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Robert E. Rubin: Philosophy Prepared Me for a Career in Finance and Government

By Robert E. Rubin

Mr. Rubin was secretary of the Treasury from 1995 to 1999.

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When I arrived at Harvard in 1956 as a freshman, I felt overwhelmed academically. Unlike many of my classmates who had gone to rigorous private schools, I graduated from a Florida public school that in those days rarely sent kids to elite colleges in the North. Even after four years of high school French, I couldn't pass the exam to get out of the entry-level class at Harvard. In math, I was relegated to the remedial course.

The dean tried to reassure us at orientation by noting that only 2 percent of the class would fail out. I thought my classmates were lucky: I'd somehow manage to fill the quota all by myself.

My tenuous feeling about being at Harvard would never fully dissipate. But to my surprise, and that of my advisers, my grades were quite good at the end of the year. The upside of entering Harvard with less academic preparation than many of my classmates was that it forced me to rethink much of what I thought I knew.

So, too, did Raphael Demos. Professor Demos, an authority on Greek philosophy, was Harvard's Alford Professor of Natural Religion, Moral Philosophy and Civil Policy. But to me, when I took a class with him my sophomore year, he was a genial little man with white hair and an exceptional talent for engaging students from the lecture hall stage, using an overturned wastebasket as his lectern.

Professor Demos would use Plato and other great philosophers to demonstrate that proving any proposition to be true in the final and ultimate sense was impossible. His approach to critical thinking planted a seed in me that grew during my years at Harvard and throughout my life. The approach appealed to what was probably my natural but latent tendency toward questioning and skepticism.

I concluded that you can't prove anything in absolute terms, from which I extrapolated that all significant decisions are about probabilities. Internalizing the core tenet of Professor Demos's teaching — weighing risk and analyzing odds and trade-offs — was central to everything I did

professionally in the decades ahead in finance and government.

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At the same time that I was processing Professor Demos's class, one of the big ideas floating around coffeehouses in Cambridge, Mass., was existential philosophy. In time, I arrived at my own interpretation of that way of thinking. To me, existentialism is an internalized sense of perspective. I came to believe that on one hand, the present matters a great deal, but on the other hand, in the totality of space and time, the here and now becomes insignificant.

I'm asked from time to time which undergraduate courses best prepared me for working at Goldman Sachs and in the government. People assume I'll list courses in economics or finance, but I always answer that the key was Professor Demos's philosophy course and the conversations about existentialism in coffee shops around campus. For me, embracing these two perspectives brought me a sense of calm in what were incredibly stressful situations.

There was a point in the early 1980s when the Goldman Sachs arbitrage department, which I led, lost more money in one month than it had made in almost any one year, driven by severe declines in the equity markets. Given the vicissitudes of markets, there was no way to tell whether we'd reached the nadir and recovery was around the corner — or whether we were about to go over a cliff. Despite the immense pressure, and the emotional state of the markets, I drew on an existential perspective, and my colleagues and I made careful, probabilistic decisions to adjust our portfolio, and we weathered the storm.

During my time in the Clinton White House, my colleagues and I tackled similarly complex situations. One extraordinarily complicated issue was the 1995 budget battle, which transformed into a debt-limit crisis and two government shutdowns. Compounding the severity of this policy debate for me was the experience of being personally vilified. Despite the complexity of the issues and the emotions involved, we managed to keep our balance and stand our ground. The Republican-controlled Congress eventually raised the debt limit, as we had advocated.

In both of those situations — one on Wall Street, the other in Washington — I drew from Professor Demos's philosophy class and the existentialist lessons from the coffeehouses, which shaped my thinking on how to make decisions and helped me build a durable sense of remove and perspective.

Despite having such a profound impact on my way of thinking, I never actually met Professor Demos. I was just one of a hundred or so young faces sitting in a lecture hall, taking in his every word. If I had the chance, I would thank him for challenging me all those many years ago. He

crystallized for me the power of critical thinking: asking questions, recognizing that there are no provable certainties and analyzing the probabilities. And that, coupled with my coffeehouse lessons, was the best preparation one could have — not just for a career but also for life.

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