get an awful lot about it. This is part of a mini-series we're doing within our podcast, focused on risk, and it's not coincidental. It is planned because we just released a new book, Anna and I, last week, *Risk: A User's Guide.*

I you're familiar with it, but we really think you can help us get our minds around one risk that people talk a lot about. And that's financial risk, particularly your experience in the financial meltdown we had a little more than a decade ago.

So, I've been teaching risk for, well with Chris now, for about five years. And about five years before that, up at Yale. And we look at a lot of studies of military leaders and other leaders, but in reality, each year, the course becomes more reflective. And when I say about reflective, we want students to focus more on their own values, their own strengths, and weaknesses, as they approach becoming leaders.

Some of them have already had some experience, and many of course, we'll end up having some very significant courses. I'm interested to hear about the evolution of your thinking when teaching a course about risk at the Executive MBA level. How do you try to communicate it? What do you see responses in students?

JOHN: Well, Stan, first of all, let me thank you for having me on your podcast. It's a real honor, and I'm delighted to speak with you and to discuss these matters. Now, the sentiment of the young professionals who take the class really vary with their nationalities, where they are in their career, who's paying for the course, whether it's them, or their employer.

Now, let me just mention one small point about my students that I find interesting, although perhaps it's of minor importance. Like you, Stan, I believe that you can learn something from history that ties into your themes of your just released book on narrative and bias. Now I've had the pleasure of teaching many students from China, not only now, but when I was at Standard and Poors, and I find that there are quantitative skills, very strong, but their knowledge of their own history lacking.

Now, let me give you one example, which is a bit arcane. So just bear with me. I believe that the decision to service a debt, in the end, is a political decision. Shall resources be allocated to debt service or to some other public expenditure? Most of the time, the wiser course of action is to honor public debt, but there are times when it's not necessarily the best course of action. We can think of … in Romania. But the example I like to give, if I have Chinese in the room, is Mao during the Great Leap Forward.

Drawing on Frank Decatur, I remind the students that in the 1950s Stalin had died, Khrushchev had repudiated him and mouse on opportunity to do a search his primary leadership of the communist world. Then you've got to hardly make this assertion with China being highly indebted to the Soviet Union China's principal external creditor.

So, he accelerated the repayment of bilateral debt using the medium of exchange of increased grain shipments. In the meantime, of course, as citizens starved. This, I argue, was not good public policy. Now set aside this particular interpretation.

Now, most Chinese students know a little about the Great Leap Forward. They think it was a natural disaster. Sadly, they learned nothing from that self-inflicted tragedy. We sometimes, in the United States, are critical of airing all of our dirty linen when we teach US history, but it's better to air it than let it stench in the hamper.

CHRIS: John, you note some of the history there, and as Dan mentioned, previously, your involvement in, you know, the financial crisis in 2008. Just curious, what corollaries, if any, you see what's going on today? There's, there's a lot of debate in the public space around, just most currently, around raising the debt ceiling for the… which happens pretty regularly. But there's, it seems like an accelerated discussion around the total debt load of the United States. I think for those of us that aren't, you know, steeped in the financial sector like yourself, that's hard to put into context. Is there anything about the current debate that you see as similar to the things in the past? Are there differences we should be thinking about? Just any thoughts there?

JOHN: Well Chris, you know, thankfully it seems as though that the recent impasse over raising the debt ceiling will be temporarily averted. This, this is no way though, to raise it, to run public finances. The deficits are the result of budgetary decisions approved in the past by Congress, and for Congress, then, to refuse the fund deficits that they themselves created is the height of irresponsibility.

Compared with 2011, I'd say that the political fragmentation is worse. I wouldn't say it's as bad as the 1850s when Preston Brooks came to Charles Sumner in the Senate, but it's close. Now, some people blame the press, but I don't think that explanation holds because the press has always been highly politicized in this country. Some people blame the echo chamber of social media. Some people blame the fewer opportunities we take for exercising civic life in which we may interact with people who have different backgrounds or different views. I was raised in Kansas, but now I live on the Upper West Side of Manhattan. And I can tell you that these two worlds don't overlap very much, to each his detriment.

STAN: Yeah. One of the things that really resonates with the students in our class is the 2008 financial crisis. And partly because it's become public, or popular lore now. Now the movie, *The Big Short*, and the book, of course, before that, really captured people's imagination. And you remember in *The Big Short*, Steve Carell's character, Mark Baum, is tipped off and he understands the implication of a housing crash before the rest of the world does. Remember, he takes that trip down to Florida and he finds proof that there, in fact, there's a housing bubble.

He speaks to some brokers. He speaks to some exotic dancers who are over-invested. But the reality is many of us can't see the big picture in front of us, particularly in have enough foresight or confidence to profit from it. So, how do you teach people to do that? How do you translate risks to normal humans who don't have a deep understanding of a subject like finance, like you do, and get them to see trends, patterns, and then make the right decisions with?

JOHN: Well, Stan, you know, I, I liked Michael Lewis's *The Big Short* even though the structured finance departments have rating agencies were vilified. Another classic, which came out a bit before, was Nassim Taleb's, *Black Swan*. Now in that book, you'll remember that Taleb is hired by a Los Vegas casino to evaluate the risks of its gaming tables.

When Taleb took a look, he found out that the four largest losses at the casino weren't at the gaming tables at all. The largest loss, a hundred million dollars, was incurred when an irreplaceable performance in their main show is maimed by a tiger. The show, Siegfried & Roy, had been a major Las Vegas attraction.

Now, that's a good example of a Black Swan, an unexpected risk. Now, some people claim that COVID-19 was a Black Swan, but I'd argue, and your book *Risk* argues, that we had foreseen the risk of a pandemic, that we executed most of our response poorly. In terms of what we can say to the public, I think one of the central messages of the book is very helpful: you cannot know what will come your way, but you can respond to it. Our response will shape, future events. We're not helpless. Your functions of Detect, Assess, Respond, and Learn are useful for this.

CHRIS: Can you build on that a little bit, John, for listeners that haven't yet bought the book, which I'm sure they're about to do. The framework put out inside of the *Risk* book is what you just said, DARL: Detect, Assess, Respond, and Learn. Which is a way of arguing, just the continuous loop of… uh, and those are common in the military. We, we, in the special operations, just to talk about, finding, fixing, exploiting problems.

So, the faster you could go through this loop to find things, to do something about it, learn from it, feed the machine, the quicker you could get ahead of the adversary. I think DARL is a great way of looking at the current risk landscape. Organizations that can collectively communicate, and have a culture of transparency, allows them to detect, detect problems on the edge faster than others, feed that information at the right level, assess what it might be, a response can happen at the appropriate level very quickly, not over, you're going senior leadership to learn, to, to get involved and then learn from it and improve for the next cycle. Which most organizations are in this very structured top-down model of traditional bureaucracy have mechanisms in place to do things like that.

But we would argue organizations in today's much more complex world, and fast-changing world have to come up with a continuous loops of so things like that can happen at multiple levels without leadership getting pulled into every single decision. Learnings can happen throughout the organization very rapidly.

So, anyway, that's the broad theory of the case, but I'm curious your, your thoughts on that and, and its broader applicability when you, when you look at ways of discussing risk.

JOHN: Well, I agree with you. And the more that you can devolve the decision to the level where the decision has to be implemented, the better off you're going to be, and empowering people to do that.

I think that's a valuable contribution that the book has made. Now at Standard & Poor's, you know, I was there for 20 years and I chaired the sovereign rating committee for the last 11 years, retiring a couple of years ago. And then we had our own methodology. And let me tell you a little bit about that.

Now, first of all, you have to remember that our ratings spoke to a narrow subject, the capacity and the willingness of a central government to pay its debt in full and on time. And to make that assessment, we evaluated five components: political risk, economic risk, fiscal risk, monetary risk, and external risk.

Now in some respects, his strengths of the … standing in the United States is without peer. It's got a vibrant and flexible a private sector, it has deep capital markets and a well-capitalized banking sector, particularly compared with peers. At the moment, at least inflation expectations are anchored.

On the other hand, public and private debt is very high and rising, including our country's debt to non-residents. Some people point the cost of servicing debt as an indication that we shouldn't worry about the stock of debt. But I think that this view is misguided. We've seen with COVID that output is not as stable as we might've thought, and we should want to preserve some fiscal ammunition for the next crisis.

There's no problem with running deficits in a downturn, but you need to match those deficits with primary fiscal surplus is in an upturn, and that we don't seem to be capable of doing. The political settings, as we've already mentioned are even more worryin. The attempted coup d'etat, on January 6th when the electoral college vote was being validated in Congress, was without precedent in the United States.

STAN: As you know, in our book, *Risk*, we say we opine that the greatest risk to us is actually us. And everybody I think by now is aware of Facebook's current challenges. And Francis Haugen, a whistleblower from Facebook has revealed to the Senate that the company was aware of the harms they were causing to the mental health of their users and failed to do anything about it. We would argue that the greatest risk to Facebook lay within its four walls and the fact that they knew that, but for various reasons, wouldn't take action.

You know, we can face similar situations in all sectors, especially in finance. How do you independently assess risk, when there are constituencies in an interrelated system? when is courage needed to voice up so that you get the information you need?

JOHN: Well, you know, Stan, it's certain that there are negative externalities with social media. Now I don't believe that wholesale censorship like you have in some autocratic countries is the solution, nor do I think you can leave surveillance … themselves. There has to be a solution in the middle of somewhere. As for individuals and the risks from interrelated systems, again, I think your book offers some good advice. You remind us that the greatest risk lies inside us and our organization.

Now, let me give you an example, a tragic example. My best friend from youth lived near Los Angeles. During COVID, he became alarmed and moved with his wife to central California, near Paso Robles. And he lived in a very isolated place. He was a hypochondriac. He was certain that he would contract COVID. He completely isolated himself and his wife. If his wife went to the supermarket for more than 10 minutes, he'd phone her from the parking lot, frantically telling her to get out, leaving the groceries behind.

In February of this year, he dropped dead of a heart attack. I'm sure that the self-imposed stress from the fear of COVID contributed to his death. As FDR said, we have nothing to fear, but fear itself.

CHRIS: That's indeed a tragic, but probably more common story than we like to think about. Maybe taking that, that question that Stan just posed, but thinking about it through the individual lens, you know, the organizations are made up, obviously this collective of, of individual thinkers and I'm, I'm assuming you've interacted a lot with senior leadership in the corporate space.

And from the outside, you look at, you know, case studies from the outside view tend to look at this sort of inevitable fall of a thing like Enron or, you know, the trouble that Facebook's going through right now, or other great big examples throughout history. But it's, it's really often, and the military sees the same thing in hindsight.

It's the individual, countless individual disconnects of… I don't quite capture the full risk and then Stan doesn't quite get the full story from 50 of me and then 50 of him and you lose this collective sense of potential existential threat that's around the corner. So I'm curious in your experience, when you look at it, the corporate space, is that, is that an accurate read? Is there a way to fight that? Do leaders need a different way of getting honest feedback from people inside the ranks? Or is that just an inherent meta-risk, maybe of a big organizations, where it's very, very hard to see the granular truth when there's quarters to be closed and profits to be made and all those other things that can obviously get in the way?

JOHN: Well, Chris, you know, one way of summarizing all that is asking yourself: well, why do people underestimate the systemic risk? And if we're talking about financial markets, then, well, … would say that people think that price changes are statistically independent and normally distributed, when they're not.

Or, they think that they can pick up dollar bills on the street in front of an oncoming steamroller. Now, Rudy Dornbusch once said in economics, things take longer to happen than you think they will. And then they happen faster than you thought they could. Or as you point out in the book, they don't check their assumptions, review the risks they have identified, align their positions, make faulty snap assessments, communicate poorly with colleagues, not undertake simulations like war games, not envisioned what could go wrong, not conducted a post-mortem.

STAN: Yeah, I'm going to be very honest here. I am personally, very financially conservative, meaning I cannot stand to owe money. I don't have a ton of money, but I don't like debt at all. And when I see the debt and the, the fast increasing debt of the United States, it just bothers me, viscerally. And so, we can't have you on this program without asking an expert like you: should that bother us or are we just too timid?

JOHN: Well, I know we've touched in a bit on this already. It's not only the public debt that sides, it's the private debt too. And we can say that there are plenty of willing buyers of debt judging by real interest rates. The problem with this argument is that a lot of the debt is short-term. It needs to be refinanced and thus the interest burden can change.

Given that a lot of the debt is owned to foreigners, they simply can't repress the domestic financial system to achieve fiscal sustainability. The goal is to have a fiscal stance and a financial system that are sustainable, resilient to shocks, and have plenty of capacity to respond to crises. Crises can include not only recessions or pandemics, but even events like war. Now to achieve these objectives, one needs to conduct a counter cyclical fiscal policy, which entails squirreling away resources during good times, specifically by running a primary fiscal surplus, which means a surplus before interest payments when growth is strong.

Now, note that this comment says nothing about the size of government, both Singapore and Denmark run sustainable fiscal positions. On the private sector side, it means imposing macroprudential rules that keep banks well-capitalized and capital markets well-regulated particularly for disclosure. It would help too, to implement policies that do not favor debt finance over equity finance. For example, interest payments are tax deductible but dividend payments are not. Now, there are many risks to the US economy, public and private indebtedness is one of the principal risks.

CHRIS: I can't help, but think of that Saturday morning cartoon when I was, when I was a kid and it was about the two squirrels, one buried nuts all spring, and the other one that was knocking on his door and the winter to try to get ssome. And it's, it's frightening how similar to that lesson, we were all taught as five-year-olds, to the point you're making.

But John, you mentioned war gaming, in your previous answer. So, I'd be curious, your, your thoughts there. We talk a lot about red teaming, you know, it's another, another version of that same methodology of… and there's lots of ways to approach that, but essentially really pressure testing your current plans so that you can see future risk and adjust accordingly, or have deviations built into your plan when you hit potential obstacles.

Are there, if you're advising in the corporate space around wargaming, are there specific things, given your background that you advise them to look at? Is it, I don't know, current debt load with potential future changes in the market? Like, are there, are there key points that you think are being missed right now when it comes to wargaming financial risk?

JOHN: Well, you are you going to have to keep the channels of communication open and be willing to hear things you don't want to hear. And so, the minute that you hear something you don't want to hear, and then you go fire the person or put them into the closet or something like that, then you're not going to be able to get much out of the exercise.

And that's hard sometimes because of groupthink. And again, in your book, you talk a little bit about that with the Bay of Pigs example and the Cuban Missile Crisis example. And I think that… those are useful example. Or, what was the General's name? Was it Browden or Brandon?

STAN: Braddock.

JOHN: Yeah. Right. Well, I mean that I… reading that sent me off to read a bit about the French and Indian War and that fellah was a complete disaster. I mean, he was single-handedly galvanized the 13 independent colonies into a central force that hated the British and completely, um, um, misunderstood the Indians who were at the time, it could have been a useful ally and put them into the hands of the French.

And there was an example of leadership that was so ham fisted that he almost single-handedly destroyed what he was setting out to preserve. So, I think there's a number of lessons that can be learned around that. And I think your book is, uh, is helpful for that.

STAN: John, I need to make sure you understand its policy on this podcast, never to criticize generals. It could just…

JOHN: Well, my father was a Colonel, but I'm not held to that same thing.

STAN: Absolutely not. Let me go back a number of years, to when you were very young coming out of school. You didn't really know what the future was going to bring. And yet, you began to learn to be taught about how to manage risk, how to talk to think about it.

If you could go back knowing what was going to lie ahead, how would you develop a young John Chambers to be best postured to deal with that risk?

JOHN: Well, I come from a liberal arts background and I actually think that was quite useful. So, you need to be able to read challenging primary texts. You need to learn how to write, learning a foreign language was key to part of my career.

I was able to transition from English lit and philosophy into finance because the bank that was hiring needed French speakers. I got a lot of extracurricular activities that helped keep my mind clear and help me do something when I wasn't working all the time. Certainly taking classes outside of your field of expertise gives you, you know, sharpens and broadens your horizons.

I think that's useful. I think, again, coming back to your book, you never know what life is going to deal with, but you can respond to that. You're not fragile. You're not a just a bystander. You can actually shape the course of history. It's not… and it's not fate. And having communication skills, having leadership skills, trying to test what your biases are, which as you point out, we all have biases, but knowing what they are helps, knowing your own history, trying to draw lessons from that, these are all useful things.

STAN: Yeah, that's that is absolutely useful stuff for young people who are just beginning that journey and hope to have one as meaningful as yours. What about picking the young person? If you are a supervisor and a young person comes in and you're looking for certain traits of somebody who you think is going to work well in a risk-filled environment, what do you look for?

JOHN: What you need to be careful because you know, the interview process itself may not be the key indicator. That's going to pick the wheat from the chaff, but you're going to have to look and see what they've, what they've done, whether they can communicate well, both in writing and in speaking, whether they have the quantitative skills that they need.

I'm sure for the military, there's a host of things that I can't even imagine that you need, that you would look at. And one of your points of your book is you need a diversity of viewpoints. And of course, part of that would be diversity of race and of gender, but also it's just a diversity of viewpoints. I mean, you may have half the country that thinks the other half are either troglodytes or doubles. I mean, this is crazy. You need to… you need to walk a mile in another man's shoes.

STAN: Yeah, that that is so true. You know, in the military, we do have requirements. If you're going to go in the army, you gotta be able to string together a good sentence. You gotta be able to do higher level math. You have to be able to count to 10. We waive all that for the SEALs, but you know, we have to.

CHRIS: Well, as a fellow philosophy major, I can stand up on that. John, along the idea of routine, are you still, are you still swimming?

JOHN: Yes, I'm, I'm a US masters swimming. We just had a national swim meet in Geneva, Ohio. And I came back from that last night.

CHRIS: How'd you do?

JOHN: Got first in the 800 and, second and five other events: in the 65- to 69-year-old age category.

CHRIS: What's your 800 time?

JOHN: It was…what was it? It was, like 10:30, I think.

CHRIS: So that's, that's, that's pretty, pretty amazing.

But I'm curious, like for Stan, I talk about this all the time, the, the importance for leaders, people that are in high, high-stress situations as you've been throughout your career, having some sort of disciplined routine, to their, to their schedule, whether it's heavy in physical activity, like, like a lifetime swimmer or whatever, you know, the working out is your thing, or, just morning meditation, some sort of thing that grounds you every single day and allows your brain to awake in a different, a different style than just having a cup of coffee and diving right into your work. And I'm curious if as swimming seemed like that sort of foundation for you over the years?

JOHN: I've been very lucky, cause it's a sport you can do all your life. And I've been doing it since I was a little kid and in Kansas, we didn't have air conditioning, it was hot as hell in the summer, and I would spend every day in the pool. And, you know, the advantages, you know, in the locker room, they kind of conversations you have are exactly the same conversations I had when I was 19 at Grinnell College.

And I'm sure there are other sports and other activities that are the same way, but it clears the head, and it keeps you fit. And, I think it keeps you young. So I, I think that's right. And then there's other things you can do besides, you know, physical activity. I mean, reading is very important. And reading books is important. A lot of times, you know, we're talking about social media, I mean, one of the worst parts about it is it's a complete waste of time and, you know, that's time you could be spent on something else.

STAN: Yeah. I think that's what I think that's well said, John, you know, one of the things about that, the discipline of having a routine of some good habit: working out, reading, things that make you better, but they also make you feel better, I would argue that there were days in my career when not much went well, but if I worked out that morning, the day wasn't a total loss. And so, it sort of guaranteed it.

JOHN: It's unbelievable how it clears the head and absolutely clear as it head. I mean, maybe people do have meditation can clear their heads too. I don't know.

But, you know, when you're working out, it really has a lot of psychological benefits.

STAN: Yeah, absolutely. I'll tell you another benefit is what people hear your wisdom today, they will benefit from it. And so, John, I want to express my personal thanks for taking the time and sharing that wisdom with us.

And I look forward to meeting in person someday, although not in the swimming pool.

JOHN: Okay. Well, thanks for having me on the show. I really appreciate it. Thank you very much.

CHRIS: Great discussion.

JOHN: Bye-bye.

CHRIS: So thoughtful of John to spend time with us, pretty fascinating career and the person that's been at the middle of a lot of, uh, you know, massive decisions during his, his career, especially his time with the SMP… the, you mentioned the people that have seen the movie, the Steve Carell character, Mike Baum, from, *Too Big to Fail, The Big Short*, the movie that came out of the book, which is just a classic. And you know, there's a few key characters, obviously all real, but, that I think are good reflections of just different approaches to risk in that story itself.

From the senior government leadership, to industry leaders, to regulators, all looking at this, you know, so the elephant metaphor looking at it from different, different angles and when they all realize what they're looking at, obviously, it's this existential situation and the character you mentioned happens to be one of the people that saw it coming. Although sort of happenstance, he sort of stumbled into all these little data points that he's strung together in his head.

You know, we've been teaching together for five years. You've been teaching that course for twelve. I think one year when I was collaborating with you, we taught it maybe two, but we don't teach it anymore. You had taught it for many years, that case study. Can you talk a bit about why you decided to stop teaching it? Or I guess we did collectively a few years ago.

STAN: It's funny. Maybe it's because it was very much in people's minds in 2010, when I first started teaching. I had Hank Paulson come and teach it the first time I ever taught it, we talked about risk. And at that point, people were able to connect very much the idea that we almost had melted down the US economy. And people were using the term “risk” in a way that really never had in my lifetime.

You wouldn't have talked, maybe finance people did, but, but laypeople like me wouldn't have talked about risk in terms of the economy and the national health, I'd say. And so, *Too Big to Fail, The Big Short*, and that whole story was full of drama. It was full of almost tangible ideas of risk. As it got further away, I find that a couple of things are harder to connect people to: 9/11 is one of them. Our students who are now very, very young and they just have a difficult time feeling that. And then this: the 2008 financial crisis. But it is a classic case of getting risk wrong. People who were paid to manage risk, finance people, got it wrong. And that's it… wasn't just you and me on the street. It was the pros. And I find that really interesting.

CHRIS: Yeah. It is interesting how your chapters seem closer together when you're in your forties, fifties, and beyond. They're … we haven't asked… is probably the students in our class, weren't born on 9/11 at this point. I'm guessing or very close to that, even though that single event has driven 20 years of history. And we talked with John a little bit about this, but I'd be curious, your, your thoughts on, especially having now spent two years looking deeply into risk.

I think when there are tools to get to this idea, you know, red teaming, wargame, all critical, but I know I'm guilty of throughout, throughout my career, of rarely sitting back, maybe because we're all too busy to do this, but sitting back and saying, how could this whole thing fail, right? Enron is a classic, a great example, right? This massive company where everybody's making so much money, it's got this amazing reputation, and, but there's this… right under the surface, this existential risk that suddenly rears its head. When and how should leaders sit back, and there's other examples obviously, and ask their teams, you know, let's take a little bit and just think about how could this whole thing fall apart? Or is that too big of a question to try to get people's attention toward?

STAN: It's a great question, because I think we do get so focused on specifics. I think of what we've been watching in the news recently is Southwest Airlines over the weekend. Suddenly they, they have to counsel well over a thousand flights. and they say it's air traffic control, and then the FAA goes, no, it's not. And then they say, well, it's pilots. And then the pilot's union says, no, it's not. And, and the reality is, just as you described, it is probably the collision of a number of factors, which cumulatively become huge risk. And now I would argue because their messaging has been uneven at best, they now have to add reputational and credibility risks to that.

You know, that the, a fascinating phrase in the 9/11 Commission said that the greatest failure was a failure of imagination. People unable to imagine the magnitude of how Al-Qaeda could become a real threat seems to play out time and time again, I'm just not sure. Maybe we can't get far enough away from it and get our peripheral vision in.

CHRIS: Yeah, it, it does seem like there's a… it's a deeper question on the, on the leadership front or, learning to lead at higher levels. And some, some do it naturally, some teams are great at it, some organizations are obviously good at it. But I've always, if I really was honest about my last 20 some odd professional years, I'm focused on, you're focused on a project, you're focused on this strategy succeeding, but once you're in a place where, where, where a system was working well, you're rarely thinking how, what could destroy this entire thing?

Like what, what could happen to make their Southwest Airlines go away entirely? And maybe, maybe that would be too distracting for a team, but maybe it's also in today's world where those things can happen so quickly. Maybe it is a gap in that, in that conversation. I just, I just don't know, but it's interesting to consider.

STAN: Could it, I mean, you, and I've talked a lot about this. If we look at the threats to our society and to our nation, to our Republic, are we focused too much on granular things and not stepping back and saying, “Hey, wait a minute. What if a number of these things act together? Do we have an existential risk to the Republic?”

CHRIS: Yeah. I mean, you could… there's a doomsday scenario where you can look back in 50 years and say, oh, of course, that was when this great project started to decline and it hit this like unrecoverable pivot point.

I don't, I don't personally think we're there, but I think we're probably throwing more variables into the mix at an accelerated pace than we have in generations, for sure. I mean, obviously we've been through, you know, civil war ourselves, many generations ago, but I do think, you know, the last discussion we had with Garry Kasparov, having been raised in the Soviet Union, his, when he said to us from the outside looking in, it looks to us like you're losing an understanding of how great you still are.

The rest of the world is sort of confused about why you're so frustrated because the things you're arguing about are the day-to-day norm in a place like, you know, post-Soviet Union Russia or fill in the blank. He's lived his whole life under that sort of pressure and fought to put democracy in place. And he's… my takeaway from that is now you lost track of the importance of your story to the world and you’re putting yourself into the self-inflicted decline, which obviously it really stuck with me as a, as a very smart outside perspective on the current risks that were perhaps self-inducing.

STAN: Yeah. I think a crisis of confidence. I remember when an analysis said that, at the depth of the US Depression, the Great Depression, which was 1933 to 1934, we didn't have any less farmable … land in America.

We still had the same number of workers available, the factories still existed. But the crisis in confidence in the system had caused things to grind to a halt. And so, whenever we don't pay attention to the fact that our own faith in things is a critical component of their viability, I think we induce, another risk in.

CHRIS: Yeah, I think I know we've talked about, I can't remember if it's in *Too Big To Fail*, but, I've certainly read other things on it with it. They shut, shut down temporarily the banking system and then they pressure test and they come up… this is where to make sure it's stable and they do it in a matter of days. And of course, They weren't really pressure testing every bag. You couldn't do it like that, but it was sending the message. Like, you can have competence in this, we're engaged on this problem and we're solving for it.

And so, the, the market's slowly start to open back up again. And some, some people would look at that and say, well, that's kind of cheating or it wasn't completely honest. Well, this is kind of a big narrative that we're all figuring out as we go. So, sometimes people have to just turn the page, leaders and get everybody back on board with what you're trying to accomplish as a, as a unit, as a company or as a country. And that… it seems like we're, we're dangerously close to losing the understanding of how important that is.

STAN: Yeah. I'll just finish with one risk and confidence story. In the parachute infantry in the US Army, there are rigors, and their job is to rig parachutes, to take them after they've been used and rigged them to be ready to jump, pack them.

And the way they keep it honest, is those riggers are parachute qualified. And then periodically, they go to the big bin of parachutes and they randomly pull a parachute and they hand it to a rigger. And that rigger then jumps at parachute, with the theoretical idea, and I think it works. Riggers are going to take great care because they're going to be jumping the work of themselves potentially, or another rigger.

CHRIS: I don't know if I ever told you this story when my dad was Army, was in special forces for, for years as a, as a physician… graduated medical school and went through and was SF for… in the late, late sixties, early seventies. And he was doing an evening sort of clinic rotation at Benning many years ago, and this angry young Sergeant came in, and was sort of out of his mind and say, want to, he was going to kill everybody on base. And we just had to calm him down. My dad finally said, okay, what do you do on base, Sergeant? He said, I'm a rigger.

He goes, oh shit, well the general or the base and say, so you're not going to like this. I think you've got to unrig and re-reig every parachute on this base.

STAN: You got to re-rig before I jump it!

CHRIS: He was the least popular man on Benning for about 48 hours.

STAN: Amazing.

CHRIS: Great conversation. And thanks. We'll see you here next time.