

Commentary: Investment Bankers as Heroic Figures September 2009

By Douglas M. Schmidt

You may have heard recently that the BBC Radio has produced a fictionalized dramatic account of the attempt to save Lehman Brothers with top actors playing former Treasury Secretary Henry Paulson and Lehman CEO Richard Fuld. I had to laugh on several levels. I was a junior officer at Drexel Burnham during its final days, and Drexel's demise, as seen from the inside, was not fodder for Hollywood, unless you were producing a farce. On the day before Citicorp pulled its lending lines, the U.S. Government asked Wall Street firms for a show of hands on who thought the markets would collapse if Drexel folded. With none dissenting, the nod was given to Citi and the plug was pulled. The next morning, the Drexel bankers, the most feared in the industry, assembled for the last great Corporate Finance meeting at Drexel's headquarters on Broad Street. You might expect that these warriors would battle to the end and give stirring speeches about how to fight on. Surprisingly, even to me at the time, managing director after managing director rose from the floor to address questions to senior management about each managing director's individual private partnership interests and stock options. Yes, as the ship was sinking, the leaders of the firm were grabbing as many deck chairs as they could carry. Later, in the weeks after the bankruptcy as the firm was shutting down, I watched many little coups and fights erupt over Drexel's remaining table scraps. All of this occurred as thousands of secretaries, back office personnel, traders, young analysts and other loyal workers who believed in an honest day's work lost their jobs as the economy bore down on a recession.

With few exceptions, Wall Street investment bankers have never made or produced a product, never worked in a factory or on a farm, never created an invention or discovered a compound, never supervised a division of a company, and never carried a rifle while in uniform. Many have received the nation's best possible schooling, only to use that education in frenetic pursuit of deals and dollars, from the earliest days as an associate working all night and weekends to their days as managing directors skipping vacations and answering every cell phone call. At Drexel, it was not a caricature to have a senior managing director be 50, with several busted marriages and sets of kids, several houses, and a big need for current income. Many Goldman partners regularly retired in their fifties, having amassed small fortunes and expressing a desire to spend more time with their families. Too little too late?

The industry rewards individual effort and accomplishment, specifically the production of revenue. Many of the titans of Wall Street were lone wolfs, self-selecting into a professional where leadership and management prowess are not essential. Most would have flunked out of a GE management training program in the first month. Many had notorious, over-bearing and tone deaf personalities. Like so many great sales people, many bankers had terribly fragile egos underneath all the bluster.

Drexel produced one of the most metaphorical figures of all time on Wall Street in the likes of "Mad Dog" Jeff Beck. He was an infamous character around the halls of Drexel, known for his grandstanding and yelling, which were particularly threatening to underlings. He wasn't switched on all the time, because I remember being summoned to his office once and finding him to be just one of the regular bosses. Beck was a major deal doer who called Mike Milken, Henry Kravitz, and Oliver Stone friends. But it wasn't enough for him to rise through the ranks and be part of some of the biggest deals on Wall Street. Beck, over the years, crafted and circulated a myth of himself as a Viet Nam War combat veteran with hints of CIA contacts and more. Can you focus this picture? Oliver Stone promotes an image that Wall Street is inhabited by men of action and boldness like Jeff Beck--personalities worthy of Hollywood's finest treatment. Jeff Beck believed that being a top New York salesman and a peddler of

paper fortunes was not enough, so he craved a more heroic persona, one worthy of Hollywood. Beck's fabrication was exposed in a front page Wall Street Journal article in 1990. Jeff Beck died in 1995 at age 48 of a heart attack, out of work, survived by his fourth wife.

Bruce Wasserstein died of a heart attack this past week in New York. He was 61. He was one of the richest, most brilliant and most successful deal makers that Wall Street ever produced. He built firms and ran them from the top down. The articles on his death are full of quotes lauding his prowess as a banker and his stature in the industry, but you will search long and hard for tributes to Bruce Wasserstein as a masterful CEO, a role model, or a mentor to his many Wall Street protégés. There is also no mention of any philanthropy commensurate with his wealth. Four wives. Two sets of children. More money than a man can dream of. But no amount of money could keep him from passing well before his time. This is the stuff of tragedy, not heroism.

The glorification of Wall Street figures remains a fascination in our society. In the paper and electron-pushing world of business, Wall Street figures are our best proxy for Roman arena entertainment. For the thousands of the best and the brightest who join Wall Street each year, it remains morally confusing. It is a world where you don't have to start a company, heal a patient, teach a student or protect your fellow citizens, yet you are paid multiples more money than almost any profession in the country. Surely, to offer such rewards, Wall Street must provide some Greater Good to society. Surely. Anyone who has ever worked on Wall Street has had one or more moments when they have wondered for what purpose they are working such impossible hours, traveling constantly, ignoring family life, and tolerating the ubiquitous malevolent Wall Street boss. But the moment of introspection always passes and the next day always brings that addictive purpose---compete, get deals done with your name on them, rise to the top, and accumulate personal assets. Wall Street has many champions, but (and never confuse the two) very few heroes.

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