Marshall here. Welcome back to the Realignment.
Today's episode is all about how companies, governments, and everyday people reckon with an economic catastrophe. The topic is the book Crash Landing, the inside story of how the world's biggest companies survived an economy on the brink. Obviously, in reference to the March 2020 COVID lockdown period where the economy was shut down and everyone from CEOs to everyday people had to actually navigate those problems. Now, what makes this conversation
so interesting is that we're talking about the COVID crash, but we're also having a broader conversation about how resilient our economy is, how CEOs and other leaders are capable of handling an economic shock, and how previous crises such as the 2008 financial one and now this one are shaping how we're going to move forward. This conversation could be about COVID, it could be about a possible economic crisis caused by a Taiwan conflict, it could be about anything. The overall takeaway that I brought from this episode is that we need to focus on economic resilience both in our personal lives, but also at a company and governmental level. Every crisis is going to have a takeaway and that to me seems to be the one that's most core at the center of this one. Before we get to the episode, just a quick note, I sent this out on the substack yesterday, but the realignment is switching back from three episodes a week to two episodes. I have to just humble myself and admit that it is harder and harder and harder to keep up with all the reading to do, but also just make sure I'm putting out consistent A's instead of C's and B's just so I can pat myself on the back of the head and say, you know what, you did three episodes a week, good for you. So once again, we're back to the Tuesday, Thursday publication schedule. I'll be playing around with how bonus episodes that still reach that A level could fit into it, but I think folks are going to have no trouble keeping up with two a week, definitely considering everyone's listening needs. So I want to say a huge thank you to Lincoln Network for supporting our work. Hope you enjoy this conversation.
This is Hoffman. Welcome to the realignment. Thanks for having me.
With a very event and news driven book like this, I want to do a good job of picking a central idea slash takeaway for the audience that can kind of overlay the rest of the conversation. I think my takeaway would be economic resilience is just the most understudied and underfocused area at companies, from governments, those different areas. How do we debate whether something is efficient enough versus is it resilient enough? How do you think about this topic and just this idea of resilience as you're writing this book?
First of all, that's a great takeaway and I'm going to steal it because it's better formulated by you than anything was in my head. No, you're totally right. And you know, the framing of the book is like this once in a century, hopefully, Black Swan event.
But I mean, I think one thing I hope people take away from it is it almost didn't matter what the spark was, that the tender was already there and the economy that had been built, which coming into 2020 by some measures was the strongest we'd seen since World War II was incredibly fragile and incredibly vulnerable to this kind of shock. And we're still living with that now, just the incredibly bumpy exit from this. That DNA was firmly already there and it happened to be a test could be a conflict over Taiwan. That economy despite all those numbers kind of fell apart. So just talk to us like how nice that picture looked if you're

just taking the front page of the journal, maybe in February 2020 relative to how brittle things were revealed to be just one month later.
Absolutely. I mean, high level unemployment was near record lows. You know, the Dow was flirting with 30,000. I remember I worked at the Wall Street Journal at the time and we had hats. There were hats and they had 20,000 and then Dow 30,000. I mean, the stock market just kept going up and up and up and I think you know the, you know, the Kevin Hassett joke, right? No.
So Kevin Hassett was Trump's, I think it was his first chair of the CEA Council of Economic Advisers. And he wrote this book in the late 90s called Dow 36,000 and basically like the joke and he was just made, people made fun of him just for years and years and years. I think that's a little different here, but it's just so funny. That speaks to like the moment we were in very specifically.
Right. And I mean, the Dow, any economist or market expert will tell you was actually sort of a stupid way to think about the stock market, which is itself not the economy, but is this sort of marker of confidence and abolience and general sense that things are going in the right direction.
The other piece of this, I think that we're now really just starting to understand was, you know, you mentioned the 90s. Starting in the mid and late 90s, you saw this emergence of a globalism, a political economic ideology, where you saw NAFTA and the Eurozone and this sense that as China modernized its economy, its politics would be liberalized too, that I think really now is being revealed to have been quite thin. You're seeing this emergence of economic nationalism and even before 2020, Brexit and these political geopolitical hotspots that were popping up, you know, I think had it not been the pandemic, you know, much one of those would have sort of caught fire in a way that that kind of washed out by COVID. But no, I mean, I think you did the numbers were terrific. And there was also this sense that like, well, people have the end of history, right, that we have somehow escaped the achieved escape velocity from the sort of trials and tribulations and booms and busts, which obviously we didn't, you never can.
So here's a question for you then, building on this theme of resilience. So given everything you've said here, and if you're reading the book, if I'm, if I'm judging how resilient an economy is, I can't just say, okay, unemployment is in a great place, we're resilient, can't say that I can't look at the stock market and say it's this, this or that, therefore resilient. I also can't say look at all these profits. I can't say that that's a signal. None of these things to your point about 2019 to 2020 service key indicators for how resilient the economy is. So how should we actually measure resilience if we're trying to balance that moving forward?
Well, it's incredibly hard to do because a lot of those metrics that you just mentioned, they're trade-offs, right? Like, it can't be that every company is supposed to operate with a year's worth of revenue sitting on the sidelines. It's just not, that's not how the world works and certainly not how the market works. But you know, when you talk about that trade-off between efficiency and resiliency, you know, with the huge technological gains that have been made in the last couple of decades, you've started to see the rise of this just in time efficiency, which is to say that when Toyota is making the car,

they don't want the bolt that screws in the rivet to be at the factory assembly line one second before it's needed, right? Apple, I mean, there are two main advantages over many years of making beautiful products that people love, but really just squeezing every cent out of their supply chain and turning over that inventory quickly. And the opposite of that kind of brutalist efficiency is resiliency. There's not a lot of fat baked in. And honestly, like I would like to say, I think one lesson coming out of this will be that companies will be a bit more, at least financially defensive. I don't think so. I mean, you know, the market forces are what they are. And God help a CEO who sort of is seen as sort of fat and lazy and kind of putting money away for a rainy day. No one wants to see it. So I fear that this is a lesson that will be sort of fake learned for a couple of years, but like the lessons coming out of 2008 about leverage and synthetic instrument, they all come back because there's a demand for them.
Okay. So we'll get to the 2008 thing in a second. But I love the way you just framed that on one level. Specifically, you said if we, a CEO had acted defensively, it would have been thought of as a good thing. So take yourself back to 2019. You're still at the Wall Street Journal. How would you have written about, let's say a Ford CEO who is obsessed with, okay, let's make sure the supply chain could last for a year. That's not worry as much about the hot sexy new thing around the corner. Let's just make sure the status quo is just maintainable. I get the sense that they would have been seen as kind of weird. They wouldn't have been rewarded at the stock market level. The board would have had questions. How would a CEO behaving the way we in retrospect wish they behaved been received in the press especially? Oh, well, press plus just their board too. It's not as if you're at the core of everything.
No, I wish he made it so. I mean, the truth is they wouldn't have been in the job for very long. An activist hedge fund would have showed up and said your margins are terrible. Let's take Ford, for example, your margins are half what GM's is like, you need to figure this out or we're going to fire you. I mean, they just would not have survived. And so there's this incredibly competitive dynamic that just, you know, look, I always am a little bit skeptical of people who sort of think the market is evil. It isn't, but it's efficient and there is an invisible hand that weeds out underperformers and sort of incentivizes people to reach for efficiencies. And there are huge externalities of that, which is why the government exists and why, you know, a lot of those, there's regulation and there are backstops. But I think the real challenge is that there's a price for everything and the market does what it does and it will chew up anything that kind of resists. It is a, what is it a movable, an unstoppable force and an immovable object, the market wins every time.
Yeah, and it's interesting when you brought up how there is this end of history idea. I come from the foreign policy space, I was trying to think of how end of history style thinking would apply to the economics and finance space. But the obvious answer based on what you're saying is in the 2010s, the equivalent of the end of history existing would be there are just are no trade offs. You're not thinking of trade offs. Things are just good. They continue to go good. They'll continue to go well, a podcast or not a writer. They continue to go well. But then at the end of the day, you're not considering, hey, hyper efficiency equals a lack of resiliency. So is the solution there for, I don't know,

the government to regulate the government to say, hey, this, this or that critical industries, you actually have to legally have this backstop requirement for production, this, this or that would maybe incentivize different behavior and not for CEOs to act against their own company and their own interests and be punished for doing so. Would that be a means of addressing this gap?
There's two basic ways I think you could, you can address it. One is what you just said and the answer is, of course, and that's what happened to the banks after 2008. They said, you guys are too important. You are too prone to screw ups. The incentives are so bad that we are going to force you to meet all kinds of capital requirements, liquidity requirements and say what you want. Maybe everyone still loves to hate the big banks, but I covered them for 10 years and they are dramatically different institutions from a risk perspective now than they were in 2008. And honestly, I approach this book sort of from the finance perspective thinking it might be a financial crisis and it wasn't, right? The banks ultimately actually held up incredibly well that it was a, it was a, it was a crisis in the physical economy, not the sort of synthetic one that blew up in 2008. The other though is like, okay, are there some incentives? Is there some desire for a type of company like the one that you just mentioned? I tend to think not, but I had some discussions early on with an executive at one of the major stock exchanges and they run these indexes. So, right, you can think of the MSCI or the NASDAQ or the, the Dow Jones, their collections of companies. And I said, well, is one thing coming out of this, will we get like a NASDAQ defensive 50? And these are, these are 50 companies who have chosen deliberately to make some trade off between profits and, and safety and resiliency. And maybe if you're a pension fund and you've got a hundred year investing horizon, maybe you want to put one percent of your assets in that bucket in the same way that you diversify across real estate and stocks and bonds and quantities. Maybe it was a fun idea. And I thought there was a moment where it might happen. I don't really see it anymore. But so the other way, right? You can, you can, the government can force you to do that. I tend to think that the financial sector is important and risky enough that it deserves it. You start doing that across the economy and you end up, it's not a capitalist society anymore. And you end up with a state controlled economy. And those just tend over the long time not to work. But the other is, is there some kind of market force that actually where you're sort of scratching an itch? Maybe.
I think the other thing that comes to mind here is I want you to really take us back to that post 2008 moment, because I think the, the way you tell the story, and I like how you told the story through the lens of finance, because we, we can't understand 2020 without understanding how the financial sector and, you know, big corporations responded to basically, let's say 2009, 2010, 2011. So how did, what, what basically happened? How did the, how did the, how did the markets and industry climb out of like the whole there? And then how did that, where did that leave us in February of 2020?
Yeah, it's actually a story that's sort of best told not from the, not from the seat of a CEO, but from the central banks and policy makers in Washington, because coming out of 2008, they were way too slow to act. You know, one, we can talk about it more, but one reason I think things here turned out as well as they did, which is that the government did in about six weeks, what it took them nine months to do in 2020.

And by acting, you mean bailing out, you mean bailing out institutions and stuff?
So fiscal stimulus, so checks to everyone, actual help for people, bailouts of huge industries like, like the airlines, small business support, and then a lot of the technical market backstops that were put in place, these huge liquidity facilities that would kind of unclog the market and make everyone calm down a little bit. You know, it took them six, nine, 12 months to do all of that in 2007, eight, and nine. They did it in about six or eight weeks here. And by the way, what they never did in 1929, which is why that recession, the depression lasted 10 years instead of a year and a half.
Quick thing, what explains the difference in those response times? Because you said something earlier when you're comparing like the real economy versus like the more digital and ephemeral economy, it seems like the explainer why that happened so quickly is just at the end of the day, what needed to be done was just more tangible than a conversation around like Bear Stearns in 2007. Is that, or what was happening in 1929 where there's a, you know, the stock market, not the stock market is new, but like that style of like capitalism is just newer, so you have lots of a framework. How would you understand the different timescales?
I think it's three things fundamentally. One is that the, in 2008, the problems were so complicated. I don't really think you want to get drawn into a deep discussion about, you know, synthetic CDO squareds, but like the problems were incredibly opaque and complicated and even smart people in Washington were baffled by what had gone on.
Two is sort of the political narrative setting, which is no real villain here, right? To the extent the book has a villain, it's the virus, right? Which is not, sure, no one loves the airlines and like no one loves stock buybacks, but at the end of the day, you could not point and say, this is Wall Street's fault. And the third is that we do iterate. We get better at this. And the lesson out of 08 was the Fed, the government has this natural role as the lender of last resort. They're going to get there anyway. You might as well get there fast. And so I think those three things really explain the difference in the responses and, you know, two years after, you know, 2008 into 9, 10, 11, even into 12, we were in like a real economic funk. And yeah, the economy is strange right now. We may be in a technical recession. We may not, but like it's fundamentally much healthier than it was the same time frame after the collapse of 2008.
So then that takes us back to, as we left the storyline of the past 10 years in 2012. So you're now recovering what that happens in the stock market with these companies of profits, mergers and acquisitions, all those different categories.
So the original sin of all of that, and it's a very defensible policy decision was that money got free. The Federal Reserve set interest rates to zero for a long time. And what that does is it pushes people into riskier investments. So if you're a pension fund and you need to return X amount in 30 years for these people who are going to retire, you say, all right, like, there was a time I could buy treasury bonds, the safest piece of paper on the planet and get four, five, six, seven, eight percent. Not bad. Now I get zero percent. So instead of doing that, I'm going to have to buy stocks, which pushes the value, the price of stocks up, which is obviously what you saw over the last decade. And then the people who used to be like, while by stocks, they think, Oh God, now I have to buy risky stocks. So I'm going to go buy tech stocks. And so you saw this huge explosion of risk. And very little

of that risk was being priced in, which is to say, and I tell the story in the book, there's investor Bill Ackman, hedge fund investor, who in February of 2020, a little bit of a hypochondriac. So he's been kind of freaked out about this thing for a few weeks. But he's looking at the markets and he says, this doesn't make any sense. The spread, the gap between what investors, bond investors are charging Exxon, McDonald's, right, these blue chip companies for debt, they're assuming they're about as safe as the federal government, which to be clear, they're not. And they're assuming that these riskier lower rated companies are about as safe as a triple A rated company, which again, they're not. But there wasn't a lot of risk being priced in. Everyone was just throwing money at everything. And basically the reason that happened is that the federal government trying to protect the economy to grow it coming out of 2008 and 2009 made money free. And money is not free. And so the incentives were to bake in risk and leverage at all levels of the system, which is why it unwound so quickly.

Was there an alternate path out of the 2012 that didn't go as far as the Federal Reserve did?

In the early years, I think not. The way to jumpstart a sluggish economy is to encourage investment, encourage banks to lend, encourage people to start businesses. And to do that, it's really the provision of credit you have to be able to borrow. It was the 1929 that Great Depression started with a stock market crash, but it was the lack of people's ability to borrow that made it into a really generational event.

The Fed at some point in the mid 2010s realized that this had gone on too long, that the market was too dependent on this just ocean of money kind of lubricating all of the gears, making people very undisciplined about risk. And they tried a couple of times, they made sort of head fakes towards raising interest rates and kind of turning off the spicket. And every time they did, the market freaked out. Remember, it was called the taper tantrum. The market just utterly panicked. And there's an argument to be made that the Fed shouldn't have cared and should have stayed the course and started to wind the party down and call it 15, 16, 15. They weren't unable to do it or unwilling.

So I think the next question that comes from this is, I'm at a narrative level and you're an author now, beyond just like writing for the, for Semaphore and the Wall Street Journal. So I'm curious what you think about this. I am obsessed with the idea that once we introduce a word or a concept or a topic, it actually shifts the way we think about things. So now that we have the idea of a black swan event, and we're talking about black swans, be prepared for a black swan. And now we know that, well, basically every 10 years, there's a black swan event. There's an Asian financial crisis. There's a dot com bubble bursting. There's a 2008 financial crisis. There's a COVID crisis. Why have we not just priced in that there are black swans and everyone just kind of act accordingly? Because now, now that the idea is in our head, I won't put it this way, like when the, forget the book, but when the, the movie version of the big short comes out in 2015, how can people not just like watch that and be like, okay, cool. Like the whole world could collapse just like that. Let's be ready for that. But what do you think about that? Like as a financial reporter?

I share your frustration. And there's actually an argument that to be made that these events, whatever color swan you want to put on it, are actually becoming more frequent that the

world is a more turbulent and unpredictable place that it used to be. And part of that is that the market, the speed of the market is so much faster. So these things get amplified. What does that mean? What's the speed? Yeah, it used to be that like, if you wanted to buy stocks, you called your stockbroker and they said, okay, and then they went down to the exchange floor and they held up a couple of pieces of paper. And that's how any trade took what it took. Starting in the 70s and 80s, that started to get incredibly fast. And you've seen the rise of these, I call them like FOMO trading models, which is like, it's not a human being say, I think that Chevron is a good buy today. It's them reading a bunch of slick signals in the market and saying, oh, other people are buying this, I should buy it. It's all based on momentum. Very little of it is based on a technical analysis. And so what that means is that usually markets had a self-correcting mechanism. A stock would go way up and people would look at it and say, well, that's overvalued. I'm going to sell it. Alternatively, it would get oversold. People would say, that's cheap. I'm going to buy it. There was a balancing mechanism. Now, so much of financial markets are based on momentum that actually things become accelerated. And so that means that the buildups get more
dramatic and then the unwinds happen very fast. So part of that, I'm sorry, what question was I answering? I've totally lost track of. No, no, I honestly, I was basically asking about how we got to 2020, but it's okay because I think that this is just, and this is why I really enjoy the book. I think this stuff is very impenetrable. So I think more than usual in any conversation, it's important to understand what speeding up actually means because like, what actually is that? So here's a, here's a refocusing question then. So spent a lot of time getting to the actual COVID crash. I think that's important because I think so much of the financial story here is built up in that 2010s period. And now that we're emerging from the COVID bit, I think the world looks much more like, let's say 2010 or 2011, than it looks like March 2020. So people should be thinking accordingly. But one last question on this, and I thought you wrote about this really well. You wrote about how despite all of those awesome metrics we gave at the start of the episode, things actually were not as great as they appeared. We're talking about wage growth. We're talking about the presence of middle class jobs. Can you talk about the understudied, undercounted side story of 2010? Because I think another question that comes from this too is, if everything was so great, why were people so angry? The 2010s were such like an economically angry decade, that if we're doing better than the 90s, Hillary Clinton should have been president. That didn't happen. So there must have been something else going on too. I'd love for you to talk about that.
Yeah, two things, I think. One is, we talked a little bit about the frying of that global compact. The promise in the 90s and early 2000s of free trade was, yeah, it'll be a little bumpy, but it's better for everyone and new jobs will get created. And they just didn't. So that story was starting to wear a fin, which is where you saw the rise of Trump economic nationalism, America first, Brexit, which predated the pandemic. You're totally right. The other though, and I talked about this a little bit in the book, was I think it's helpful to think of the economy in 2019 as really playing out on a split screen. You have, again, a very thin veneer of incredibly encouraging metrics. But the

value of most of that is accruing to a small group. Most of the stock market is owned by fewer than 10 or 20% of people, obviously overwhelmingly wealthy. So when you see the stock market go up for 10 years, well, that wealth isn't evenly shared. It's incredibly concentrated and you've seen the rise of income inequality. But also, things that were, for a lot of that decade, treated as liberating and futuristic things like the rise of the gig economy, and do your job from anywhere, and we're going to have 15 careers. And of course, I don't know about you, I'm sort of an older millennial, going to have 10 careers by the time I'm done. Things that seemed to herald a new economic age were actually just shiny packaging for a huge portion of people who were just less tethered to the economy. So you mentioned the just steady and massive decline in union membership, the rise of kind of the freelance gig economy. Sure, it's great. You can hop in your car and do some Uber work for a couple of hours, but that doesn't come with a 401k, that doesn't come with a pension. It usually doesn't come with healthcare. And so a lot of those costs just got shifted to the public sector and really baked in a lot of vulnerability to a huge portion of the working public.

Perfect setup for actually getting to March 2020 now. So let's talk about another narrative choice. You're telling this story through the lens of modern CEOs in a bunch of these different categories. So could you just, A, answer why you think the CEO vantage point is one of the best ways to tell the story, and then B, talk about some of the industries that you covered and why you think they were particularly indicative of the story you're telling about how we reacted to the COVID crash and what it said about the economy as a whole.

Yeah, it was a funny book to write. I mean, it's my first one. So take that with a grain of salt, but most reporters cover a big story for some number of months and then think, well, there's a book here, right? This was not that. This was like early in a process that was clear there was going to be something here, but also I'm a Wall Street reporter. I had never covered airlines or hotels. And I really wasn't even a macroeconomic reporter. I was like a money monkey. People tell me they're money secrets. I write about them. But no, but I really thought it was important to try to capture this moment and to take a swing. I think you just have to take yourself back there. It was such a weird story. It's so easy now to look back and criticize the decisions that were made. But when I say this early in the book, I remember vividly sitting on a flight coming back from a family vacation in Florida on March 8th. And three days later was my last day in the office for two years, more or less. So I mean, just the speed with which this all happened. Look, I'm a business reporter at heart. And so you tell the story that you think your best position to tell. I think there would be a fascinating companion book of this, right, from the point of view of an hourly worker or somewhere else in the economy. My former colleague, Nick Timrose, wrote a terrific book about this period entirely set in the central banks and Treasury, which is an incredibly good vantage point. But I think if you're trying to tell a really 360 kaleidoscopic story, you have to find corners of the economy that aim into this differently with different pasts, with different profiles, with different kinds of people leading them. And so I spent the first couple of months just trying to figure out, okay, who's my cast of characters, right? You know, a book that I so admired too big to fail in 2008. It was like, oh, it's the CEOs of the Wall Street Bank. These were all the people who

were there. This book could have gone a lot of different directions. I knew I wanted to tell the finance story because it's one that's, frankly, near and dear to my heart. I knew the airlines were just a crucial part of the story and would be a fascinating window into the politics of all of it and the sort of moral hazard handling that continues to happen. I wanted a tech company because I wanted something that had Airbnb was such an obvious one because
they'd come into 2020 thinking they were going to go public and take their place in the pantheon of Silicon Valley giants. And then I also wanted a legacy company that was being disrupted, which is how I ended up looking at Hilton. And then I just kind of found interesting stories where I found them forward. I remember it's easy now to look back and kind of roll your eyes, but there was a real moment in COVID where this stuff was incredibly earnest and moving and kind of powerful. And I didn't want to lose that in the sort of cynical dust that has settled. And shutting down the line and building
ventilators. Absolutely. Yeah. So this is the moment where business
and government come together like in World War II. There was that specific moment.
There was that moment. And professionally, I'm sort of skeptical of business and cynical.
That's my job. But I don't know. I remember at the time being deeply moved by that story.
And the more I reported it, that never went away. And I thought that was an important thing to remind people of, that feeling of leaning out the window and banging the pots for healthcare work. I mean, it all feels a little sort of saccharine now, but it was a formative part of my pantheon experience. And I think a lot of people's.
Yeah. So I want folks to purchase the book, go to our bookshop. Amazon also works to as a backup that doesn't get commission as much. But I want to focus, so folks should go there for like the anecdotes and the storytelling, which is really, really, really enjoyable.
But I would love for you throughout the rest of the episode to really talk about these specific industries, but as categories, because that's just fascinating. I loved your chapter explaining Delta in 2019, the streaming, streaming plays, robotic, like mecha suit assist for people raising luggage. Tell us just about airlines. Like, give us like the picture of airlines. If we talked about the 2010s economy, talk about like peak 2010s airlines and then maybe like how they got through and where they are now, which people are probably experiencing with the various travel disasters, what sort of airlines will go to Airbnb and hotels, so on and so on. So let's go to airlines first.
Sure. Yeah. You know, airlines actually is the one industry where I really spent time looking at more than one company because they were actually this incredibly diverse sort of set of baggage, no pun attended that they brought in. And so yeah, you mentioned Delta, which was the best performing US airline for years. I think had sort of seen itself as having achieved some kind of escape velocity from the boom and bust cycle of airlines reliably for one reason or another, go bankrupt like every 15 or 20 years.
It's a terrible business when you put it the way you describe it.
And look, they don't do themselves any favors with public opinion, but it's an incredibly capital intensive, risky, complicated business of flying, gigantically expensive hunks of metal around and never crashing. So like, I don't know, I have some sympathy for that job. But yeah, Delta really saw itself as having sort of jumped, it leapt out of that

world entirely. And they opened with Ed Bastian, the CEO of Delta, speaking at the Las Vegas Consumer Electronics Show, the sort of mecca of gadgetry and, you know, slick presentations. And it's a weird place for an airline CEO to be. And in fact, he was the first one to have given a keynote speech. And yeah, he's trotting out all of this next level stuff. They have these biometric retinal scan screens that will show you your itinerary when you look at them because it knows in your language. I mean, really super interesting stuff. And he was positioning their seatback entertainment systems as a streaming platform to rival Netflix. I mean, just really, I have to say the quote I enjoyed that you described quote, it's easier to cry in the air. So there's an opportunity for, you know, it's just tear jokers for Hollywood.
He Jen, he 100%, he seriously made that argument. And, you know, I think it was just a reflection of how, you know, what a champagne decade that industry had had the, the bankruptcies, the post 9 11 bankruptcies of, you know, the 2000s were behind them. You know, the last big restructuring had been American Airlines, which came out of bankruptcy by go by merging with us to make the American that we have today. You know, they had really ridden this, this wave of, I mean, huge international travel, the world was incredibly interconnected in the way it had never been before, you know, had a fairly benevolent energy environment. And I mean, it was just, it was just a good decade. And it's, it tells you how short memories are even at the level of people who are paid to have long ones that an industry that is so prone to just chronic screw ups and chronic collapses could get that self delusional. And actually, before I even, before you even read the book, the sort of opening page has two quotes, one from Winston Churchill and the other from the CEO of American Airlines, Doug Parker, who said, swear to God, said in 2018, I think 1718, I don't think we're ever going to lose money again. These are words that came out of his mouth and should just tell you kind of where, where the industry was coming into the pandemic.
You know, it's a while just reading the book and also hearing this. If you, I think this is the, I like the way you wrote it, but just I'm reading this, I'm like, man, like 2010's like, they're awesome. The 2010s did just did not feel awesome. I'm just thinking about that on a narrative level. And I know you made the point about the split screen economy just like just once again, this is a podcast that kind of dealt with that post 2015 populist moment. You would just not, I would just struggle to imagine taking this narrative back to someone in the 2010s and just basically saying like, yeah, we're going to look back on this as a champagne decade. Did you, did you have kind of that like cognitive dissonance at all? Maybe it's because politics is my primary area of focus and politics. Okay, that's probably it. Like finance feels very ordered and straightforward. It's politics that felt totally disordered during this period.
No, it's absolutely right. And to the extent that there were sort of pricks of the financial optimism bubble, they came from the world of politics. That said, the business world largely shrugged them off, right? The 2010s, things that I imagine you're talking about, you're talking about a debt crisis in Europe, you're talking about a trade war with China, you're talking about a couple of political black swans with Brexit and the election of Donald Trump. And you're, none of it seemed to matter. I mean, this was long, it was always called the most hated rally in history, which is that it couldn't possibly continue. And yet it did. And it made a lot of very sober minded skeptics look very stupid for a long

time.
You know, going back to the comparison of the 2010s post financial crisis period and then this post COVID period, politically at least, a lot of disruption on the left and right has been driven by beef over how that post financial crisis period was handled. Those don't go to jail, occupy Wall Street space if we pushed aside. The Tea Party is pissed off over this, this or that. It doesn't seem like there are any political movements or broad narrative takeaways related to the economic and financial side of the COVID response. So like, obviously, like there's masking stuff, there's lab lake debates, Dr. Fauci, like all those things. But those are much more in a culture war category as in contrast to how like, if you were to go over the list of complaints about the Obama administration's handling of that post financial crisis period, they would say like, Dodd Frank was too weak. This, this, this, this, this and that. How do you, is there a world where the decisions we made in 2020 to 2021 on the economic financial side, six, seven years from now, we're going to look back and say, ooh, we missed something. That's going to define maybe the 2032 election. Because that's how we now tell the story of that post 2008 period.
No, exactly. I think some of this will take a little while to process. I mean, again, I'm not, I don't want to engage in like armchair psychology, but like, yeah, I think there, there is a lot of processing that needs to happen, both on sort of an intellectual and an academic front. And then like, I don't know, I was, I was curious, you know, we didn't pick this publication window for any particular reason other than that's when the book was done. But, but you know, it's the three or-
And when the paper was available, because the paper thing has been a disaster, which is other quick thing, quick thing for listeners, like so many books that I wanted to have on the shelf just been delayed by months because there's a paper shortage in the industry.
There was. And actually, you know, it's, you know, it's an interesting economic story to me anyway. We'll see if your readers find it.
Yeah, please.
But it's basically two things. It was the supply chain, you know, foul ups of 2021 and 22. But actually, there was an industry decision made 15, 20 years ago that no one was going to read paper books anymore, that everything was going to be electronic and so they didn't reinvest in the mills and the binding facilities. And yeah, talk about just like a forecast that just assumed something that turned out not to be true. People still actually, I think hard copies and the same way that vinyl is having kind of like a weird nostalgic renaissance. So side note, but, but yeah, everything is an economic story if you look closely enough.
Oh, what was the question?
So you're, you're, you're answering, no, it's the cost of interruptions. You're answering a, you know, there's something interesting about the publishing window of March 2023.
Yeah, I think we have not like fully like personally, emotionally, economically, academically, intellectually reckoned with what happened. I do think the, I think the argument if I'm playing this out would be that the market crashed, right? A lot of people sold at the bottom. And because, let's say this is better, that the physical economy has had a fairly steady, slightly uneven, but fairly steady recovery for the last 18 months, right? The the economy lost 30 something percent in the second quarter of 2020, it got 30 something

percent back and then kind of made up, made up the gap on, on economic output on employment. But financial markets have had a very, very different ride, which is to say that they have now hit new high after new high after new high and the value most of those gains accrue to a very small percentage of very wealthy people. So my guess would be that you will see more economic inequality, you know, seven, eight years out. Interestingly, though, last year, 2022 is the first on record where the top 1% of Americans got poorer and the bottom 50% Americans got richer. So, you know, there's some very confusing economic symbols coming out. I don't think, I don't know exactly where that, sorry, this is a really rambling answer. I don't know exactly where that, that sort of populist rage would come from. Like, yeah, everyone loves to hate the airlines, but like directly or indirectly, like one in 12 Americans works for them. So I don't think you'll see that could that money have been better spent? Maybe. But then there's an argument on the other side that the government was writing checks to regular Americans long after it should have stopped. So I think one thing that I've kind of just as an intellectual exercise kind of run through my head is if the pandemic was half as bad as it was, would, would we be, would we think about it differently differently? Which is to say, would you have really seen some companies that made it and some didn't? Would you have seen the government help some people and not others, right? But because of the speed and, and the extremity of it, they made a decision, which I think ultimately is quite defensible, but explains where we are now, which is there's a trade off between getting money out fast and getting it to the places it really needs to go and they decided to get it out fast, which means that they overspent and they didn't mean test and some people got money that shouldn't have. But I think you could fairly make that argument both at the sort of fat cat corporate level and the sort of everyday working American level. So I don't know, I'd be curious to see if those political narratives get sharpened in some way where this becomes the kind of origin myth of the next sort of political movement.

Yeah, it's something for folks to take note. So last few big things. So number one, I am curious when you're writing about this in March 2020, you're no longer in the office. What were companies you thought were going to be just totally screwed, who ended up not getting screwed? And then what's a company that you thought was going to win that just didn't win?

The first one.

It could be, it could be a couple of different, you don't have to, I said single or plural.

Yeah. Well, I'll start by telling you a slightly funny story that explains this, which is the original title of the book, or the original subtitle of the book, I think was something like fortune and failure in the pandemic economy. She has a nice ring to it. I liked it. I wish I liked it. And then sometime in like late 2020 or early 2021, I called my editor at at Crown and said, Paul, you know, like not a lot of failure as it turns out, which is all the way of saying I had expected this to be much more of a bloodbath than it was.

Oh, kind of pause real quick, because you just made realize I made a huge fuck up. Small businesses where the failures would have been, because I'm being very precise, because it seems like that's where we would see the difference, right? Like the local business that closes, like how much of that plays into this?

I mean, I just spent some time on the paycheck protection program, which was paid the salaries of people who worked at small businesses. You know, that program I think has been sort of unfairly maligned in the year or two since it wrapped up. Yeah, that was a fair amount of fraud. And you can argue it fits more broadly into the narrative that I think is mostly true, but obviously politically tinged, which is if you pay people not to work, you end up with people who don't want to work. But in my view, it was a pretty well designed government program. I mean, as I reported in the book, the economists at Treasury did some math and they said, we think it'll cost about $600 billion. It ended up being $575 billion. Incredibly well administered. Like if your beef is that you don't think the government should just be sending people money that they don't have to give back, well, then fine. But I actually think it's a pretty, I think that one's going to go on the shelf and be part of a sort of crisis response playbook.

And I also have to remember that, like, you know, some businesses were shut down because their businesses didn't make sense anymore. But like the government was forcing people to stay home. It was not allowing you to run your business. And, you know, you're a foreign policy person and you understand that like, it's in the heat of the moment, sure, yes, I think it was the right thing to do. But that's a state controlled economy. And you end up in a very different political and economic discussion very quickly. And so I don't think there was any choice but to step in and backstop them. Yeah, I guess a lot went out of business fewer than you would think. And if they did, it wasn't because they had to pay employees because the government was doing that. So I think overall, like one lesson coming out of the 2009 and 2010 recession was it's hard to get people, it's hard to restart an economy that sort of slowly kind of dwindled. It is easier as we saw here when the rubber band snaps back to kind of build a bridge to get you over whatever that pick your letter or your U or your V, your Nike swoosh of a recession to just spend the money, build the bridge to get there. You know, we can talk a little bit about airlines again, but like, think about the travel hell that has been 2021 and 2022. Can you imagine how much worse that would have been had you had people in an incredibly regulated industry who'd gone off payroll, and lapsed in their training, weren't getting enough flight hours who weren't bidding on the right schedules. I mean, I think the decision to spend what was required to keep those years moving as well as they could is one that's to be applauded.

So last two here. So my first one is kind of your opinion, such personal question. I'm interested in the juxtaposition between Airbnb and hotels because I'm not sure if you, you know, how online and Twitter you are, but there's been a lot of like Twitter discourse like, man, like Airbnb sucks now and actually hotels are great. And I've, I actually am personally in that camp. I've just entirely pivoted to hotels. It's very straightforward. I'm curious, where do you come down on the hotel Airbnb? How are the, how is the industry basically standing question post COVID?

It depends actually really, I think on your view of the future of remote work, because that's really the, you know, hotels make so much of their money on the business travel or similar to airlines, right? A lot of that, you know, setting aside, you may be staying in a hotel versus an Airbnb when you go to New Orleans or whatever. You know, the question of our business executives on the road, or are they spending three months a year, I live in New York City, are they spending three months a year in the Catskills logged into their offices? And those are two, I think we don't, we genuinely don't know. Airbnb has clearly made a bet on the latter. As I write kind of late in the book, they had rolled out this work from anywhere sort of fellowship where they sort of let 12 people, I think, you know, do their jobs from wherever and say it, Airbnb is for free for a year. And the CEO of Brian Chesky himself was kind of Airbnb hopping and ended up in some hilarious housing situations for a while. Or, you know, this tug of war that, you know, traditional white collar and tech companies are having with their workers about butts and seats. I think it's like really unclear where all that's going to land. And if it ends up looking more like 2019, then I would bet on, I bet on hotels over Airbnb, but I don't know. And that's actually a fun, it's an interesting place to be as a reporter because for a lot of 2010, like of the 2010s, there weren't a lot of things that smart people disagreed on. There just wasn't a lot of room for debate because the market just went up. And I think there's a lot of like real inflection points now that we genuinely don't know. And you can make a pretty good case for the world looking lots of different ways in 2020 and 2030.

So we'll wrap where we began. Resiliency is key. There's a trade off efficiency resiliency. With a bunch of the rhetoric that you kind of used at the start is that we in some ways like improve the situations with the banks and, you know, the post-2008 world, but also certain bag practices may have come about again. To what degree are you optimistic or pessimistic about us learning the resiliency lessons moving out of this crisis? Because I think it's really well said from your point at the start. This isn't, this is about COVID, but it shouldn't be treated solely as COVID. I would hope that a forward executive of a may not be listening to this podcast or reading the book is thinking, okay, if there's a Taiwan straits crisis between now and 2027, man, we better friend short to Mexico by then, because that would be a complete disaster for the American and global economy. What's your pessimism optimism on the resiliency question?

I'm sort of generally an optimistic person by nature, though probably less so on that. I mean, I think there's three things that I would sort of look for. If you have me back on in 10 years, we can talk about it. You know, one is sort of that traditional business resiliency. So you mentioned sort of on-shoring, reshoring, friend-shoring. Clearly that's going to happen, but that takes a lot of time, right? We'll see where the US chips money, the semiconductor money is clearly going to get spent building some domestic manufacturing capability there, but Apple is going to be relying on China for a long time. So to what extent is that really baked into global supply chains is one. The other is what I would call sort of like money stuff. So one lesson that we learned coming out of this that we continually learn and then forget is you're never as liquid as you think. Liquidity is very valuable and you never have enough of it. And so there's a question there of where you see something that was foisted on the banks, which is to say we want to put more of your money in things like cash and treasury bonds and less of it in like weird real estate stuff, whether you'll see people voluntarily doing that for the reasons we discussed earlier. I kind of doubt it. The other is like, I get asked sometimes about the book, like, what lessons you have for leadership? And I'm always like a little eye-rolly about that kind of stuff. But one take away

that I had was make decisions, like make a lot of decisions. If you're a CEO, you're probably pretty good at your job, right? There's like some, you know, weeding mechanism that like smart people get to run these big companies. And I think one lesson was they made all these decisions incredibly quickly and they sort of throughout the, you know, these decisions at big companies for like who to buy your post-its from can just be like, you know, debated to death and puts for a million strategy runs, make a lot of decisions and they're not all going to be right. But like, if you bat 60, 40, like over time, like that, that sort of dynamism accrues to like, you slowly moving things in the right direction and then you're building off better decisions. And so I think you'll see a nimbler kind of leadership come out of this. The other thing though, and can I write in the book about this a little bit, every generation has sort of produced its own corporate archetype. So you had, I mean, out of the 20s and 30s, the first group that was really skilled in management science and the sort of rise of the NBA. And then they somehow got fat and happy and lazy in the 60s and 70s and built these huge conglomerates that got busted up in the 80s and 90s by corporate raiders and hedge funds. 90s and 2000s, they merged and outsourced and kind of professionalized and became these larger than life figures like Jeff Bezos and Jamie Diamond and Bob Iger. I think coming out of this, you will see CEOs that are nimbler, that don't quite aspire to sort of escape the business world entirely, but are really creatures of it. And you're starting to see that now, which is to say the culture wars that are kind of, you know, squarely coming at business, I think are very clearly an outgrowth of the pandemic where like you had this huge vacuum of public sector leadership and every CEO is secretly in their own head, living this profiles and courage, you know, biopic and they saw this opportunity, I think mostly for fair reasons to lead, to be a leader and they rushed into that void and now boy do I think they regret it because they are right in the middle of these really thorny, slippery slope culture fights where they're expected to have an opinion and live their values and like, God, they're just like, I'm just trying to sell widgets. So I think I'll be fascinating to see how that story plays out.
Yeah, no, that's a there's been a couple of places I want folks to double click on and check back in on Liz. This has been really, really, really fun. The book is Crash Landing, the inside story of how the world's biggest companies survived an economy on the brink. It is not about what is it, failure and fortune. The title has been changed. I think that's that's a funny I'm glad you told the story that it's kind of like halfway through your thesis to discover, hey, like, that's actually just not the story here. That's an excellent place to leave it. Thank you for joining me on the realignment.
Thank you so much for having me. This was fun.
Hope you enjoyed this episode. If you learned something like the sort of mission or want to access our subscriber exclusive Q&A bonus episodes and more, go to realignment.supercast.com and subscribe to our $5 a month, $50 a year or $500 for a lifetime membership. Thanks. See you all next time.