

This year's Commencement speaker, Diana Farrell '83, has spent her life considering global issues. Growing up in Latin America in a bicultural family — her father is American and her mother is Colombian — along with her four brothers and sisters, Diana says she always has appreciated having strong roots in more than one culture. Her experience at Loomis Chaffee and subsequently at Wesleyan University, where she graduated in 1987 with a bachelor's degree in economics and a multidisciplinary major in government, history, economics, and social philosophy, fueled an interest in different countries' approaches to governing and economic development — themes that have carried through her distinguished career. As a director at McKinsey & Company and the global head of the McKinsey Center for Government, Diana helps to move governments and individuals toward an understanding of, in her words, “what works and why, what doesn't work and why, and how it translates properly into different contexts.” President Barack Obama tapped Diana to serve as a deputy director of the National Economic Council, and in this role she helped steer the country through the tumultuous economic times of the Great Recession. She was the White House point person on the Dodd-Frank Act, working with the Department of Treasury, Congress, and external stakeholders to gain passage of the financial reform bill. Returning to McKinsey after her two-year stint in the White House, her experience continues to inform her work leading research and dialogue on effective government. Diana and her husband, Scott Pearson, who is head of the District of Columbia Charter School Board, live in the Washington, D.C., area with their children, Sonia, 16, and Jasper, 14, both of whom attend a bilingual international school in Washington.

In a telephone interview in March, Diana spoke about her life and career with *Loomis Chaffee Magazine* Managing Editor Becky Purdy.

Q: How did you come to attend Loomis?

A: I was born in Bogotá. My father was stationed there with General Electric and met my mother there. I grew up first in Bogotá for 10 years and then we moved to Caracas, Venezuela, so I went from Caracas to Loomis. I went to Loomis mostly because my brother [Edward '81], who is a year-and-a-half older than I am, had gone to Loomis. I looked at a number of schools, but the combination of how great Loomis was and the fact that my brother was there was compelling enough to make that my top choice.

Q: How was the experience coming from so far even though your brother was here?

A: There were great things. The hardest thing about it, bar none, was just how cold it was. I'd never lived through a winter, and frankly, I just didn't have the right gear, and even if I'd had it, I wouldn't have known what to do with it. (laughs) I was wearing sandals in November and December, and I was just kind of refusing to acknowledge that I had to bend to the weather. The winter was really quite a shocking experience for me. But the environment of being surrounded by people who were very committed to their work and intellectually curious, just so thoughtful about what they did, and the intensity of joining in a boarding context was just fabulous. It was eye-opening and really helpful as one goes through this process of growing up.

My brother and I had attended [an American school] in both Colombia and in Venezuela. It was a very good school, but with the quality and intensity of the instruction at Loomis, the small classes, the seriousness of purpose that people had there, the sports, it was a really heightened experience for both of us, but certainly for me.

Q: What were your extracurricular activities at Loomis?

A: I played soccer for the first couple of years, and then I dropped it. I did a lot of theater, and that was another aspect of Loomis that was just fabulous. After my first year, I think I was involved in a play pretty much at all times. That was really just wonderful, and there was so much attention to the student's role in all of it, from the director, to the staging, to the acting. It was just a wonderful growth experience.

Q: Were you involved in theater before you came to Loomis?

A: I'm sure that I was involved in theater, but it was more in the vein that everyone did whatever middle school play. But at Loomis it really became a bit of a passion, which I continued for a while into college, and even though I didn't go much further [with theater] than a few years in college, it's still a big part of my life. My family and I spend a lot of time going to the theater. We're subscribed to most of the theater companies here in Washington, D.C., and I do credit Loomis with sparking that.

Q: When you were a Loomis student, what did you imagine your future would be how close has it come to your life today?

A: I don't know that I had a particularly clear vision of what my future was, but I probably knew that the fact that I was bicultural and was interested in what was happening around the world would play some role in my life. I never felt fully American or fully Latin American. It was a great experience to get to be in multiple worlds. I had always had an interest in — I'm not sure I would have characterized it this way then, it sort of came later in my training — in economic development issues and the whole notion of governance of societies. You live in different countries and see that the fabric of societies is quite different. What works and doesn't work and why it works and doesn't work were things that preoccupied me even at a very young age. It went on to fuel my interest in economic development, fuel my interest in policy, which sustained me even when I was more squarely in the private sector. Those themes always were part of the work that I did.

Q: On paper, your career looks like a steady progression toward where you are today. Would you characterize it that way?

A: Not at all. I approached my career in two-year stints that eventually became three- to five-year stints but always with the sense of "I don't really know what the long-term destination is, but if I am feeling very good about what I'm doing in the next while, that's good enough." Coming out of college, my top preoccupation was making sure I was going to get good on-the-job training. I was very fortunate because in my junior year in

college, when I had no idea what I wanted to do but thought I might as well try some experience, I was recruited by the Financial Women's Association of New York, whose mission was to get more women on the boards of directors of financial institutions. They realized that there wasn't enough of a pipeline of women who knew about finance and that they needed to reach back into colleges and get women involved in finance so that they would then become future leaders of, or at least board members of, financial institutions. In that wonderful vision of theirs, I was recruited that summer to go and work at Goldman Sachs in New York as a summer intern, and it was wonderful. I learned so much and I was imparted such a great set of skills, so I returned after I graduated from college to Goldman Sachs. And then I went on to business school from there. Coming out of business school, again, I had no clear view of exactly what I wanted to do, but I did know that I wanted to be in a great organization that was going to teach me a lot, where I was going to continue to develop professionally. I came to McKinsey with the full expectation that I'd be here two or three years and then I'd move on. But every time we hit the two-year mark, I'd find a new path that I would be excited about. I'm amazed still that I've been at McKinsey as long as I have, except for my stint in government. It's really been, not a progression that I saw from the beginning, but more a set of decisions that had initially a shorter time frame and then became slightly longer as I took on bigger projects and bigger aspirations.

Q: What is your role today at McKinsey?

A: I founded the McKinsey Center for Government. It's a center for excellence for research, for classification of best practice, and for a real understanding of all the work that McKinsey does with governments but also that governments are doing around the world. There is the proposition that most governments are solving the same problems over and over again. Some of them are solving the problems in better ways than others, but they're not learning as much from each other as they could. I think that we can really play a role in helping crystallize what works and why, and what doesn't work and why, and how it translates properly into different contexts. Of course the center's work supports the consulting practice that McKinsey has with governments, but it's also a center in and of itself — of research and convening of experts to try and push the dialogue of effective government.

Before I had my stint in government, I had run the McKinsey Global Institute, which is McKinsey's global economics research group — a global enterprise trying to take the window that McKinsey has on the world, which is working with companies and industries in over 70 countries, and developing what we always characterize as a microeconomic view of macroeconomic problems, trying to explain the process of globalization. [The Global Institute and the Center for Government] are linked in important ways because a big part of the effective government agenda is operating within the economic constraints and the challenges that globalization has put on governments.

Q: Is there much overlap between the work you did at the White House and your work at McKinsey?

A: Yes and no. Yes, in the sense that, I think one of the reasons that I was tapped to join the economic team at the White House was that I had been at the helm of developing this very detailed view of what is happening on the ground that gives rise to the macroeconomic impact and outcomes that we see. And as we were going into the financial crisis in the summer of 2008 and then deep into the economic crisis at the end of that year and the beginning of 2009, it was pretty clear that the sort of traditional approaches in economic thinking for government intervention were just not going to work. We hadn't seen anything like the chaos that ensued since the Great Depression. There was an understanding that we were going to have to approach this with a relatively blank sheet of paper. We didn't really know how things operate in this environment: 0 percent interest rates, the complete paralysis of the credit markets, even the sheer magnitude of the job losses we were encountering every month, and ultimately it was really the breakdown of the natural mechanisms of economic activity. It was very helpful that I had a very on-the-ground microeconomics understanding of what interventions would or wouldn't work and why and how they played out in different countries and different contexts. We found ourselves recognizing that this was a unique context that was not well known or understood given the extremis that we were in.

So it was a lot of the same tools, and it was a lot of the same sets of questions and issues. But otherwise it was quite different because the operations of the private sector were very different than the operations in a government context. When I was at McKinsey running the McKinsey Global Institute, it was a think tank. It was a research group. It was ultimately about explaining the way the world works, documenting the way the world works, writing papers about it, giving speeches about it, and helping others use that understanding for their own strategies. That was quite a different thing than being on the council that ultimately poses for the president what are the key economic decisions that the president needs to make and makes recommendations and a rationale for the recommendations. In a think-tank world, you think about the optimal answers in wonderful, unconstrained environment. [In the government world], you really have to address options in the context of the political economy, what's possible, what's politically feasible.

Q: How different are the working environments of those two worlds?

A: It's hard to compare them because the situation when I was in government was so extreme. We had a monthly loss of 700,000 jobs month after month after month. We had the credit constraints where even General Electric couldn't get credit. We had the entire banking [crisis]. We had to pass an \$800 billion recovery act. We were pushing three major legislative initiatives — health care, financial reform, and the climate change bill. The sheer intensity of that experience, even though I think working in government at those levels is always intense, was an order of magnitude greater than normal. McKinsey's always been a very dynamic and challenging and very hard-working place, but [the Economic Council work] was just an order of magnitude difference in terms of what was required and what we were all doing, which was getting very, very little sleep seven days a week, 30 days a month for certainly the first 10 months of that term. I was surrounded by very dedicated, hard-working people who were serving their country. In

that way, the two environments were really similar in the sense that McKinsey has a very values-driven, mission-oriented attention as well. But in one case you get paid very well, and you get treated very well, and in the other case, you do all of that with all the values and all the nobility and 10 times the work, and the conditions are much, much harder. I have a lot of respect for people who, especially, are disrupting their family lives and their opportunity costs to serve in government.

Q: Was it your plan all along to stay on at White House for two years?

A: Yes. I was clear with the president and with the transition team when I came on that I would come [for two years], and we all hoped that we would stave off the worst of the crisis within the first two years. And that was my commitment, mostly because my children were still very young, and they were used to having a mother who worked and worked hard and traveled, but not a mother who was completely missing in action, which I was for a while.

Q: What's your impression of the president?

A: I have utmost respect in regards to the president. I think he was handed a very, very difficult set of cards, and I think that history books will treat him very, very well.

Q: McKinsey has a large initiative that promotes opportunities for women. What has been your experience in a field that still is male-dominated?

A: My personal experience has been extremely positive. I was really blessed by having some really good mentors early in my life, male mentors as it turns out — there weren't that many women. But they really helped me, and I progressed in a traditional way very fast and happily and felt very well supported. I also had a lot of flexibility when I embarked on this wonderful adventure that is motherhood. I took a leave when my daughter was born. I took an extended leave when my son was born — I took a year-and-a-half off. And throughout it I felt very supported to be on leave and on full benefits before I came back. But I don't want to underestimate the need. And I was very fortunate — maybe even more so than in the workplace — in having a husband who helped make it all work, a real partner in it. So I have a personally very positive story to tell, but I would not want to underestimate just how difficult it is because it's both long working hours and an extraordinary personal commitment and a lot of travel and things that make it hard. When everything's sailing smoothly, everything sails smoothly, and it can all be made to work. But there's not a whole lot of cushion for if something goes awry. McKinsey has done a terrific job of trying to address this, and I just wish the outcomes were better, both here and in many other places, than they really are.

Q: How has your husband pursued a career too?

A: He worked for most of our early years. He retired from AOL for a while, and he was working in the nonprofit sector. He was board chair of several organizations and was very active but with a lot of flexibility, which helped a lot. And now since we've moved

to D.C., he's gone back and is the head of the D.C. Public Charter School Board. So he has worked most of the time, but during the critical time he had a portfolio of activities that gave him quite a bit of flexibility, which helped us a lot.

Q: What advice would you give to a young woman, say a Loomis student or a recent alumna, who's interested in following the kind of path that you have?

A: I'd say go all in. Marry the right person. I don't underestimate just how important it is to have a real partner on your side because if you're fighting both battles — at home and at work — then it's just over. I think that there are many stages to one's life, and recognizing that gives you a lot of freedom to focus on different things at different times. Coming out of Loomis and certainly coming out of college, that's the time to be all in, all in to exploring the world and figuring out what you want to do, recognizing that it won't always have to be that way, but that's a particularly good time to really dedicate yourself.