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Walking With the Good Guys

By Daniel Rose

The phrase "morality in the real estate world" is apt to evoke smiles, and recent headlines tell us why.

One prominent but flaky real estate man is charged with contracting to have his joint venturer shot.

The second party, it is claimed, had cleverly cheated the first. So much for "honor among thieves."

A third real estate person receives important zoning concessions for preserving landmarked features on an old structure adjoining his new tower, but claims his instructions were "misunderstood" when his henchmen enter on a Sunday morning and carefully destroy the landmarked art deco nuisance.

A fourth is charged with blowing up a building in midtown Manhattan but professes surprise and dismay that troublesome "hold out" tenants were removed so crudely. And on and on.. .

What does it all mean?

Well, we all know that in the business world generally there are saints and sinners, heroes and villains, those we respect and those we do not.

It is a sad fact of life that members of each group are usually able to succeed financially. But I like to think that the "good guys" are

happier with what they see in the mirror each morning; and that, too, is an important part of life's rewards.

Besides, a case can be made that a well-deserved reputation for character and competence is an important asset, even though it doesn't appear on a company balance sheet. When tough-minded Benjamin Franklin had Poor Richard say, "Honesty is the best policy," he presumably meant more than just a Sunday School maxim.

But let's begin at the beginning.

Some of you here today will find this session a total waste of

time since there is nothing you can use on your final exam (except the advice not to cheat, since it is both improper and potentially dangerous to your academic health, as well as self-defeating.)

Others of you will find this session marginally useful, since it may keep you out of serious trouble in the long term.

Others-many, I hope-may find it thought-provoking, since it will encourage you to ask yourselves who you are and who you wish to become, what your base values and deepest convictions are, and how you can apply

them to your professional careers and to your personal lives.

Yes, the "bad guys" sometimes seem all around us; but the "good guys" are numerous, too! And I thought it would be a useful exercise to identify some of them, to explore what they had in common, and to see what we can learn from their careers.

The real estate examples I have chosen are well known, were universally admired, and are no longer living, so that none can protest that I am embarrassing them or exaggerating their virtues.

My half dozen candidates, among many possible choices, are James Felt, James Landauer, John White, Edmund Wagner, Henry Hart Rice and Herman Maser.

Felt was a broker and consultant who served with distinction as Chairman of the New York City Planning Commission; Landauer, White and Rice were brokers and consultants who had major national real estate prizes and awards named after them. Wagner led a real estate company and served as a bank president, and Maser was head of real estate at Bankers Trust.

Each made a comfortable living in the tough, competitive New York real estate world, and each was admired and respected for professional expertise as well as for character. But what else did they have in common?

First of all, they were not only honest but honorable.

Not lying, cheating or stealing was where their morality began, not where it ended- and each knew that law is "the ethical minimum."

Each was circumspect, even cautious, about giving his word or his handshake, but having given it, stood by it. Each did not

feel obligated to answer all questions put to him on all subjects by all questioners, but if he did give an answer, he believed it to be true. Each knew that "full disclosure" was the most effective defense against charges of fraud, and each was as open as common sense and good practice indicated.

All were very careful about the people with whom they had dealings. Wherever possible in the real world, they tried not to deal with people they felt to be devious, disreputable or dishonest.

Let me emphasize again that these were successful businessmen, brokers, bankers and advisors who lived in the real world and who

were involved in some of the most complex transactions of their time. They supervised the largest property assemblages, made their way through the most complex rezoning negotiations, created the most complicated financial arrangements. Yet each emerged with his reputation intact and his conscience clear. Each knew the kind of person he wanted to be and each played that part in life.

And that is perhaps where we should start our discussion.

Each of us reflects at this moment the complex mixture of influences, characteristics, experiences, teachings, etc. that have

formed us; but each of us is also what artists call "a work in progress," a character in the process of "becoming."

We are continually recreating and redefining ourselves, and the process is never-ending.

As I explain to the Central Harlem students I work with, your actions from day to day become your habits, your habits over time become your character and your character, I tell them, becomes your destiny.

So be careful what you do today!

Each of us in the real estate world can decide for him or herself whether to focus on the "tricks of the trade" or to learn the trade itself; whether to focus on short cuts or to learn the whole route; whether to cut corners or to give full measure.

None of the people I have mentioned had a desire to be a Mother Teresa or an Albert Schweitzer; each knew he was not living in a monastery and that in the fiercely competitive New York business world the goal was "to make a buck."

But they-like developer colleagues such as Sam Rudin, Harold Uris, Dave and Fred Rose and David Tishman-knew you could

make that buck by providing a service, knowing a market, making prudent bets on wellgrounded hunches, creating value in any of a dozen ways.

None of the names I have mentioned were phonies or frauds, all were hardworking, conscientious, thorough people who mastered their field, who made it a point to give fair value, who played the game according to the rules, and who understood that the real definition of luck is "an opportunity for which you are prepared."

The typical college course in "ethics" today probably starts

with a discussion of the theories of Aristotle and Immanuel Kant, of John Stuart Mill and perhaps John Dewey. It probably requires term papers on Antigone's anguished choice between burying her brother or obeying her king, or on John Rawls' (much overrated, in my opinion) *Theory of Justice*. And the reading lists probably include works like Marcus Aurelius' *Meditations* and Francis Fukuyama's *Trust*.

I doubt seriously if the real estate people I've mentioned studied such material. If anything, they may have laughed their way through Stephen Potter's classic *Gamesmanship*, whose subtitle is *How to win games without actually cheating!*

Some of them may have read Machiavelli's thought-provoking and often misrepresented classic *The Prince*; and although they may not have read Adam Smith's *Wealth of Nations*, all would have understood clearly his view that the butcher, the baker and the brewer supply our dinner, not through benevolence, but from self-interest.

They were practical people who would not have been so surprised as I confess I was when, 46 years ago during my very first week on the job, I was told to order an appraisal, and the response to my call was the question, "Is this an appraisal to buy or an appraisal to sell?" Until that moment, I naively assumed

that God knew what every property was worth and that the job of the appraiser was to figure out just what God had in mind!

These practical people could not conceive of taking a bribe; on the other hand, they understood the difference (not recognized in law) between a "bribe" and a "shakedown." When faced with the latter, I believe they would have wrestled with their consciences; and their actions would have depended on the specifics of the particular case.

In the zoning rush of 1962, for instance, a huge number of plans flowed into a Buildings Department hopelessly unable to handle

the volume. Those waiting patiently in line found their plans mysteriously being shunted to the bottom of the pile. The practical industry response was to hire "expeditors" at exorbitant fees, not to get special treatment but merely to maintain their place in line. Pope John Paul or Mahatma Gandhi would not have approved, but every major architectural firm in New York understood what was happening and acted accordingly.

So far as I know, none of the individuals I've mentioned had a law degree, but, as old and 'seasoned professionals, each knew the law pertaining to his particular specialty as well as any attorney. They read the relevant documents, understood the difference

between routine boilerplate and substantive clauses, asked questions, discussed controversial cases and significant new rulings that applied to their affairs, in short had a clear understanding of the law as it applied to them.

None of them, so far as I know, made it a practice to use the fine print of the law to cheat or to misrepresent, none used the threat of phony or trumpedup litigation (with its threat of costs and delays) as a routine weapon in the normal conduct of their affairs.

And this gets back to the question of choosing, if possible, those with whom you deal. For it is a sad fact of life that some people in

our field start sharpening their litigious knives as soon as the ink is dry on the legal documents they have signed. They prepare immediately to test the timesensitivity, the legal cost factors or just the stomach for battle that their erstwhile colleague, now their adversary, has before he cries "uncle."

The technical term for this litigation is "barratry," the use of legal procedures to achieve nuisance value settlements or concessions. Our court system seems strangely tone deaf to this problem; and, since the courts routinely let the perpetrators (increasingly common) get away with it, the only defense an ethical person has is to try, when possible, not to deal with such

people at all or to prepare in advance to "go to the mat" with them on principle.

Our firm was recently asked to participate in a joint venture with someone about whom we knew nothing. When we asked for background, a nationally-known criminal lawyer came by to assure us that the rumors we may have heard about his client were gross distortions.

We listened politely, of course, thought about "Caesar's wife," and in due course relayed the information that at the moment our platter was too full to entertain a new job.

Much of the above gets back to the question of "Who you are" and "Who do you wish to become."

We live in an age when phoniness is so common and flagrant that it elicits no continent, especially in public life. And it is interesting to note that current Gallup polls show real estate agents ranking higher in ethical ratings than either Senators or Congressmen, who in turn outrank only car salesmen and insurance salesmen.

For example, one presidential candidate today defends his

admittedly improper and embarrassing fundraising techniques by saying there was "no controlling legal authority" involved. Is it surprising that this same candidate, while trumpeting his "authenticity," hires a consultant who advises him to exchange his blue suits for brown ones, the better to display his relaxed "alpha" rather than his uptight "beta" style? Or that another leading political figure makes his bid for inclusion in the next *Bartlett's Quotations* with the statement that, "It depends on what the definition of "is" is." (Being bi-partisan, I think often of the leading candidate of another party who, after referring to the citizens of Greece as "Grecians" was caught just in time before referring to the residents of Paris as "parasites.")

The Jack Felts and the Jim Landauers of the world did not think of "controlling legal authorities." They tried to do the "right thing."

They did not distort nor exaggerate beyond recognition; they did not reinvent history; they did not make silly statements that might not be important in themselves but that debase the coinage of real world statements by real world people. And those that do sometimes pay a price for it. For example, the following statement appears in a recent edition (Summer, 1999) of the journal *Real Estate Issues* in an article entitled *The Role of Trust in*

Real Estate:

"A manager who is perceived as trustworthy is more likely to gain access to capital and to reputable professional service providers on advantageous terms than is a manager who is perceived as less trustworthy. As a case in point, because of his reputation for bombast and representations that tend to transcend prevailing perceptions of reality, certain financings that (Mr. X) promotes require premiums over what might be required for non-(X) financings. Further, those securities may sell at discounts to prices which might be commanded were (Mr. X) not involved."

And how happy would you be in dealing with these people? One prominent real estate man was once quoted in the *New York Times* on his philosophy of life and replied, "It is a jungle out there, and you have to get them first!"

Another was quoted as saying (jokingly, perhaps), "You can fool some of the people all of the time, and all of the people some of the time; and that's good enough for me!" One prominent real estater was quoted as saying, "Only the little people pay taxes," and another was quoted as saying (after the *New York Times* printed a major story on his transgressions) that he only regretted not having more things with which to outrage the press, since the first article called the attention of the whole world to the

expensive condominiums he had for sale.

How to protect oneself against such people is a continuing problem, and there is no easy answer. The best discussion I know is in the chapter entitled, *What If They Use Dirty Tricks*, in the excellent volume on negotiation *Getting to Yes* by Fisher and Ury. Avoiding them, if you can, is even better.

Do such people hurt our field? Yes, indirectly, but they do. Do others hurt it directly? Certainly.

One heartbreaking example took place in the 1970s at the time

of the first tentative efforts to end World War II residential rent controls. In spite of the earnest' pleas of the more responsible owners and the frantic efforts of the major real estate organizations to have the industry "self-police" and put into effect moderate increases upon decontrol, a handful of thuggish owners put through huge increases that a) made for glaring headlines and b) permitted demagogic politicians to push through the program of "rent stabilization" with which the industry is suffering to this day! Similar excesses and scandals of abusers had earlier caused the closing down of the wonderful post-World War II FHA Section 608 rental housing program that triggered the greatest construction boom since Egypt built the

pyramids.

Yes, it is true; bad guys often pull tricks for which the whole field pays. But what are the benefits of "good-guyism"?

For one, good guys tend to think in terms not of isolated deals but of longtime relationships; and in that case each positive experience paves the way for the next one.

In the case of -my own firm, I can say that the heartwarming 75-year long relationships we have had with both Met Life and the Chase Bank have been happy, satisfying and mutually productive for all concerned.

Forget "character" for a moment and think "intellect." Would a rational person do anything to jeopardize such a relationship?

If an interest in "relationships" rather than "deals" is one attribute of good guys, an interest in service, both to the real estate field and to the public, is another.

Every one of the people I have mentioned by name today was actively involved with the professional organizations in our field, and each had major and continuing charitable involvements as well.

They were good people in the best and fullest sense of the term. Each played many roles in life and played them well; each ended his life with a sense of achievement, pride and honor.

Each knew that a reputation is built slowly and painstakingly over a period of time, but that it can be destroyed by one untoward act. Each knew that we see the world not as it is but as we are. Each knew instinctively that, in Machiavellian terms, there is a time to play the lion and a time to play the fox; and each acted accordingly, but did so honorably.

In summary, I can say that some people in our field regard themselves as in a trade and others see themselves in a profession. A tradesman is merely out to make a profit, but a professional feels a sense of responsibility to fellow practitioners and to the public. A professional tries to advance knowledge in his field, to live up to its highest standards, to deal with others as he would like them to deal with him. Each of the men I have mentioned would have been proud to be described as a consummate "professional."

I began this talk with the hope that it would encourage you to ask yourselves who you are and who you wish to become, what

your values and deepest convictions are, and how you can apply them to your personal and professional life.

I have discussed individuals who lived their lives fully, exuberantly and productively; who made it a matter of habit to give full measure; who were economically successful and who understood that was an important goal but not the only goal; who accomplished much and, in the process, enjoyed themselves immensely.

May I suggest that when in the future you are faced with an ethical problem (and usually it will not be "right" vs. "wrong," but "more right" vs. "less right"), you think of yourself as "walking

with the good guys"; and the chances are then that you will "do the right thing!"

I wish you careers and personal lives as satisfying and productive as those of the "good guys" we have discussed.

Daniel Rose talks can be found on: www.danielrose.org