

Episode 57

Head to Head: A conversation with Chief U.S. Economist, Lara Rhame

Lara Rhame, Chief U.S. Economist at FS Investments shares her career journey from The Fed to Wall Street to FS Investments.

Kirsten Pickens: Welcome to Head to Head, a podcast by FS Investments. I'm Kirsten Pickens.

Ryan Robertson: And I'm Ryan Robertson. We are the co-heads of distribution at FS Investments. And together we sit down with some of the brightest minds, innovative thinkers and thought leaders in the financial services industry.

Kirsten Pickens: Lara Rhame is the Chief U.S. Economist at FS Investments where she focuses on macroeconomic, financial market analysis. She began her career at the Federal Reserve Bank of New York has worked at other Wall Street institutions, including Brown Brothers Harriman, Credit Suisse and Lehman Brothers, and she's a frequent contributor and guest on several economic news outlets including Bloomberg News, The Wall Street Journal, CNBC and CNN. Lara, it's so great to have you here.

Lara Rhame: Thank you so much. Both of you. This is going to be so fun. I'm excited. And nervous. And excited!

Ryan Robertson: So, Lara, before we jump into your career and all the amazing places that you worked, I'm curious what made you, when you were growing up or in college go, you know what? I want to be an economist. Like when you're a little girl, like that's not something or that I think a lot of people, hey, that's something I want to do. What made you go supply and demand? That's fascinating.

Lara Rhame: Like those charts with the X's...

Ryan Robertson: Yeah.

Lara Rhame: It's funny because I just was at a high school or college reunion right before COVID hit and I was the only person that majored in economics that was actually doing economics. So, it is a funny question to ask Ryan. And I think that growing up, what I really enjoyed was math. I really enjoyed science and data randomly. And my dad is an epidemiologist. Nobody knew what that was until COVID hit, but he's just this long time believer in data collection, he really finds value in it. So, I always have been interested in the sort of that analytical side of observing the world and when I got to college I was at a liberal arts school, which is not the right choice for everyone, but was the right choice for me because I really just got to wander into different classes and different studies. And I really enjoyed history as well. I briefly considered majoring in English and writing and as I got more into math classes, it got too theoretical. I liked the applied side of math and that's where I just happened to take an economics class. And it really immediately was clear to me that it was the intersection of everything that I was enjoying.

It was analytical, but there was a component of history. There was a component of sociology. There was a component of being able to write about it all and the need to clearly express it, which the longer I've been doing this, the more that I've seen that really what there is a need for

is to clearly express and communicate what's happening in the economy. So, I stumbled into it with coursework, but right away, I knew I wanted to be an economics major.

Kirsten Pickens: Okay. So first of all, your upbringing, your dad, and just your natural DNA, had you go there. But your very first job was the federal reserve of New York. How did you get that first job out of college?

Lara Rhame: That was really extraordinary. Many of us may look back and feel like, was it luck? Was it determination? Or was it some combination of all of it? But I was so interested in monetary policy. I was in college in the late eighties to early nineties. I graduated in '93 and so I think it was a time when, you know, remember coming off of that terrible high inflation in the eighties, most Americans had never really even probably heard of the federal reserve, but when Volcker had to raise interest rates so much, and the Fed really was so muscular in participating in policy, that was a time when it really was rising in stature.

And so I really was taking classes in the economy and learning about it all. And I wanted to work for the Fed. I wrote my senior thesis on intervention into the foreign exchange market as a policy mechanism. And I was so interested in all of it. That was definitely my goal. And I applied to the Fed and I got this form letter back. Like it looked like a machine had like stuffed it into the envelope wrong. Because when I opened this letter, it was like scrunched in this really weird accordion way. And it was basically said, we're not planning on calling you in for an interview. Thanks for your interest. But we don't even care enough to put this letter in right. So, it was really devastating. And I called my dad and was really upset about it. And he said, listen, just go to New York. And write back to them and say, I'm coming in for an interview. I'm available these three days. And I want to meet with you.

And at the same time, I also had shared my frustration or my disappointment with the professor who also was able to reach out to somebody in the research department and ask if I could get an interview. And so the two things really happened at the same time, and I'm sure that phone call from the professor meant more than the phone call from me, but I did call and I think this poor woman on the phone was so confused. She probably thought I was scheduled for an interview and I was changing the time or something. I don't know, sometimes a little confidence goes a long way. I called and said I want to come in for an interview. They called me in and I ended up getting a job. So, it was an early lesson: sometimes you have to ask a different way.

Ryan Robertson: And so when you're at the Federal Reserve and you're right, we hear a lot about the Federal Reserve today, and I'm not sure in the eighties. Even in the nineties. I don't know if we talked as much about the Fed as we do today. What did you learn when you were at the Federal Reserve? What was it that, as a first time job, you're like literally in the eye of the storm, do you look back and go, yeah, that was a really valuable lesson?

Lara Rhame: It was a really valuable lesson. It's the only time that I've worked for the government for the entire rest of my career has been in the private sector, in the financial institutions. So, looking back on it all, really, the Fed was not as good of a fit for me in terms of my desire to be opinionated, to think sort of more outside of the box. The Fed is very much a consensus driven organization. We hear that, but when you are in it, it is absolutely the reality. What I learned was the way that they think about the economy and how slow moving they are in their analysis. And that's not a criticism, but I think where we've lived through an extraordinary period where the economy has changed a lot. Normally it doesn't change that much month to month.

The markets place so much emphasis on the latest data point and the Fed really doesn't. They want to see trends develop. They want to see changes happening, not just from one market series or data series, but from a broad range, I do feel like it was a good window into how they think about the outlook. And I will say this too, that I've still stayed good friends with many of

the folks I worked with, many of them left and went to Wall Street, some have stayed and they're always very eager to hear and to listen, but I think we've seen the downside of that. I mean, it's hard for me to not talk about working at the Fed without, you know, really overlaying that onto the recent market situation that we're in right now, there is a reticence to think outside the box, to step away from the models that they have so carefully curated over decades.

Kirsten Pickens: So, Lara, one of the reasons that we were so excited to do this podcast was to bring people's stories, legends like yourself, to life. And so really people that are maybe thinking about getting in the industry could hear some tidbits or some reasons like, oh, maybe this is for me. I'm just curious, so you're going in one path after you get out of college and you go to the Fed and you're young. I'm just curious, like, you've kind of figured out at an early age, this isn't for me, through that time there. Was it your networking? Was it talking to a recruiter? How did you get to that next job so quickly?

Lara Rhame: You know, I do, it just was really more a function of the fact that so many. The research assistants had left the Fed and gone to other banks. So as we stayed in touch, it was very clear where openings were and where opportunities were.

I often think about leaving the Fed and I'll also be honest that, you know, starting out there, the pay was less than it is in the counterparts on some of the trading desks and I often think back if I should have stayed at the Fed a few more years or what the growth trajectory there would've been. But, you know, sometime, I don't want to say Ryan and Kirsten, how long ago that was, but I think you think back on, you know, at the time two and a half years, or three years at a job, seems like an eternity, when in retrospect it feels like it's the blink of an eye. So, you know, I think the good thing is that the institutions I ended up at really did suit my personality and were eager to hear me be opinionated and think a little more creatively. So it was at the end of the day, maybe a good thing that I was able to make that switch when I did.

Ryan Robertson: So you know, obviously we're talking to you today at FS. So you started your career at the federal reserve bank of New York, and then you've also, you you've worked at Credit Suisse and Lehman brothers and people who are listening to this may think to themselves, you know what I'm thinking about another job, another opportunity, thinking about leaving their current position, like in your mind, what are the two or three things that you consider when you're looking at another job? So when you decided that you were going to leave Credit Suisse, or when you were thinking about leaving Lehman Brothers, which I'd love to talk about in a minute, like what that was like, what are the couple of things in your mind and you know, money's probably an important one. Like I think that's, that's clearly something that I think everybody considers, but I'm curious as you think about moving from job to job, what was it that made you go "Yeah, this one seems like a, an opportunity I want to really look into?"

Lara Rhame: Yeah. I think that is such a pivotal question because so often, and I'm lucky enough to mentor some truly incredible people here at the company and outside of the company, but I think, again, we've all talked to people who are frustrated at jobs. Some of the things they're frustrated about, you know, you have to be really honest and say, listen, you're going to find that similar frustration, no matter where you go and, and no matter where you're working, if you know, you're trouble getting along with somebody, or if you find somebody annoying or you know, if you feel like somebody doesn't listen, you know, I do really believe that you need to spend, and again, this is just over years of, of thinking about this. You need to spend time thinking about what you are bringing to that interaction and how you could improve it because you're going to, you know, switch to another job and there's going to be somebody else annoying and somebody else who doesn't let you do exactly what you want or somebody else who doesn't completely agree with you on everything.

So I really discourage people from leaving if you know, some of their frustrations, it's just, oh, it's all going to be better at the new place. Of course, it won't be. It's ridiculous. To me, what has been so important is. Is being inspired. I think at times when I've switched jobs and I've realized it's been a mistake is because I wasn't working for somebody who just really made me excited about a larger goal or a larger vision or wasn't sort of didn't, didn't pull that thread in me. Wants to really wake up every day and be excited about it because, you know, work is a grind, of course. and so there needs to be something more beyond just the rudimentary day to day.

Kirsten Pickens: That is so well said. I mean, inspiration is needed by all of us, I think. And I really appreciate that comment because over, I won't age myself either, but 25 years in the business, I think that the grass is not always greener. And you also have to find that inspiration within yourself.

Lara Rhame: I'll be honest as a woman too. I've had other women say, oh, if I go somewhere else, maybe, you know, and this is also, I've been in Wall Street through a big change in how many women in leadership. When I started, there were just not that many women in leadership and, you know, I've often. And there's still, if you look at, you know, across our leadership organization, it's better than it was in the nineties, but you know, it's asymmetrical. I think, you know, that just is what it is. And I've had a lot of women say, oh, if I go somewhere else, I'm going to have all these different opportunities or all this other, you know, this different attitude and really at the end of the day, I think we need to own the fact that we're responsible for our own careers.

It's we're not going to get to a new company, which is going to just put us on an elevator. We have to climb the stairs ourselves. And that's just, you know, I think really important, something that I really express to all of the people that I coach about careers.

Kirsten Pickens: I want to switch topics about your role in the media because you obviously are all over TV. You're all over Bloomberg or CNBC. And when you think about what it takes to prepare for that, or even in your early days, like the very first time you went on CNBC, were you nervous? What did you do to train yourself to get to that point? Because now you're just such a regular and a staple. Talk us through those feelings and how you got to where you are today with that.

Lara Rhame: Yeah, this is again, another important piece of career advice I wanted to do it and I asked to do it and you know, I promise I won't bring the male female dynamic into every single answer that I have by any stretch of the imagination. But this is again, another place where I feel like it's really important. And I coach young women and say you got to ask. You got to say that this is what you want to do and ask for it.

I specifically moved to Brown Brothers Harriman because the economist there was less interested in doing externally facing events and meetings. And I absolutely wanted that exposure and I just wasn't going to get it where I was. So I was very clear about what I wanted very eager to do it. I had virtually no media training when I first started. I mean, I think they did one afternoon, but it was very much something that I just had to try to learn and I'm still learning. I feel like public speaking and going on live TV are very similar in some ways. And I do get anxious about it. Nervous, let's say nervous, not anxious, right?

But to me that is something that I have just really over time utilized to bring more energy, you know, that is so critical because, to me, the times when I feel like I've given a talk or gone on TV and it's flopped it's because I actually didn't bring that nervous energy. I didn't have that fire. And that's when I feel like I struggle to connect. So that's my preparation. I get more nervous.

Kirsten Pickens: I love that. I do too. After 25 years of speaking, I'm still nervous. I'm nervous talking right now!

Lara Rhame: Practice, practice. I think we've talked about that.

Ryan Robertson: I know you said you didn't want to bring in the male female dynamic in every point, but I, I do want to talk about that for a second because, with a co-head of distribution Kirsten, and I've seen her in a room, be the only female in the room and be able to, you know, navigate that really well.

I've seen you personally do that incredibly well. So like for the people listening to the podcast right now, I'm just curious, like as the only female in a room, sometimes when you're carrying a title like Chief Economist, how does that manifest itself, or how do you think about that as you know, being a female that carries such a weighty title?

Lara Rhame: You know, there have been times when it is intimidating. I'm not going to sugarcoat that. There are times where, depending on the audience, I worry about saying the wrong thing or sounding less confident than I should be and I think at the end of the day, I fall back on the hard work that I put into my job and my expertise and I give my opinion and I think you just try not to get too bogged down if you say something and you feel like it didn't come out right. Or you did say, you know, stupid is a stupid word, but if you say something and afterwards you think, oh, I should have phrased it differently or I should have, you know, kind of run it back in your head. You just can't do that. You got to just move on and go forward. You know, again, a lesson that I have been taught by other people, men and women, and have really just tried to recognize that things that I may dwell on after a meeting, other people literally will not have even noticed And that is really, I think something that has been very helpful.

Kirsten Pickens: Well, Lara, you and I have actually talked a lot about this because as Ryan said, a lot of times we are the only women in the room, but we also don't always want to be recognized as, oh, well, she's the only woman in the room, so we've had to work so hard to overcome that. And in some ways I sort of feel like it's a secret weapon. And I'm curious to your thoughts on that, because to your point, you feel like you have to overprepare. I think that's just women in general with so many industries, because you feel like you wanted, you don't want to sound like to your point, the wrong word, but stupid. So you overprepare, you make sure that you articulate things the right way, but it in many cases, do you feel like when you are the only woman in the room that you have some added oomph, you know, it's like your weapon?

Lara Rhame: Yeah. I mean, it's hard as an economist, I think it is a very male dominated field and so I feel, again, another reason why in academic settings or at Fed settings, I feel more intimidated than I do on Wall Street because I feel like my exposure, my career, my experience, I'm really proud of it and I've come to, I feel like a really good place.

And one of the reasons why I feel like the longer I do this, the more I enjoy my job. I feel like I'm at a place where I can really wear that as a badge of honor. And yeah, I mean, as a woman, we really in working on Wall Street in the nineties, I mean, it was easier than it was in the eighties, right? But I really went through a certain amount of hazing is too strong, but you know, it was a really, it was a challenging environment and I, and I overcame those challenges. And so I do feel like now I've earned the right to where being a woman is a badge of honor.

Kirsten Pickens: Right. Ryan, we can do a whole separate podcast about hazing women in the nineties. Like, and I can have fun with that one. Those stories are funny. You can ask us the questions.

Lara Rhame: Funny, like scream your pillow at night funny.

Ryan Robertson: So Lara like Kirsten and I both have three children. They're both approaching late high school college. And one of the reasons why we talked about doing this podcast was is we thought about, and we have daughters and we've thought about, you know, getting them into the financial services industry and you know, you're right. Like this industry is dominated by

white guys like me. So how do we change that? How do we start to get more underrepresented groups interested in financial services? How do we get more talented, powerful females like yourself and Kirsten involved in our industry? How do we attract people like you more to want to work in on Wall Street?

Lara Rhame: Yeah, I think it's a really good question. I also have two daughters, they're 11 and 13, so a little behind your kids. Not too much. I tell everybody that I think that financial services is a great career and it's not even just for people who understand finance or who are feel like they're naturally inclined towards that.

It's a great career for writers. It's a great career for people in marketing. It's a great career for lawyers. It's a great career for a wide variety of interests. You know, I think for so many people are so intimidated. And I think that to me, is something that, especially coming from communities where people aren't around banking and they're not around the culture. It feels very intimidating. But even when you're talking, I was just at business meetings in California over the last several days. And one of the men who runs a really large group, you know, his father was a fisherman and his mother was a stay at home mom, and he talked about how intimidated he was by finance and how big of a leap it felt for him to dare to hope that he could make a career in this and he's just done incredibly well. So I tell everybody who can listen. I think it's a great area to go into. And we're certainly not the only area where you know, I think the pipeline looks very different than the leadership. And I hope that that continues because I just think it's a phenomenal industry.

Kirsten Pickens: So I'm so glad you asked that question, Ryan, because my two daughters, I have three kids as Ryan said, but my two daughters always say to me, oh, I would never want to do what you do, mom, because math is too hard and like only smart people go there and. Okay, I can promise you I've never been the smartest one in the room. I went to Arizona State, so let's just be honest.

Lara Rhame: KP, you're so smart.

Kirsten Pickens: Well, people assume that it is the Ivy league grads that come into Wall Street. And it's like, I think that really intimidates girls and young girls is like, you have to be. Really smart mathematician or something to come into this field. And so I'm so glad that you hit on the fact that there are so many other areas in this industry and things that you can do that. I mean, very few of them are actually mathematicians.

Yes. So I'm just curious, like, what has been the biggest surprise that you have found in your career and in this industry?

Lara Rhame: I think the biggest surprise I found in my career is that when you ask for help, you very often get it. I think that is just really important to, you know, again, this is not every day. This is not with every small task that you have, but if you're at a place where you really feel like you're up against a brick wall or you feel like things are going the wrong way. You have to raise a flag. You have to because I think generally speaking people want to help and if they don't then, you know, but I think the biggest surprise in this industry has just been how much it's changed over the years. And you know, I started on these large trading floors where there were big market makers. you know, held a lot of inventory, large proprietary desks, all that means that we would really sort of take large positions in warehouse, a lot of financial assets.

And of course, after the recession, after the financial crisis, that really went away. It's changed so much, but innovation and creativity are a huge part of financial services. And that is, to me, one of the things that makes it so fascinating, it is always evolving and always changing. And that's what I also really love that about the industry change is the only constant, right.

Right. Well said.

Ryan Robertson: So, Lara we've thoroughly enjoyed our time with you today on the podcast. And one question that we like to end all of our conversations with is if you think back to your 20 year old self, what advice would you give Lara Rhame when she was 20 years old, getting ready to enter the industry?

Lara Rhame: That is a very emotional one because I did end up leaving Wall Street when I had my kids and I came back six years later and FS, to their credit, never once asked me about the gap in my resume and took a chance on me. And then, as you know, through success and through partnership, moved me back up to Chief Economist and Managing Director, my dream job. But I would have stayed in the workforce through that time. At the time I feel like there wasn't a good model for how you stay in the workforce and have kids.

I'm sure KP would tell you that there were very few women doing it when she did it. And there's no right answer. There's so many different ways to have a career path and, you know, I think there are, you know, so many options out there, but that's what I would tell my 20 year old self, as painful as it is to admit that I do feel like I made the wrong decision. That's what I would say.

Kirsten Pickens: Based on your status in the industry and frequent contributions to CNBC and everything that you do, Lara, everything in life has a reason why it happened. And so you made the right decision, because look where you are today. And your kids are better off because you were home with them.

Lara Rhame: Yeah, I think, you know, I'm just so feel so grateful that I'm able to have both my career and the kids, you know, my husband's a huge help, huge support. But they enjoy telling people that their mom's an economist, nobody and their friends know what that means, but they enjoy telling them that .

Ryan Robertson: Lara, thank you so much for joining us on head to head.

Lara Rhame: Thank you, Lara. This has been great. Thank you.