Dear seminar participants,

Thank you so much for reading this chapter from my forthcoming book, *Yuppies: Wall Street and the Remaking of New York,* which will be published by Harvard University Press in early 2026.

During the 1980s, the financial and professional sectors unseated industry at the center of the American economy. The rise of this new order produced a new kind of worker: the young urban professional, or "yuppie." Yuppies, my book argues, utterly transformed work, culture, and politics, remade the American elite, and, ultimately, helped to produce our current age of inequality.

Most work on finance-driven inequality is theoretical, abstract, or focused on policy decisions emanating from Washington. My book, in contrast, studies yuppies themselves to discover what this new order looked and felt like on the ground. *Yuppies* is, in short, the first social history of financialization. I follow bankers and lawyers from colleges and business schools into the firms where they worked, the gentrifying neighborhoods where they lived, the gyms where they exercised, the restaurants where they socialized, and the fundraisers where they donated to the political candidates that shared their worldview. Yuppies were much more than a stereotype: they were the shock troops for a newly-unequal era in American life.

Yuppies is also a story of elite class formation—one that explains how the nation became so profoundly unequal even as its most successful workers grew more diverse. In the 1980s, Wall Street, once dominated by male members of the Protestant elite, became the most coveted post-graduation job for every type of student—Black and Jewish, Latinx and Asian, male and female—at rapidly-diversifying universities. By 1987, one out of every three Ivy League seniors were headed to investment banks. Merit and educational attainment, it seemed, had begun to replace breeding as the arbiter of success at the highest professional echelons. But under this banner of meritocracy, yuppies were harbingers of accelerating economic inequality. The 1980s saw the once-broad American middle class split in two, with yuppies leaving other workers ever further behind. Indeed, yuppies were the very people doing the work of deindustrializing America every day: enjoying massive payouts as they chopped up, merged, offshored, or otherwise mined short-term value out of companies that had, under Fordism, offered meaningful security to their employees. Yuppies then extended their advantages by manipulating the levers of local and national politics. By injecting meritocracy into the core of liberal ideology and policymaking, they were able to reconcile the claims of inclusion made by various rights movements with the unequal political economy of the late twentieth century. In short, *Yuppies* demonstrates that America's move to the right was not just about the ascendance of neoliberalism under the GOP. It was just as much a story about the reorientation of the Democrats, as they embraced newly market-friendly policies, more meritocratic rationalizations for inequality, more technocratic forms of governance, and ever-more elite—if marginally more diverse—professional-class constituencies.

I hope you enjoy reading the book's first chapter, which sets the stage for the larger story. First, it explains why Wall Street became so profitable in the 1980s. Then it shows how banks recruited the labor force they needed on the campuses of America's colleges and business schools. (And yes, there are pictures.)

I look forward to your feedback and suggestions!

Dylan Gottlieb
Bentley University

Pipeline:
Financialization and Wall Street's
1980s Recruiting Boom

Phil Calian, editor-in-chief of the *Brown Daily Herald,* could have worked at nearly any newspaper in the nation after he graduated in 1985. Calian had never considered an investment banking job—that is, not until Wall Street recruiters began appearing on campus every week that spring. Calian applied to Merrill Lynch's Mergers & Acquisitions department on a lark. "I had to look up 'capital market' the first time I had an interview," he admitted. The interviewer assured him that he did not need any special expertise beyond his undergrad degree. A year later, Calian found himself working 90-hour weeks as an analyst, taking his computer home over Labor Day weekend to put the finishing touches on a deal. "It doesn't take any great brainpower to do this," he confessed. "It just takes stamina." Looking back on his career choice, Calian had few regrets. "It's much more fun to put together a million-dollar deal than it is to report it."[1]

Calian was one of thousands of young students from top schools who abandoned other plans to take jobs on Wall Street during the 1980s. In those years, this formerly quiet sector, where patrician bankers advised long-term corporate clients, became a highly-competitive and highly-profitable business—one that now determined the fates of the corporations it had once been content to serve. Banks had long supplied the capital that allowed a dynamic industrial sector to expand. But that relationship was now reversed. Finance, rather than industry, emerged as the source of American economic dynamism. Even within manufacturing companies, profits from financial activities eclipsed those of their more traditional business lines.[2] Finance took the leading role in determining which companies would be sold, merged, or broken apart. This revolution, a part of the broader process often called financialization, would

[1] "The Strange Allure of Investment Banking," *Brown Daily Herald,* September 9, 1985.

[2] By 2004, two-thirds of GM's profits came from its financial arm, the General Motors Acceptance Corporation, which boasted mortgage, insurance, and commercial banking products in addition to auto loans. See, for example, Don Tomaskovic-Devey, "Financialization and Income Inequality," *Work in Progress* (Nov. 9, 2011), https://workinprogress.oowsection.org/2011/11/09/financialization-and-income-inequality/, accessed January 21, 2022.

have profound consequences for corporate America. It led companies to prop up their stock price instead of investing in new technologies, hiring more workers, or raising wages. It found corporations spending vast sums on bankers' and attorneys' fees as they defended themselves from hostile takeovers. And it meant loading up corporations with debt—which, not coincidentally, allowed them to write off much of their federal tax liability. Together, all of those developments deepened class and regional inequalities, as capital flowed away from workers in the industrial hinterland towards financial centers like New York.

Of course, financialization not only remade corporate America. It also reshaped Wall Street itself. It increased the dominance of the largest banks; stoked fierce competition between those banks; encouraged the creation of new investment vehicles and merger activity; and saw ever-greater streams of capital flow into Wall Street, as investment banks pioneered the use of novel funding sources—high-yield debt, money-market mutual funds, new securitized assets, and liberalized global capital markets.

But the transformation of Wall Street required more than just capital. It was also a social process, one that required thousands of newly-hired yuppies to do the daily work of financialization. Indeed, as the 1980s wore on, the most profitable banks were those who could muster the largest staff of analysts to vet deals, associates to dream them up, and traders and salespeople to raise capital and place issues. What's more, as technological advances flattened the information differential between banks and their clients, Wall Street needed ever-more highly-educated bankers to craft narratives out of torrents of macroeconomic data, or to explain and sell exotic new securities. So banks looked to hire more young people like Phil Calian, whose storytelling skills made up for their lack of mathematical acumen. As the sun set on the gentlemanly era of relationship banking, Wall Street needed to find huge numbers of the most talented—not just well-bred or best-connected—bankers in order to keep up.[3]

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[3] The literature on financialization is vast, exploring the phenomenon in the realms of corporate governance, capitalist accumulation, politics, as well as everyday life. See, for example, Gerald F. Davis, *Managed by the Markets: How Finance Re-Shaped America* (New York: Oxford University Press, 2009); Randy Martin, *Financialization of Daily Life* (Philadelphia: Temple University Press, 2002);

To find them, banks launched a vast recruiting campaign on the campuses of America's elite colleges, universities, and business schools. Wall Street offered new hires a host of enticements: astronomical starting salaries, lavish dinners and parties, and a new entry-level two-year program for seniors who planned to later attend business school. With a barrage of advertising and on-campus information sessions, investment banking sold itself as the most attractive job for top students. The pitch worked. By the mid-1980s, Wall Street became the single leading employer for graduates of Ivy League schools.[4] And for the first time, the top Wall Street banks weren't just attracting WASP or old-line German Jewish men with family ties to banking, the historic mainstay of the finance world. To meet their growth targets, banks hired increasing numbers of women, African-Americans, Asian-Americans, and white ethnics, all of whom had been excluded from or simply wary about pursuing careers in finance.[5]

Why were yuppies suddenly gripped by a fever for investment banking? Most accounts of the era blame greed—a new ethic of cupidity that displaced whatever youthful idealism remained from the 1960s. These morality tales, focusing on figures like Michael Milken or Ivan Boesky, make an implicit claim that their individual avarice somehow explains the excesses of an entire era. Journalists unfailingly repeat the motto "greed is good," uttered by corporate raider Gordon Gekko in Oliver Stone's 1987 film *Wall Street* (and based on an actual Boesky quote), as if those words alone explain why finance assumed such an important in the American economy. That story, however, gets it exactly backwards. Instead of uncovering the material forces that brought finance to the fore—and brought yuppies to Wall Street—"greed" narratives

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Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge: Harvard University Press, 2011); Gerald A. Epstein, *Financialization and the World Economy* (Northampton, MA: Edward Elgar, 2005); Neil Fligstein and Taekjin Shin, "Shareholder value and the transformation of the U.S. economy, 1984–2001," *Sociological Forum* 22, no 4. (December 2007), 399–424.

4 See, for example, Wharton Undergraduate Division, "Placement Survey, Class of 1987," available at University of Pennsylvania Career Services office.

5 Karen Ho has written extensively about the close connection between elite schools and Wall Street in the 1990s and 2000s. But her ethnographic account does not explore the origins of this recruiting pipeline, or its effects on New York City more broadly. See Ho, *Liquidated: An Ethnography of Wall Street* (Durham: Duke University Press, 2009). The best account of the Jewish dimension of this shift remains Judith Ramsey Ehrlich and Barry J. Rehfeld, *The New Crowd: The Changing of the Jewish Guard on Wall Street* (Boston: Little, Brown & Co., 1989).

are post-facto accounts of a culture struggling to understand the newly-financialized order. Greed was *always* good on Wall Street. That didn't change in the 1980s. But what set the decade apart were the institutional and regulatory changes that elevated Wall Street—making it irresistible to an entire generation of young professionals.[6]

What were those changes? First, investment banks were among the first employers to exploit universities' new career-services offices, which helped to funnel a large and diversifying population of women, white ethnics, and minoritized graduates into finance careers.[7] Second, Wall Street benefited from a range of new regulations that, especially when coupled with new technologies and leveraged by new securities, made investment banking fantastically profitable: shelf registration, loosened international capital controls, eased restrictions on bank deposits, the phase-out of Regulation Q, lax oversight of corporate mergers and takeovers, and the creation of banking free-trade zones. Another factor was the slackening appeal of manufacturing companies, which had long absorbed the greatest number of young graduates. The 1980s marked the first time that finance captured the greatest relative share of profits in the American economy.[8] Soaring profits meant higher compensation for bankers, of course. But it also leant Wall Street rising cultural cachet. White-collar professionals who might have previously become middle-managers in a Midwestern conglomerate were now drawn to the higher pay and excitement of a career at Lehman Brothers or First Boston.

Then there was the particular psychology of elite students, whose educational pedigree conditioned them to both prestige as well as job security. Banks managed to convince those

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6 Examples of these moralizing "greed" narratives abound. See, for example, Ken Auletta, *Greed and Glory on Wall Street: The Fall of the House of Lehman* (New York: Random House, 1985); Connie Bruck, *The Predators' Ball: The Inside Story of Drexel Burnham and the Rise of the Junk Bond Raiders* (New York: Penguin Books, 1989); James B. Stewart, *Den of Thieves* (New York: Simon & Schuster, 1992); *The Gaga Years: The Rise and Fall of the Money Game*, Brett Duval Fromson, ed. (New York: Citadel Press, 1992); Jeff Madrick, *Age of Greed: The Triumph of Finance and the Decline of America, 1970 to the Present* (New York: Knopf: 2011)..

7 In the early twentieth century, elites raised the educational and credentialing standards for professional careers to keep out earlier waves of non-white, non-native, non-male, and non-Protestant aspirants. See Cristina Viviana Groeger, *The Education Trap: Schools and Remaking of Inequality in Boston* (Cambridge: Harvard University Press, 2021), especially chapters 5 and 6.

8 Greta R. Krippner, "The Financialization of the American Economy," *Socio-Economic Review* 3, no. 2 (May 2005), 179.

students that they sat in the economic driver's seat, and thus represented the most desirable career destination. Accustomed to going after whatever was considered the most prestigious option—but only as long as it offered a clearly-defined route to success amidst widespread economic uncertainty—top students flooded Wall Street. Writing in the 1990s, journalist Nicholas Lemann captured this "upper-meritocratic" worldview: a "love of competition" tempered with a "herd mentality and aversion to risk."[9] The shift was also geographic. By choosing investment banking, an industry almost entirely based in Manhattan, students were expressing a preference for the lifestyle and consumption options only possible in New York. In the 1960s, they might have moved to Buffalo to work as an accountant for Kodak, or to Detroit to become an executive at Ford. But as finance began to move to the center of the American economy, it pulled all of those graduates towards New York City.[10]

More than any other factor, the growth of Wall Street was responsible for the flood of yuppies to New York. Between 1978 and 1986, investment banks added 117,000 jobs in the city. The overall number of securities and commodities brokers doubled. And as banks expanded, New York's law and professional service firms also grew, with many of the largest nearly doubling their workforce by the end of the 1980s. These bankers, lawyers, and consultants would form the very core of New York's yuppie population. And their arrival would have a profound effect on every facet of life in the city: on its neighborhoods, its patterns of work and leisure, its consumer economy, and its politics.[11]

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9 Nicholas Lemann, "The Kids in the Conference Room," *New Yorker* (Oct. 19, 1999), 211.

10 Harvard employee quoted in Blake Fleetwood, "The New Elite and an Urban Renaissance," *NYT,* January 14, 1979. On class bias and elite replication in hiring practices at investment banks, consulting companies and law firms, see Lauren A. Rivera, *Pedigree: How Elite Students Get Elite Jobs* (Princeton: Princeton University Press, 2015). On the history of career services offices, see Gary L. McGrath, "The Emergence of Career Services and Their Important Role in Working with Employers," *New Directions for Student Services* 100 (Spring 2002), 69–84; Farouk Dey and Christine Y. Cruzvergara, "Evolution of Career Services in Higher Education," *New Directions for Student Services,* no. 148 (Winter 2014), 5-18; Groeger, *The Education Trap*.

11 Banking employment figures in Table 11, "Employment in Nonagricultural Establishments," *Annual Labor Area Report: New York City* (Fiscal year 1990), Department of Labor, New York State; law firm data in Daniel C. Poor, "Organizational culture and professional selves: The impact of large law firm practice upon young lawyers" (Ph.D. diss., City University of New York, 1994), 65.

Financialization and Transformation on Wall Street

Before Wall Street's 1980s hiring bonanza, Wall Street's labor force came from two relatively narrow demographic pools. The first, typified by established white-shoe firms like Morgan Stanley and Brown Brothers Harriman & Co., almost exclusively hired well-to-do white Protestant men. Most of their employees had attended Ivy League schools, which, by the middle of the twentieth century, had formalized their role as a screening mechanism for corporate and financial elites.[12] Once on Wall Street, bankers' educational pedigree and upper-class social connections ensured clubby relationships with the WASP corporate managers whose debt they underwrote. At Brown Brothers, the list of partners in 1968 included scions of the most prominent and powerful East Coast families: Delano, Bush, Gerry, and Harriman. In this era, one reporter explained, investment banks were known for "hiring the bluest of bluebloods." They were places where "a man of standing could go to work every day and still feel, well, civilized." With close ties to corporate America, they would never have deigned to "get involved in something that might leave a bad taste in the mouth like an unfriendly tender offer."[13] Then there were the established Jewish firms like Goldman Sachs, Kuhn Loeb, and Salomon Brothers. Most had been founded in the late nineteenth or early twentieth centuries by highly-assimilated German Jews. After World War II, the rank-and-file bankers at these firms were increasingly children of the emerging Jewish middle class: children of working-class families who had grown up in New York's outer boroughs. Compared to the WASP firms, they were less educated. As late as 1968, thirteen of Salomon's twenty-eight partners had never attended college. Their position

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[12] Groeger, *The Education Trap,* chapter 6; Charles Petersen, "Meritocracy in America, 1885–2007," (PhD diss., Harvard University, 2020), 21-45; Jerome Karabel, *The Chosen: The Hidden History of Admission and Exclusion at Harvard, Yale, and Princeton* (Boston: Houghton Mifflin, 2005).

[13] Quote in Joseph Nocera, "The Merger Mongers," *Washington Monthly* (December 1982), 16-17. On Wall Street before the 1970s, see Susan J. Pak, *Gentlemen Bankers: The World of J. P. Morgan* (Cambridge: Harvard University Press, 2013); Zachary Karabell, *Inside Money: Brown Brothers Harriman and the American Way of Power* (New York: Penguin, 2021); Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance* (New York: Simon and Schuster, 1990); Steven H. Jaffe and Jessica Lautin, *Capital of Capital: Money, Banking, and Power in New York City, 1784-2012* (New York: Columbia University Press, 2014) and Charles R. Geisst, *Wall Street: A History* (New York: Oxford University Press, 1997).

outside the blue-blood firmament made them slightly more willing to experiment with non-traditional securities. But they still employed a relatively small number of total bankers.[14]

Whatever their background, the 1970s was an unprofitable decade across Wall Street—a hangover from what one journalists called the "go-go" years of the 1960s stock market.[15] By the early 1970s, general economic languor and double-digit inflation drove investors from the stock and long-term bond markets and into new money market mutual funds, cutting into banks' profits. (Those funds would later become a key source of liquidity for mergers and takeovers in the 1980s). Then, in May 1975, the SEC ended fixed commissions, making securities trading even less lucrative for banks. Before that change, the average commission on large trades had been $0.26 per share; by the end of 1977, it had dropped to $0.12. It was hard to fund a robust research department on such paltry margins. Securities transactions gradually shrank in importance at large banks. While commissions had constituted 61 percent of revenue at large Wall Street firms in 1965, they made up half of banks' incomes in 1975 and less than a quarter of gross revenue by 1984.[16]

Meanwhile, bond underwriting, which would become hugely profitable in the 1980s, remained slow and minimally rewarding. Large corporations tended to work with one trusted bank on new debt issues. In order to raise capital, the bank would have to collect a syndicate of investors—smaller banks and institutional investors—to put up the capital. The SEC then required the investment bank to register each new issue with the agency, mandating a twenty-day "cooling off" period to ensure the deal could be vetted by all parties. Even after their issue, bonds were not particularly lucrative: with interest rates stable throughout most of the 1970s, traders could only make minimal spreads betting for or against corporate debt. Bonds remained

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[14] Geisst, *Wall Street: A History,* 40-41 and Michael Lewis, *Liar's Poker: Rising Through the Wreckage on Wall* Street (New York: W.W. Norton, 1989), 41.

[15] John Brooks, *The Go-Go Years: The Drama and Crashing Finale of Wall Street's Bullish 60s* (New York: Wiley, 1973).

[16] On the end of fixed stock commissions, see Alan B. Lechner, *Street Games: Inside Stories of the Wall Street Hustle* (New York: Harper and Row, 1980); Chris Welles, *The Last Days of the Club* (New York: Dutton, 1975); Leslie Wayne, "Is Wall Street Ready for Mayday 2?," *NYT*, April 25, 1985.

an unglamorous sideshow, as Sidney Homer, a top analyst at Salomon Brothers recalled. "I felt frustrated. At cocktail parties lovely ladies would corner me and ask my opinion of the market, but alas, when they learned I was a bond man, they would quietly drift away."[17]

The relatively staid relationship between corporations and investment banks was disrupted by the rising inflation and volatile interest rates of the 1970s. Inflation sent companies looking for new investment vehicles in order to create and shelter capital before it was diminished by the constant creep of rising prices. In late 1979, in an effort to stanch inflationary pressures, Federal Reserve Chairman Paul Volcker instituted a monetarist policy which restricted the nation's money supply while allowing interest rates to fluctuate, sometimes wildly. Since bond prices moved in inverse proportion to interest rates, that volatility meant that bond trading became a hotbed of speculation. It also meant that to fund their operations and acquisitions, corporations turned away from high-interest commercial bank loans in favor of the short-term debt market. As financial journalist Michael Lewis writes, "bonds became…a means of creating wealth rather than merely storing it. Overnight the bond market was transformed from a backwater into a casino."[18]

The upheaval in the bond market drove a takeover boom that would transform the American economy. Beginning in the mid 1970s, investors took advantage of low stock market prices to conduct a growing number of takeovers, using excess capital sloshing around in European markets, petrodollars, money market mutual funds, and newly-deregulated savings and loan accounts to fund their acquisitions. But the trend exploded with the advent of high-yield bonds—so-called "junk" bonds—in which banks underwrote debt for the 95 percent of firms whose credit ratings were below investment grade. In 1982, Congress passed the Garn–St. Germain Act, which permitted savings and loans to buy those very risky products. Finally, there

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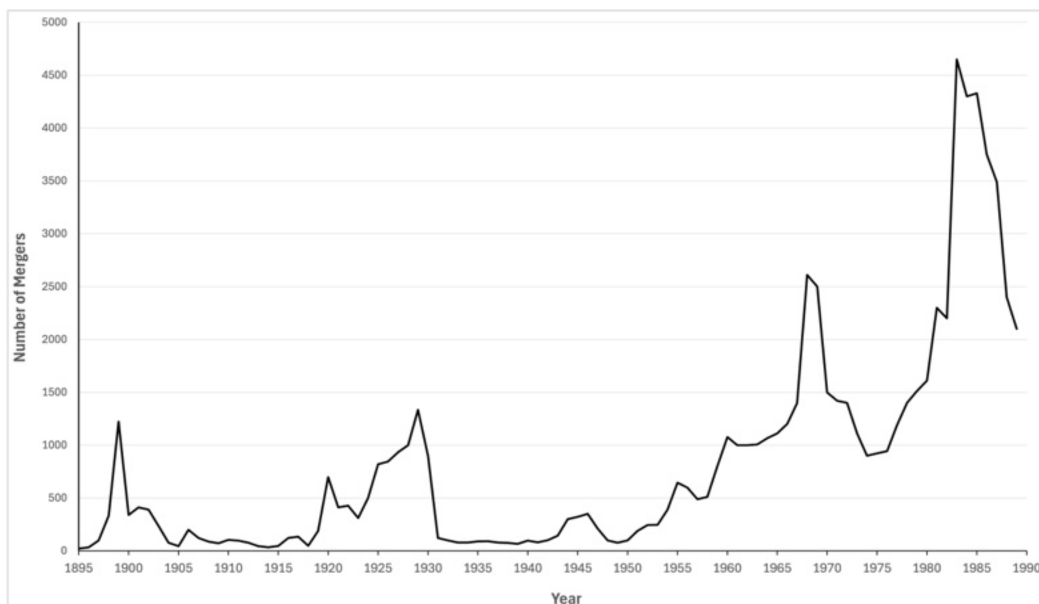
[17] On bond trading in the pre-shelf registration era, see Samuel L. Hayes, Philip M. Hubbard, *Investment Banking: A Tale of Three Cities* (Cambridge: Harvard Business School Press, 1990). Homer quoted in Michael Lewis, 41.

[18] Lewis, 44. On the impact of the so-called "Volcker shock," see David Harvey, *The New Imperialism* (New York: Oxford University Press, 2003) and Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, Harvard University Press, 2011).

was a buyer for near-limitless amounts of high-yield paper. Corporate raiders and investment bankers could now use junk bonds to raise capital to fund takeovers, with the potential for huge profits—and a virtually-guaranteed windfall in advisory fees for Wall Street banks. In 1980, banks had issued $5.35 billion of those new high-yield bonds. By 1986, that figure had climbed to $46 billion. Capital raised in the growing junk bond market provided the fuel for a firestorm of mergers, leveraged buy-outs, and acquisitions, with investment banks engineering the takeovers of huge corporations. In 1975, the total value of U.S. merger transactions had been $11.8 billion. By 1983, that figure surged to $73.1 billion. Merger values hit $122 billion in 1984, $180 billion in 1985, and $336 billion in 1988—twenty eight times the 1975 baseline. Every one of the hundred largest deals up to that point occurred during the merger wave of 1975 to 1988. Investment banks—and there was at least one on each side of every transaction—earned massive fees for cooking up and funding these deals.[19]

[19] Lincoln Caplan, *Skadden: Power Money, and the Rise of a Legal Empire* (New York: Farrar, Straus and Giroux: 1993), 66; Hayes and Hubbard, *Investment Banking*, 133 and 393. Merger figures in Monetary values in Linda Brewster Stearns and Kenneth D. Allan, "Economic Behavior in Institutional Environments: The Corporate Merger Wave of the 1980s," *American Sociological Review* 61, no. 4 (Aug. 1996), 699-718. On the deregulation of savings and loans institutions, see R. Alton Gilbert, "Requiem for Regulation Q: What it Did and Why it Passed Away," Federal Reserve Bank of St. Louis (February 1986), available at http://research.stlouisfed.org/publications/review/86/02/Requiem_Feb1986.pdf.

While the United States had experienced three earlier merger waves, including the massive conglomeratization of the 1960s (see figure below), the 1980s merger-mania was different: it represented an essential shift in the relationship between industry and Wall Street. Instead of corporations looking to investment banks for financing, banks now devised and helped to fund profitable takeovers regardless of their value for the "real" economy. Banks and corporate raiders saw companies not as multifaceted organizations with responsibilities to various stakeholders (workers, management, shareholders, local communities) but as a set of assets to be sold off for a profit. Wall Street's short-term view of the corporation soon made its way into the boardroom. Fearful of being taken over themselves, corporate leaders began to focus on near-term profitability to keep their stock prices high. That meant companies spent less on investments with long-term payoffs—worker training, research and development, raising production capacity. Or they loaded up their companies with unsustainable levels of debt by restructuring, borrowing on the commercial paper market, or buying back stock to avert a takeover. (Between the beginning of 1984 and mid-1985, nearly half of America's 850 largest corporations bought back stock or took on debt to ward off a hostile merger.) As one account of



Number of mergers in the United States by year.

Based on data in Linda Brewster Stearns and Kenneth D. Allan, "Economic Behavior in Institutional Environments: The Corporate Merger Wave of the 1980s," *American Sociological Review* 61, no. 4 (Aug., 1996), 700.

the era describes, investment bankers were "no longer the priest-confessors to corporations and institutional investors." With the rise of junk bonds and M&A, "they now sit at the table with the other players—and they have their own stack of chips."[20]

Investment banks, already buoyed by a range of macroeconomic forces, were given a further boost by measures that loosened regulation of the bond markets. In 1980, U.S. investment banks were still operating under the 1933 Securities Act, which had been designed for an era of stable interest rates. But with Fed Chairman Volcker now allowing wild interest rate swings, markets could change dramatically during the syndicate-raising process and the SEC-mandated "cooling off" period. Increasingly, corporations were turning away from Wall Street to less-regulated European bond markets to raise capital. President Reagan's newly-appointed SEC chairman John S.R. Shad, the first Wall Street executive to run the agency in decades, hoped to lure this activity back to New York. In March 1982, the SEC announced the temporary (later permanent) introduction of Rule 415, which allowed corporations to pre-register their debt or equity financing with the SEC and pull it "off the shelf" at any point over the next two years when market conditions were ripe.[21]

The passage of Rule 415, along with the parallel surge in mergers and the continued volatility of capital markets, would reshape Wall Street. Above all, it helped to dissolve banks' long-standing and exclusive relationships with specific corporations. Banks in the underwriting market had been, somewhat ironically, insulated from open competition. Now, banks vied for the chance to underwrite corporate debt, competing on price and speed on a deal-by-deal basis—terms which favored the largest and best-capitalized firms. This was a marked change

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[20] Glenn Yago, *Junk Bonds: How High Yield Securities Restructured Corporate America* (New York: Oxford University Press, 1991), 35; Caplan, *Skadden*, 216; Hayes and Hubbard, *Investment Banking*, 133 and 393. For an account that locates the origin of the financialization of the firm in the conglomerates of the 1960s, see Samuel Knafo and Sahil Jai Dutta, The Myth of the Shareholder Revolution and the Financialization of the Firm," *Review of International Political Economy* 27, no 3 (Fall 2000), 476-499.

[21] Geisst, 330-334 and remarks by James C. Treadway, Jr. to Securities Industry Association Thirteenth Annual Meeting, "An Overview of Rule 415 and Some Thoughts about the Future," October 9, 1983, available at https://www.sec.gov/news/speech/1983/100883treadway.pdf

from the 1960s and 1970s. In those years, for example, Morgan Stanley was widely known as the exclusive underwriter for General Motors, a rapport that was so close that other banks knew not to call GM. But that changed thanks to Rule 415 and the general breakdown of relationship banking. "We used to use Morgan Stanley for everything," explained E. Stanley O'Neal, GM's general assistant treasurer. "Then after shelf registration, we went to the other extreme, getting bids on everything." Indeed, from 1984 to 1986, General Motors used sixteen banks as leads on its 78 investment banking transactions. Morgan Stanley was lead issuer on fewer than a quarter of those deals, as First Boston, Merrill Lynch, and Salomon Brothers ate into its share. Still, GM tended to give most of its business to a small coterie of top banks whose large staff and expertise ensured they could handle complex deals. As the bond market grew after the introduction of shelf registration, revenues rose for banks that were able to expand their underwriting operations by hiring large numbers of analysts and amassing capital reserves. Goldman Sachs, one of those upstart firms, saw its 1983 pre-tax profits top $400 million, a record.[22] To increase their underwriting ability, other investment banks that had long been privately-held partnerships sold out to larger corporations—in effect, exchanging their autonomy for capital. Salomon Brothers was bought by Philbro; Shearson by American Express; Dean Wittier by Sears. In 1984, Shearson/American Express acquired Lehman Brothers Kuhn Loeb.[23]

The deregulation of the bond market reinstated Manhattan as the global center of debt and equity underwriting. "When shelf went permanent, which was the fall of 1983, you could hear the sucking sound as all of the money left Europe and went back to New York City," remembers John Huber, the former director of the SEC Division of Corporation Finance. "It was

[22] Scott McMurray, "Goldman Sachs Sets 23% Salary Bonus For Most Employees After Strong Year," *WSJ,* November 26, 1984; Robert G. Eccles and Dwight B. Crane, *Doing Deals: Investment Banks at Work* (Boston: Harvard Business School Press, 1988), 53 and 77.

[23] Leslie Wayne, "New Pressure in Investment Banking: Private firms are being pushed into a lesser role on Wall Street," *NYT*, April 15, 1984.

a confirmation that the shelf rule had done what it was supposed to do." When all that capital returned, local government officials hoped, so too would jobs in the securities industry.[24]

The city's commercial banks pushed for additional New York-specific regulations to help buoy their fortunes. Beginning in 1977, the New York Clearinghouse Association (NYCH)—an interest group representing the city's twelve largest commercial banks—proposed making New York a "free-banking zone." This measure would allow banks' New York City branches to conduct international transactions without paying state and local taxes or following federally-mandated reserve requirements and interest rate ceilings. As financial market globalized in the 1970s, New York had lost its share of the lucrative Eurodollar market. Capital was flowing to locations with lower regulations and taxes: Singapore, Hong Kong, the Bahamas, and especially London. The benefit of loosening regulations for New York, NYCH believed, would be dramatic. Besides bringing Eurodollars and Eurobond underwriting back to the city, the free-banking zone would help the city "regain its lost prestige" in the eyes of global investors and bankers. Most importantly, the creation of a free-banking zone would revitalize the local economy, which was suffering from major job flight. Banks would open new branches in the city, wrote NYCH, creating banking and service-sector jobs, attracting international visitors, filling under-utilized office space, and bringing in increased sales tax revenue—more than enough revenue to offset the tax cuts that would be needed to attract the banks in the first place. G.A. Costanzo, vice chairman of Citibank and a NYCH member, told a journalist that that the creation of a free-banking zone would create 50,000 jobs in the city.[25]

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[24] John Huber, interview by Kenneth Durr, *Securities and Exchange Commission Historical Society*, June 2, 2009, available at http://3197d6d14b5f19f2f440-5e13d29c4c016cf96cbbfd197c579b45.r81.cf1.rackcdn.com/collection/oral-histories/20090602_Huber_John_T.pdf.

[25] New York Clearinghouse Association, "A Proposal to Establish International Banking Branches in the United States, July 13, 1977," New York Clearinghouse Association records, Columbia University Rare Book & Manuscript Library (RBML), Box 58, Folder 11; "Big Banks Propose a Free Trade Zone to Help New York," *NYT*, Nov. 22, 1977. On the libertarian quest for economic zones in this era, see Quinn Slobodian, *Crack-Up Capitalism*: *Market Radicals and the Dream of a World Without Democracy* (New York: Metropolitan, 2023).

NYCH lobbied hard for the zone, arguing that it would attract the sort of highly-paid bankers whose spending would revive the city's economy. First, it convinced state lawmakers to pass a law that would exempt New York banks from state and local taxes. As yuppies moved to the city, NYCH argued, lost revenues would be recouped by increased economic activity.[26] Over objections from the AFL-CIO—which worried about shrinking state tax revenues—the New York State Legislature passed a law lifting taxes on international bank branches.[27] NYCH's economic development argument was written into the language of the bill, which stated that it would "help attract the international banking business, and the attendant jobs and personal income, back to the United States, and particularly New York." Next, NYCH began a campaign to pressure the Federal Reserve to lift reserve requirements and interest rate regulations. After three years of lobbying by NYCH, Governor Hugh Carey, and Mayor Ed Koch, the Federal Reserve Board awarded the city free-banking zone status.[28]

After the creation of the free-banking zone and the passage of Rule 415, New York began to displace London as the center of the $1.34 trillion Eurodollar market. Commercial banks from across the U.S. set up subsidiaries in Manhattan to siphon from the torrent of dollars flowing from Third World exporter nations and OPEC states. Adries H.J. Jansama, general manager of Chicago's Continental Bank International, acknowledged Manhattan's increased importance. "New York is the center for dollar movements around the world. Ultimately every dollar transferred anywhere, whether in Asia, Africa, or Europe, ends up as a dollar movement through banks in New York." After the establishment of the free banking zone, said Jansama, "we have to be here." Before the free banking zone, Los Angeles' Security Pacific National Bank had only

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[26] John F. Lee Memorandum to Clearing House Committee on International Banking Facilities, RMBL, Box 58, Folder 17.

[27] Walter T. Kicinski Letter to Ludwig Jaffe of New York State AFL-CIO, RBML, Box 58, Folder 15.

[28] "Free-Trade Zone for New York Banking Is Supported by Several State Officials," *Wall Street Journal,* March 17, 1978; Clyde H. Farnsworth, "Free Banking Zones Authorized As Lure To Foreign Business," *NYT*, June 10, 1981. There is surprisingly little scholarship on these deregulatory measures. On free banking zones, see Robert Solomon*, Money on the Move: The Revolution in International Finance since 1980* (Princeton, NJ: Princeton University Press, 1999), especially 3-33. On the emergence of tax havens and offshore banking facilities, see Vanessa Ogle, "Archipelago Capitalism: Tax Havens, Offshore Money, and the State, 1950s–1970s," *American Historical Review* 122, no. 5 (December 2017), 1431-1458.

three employees stationed in New York; in two years, that number surged to nearly 1,000. Bank of America, based in San Francisco, bought the former Biltmore Hotel and converted it into office space for 1,500 employees. International banks also flocked to New York. 336 foreign firms maintained Manhattan offices in 1983, up from 200 just four years earlier. All of those domestic and global banks began to recruit legions of new traders for their Eurodollar desks.[29]

At the same time, technological transformations meant that banks needed more highly-educated workers who could create complicated economic narratives out of financial statistics. In the days before the widespread availability of real-time economic data, bankers had enjoyed a huge information imbalance. Clients, from corporate officers to institutional investors, would call their salesmen just to check basic indices like exchange rates, unemployment figures, and Treasury note returns. Fred Stillman, who arrived as a salesman at First Boston's government bond department from Harvard Business School in 1980, remembers "at the trading desks, we had much better information than the customers did. So a lot of what you were doing as a salesperson was telling people what was going on in the market." Stillman's customers, large financial institutions and Asian and European central banks investing in dollars, depended on him for basic macroeconomic data like the Federal Reserve's money supply reports, which were announced each Thursday afternoon and reported back to Stillman by First Boston employees known as "Fed watchers." In those days, even "well-thought-of salespeople" did little more than "tell people what was going on. Clients expected to be given data—not told elaborate stories about what those figures might mean."[30]

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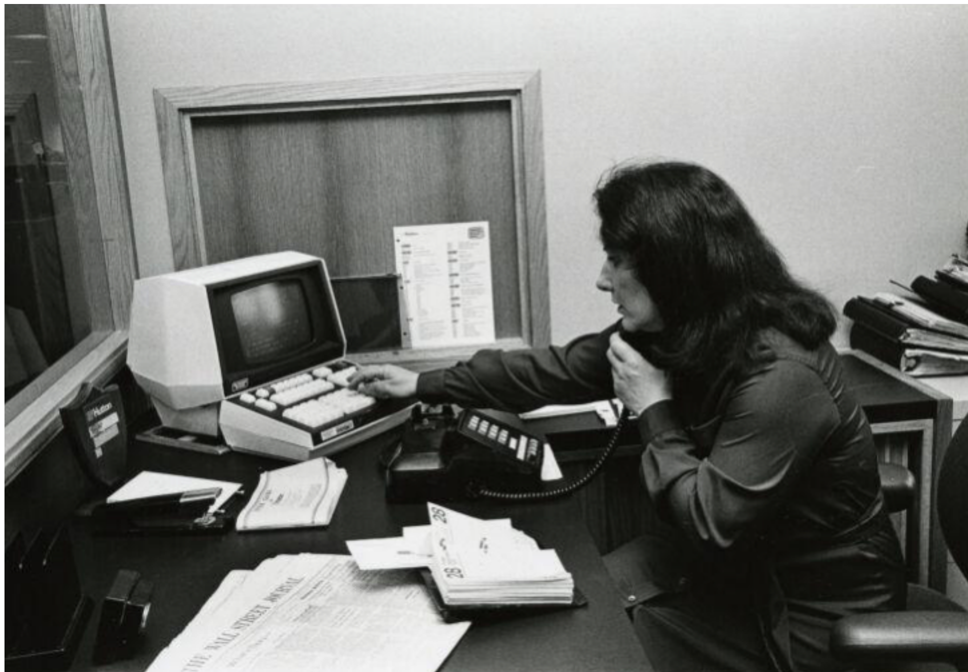
[29] "New York banks can go after Eurodollars," *Chicago Tribune,* November 27, 1981; Robert A. Bennett, "New York: The World Financial Market," *NYT*, March 22, 1983; Greenburg, *Branding New York,* 225-252.

[30] Author interview with Fred Stillman, April 8, 2016.

By the end of 1982, however, the arrival of Bloomberg computer terminals began to equalize the information imbalance that banks had enjoyed. Clients now had access to the same data as bank analysts. In order to stay competitive, bankers needed to craft increasingly complex stories about what financial indices *meant*. A seat-of-the-pants instinct for price and rate fluctuations was no longer sufficient. Increasingly, an advanced education, awareness of macroeconomic trends, and mathematics skills became necessary to craft economic narratives out of widely-available data. As Stillman recalls, "once the Bloomberg screens disseminated information, it wasn't useful for you just to talk to me about the price of something. The customer wanted to know what my opinion was and what that news might mean." As economic storytelling became the key skill for analysts and salespeople, highly-educated people began to shine. With the advent of computerized financial data, "you could really have a discussion with clients about the world economy," Stillman explains, "as opposed to just telling them, 'the 10-year note's gone up a half a point today.'"[31]



Marilyn Male at her desk at E.F. Hutton in 1982.

Source: Harvard University, Schlesinger Library on the History of Women in America. Photo by Freda Leinwand.

31 Ibid. On the rollout of the Bloomberg terminals, see Michael Bloomberg's memoir, *Bloomberg by Bloomberg* (New York: Wiley, 1997).

New York investment banks needed employees who could spin nuanced financial narratives to help clients and traders make sense of the increasing speed and competitiveness of the bond market. To find them, they turned their attention to the nation's largest reservoir of talent: students at elite universities and business schools. And they weren't just looking for economic and math majors. Even liberal-arts students could prove useful to banks in the age of economic storytelling. In the early 1980s, on-campus recruiting would emerge as a frenzied yearly ritual across America's universities.

A Recruiting Revolution on Campus

This was a marked change from previous decades. Back in the robust hiring climate of the 1950s, seniors were less anxious to secure jobs directly after graduation—in 1959, only one in ten Harvard, Princeton, and Yale seniors immediately sought employment. These students had little sense of urgency, as jobs in industry outnumbered graduating seniors by a ratio of three to one until the end of the 1960s.[32] At top schools, placement offices helped graduating students leverage social and alumni networks to secure employment at leading corporations—a system that cemented the racial, ethnic, and class exclusivity of America's business elite. The opacity and arbitrariness of the placement system was key to its exclusivity. To hire a new junior executive, a corporate officer would send a letter to a university placement office, specifying the academic, personal, and social qualities—smarts, heritage, appearance, "spark," fraternity membership—they were seeking. More likely than not, the candidate would resemble the firm's other executives, which by the middle of the twentieth century, would have been all male and almost universally college educated.[33]

Even as more formal on-campus recruiting programs emerged in the late 1960s, they were almost entirely dominated by large manufacturers like IBM, Bell, Lockheed Martin, and Xerox, and they continued to favor white men with top educational credentials. Investment

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32 Lawrence Stessin, "They're Not Trying To Succeed in Business," *NYT*, March 28, 1965.
33 Groeger, *The Education Trap,* chapter 6 and Rivera, *Pedigree.*

banks, if they visited campuses at all, would appear only once each spring to meet with a small coterie of students in a dormitory lounge. Indeed, before 1979, not a single investment bank advertised an on-campus visit in Penn's *Daily Pennsylvanian* newspaper. That year, nearly 40 percent of seniors at Penn's undergraduate Wharton School of Business took their first job in accounting, with most of the remainder heading into corporate management. Only three percent were hired by an investment bank.[34] The figures were similar at Harvard, where an average of six percent of the 1969-1973 graduating classes went into any area of financial services. At Harvard's Business School, two in five graduates went into the manufacturing sector. Fewer than one in ten was bound for Wall Street.[35]

During the 1970s, however, universities experienced seismic demographic shifts which intensified competition for jobs and raised the stakes for on-campus recruiting. The story was partly demographic. The total number of career-seeking graduates exploded during the 1970s, as the baby boom generation reached adulthood and more women pursued white-collar positions. From the mid 1960s to the early 1970s, the number of graduating college students had doubled. And they were all vying for jobs in an economy buffeted by recessions, inflation, trade deficits, and energy crises. At the same time, elite educational institutions began to admit an increasing number of women, African Americans, Jews, Asians, and white ethnics. These students were not able to draw on the same family and class connections available to privileged seniors in earlier decades. As the population of college graduates grew more crowded and diverse, it had two key effects on professional recruiting and employment. First, it meant that a diploma from an elite school grew in value, as employers came to rely even more on the screening effect of educational credentials rather than on family connections or "breeding" when

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34 Wharton School, "Undergraduate Placement Survey, Class of 1979," available at Career Services office, University of Pennsylvania; author interview with Patricia Rose, director of University of Pennsylvania Career Services, March 3, 2016.

35 Harvard University Graduate School of Business Education, "Masters in Business brochure," 1975/76, HBS Historical Collection (HBSHC), Baker Library, Harvard University; Robin Greenwood and David Scarfstein, "The Growth of Finance," *Journal of Economic Perspectives* 27, no. 2 (Spring 2013), 5. On the era before investment bank recruiting, see Amy Wilentz, "The Class, Leaving," *Harvard Crimson*, June 12, 1975; Ho, *Liquidated,* 59-60.

they chose new hires. Two, it led to the expansion of existing placement offices into more expansive career services offices. These offices were designed to formalize and democratize the elite hiring pipeline that, for decades, had been secretive and exclusive. During the 1970s, those offices emerged as the key broker on campus for competitive jobs at large corporations and financial institutions.[36]

As banks' need for workers surged in the early 1980s, they relied ever more heavily on those connections with colleges and universities. Lehman Brothers, which had brought in just a handful of entry-level bankers in the 1970s, tripled its yearly hiring targets after 1981. In a memo to its staff, Lehman announced that it was expanding its on-campus recruiting program with a goal of hiring two dozen undergraduate seniors as corporate analysts, twelve first-year business school students as summer interns, and another twelve new MBAs as junior associates each year.[37] Lehman was only one of a dozen large banks that accelerated their recruiting. In 1981, over a quarter of the 110 companies that conducted interviews at Yale during February and March were investment banks. And by 1983, New York banks came to utterly dominate recruiting at all of the nation's top schools. They announced their upcoming campus visits in virtually every issue of student newspapers—*The Daily Pennsylvanian*, the *Harvard Crimson,* the *Columbia Daily Spectator,* MIT's *The Tech*, the *Yale Daily News*, the *Brown Daily Herald, The Daily Princetonian*—from January to May. And they began to work closely with schools' career counselors to publicize their information sessions and on-campus interviews.[38]

Investment banks began to crowd out all other employers during the spring recruiting season, as finance's growing presence on campus mirrored its rising importance in the economy.

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[36] Nancy Weiss Malkiel, *"Keep the Damned Women Out": The Struggle for Coeducation* (Princeton: Princeton University Press, 2016); Groeger, *The Education Trap*; Karabel, *The Chosen*; Daniel E. Hecker, "The Jam at the Bottom of the Funnel: The Outlook for College Graduates," *Occupational Outlook Quarterly* 22, no. 1 (Spring 1978).

[37] William F. Wolf III and Amy J. Schiffman, "Memorandum: Possible Responses to Questions Frequently Asked by Recruits," January 18, 1985, Box 667, Folder 11, Lehman Brothers Collection (LBC), Baker Library, Harvard University.

[38] Author interview with Patricia Rose (director of University of Pennsylvania Career Services), March 3, 2016. For interviews at Yale, see Scott Bessent, "Companies screen seniors," *Yale Daily News*, February 27, 1981 and Elizabeth Rourke, "Career Services helps form plans for the future," *Yale Daily News*, February 11, 1985.

The number of corporate recruiters visiting Princeton climbed from 200 in 1977 to 237 in 1983 to 324 in 1987. Investment banks accounted for much of this increase, making up for the fall-off in recruiting by manufacturing companies.[39] "Large manufacturers like IBM, Proctor and Gamble, GM, and Boeing, and McDonnell Douglas dropped out of the recruiting business because they're downscaling to a massive degree," said William Corwin, associate director of Princeton Career Services in the mid-1980s. "Now it's very rare that we have a manufacturer."[40] Michael Beresik, a senior in the class of 1985 at Yale, complained that "literally all of the job opportunities have been in banking and financial services." Without alternatives, "it does lead people who are undecided to apply to a lot of banks, because that's what's there."[41] At Columbia, Janice Min attended a Career Services event specifically targeted at liberal arts majors. As she flipped through the booklet listing the firms that would be recruiting on campus that spring, she "saw the Goldman Sachs and Salomon Brothers and Shearson Lehman Huttons. No surprise." Flipping further, she "wait[ed] for something to catch my eye. Bear, Sterns & Company. No. Kidder Peabody & Company. Chemical Bank. No, no, no." She turned the pages faster. "The never ending stream of big bucks jobs became a dizzying blur, and before I knew it I had reached the last page without circling a single firm." Out of 109 companies listed, she reported, approximately 90 were finance-related.[42]

The overwhelming presence of Wall Street on campus produced a not-unexpected surge in student interest in banking. By 1985, nearly half of Yale's graduating class applied to just one investment bank, First Boston. "We invite hundreds of companies every year to come, but can't fill schedules for…areas like manufacturing. Yalies aren't interested," said Susan Hauser,

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[39] J.I, Merritt, "Feature Digest, September 1977," Box 89, Office of Communications Records (AC168), Princeton University Archives (PUA); Princeton University Career Services, "Career Services Newsletter, October 1984," Box 74, Folder 5, Historical Subject Files (AC 109), PUA.

[40] Laurie Lynn Strasser, "PU graduates working harder to find jobs," *Princeton Packet*, June 6, 1995.

[41] Elizabeth Rourke, "Career Services helps form plans for the future," *Yale Daily News*, February 11, 1985.

[42] Janice Min, "Core can't cloak Columbia's Wall Street ways," *Columbia Daily Spectator*, November 22, 1989.

director of Yale's career services office.[43] Yalies were not alone in this turn towards banking. Brown University had to cancel multiple sessions with social service and non-profit employers in 1985 because of a lack of student interest.[44] And at Princeton, career services staff witnessed a "hiring boom in the so-called financial services area that has never been equaled on the Princeton campus." As early as 1982, throngs of seniors waited outside Princeton's career services office in Clio Hall to get their names onto banks' interview schedules—even in six inches of snow.[45]

As careers in the financial sector loomed large on campus, students began to sign up for majors that they believed would position them for Wall Street. Both the humanities and social sciences saw steady drops in enrollments in the early 1980s, deepening a trend that had begun in the mid-1970s, as a tightening labor market swept away the vestiges of sixties-era idealism on campus. The percentage of college English majors fell by half, from nearly eight percent of the class in 1971 to 3.4 percent in 1986. Even with a boom in economics departments—Harvard's introductory economics course saw its enrollment triple from 1984 to 1987—the number of social science majors dropped to 9.5 percent in 1986 from a high of 18.5 percent in the early 1970s. Nationally, over 36,000 more business majors graduated in 1986 than in 1981. Acceding to student demand for career-oriented majors, universities expanded their course offerings in business, finance, and information sciences.[46]

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43 Rourke, "Career Services."

44 Judy Warner, "The Strange Allure of Investment Banking," *Brown Daily Herald,* September 9, 1985.

45 Princeton University Career Services, "Career Services Newsletter, May 1986," Box 75, Folder 1, Historical Subject Files, PUA; anecdote in Lewis, 28 and 31.

46 U.S. Department of Education, National Center for Education Statistics, "Table 322.10. Bachelor's degrees conferred by postsecondary institutions, by field of study: Selected years, 1970-71 through 2011-12," (2015), available at https://nces.ed.gov/programs/digest/d13/tables/dt13_322.10.asp; Bennett, "Banking: Rising Curve," *NYT*, October 12, 1980; Elizabeth Fowler, "Weighing Majors for Cash Value," *NYT,* September 15, 1982. On the increasing popularity of business among young people, see Bethany E. Moreton, "Make Payroll, Not War: Business Culture as Youth Culture," in *Rightward Bound: Making America Conservative in the 1970s*, Bruce J. Schulman and Julian E. Zelizer, eds. (Cambridge: Harvard University Press, 2008).

TUESDAY, OCTOBER 7, 1986 The Tech PAGE 7

WALL STREET'S TOP QUANTITATIVE CAREER MAKER IS COMING TO YOUR CAMPUS.

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A Salomon Brothers recruiting ad in *The Tech,* MIT's student newspaper.

Source: *The Tech*, October 7, 1986

While banks still needed liberal arts majors to craft and sell compelling financial narratives, they also hoped to attract students with advanced quantitative and computing skills—so-called "quants." Banks hoped that their army of quants would invent new securities and computerized trading algorithms to squeeze profit out of deregulated global capital markets and rising volatility in prices and interest rates. To recruit them, Wall Street turned to the campuses of America's top math and technology schools: Cal Tech, Berkeley, Stanford, Princeton, and above all, MIT. By 1984, nearly every issue of *The Tech*, MIT's student newspaper, contained quarter-page advertisements for investment banks' technological

divisions. Morgan Stanley invited students with degrees in "Mathematics, Statistics, Engineering, Computer Science, Operations Research, Physics, Econometrics, Quantitative Financial Analysis or Related Fields" to an information session catered with wine and cheese. Not to be outdone, Salomon Brothers took out flashy full-page advertisements in *The Tech*. Over a stereotypical image of two yuppies—a Nordic-looking man in a dark suit and a blonde woman in a blouse and cravat—inch-high letters announced: "there's a new career option for today's quantitative graduates. It's not in academia. It's not in Corporate America. It's not in the Silicon Valley. It's on Wall Street." Math and engineering majors, it continued, "are literally shaping the future of high finance" with new technology, new pricing models, and new investment products. Quants, the ad promised, could not only expect high pay, but also "challenge, responsibility, and recognition." JP Morgan went even further than Morgan Stanley or Salomon Brothers. Desperate to find quants for their equity research department, the bank hired a recruiter to call every person in the Princeton alumni directory who had majored in the hard sciences. Before the recruiter had made it through the last names beginning with "B," he had lined up several candidates for interviews.[47]

Because of the sheer omnipresence of investment banking on campus—at recruiting events, in career services offices and in the pages of student newspapers—banking came to feel like the path of *least* resistance for many undergraduates. Over free wine and refreshments, recruiters for banks assured nervous seniors that banks could help translate their protean smarts into a secure, high-status career. These promises fell on receptive ears: students had grown up in a decade of job scarcity, yet were sometimes still ambivalent about their interests. Minerva Reed, head of Princeton Career Services in the 1980s, blamed the rush to investment banking on a "herd mentality." Rather than taking time to consider their career goals, she said,

[47] JP Morgan anecdote in *How I Became a Quant: Insights From 25 of Wall Street's Elite*, Richard R. Lindsey and Barry Schachter, eds. (Hoboken, NJ: John Wiley & Sons, 2007), 66; advertisement for Morgan Stanley analytical systems group, *The Tech*, February 28, 1986; advertisement for Salomon Brothers, *The Tech,* October 7, 1986. On the rise of quants more generally, see Scott Patterson, *The Quants: How a New Breed of Math Whizzes Conquered Wall Street and Nearly Destroyed it* (New York: Crown, 2010).

students would desultorily submit their resumes to investment banks.[48] At Princeton, Michael Lewis had "no fixed idea of what to do when I graduated from college, and Wall Street paid top dollar for what I could do, which was nothing."[49] Melissa Mattes, an English and political science major at Williams College, had planned on going to law school. But when First Boston unexpectedly offered her a $28,500-per year salary for an entry-level position, she was "delighted." Even if she was ambivalent about banking, Mattes planned to give it a try—and, if all else failed, plow her savings into graduate school tuition.[50] At Brown, Steve Price decided to take an interview with Goldman Sachs "just for practice." A year later, he was working on Wall Street, a decision he admitted was "more a fluke than a definitely desired route." As banks crowded out other employers on campus, more and more students found themselves drifting, perhaps ambivalently, into finance.[51]

Whatever their doubts, many students went to Wall Street for the astronomical and widely-advertised salaries. In the early 1980s, starting compensation at New York investment banks was 30 percent higher than at merchant banks or accounting firms. Bonuses and lockstep year-end raises guaranteed young analysts the potential to earn much more. For example, at First Boston, first-year bankers in 1986 were promised $48,000 starting salaries; most received year-end bonuses that doubled their total compensation. By the time a banker hit the age of 30, a pre-bonus salary of $250,000 was not uncommon. Top earners could expect compensation closer to $1 million per year after performance bonuses. Meanwhile, at commercial banks, even vice presidents rarely made salaries above $100,000. All of these figures were widely available to job-hunting seniors. At Princeton's Career Services Office, staff provided interested students with the average monthly salaries for alumni in a range of fields. Banking topped the list, year

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[48] Douglas J. Widman, "Financial services corner spring recruitment market," *Daily Princetonian*, March 6, 1987.

[49] Lewis, *Liar's Poker*, 26.

[50] Judy Warner, "The Strange Allure of Investment Banking," *Brown Daily Herald,* September 9, 1985.

[51] "Liberal-Arts Graduates' Prospects In the Job Market Grow Brighter," Linda Watkins, *NYT*, May 6, 1986.

after year. One Princeton student put it bluntly. His classmates "are looking to make as much money as they can," he said. "And investment banking offers a lot of money."[52]

Money, however, was rarely discussed by financial recruiters or by students themselves when they explained their career choices. Instead, they emphasized that banking's promise of instant responsibility. While manufacturers could only promise a decades long climb up the corporate ladder, investment banks presented an immediate opportunity to counsel executives on high-stakes deals—or, better yet, devise and carry out those deals themselves. Victoria Ball, director of career services at Brown, explained that "these kids fresh out of college are playing advisors to some of the biggest names in business. It's very sexy to have that much power."[53] In Lehman Brothers' glossy 40-page careers handbook, designed to be distributed liberally at college recruiting events, employees emphasized the speed with which they were given power to make deals. Deanne Landress arrived at the bank after graduating from Stanford's business school in 1982. "Every MBA says that he or she wants to make decisions in the business world," she said. But her friends who headed to the corporate world might have to wait years to ascend into management. Things were different as a bond trader. "Here, after only one year," she continued, "I'm making a contribution to the bottom line."[54]

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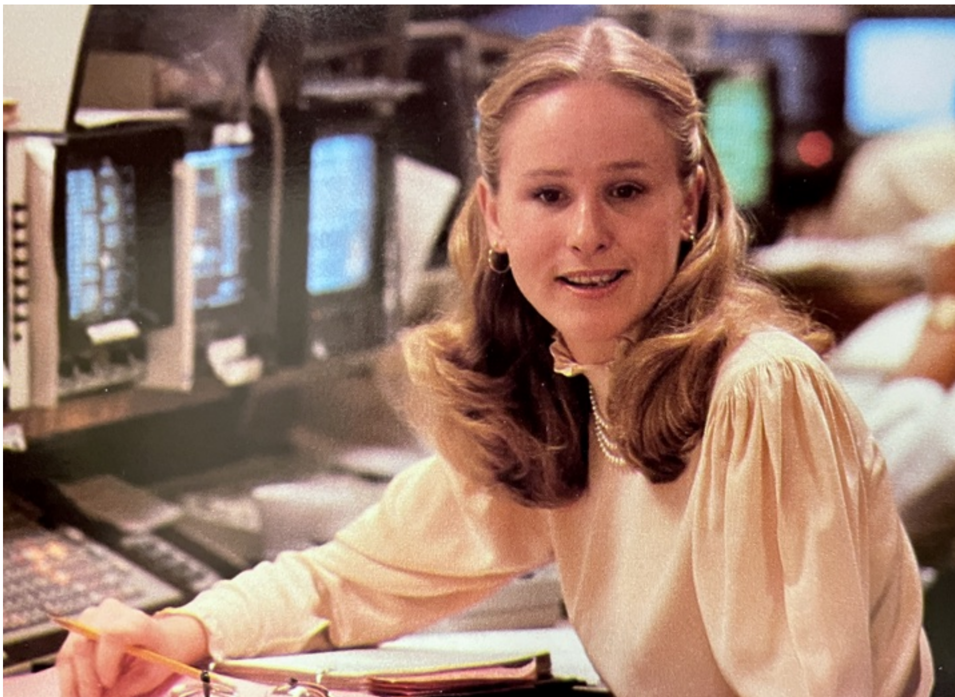
[52] Sandra Salmans, "New Yorkers & Co.: Wall Street's Well-Off Upstarts," *NYT*, March 31, 1986; "Growing Pains: Some Big Banks Find Entering New Fields A Tough Transition," *Wall Street Journal*, August 13, 1986; Paula Span, "The Bumpy Ride of Wall Street's Whiz Kids," *The Washington Post*, November 16, 1990.

[53] Stacey Bereck, "Many Roads Lead From Thayer to Wall St.," *Brown Daily Herald,* November 20, 1986.

[54] "Lehman Brothers: Career Opportunities, 1983," Box 608, Folder 12, LBC.

Recruits were attracted to banks because they promised a high degree of individual autonomy—the chance to make high-stakes financial bets unburdened by the oversight of managers or stifled by the bureaucracy of a large industrial corporation. The banks' appeal for young workers had its roots in the self-making culture of the 1970s and 1980s. As the counterculture's ideals seeped into the mainstream, they inspired Americans to pursue personal development and emotional fulfillment as an antidote to the stultifying forces of mass society, technocracy, and homogenizing large institutions—big corporations, big labor, and big government. A concurrent individualizing impulse was at work on the political right, as the hegemony of market metaphors elevated the autonomous economic actor into the most important figure in modern life. By the 1980s, those two strands had become hopelessly entangled. Young professionals swam in a cultural miasma with origins in the counterculture. But instead of seeking self-actualization in radical politics or non-traditional lifestyles, they



Deanne Landress at her desk at Lehman Brothers in 1983.

Source: Lehman Brothers Collection, Baker Library, Harvard Business School.

placed their hopes in individual advancement at the workplace and status-seeking consumption in their leisure hours.[55]

As they sought to attract young graduates, investment banks mobilized language that accorded with this cultural mood. In their marketing materials, banks emphasized that entry-level employees would be given decision-making power almost immediately. Traders, they promised, would have almost total autonomy over their accounts, with little managerial oversight. Analysts would be offered the latitude to investigate whatever new opportunities they desired. And consistently, banks contrasted their workplaces with those in the corporate world. On Wall Street, graduates could pursue their personal potential in a freewheeling, informal setting, a far cry from life in a conglomerate, which was unfailingly portrayed as the obverse: sluggish, sclerotic, and rigidly hierarchical. Lehman Brothers' glossy 1983 career catalogue featured an interview with Andrew Chapman, who had just begun his second year at the bank after graduating from Yale's School of Management. "I am convinced that there is more opportunity for a young person to get involved in managing his or her own accounts earlier here than anywhere else," he said. "Our department is very much a meritocracy—you are given as much work and responsibility as you are able to handle." Less than two years out of business school, Chapman was directing the banks' financing for transportation projects. Instead of taking orders from layers of management at a large corporation, he was forging his own path through the global capital markets.[56]

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[55] Richard K. Popp provides the best introduction these ideas in the business world in Popp, "One Holistic System of Systems": Multinational Conglomerates and Technocratic Bigness in Late Postwar Culture," *Journal of American History* 108, no. 2 (September 2021), 320-347. On left-liberal critiques of big government in the 1970s, see Paul Sabin, *Public Citizens: The Attack on Big Government and the Remaking of American Liberalism* (New York: W.W. Norton, 2021).On the self-making culture of this era, see Sam Binkely, *Getting Loose: Lifestyle Consumption in the 1970s* (Durham: Duke University Press, 2007) and Daniel T. Rodgers, *Age of Fracture* (Cambridge: Harvard University Press, 2011), especially chapter 2. Christopher Lasch provides a similar if more polemical restatement of this self-making genealogy in Lasch, *The Culture of Narcissism: American Life in an Age of Diminishing Expectations* (New York: W.W. Norton, 1979).

[56] "Lehman Brothers: Career Opportunities, 1983," Box 608, Folder 12, LBC; Walter Kiechel III, "New Debate About Harvard Business School," *Fortune,* November 9, 1987.

Banks didn't just rely on marketing language to attract new hires. They also spent tens thousands of dollars each year to lavish potential recruits at university recruiting events. At Princeton, recruiting began with "pre-screening" cocktail hours at a rented space in a hotel just outside the campus gates. Students—almost all male—came dressed in conservative attire, blending into what one reporter described as a "sea of dark suits, white oxfords and striped ties." At an event for multiple banks and consulting firms in 1987, over 150 Princeton seniors packed into a room at the Nassau Inn, where they picked over a buffet of puff pastries and mini-shish kebabs. Recruiters, almost all Princeton alumni, tried to entice students with reports of high salaries and assurances that the workload would be onerous, but "not much different than at Princeton." Interest was intense, wrote a reporter for the *Daily Princetonian*. "Throughout the presentations, seniors eyed each other suspiciously, sizing up the competition." At the Merrill Lynch info session, one senior saw a banker handing out informational pamphlets. "Literature?

Three undergraduates speak to a recruiter for Smith Barney at an event on Harvard's campus in October 1986.

Source: Harvard University News Office photographs, Harvard University Archives. Photo by Michael Quan.

They're passing out literature!" he exclaimed. "Quick, run up and get me some! We must have literature!" After making initial contact and collecting resumes from interested seniors, the most promising recruits were whisked to New York for a weekend of glamorous entertainment. In 1987, Shearson Lehman Brothers provided Princeton candidates with rooms at the Ritz and an unlimited bar tab at Manhattan's Jockey Club. One student, speaking on condition of anonymity, said that recruiters "basically told us to go out and have some fun on the company's account." Anne Long, director of recruiting at career services at Princeton, admitted that "only financial service companies can afford to treat students [so] lavishly," and she fielded complaints from traditional employers that they couldn't compete with the investment banks' "wining and dining."[57]

The most desired candidates enjoyed even more extravagant personal attention. Burt Hamilton (a pseudonym) was pursued by three of the largest banks during his senior year at Yale in 1985. Merrill Lynch tasked Chuck Jordan, a Princeton alum and analyst in its M&A department, with wooing him. Along with two other junior analysts, Jordan whisked Hamilton on a whirlwind tour of New York: Trader Vic's for drinks, then the Palm for a meal accompanied by several bottles of wine. After dinner, the three Merrill Lynch bankers took Hamilton to the Limelight, a disco inside of an old church. Under strobe lights and stained glass windows, Hamilton danced and drank on the bank's tab. By night's end, the sales pitch had succeeded: "Merrill Lynch is greeeaat," Hamilton slurred as he ducked into a taxi to head back to his hotel. Within a week, he had accepted the bank's offer.[58]

It was no accident that these recruiting events showcased New York's nightlife scene. Banks knew that for yuppies, Wall Street's Manhattan location was a key part of its appeal. While a job in corporate management might take a student to suburban Los Angeles or

[57] E.B. Boyd, "Investment companies wine, dine potential analysts in New York," *Daily Princetonian*, March 6, 1987; Ann Pao, "Aspiring yuppies pack Nassau Inn in quest for corporate fortunes," *Daily Princetonian*, November 9, 1987; Carl Levin, "Banking firm serves tea to court potential Wall Street financiers," *Daily Princetonian*, October 11, 1989.

[58] Peter G. Ziv, "Toehold on A Fast Track," *NYT*, December 7, 1986.

Cincinnati, investment banking promised young hires a taste of cosmopolitan urban life—along with the disposable income to enjoy the city's consumer pleasures. As recently as the mid-1970s, however, New York had represented more of a drawback than a draw for entry-level financiers. National headlines didn't help: the city was the subject of a steady barrage of stories detailing its fiscal woes, rampant arson, and physical deterioration. Writing in *Institutional Investor* in 1973, one Harvard student expressed an opinion shared by many of his classmates: Wall Street's location had become a liability. "New York is too dirty and grubby," he wrote. He preferred to stay in Boston, where he could "walk through the Common every day" and escape to the shore or ski slopes on weekends.[59]

From this nadir, however, New York City's reputation recovered quickly. This was due in no small part due to the efforts of a coalition of financiers, real estate magnates, media outlets, government officials, and state and city development agencies who began an extensive marketing and branding offensive in the late 19670s, including the multi-million dollar, year-round "I ❤️ NY" advertising campaign. The ads were designed to replace negative stereotypes with an image of New York City as a happening cultural capital.[60] Soon, new Wall Street arrivals joined in the chorus, doing their part to dispel New York's unsavory reputation in the pages of their campus newspapers. "Contrary to popular rumor, a summer job in New York is not the equivalent of a three-month sentence in some steamy, lurid urban jail," wrote one student in the Harvard Business School's student newspaper, *The Harbus*, in 1982. "Rather, the poorly-kept secret is that New York is one of the most highly-favored locations for adventuresome MBAs....In fact, this writer's roommates this summer turned down job offers in London, Paris, and Rio to opt for working in the Big Apple—and on the Street." By the early 1980s, New York City was regaining its status as an attractive destination for recent graduates.[61]

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59 David Birnbaum, "How Wall Street Flunked at Harvard Business School," *Institutional Investor* 7, no. 10 (October 1973), 57-8.
60 Greenburg, *Branding New York*, especially 193-224.
61 "Summer in the Cities," *The Harbus*, May 13, 1982.

New York's reputation was burnished by dozens of stories in college and business school newspapers that detailed its consumer, nightlife, and romantic pleasures. In 1983, a gang of Harvard students wrote breathlessly of their weekend in Manhattan: dinners, drinks, and dancing at Studio 54 "until the wee hours of Sunday morning." They bid the graduating class adieu: "I trust New York will keep you folks busy for a while. Remember that gratification is not something to be delayed."[62] As more yuppies headed to Wall Street, they reinforced the attractiveness of New York's social scene. And as recent graduates wrote fondly of their adventures on the yuppie dating market, they convinced others to join them. Writing in *The Harbus,* one alum reported that "bright and engaging young professionals of all kinds can be found almost everywhere in the city," with the biggest clusters near the singles' bars on the Upper East Side. If you weren't interested in post-work drinks, he wrote, you could chat up fellow yuppies jogging through Central Park after a long day on the Street.[63] Other students came to New York in hopes of maintaining their existing social networks. Meredith Bagby, a Harvard graduate hired by Morgan Stanley, followed her circle of friends to the city. "A lot of people in our class are going to New York," she said. "There's a desire to stay with friends." For many yuppies, choosing to work on Wall Street was as much about leisure— drinking, dating, socializing—as it was about work.[64]

The Business School to Wall Street Pipeline

Even as Wall Street attempted to lure young graduates through recruiting events and marketing materials, there were also efforts to formalize the employment pipeline connecting business schools and investment banks. Interestingly, the initial idea didn't come from the banks; it came from the business schools themselves. John H. McArthur was promoted to dean of Harvard Business School in 1980. He wanted to improve the seasoning of the incoming MBA

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[62] Debbie Denenberg, "HBS Samples the Soul of NYC," *The Harbus,* May 9, 1983.
[63] Todd Kislak, "If You're New York Bound," *The Harbus*, April 26, 1982.
[64] Kislak, "If You're New York Bound"; Susan Chen, "Corporate Finance Attracts Class of '95," *Harvard Crimson*, June 7, 1995.

classes by encouraging employment experience prior to admission. While Harvard already deferred about one-fifth of admitted students to allow them to gain administrative experience, the program was haphazard: deferred students often had trouble finding employers willing to hire them for a one or two-year stint.[65] After conversations with contacts at the top investment banks, McArthur devised an arrangement designed to benefit the banks, the business school and (ostensibly) the students. Banks would hire graduating seniors for two-year terms as entry-level analysts, after which they would leave for two years at business school. Under the arrangement, Harvard would gain a pipeline of experienced applicants. Students would enjoy the benefits of training and exposure to the world of finance. Banks would be guaranteed a highly-educated—and disposable—labor force that could be replenished with a fresh cohort each year. Since business school waited just on the horizon, banks could demand unsustainable workloads from these newly-hired analysts: 80, 90, or 100 hour work-weeks became common. Eyes fixed on the prize of an elite MBA degree, young analysts tolerated the unbearable workload and relatively low pay. Within months, most of the largest banks created two-year analyst programs to help fill their growing employment needs. Meanwhile, peer business schools copied Harvard's lead in expecting at least a modicum of work experience.[66]

The effects of this new arrangement quickly rippled through the Ivy League. As interest in MBAs rose more generally on campus, it in turn sparked a rush to banks, as two years of toil on Wall Street became the shortest prologue to admission at a top business school.[67] Soon banks began to advertise that precise path in undergraduate student newspapers. "Financial analyst positions available with Blyth Eastman Paine Webber," one read. "Positions have a two-

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65 Mary Ramsden Jones, "Class of '80: 'The Best Ever,'" *The Harbus,* May 10, 1978.

66 Morton Keller and Phyllis Keller, *Making Harvard Modern: The Rise of America's University* (New York: Oxford University Press, 2001), 442-445; Bruce Nussbaum and Alex Beam, "Remaking the Harvard Business School," *BusinessWeek*, March 24, 1986, 54-7. On the history of American business schools and their role in deepening inequality, see Steven Conn, *Nothing Succeeds Like Failure: The Sad History of American Business Schools* (Ithaca, Cornell University Press, 2019).

67 On undergraduates' business orientation, see Moreton, "Make Payroll, Not War."

year tenure and are ideal for those planning to enter an MBA program in '82."[68] As more students requested information on business school, Princeton Career Services decided to host its first event for alumni to share their MBA experiences in October 1981. Staff anticipated such enthusiasm for the panel (which included alumni of the business schools at Yale, Harvard, Stanford, and Wharton) that they held the event in McCosh 10, one of the largest lecture halls on campus, with seating for close to 400. Attendance was strong enough that Career Services hosted a similar event in 1982 and added multiple sessions in subsequent years.[69] The situation was comparable at other Ivy League schools. At Yale, the Office of Institutional Research conducted a survey of alumni one year after their graduation. Among the 1,004 members of the class of 1980, only 20—just two percent—were either in or planning to attend business school. But by the time data was collected on the class of 1987, an MBA had become the single most popular graduate degree, with many graduates planning to attend after two years on Wall Street. Out of 249 alumni who planned on but were not yet in graduate school, 77, or 31 percent, were destined for an MBA program—more than the total seeking degrees in law, medicine, and education combined.[70] By 1993, not a single member of the Harvard Business School's incoming class came directly from college; eighty percent were over the age of 25. More arrived from investment banking than from any other single industry.[71]

As banks' two-year seasoning program became the norm for aspiring MBAs, the MBA in turn became an expected credential for mid-level bankers. This was in some ways unexpected, since business school rarely trained students in practical finance skills. Instead, an MBA served a pre-vetting function—an assurance that graduates would have the work ethic, smarts, and just

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[68] "Official Notices," *The Daily Princetonian,* February 22, 1980, September 15, 1983 and September 19, 1983.

[69] Princeton University Career Services, "Career Services Newsletter, October 1981," "Career Services Newsletter, November 1981," and "Career Services Newsletter, October 1982," Box 74, Folder 5, Historical Subject Files, PUA.

[70] Yale Office of Institutional Research, "The Yale College Class of 1980: Its Current Activities," Table 1, and "The Yale College Class of 1987: Post Graduation Activities," Table 1.b, held at Yale Office of Institutional Research, New Haven, Connecticut.

[71] Keller and Keller, *Making Harvard Modern*, 443.

as importantly, the cultural orientation to succeed on Wall Street. Recruiters were candid about the growing importance of educational credentials when speaking to hopeful bankers. In November 1984, Lehman Brothers sent Mary Sykes, who graduated from Princeton in 1979 and Harvard Business School in 1981, back to Princeton to host an event targeted at prospective analysts. Over complimentary Heineken and white wine, Sykes told seniors that the two-year program "is like a test, almost a screening process." After this trial period, an MBA from one of the top ten business schools would be their "stamp of approval" for investment banking—and a ticket to a job that would pay up to $80,000 in the first year.[72] Even traders, traditionally the less-educated side of investment banks, were increasingly expected to possess an MBA. Outside of entry-level positions, most managing directors believed an MBA was required to advance at one of the elite banks. "In most of the top firms you can't get promoted without getting an MBA," one Morgan Stanley banker confided. "It's the only way to move forward."[73] This was a marked departure from the 1960s, when bankers on the trading side, particularly at Jewish firms like Salomon Brothers, could be elected to partnership without even a college degree.

The credentials arms race pitted banks against each other for the limited pool of graduates of elite business schools, where recruiting soon eclipsed even the frenzied atmosphere at undergraduate institutions. In September 1980, Lehman Brothers sent a firm-wide memorandum to its partners, vice presidents, and associates announcing a massive increase in MBA hiring. "It has become clear that there is a need for high-quality business school graduates throughout the firm," it read. Every spring from 1981 on, Lehman conducted recruiting events and interviews at Harvard, Stanford, Wharton, Columbia, and Dartmouth.[74] By the mid-1980s, leading MBA programs were sending unprecedented numbers of graduates into investment banking: in 1987, over 30 percent of Harvard Business School's graduates headed to Wall Street,

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[72] John Hurley, "The MBA**:** Calling card and ticket to future success in big business," *The Daily Princetonian*, November 19, 1984.

[73] Jenny Notz, "A Wharton MBA: Does it matter in business?" *The Daily Pennsylvanian*, March 2, 1987.

[74] Lehman Brothers Kuhn Loeb Operating Committee, "Recruiting," September 30, 1980, Box 617, Folder 4, LBC.

up from 8 percent in 1978. The pattern was similar at other schools. In 1980, under 10 percent of Stanford's business school class went into investment banking. By 1985, almost a third of its MBAs worked at Wall Street banks. In 1987, 28 percent of Columbia's MBAs were hired by investment banks, and another quarter went into other areas of finance. To some, banks' hiring began to resemble an arms race. "It's like nuclear weapons," said Parker Llewellyn, head of placement for Harvard's MBAs. "No one want to be the first to cut back on his missiles, so instead they end up adding more to their stockpiles."[75] Compensation soared along with demand. In March 1987, one trade journal reported that newly-minted MBAs received an average of $100,000 (including bonuses) at Wall Street firms. After four to six years, associates and vice presidents with MBAs—typically between 28 and 35 years old—could expect to make between $200,000 and $600,000.[76]

With the MBA-to-Wall Street pipeline in place, and compensation climbing steadily, the total number of MBAs exploded—from 33,000 graduates per year in 1974 to a peak of 70,000 in 1986. The largest proportional increase in business school attendees came from a new demographic: women. Even if few female yuppies in this period would have described themselves as feminists, they were beneficiaries of the women's movement's efforts to dismantle male dominance in pre-professional schools. In 1971, only 2,700 women were enrolled in MBA programs nationwide, representing only four percent of all students. By 1980, there were 23,000 female business school students, slightly more than one-third of the total. At Columbia, women made up nearly forty percent of its 1983 class, an eight-fold increase since the early 1970s. And of those who went into investment banking after Columbia, over a quarter were female, a 1000% rise from a decade earlier.[77] The upheaval was not limited to business schools.

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75 Llewellyn quote in Beth Selby, "Recruiting Rites at the Harvard B-School," *Institutional Investor* 20, no. 3 (March 1986), 78-84. Statistics in Michael Knight, "Harvard M.B.A.: A Golden Passport," *NYT*, May 23, 1978; Keller, 444 and Saul Hansell, "Wall Street: A Job Hunter's Guide," *Institutional Investor* 22, no. 2 (Feb 1988), 145-6.

76 Eccles and Crane, *Doing Deals*, 66.

77 Figures in Keith Richburg, "Big Business Is Young America's New Frontier," *The Washington Post*, May 20, 1986 and Louise Marie Roth, "Selling Women Short: A Research Note on Gender Differences in Compensation on Wall Street," *Social Forces* 82, no. 2 (December 2003), 785-6 and 790. More

Women soon flooded into areas had been almost-exclusively male: law, medicine, and accounting, where the ratio of female professionals soared from below ten percent to over 40 percent by the end of the 1980s. Across the professional class—as well as within New York City's gentrifying neighborhoods—female yuppies were close to achieving numerical parity with men.[78]

Even if their numbers were swelling, women still faced an intimidating, male-dominated environment on Wall Street. An aura of overheated masculinity suffused every space, much as it had for decades. As far back as the late nineteenth century, top financiers—Morgan, Fisk, Gould—were known for their "brashness and virility," their "exaggerated sense of masculinity and potency," as one chronicler of the era writes. Since the Gilded Age, argues historian Steve Fraser, the stock and bond market was understood as an arena to prove and perform one's manhood. By harnessing risk, bankers exhibited mastery over industry and commerce.[79] Of course, thousands of women *did* work on Wall Street—just in supportive and administrative roles. As one 1958 *New York Times* article put it, "Women play a tremendous role in the life of Wall Street....as secretaries, stenos, bookkeepers, receptionists, ticker operators, file clerks, messengers and pages." Yet it remained unlikely that any of those women could become traders, much less "attain any notable financial positions unless she is able to marry the boss, outlive him and inherit his share of business."[80] It was not until the 1960s that the first generation of female analysts and brokers broached the masculine spaces of Wall Street. In 1967, Muriel Siebert was the first woman permitted to buy a seat on the 1,365-member New York Stock Exchange. Accommodations had to be made because the exchange floor had no women's restroom.[81]

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generally, see Melissa S. Fisher, *Wall Street Women* (Durham: Duke University Press, 2012) and Roth, *Selling Women Short: Gender and Money on Wall Street* (Princeton: Princeton University Press, 2007).

[78] Shira A. Scheindlin and Stacy Caplow, "'Portrait of a Lady': The Woman Lawyer in the 1980s," *New York Law School Review* 35, no. 3 (1990), 391-446; Barbara Bry, "More and More *Women* Find an MBA is the Way to Go," *Los Angeles Times*, February 25, 1980.

[79] Steve Fraser, *Wall Street: America's Dream Palace* (New Haven: Yale University Press, 2008), 109-111.

[80] Arturo Gonzalez and Janeanne Gonzalez, "Where No Woman Reaches the Summit: Thousands of Women Work on Wall Street but Few Attain Executive Positions," *NYT*, August 17, 1958.

[81] Melissa Suzanne Fisher, "Wall Street Women: Engendering Global Finance in the Manhattan Landscape," *City & Society* 22, no. 2 (December 2010), 262-285.

While hundreds of women joined Wall Street during the 1980s, they continued to face unequal treatment and marginalization inside hyper-masculine investment banks. Gender discrimination began during the hiring process: In the early 1980s, Goldman Sachs interviewers asked female MBAs if they would be "willing to have abortions to stay on the fast track."[82] If they secured a job, their compensation lagged, even after controlling for education level, number of children, and job title. As late as the 1990s, female investment bankers earned only 60 percent as much as males in equivalent positions. Women were also overlooked for promotions. By 1985, one third of all entry-level investment bankers were women. Yet there was still not a single female partner at any of the top private banks, a list that included Goldman Sachs, Morgan Stanley, and Salomon Brothers. Beyond discrimination in the areas of pay and advancement, women also had to brave a chauvinistic culture that extended beyond the trading floor. For example, female bankers understood that strip clubs, cigar smoking, and even elk hunting were "client-entertaining activities in which their presence was unwelcome."[83] In response to these slights, female financiers created spaces and institutions of their own. In the mid-1970s, a handful of young bankers formed the Financial Women's Group of New York City, a hybrid professional-support and consciousness-raising group. Still, their efforts to expose cases of pay disparity and sexual harassment did little to dispel Wall Street's culture of masculine aggression and entitlement. Perhaps because of these reasons, women made up only twenty percent of elite MBA graduates headed into investment banking in the 1990s. An even smaller number would be promoted: at the average investment bank, only one in twenty managing directors were female.[84]

MBA programs, like the elite colleges that fed them, were also admitting a growing number of students who would have been scarce in the 1960s: Asian-Americans, Latinos, and African-Americans, and white ethnics from working-class backgrounds. Part of this was a

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[82] Roth, *Selling Women Short*, 3-4.
[83] Roth, *Selling Women Short,* 108-9.
[84] Managing director figure in Fisher, "Wall Street Women," 274; Jane Gross, "Against the Odds: A Woman's Ascent on Wall Street," *NYT*, January 6, 1985.

natural outcome of affirmative action, which had helped to increase diversity at undergraduate feeder institutions. Schools also launched new initiatives to recruit minority and low-income students. In 1980, the Wharton School, with financial support from several large corporations, launched the LEAD program. LEAD brought scores of minority high school students to Wharton (and in subsequent years other business schools, including Stanford, UCLA, Columbia, Northwestern) for a four-week introduction to the world of finance and management. Students took seminars modeled on MBA courses, toured trading floors, and mingled with bankers and entrepreneurs. Some even travelled to Washington, D.C. to meet with President Reagan. While programs like LEAD did contribute to rising minority enrollment at business schools, poorer students faced powerful headwinds: During the first half of the 1980s, federal financial aid for higher education was slashed by as much as 25%. When asked why Wharton didn't matriculate more minority students—only some 7.4% of the class of 1982—the school's assistant director of admissions was blunt. "The problem we are strapped with is [lack of] financial aid money," she said. Exposure to the world of business was one thing; finding the roughly $15,000 per year to pay for tuition, books, and living expenses was quite another.[85]

Once minority students did arrive at business school, they were particularly likely to be drawn into the vortex of finance. High starting salaries were an obvious draw for those with large student loans. Banks, with their close ties to schools' career services offices, also offered a clearly defined path for students who couldn't rely on familial or class ties to the upper strata of the business world. For those who had already cleared the hurdle of gaining admission to an elite MBA program, finance was, in a word, easy. Robert Jen, the son of a Chinese immigrant, was one such student. When he matriculated at Columbia Business School in 1979, he still planned on working for his father's real estate business. "Being in the small immigrant Chinese family I was in, we had no contact with finance or Wall Street," he remembered. "So I went

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[85] David A. Vise, "LEAD Program Exposes Minority Youth to World of Business," *The Washington Post,* August 16, 1982; Renee T. Leslie, "Top Minority Students Get a Look at Business." *The Washington Post,* July 27, 1983.

to business school originally thinking that I would come out and help out my family." But at Columbia, the temptations of the financial sector proved inescapable. Jen first heard about bond trading when he attended a speech by John Guttfreund, then CEO of Salomon Brothers. Jen was intrigued by the promise of high pay. And it didn't take much effort to sign up for interviews with the banks that recruited on campus. After a few desultory meetings, he had landed several offers. "That's how I came to the Street," he said later. "It was basically by accident."[86]

By 1981, Jen was working in corporate finance at Drexel Burnham Lambert as one of the first Asian-Americans on the trading desk. Jen chose Drexel because it was relatively new, with none of the accreted WASP tradition that still held sway at banks like Morgan Stanley, which he called "much more established and conservative." At Drexel, where Jen worked with Michael Milken and his high-yield bond team, he believed that performance trumped connections or breeding. "I can't say there was a racial barrier at all," he said. While it might sound like ideological bluster, there was some truth in Jen's meritocratic description, particularly on the so-called "product" side of investment banking: areas like M&A, derivatives, and equities research, where client contact was minimal. Most minorities and women found themselves in these departments, where merit was (at least ostensibly) determined by technical expertise and raw profits. Few chose or were invited to join the rarefied world of corporate finance, where relationships mattered most. That said, broader statistical studies of investment banking contradict Jen's modestly colorblind narrative. Even well into the 2000s, whiteness remained highly valued on Wall Street. Salaries, bonuses, and advancement lagged for those from traditionally-disadvantaged groups—even as most minority bankers themselves claimed that intra-office competition was race-blind.[87]

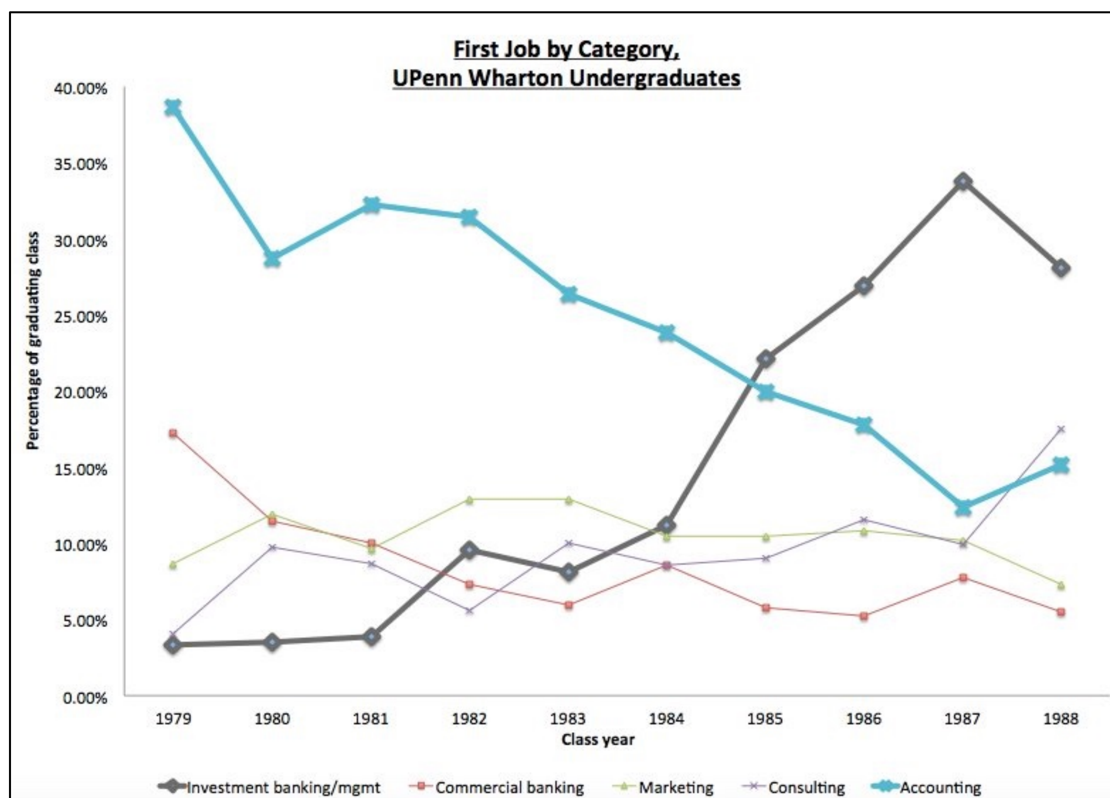
Boom Years on Wall Street

[86] Author interview with Robert Jen, December 23, 2016.

[87] Author interview with Robert Jen, December 23, 2016; Karen Ho, Liquidated, 109-12, 270-1, and 299 and Mary Louise Roth, "The Social Psychology of Tokenism: Status and Homophilly Processes on Wall Street," *Sociological Perspectives* 47, no. 2 (June 2004), 189-214.

In spite of those obstacles, female, white ethnic, Asian, and African-American bankers joined what would become a massive wave of yuppies that inundated investment banks in the 1980s. Year after year, Wall Street vacuumed up an ever-greater share of America's graduating classes. As capital and cultural cachet flowed from the manufacturing and corporate sectors towards finance, talented yuppies followed suit.

The numbers bear out this shift. Back in the mid-1970s, roughly 40 percent of Harvard MBAs had entered manufacturing-related positions—accounting, line management, or marketing. But by 1987, at the apex of the investment banking recruiting bonanza, that figure had dropped by half, with almost all of the loss attributed to the growth in Wall Street employment. Only three percent of Wharton seniors had gone into investment banking in 1979. But by 1987, a shocking 34 percent of the graduating class did. And by 1988, 54 percent of the Wharton class was destined for financial services. [see graph] Meanwhile, their peers in Penn's College of Arts and Sciences—which included majors such as Theater, English, History and Philosophy—also began to take banking jobs in historic numbers. The most popular jobs for Arts



and Sciences graduates in 1976 had been marketing, teaching, and communications. But by the mid-1980s, the banking industry surpassed them all. In 1987, more liberal arts graduates took commercial and investment banking jobs than positions in the teaching or non-profit sectors combined.[88]

As banks recruited heavily throughout the bull market of 1982-1987, their workforces ballooned. Salomon Brothers, which had essentially created the mortgage bond business in the first years of the 1980s, saw its number of employees triple from 2,000 in 1982 to 6,000 in 1987.[89] First Boston, its chief competitor in the mortgage securities market, also tripled in size from 1981 to 1987. In just one year (1983 to 1984), Shearson Lehman added over a thousand new employees. Its equities group grew over 20 percent; public finance 24 percent; banking over 17 percent; and fixed income nearly 20 percent.[90] Morgan Stanley, which had averaged roughly 200 employees throughout the 1970s, expanded to over *twelve* times that size by 1984 by hiring extensively on Ivy League campuses.[91]

Banks didn't just grow their existing divisions: they also created entirely new departments to house the hundreds of "quants" they were recruiting from academia and labs. Across Wall Street, the race was on to produced arcane securities that would take advantage of volatile interest rates and uncertainty in the equities markets. By the mid-1980s, Shearson Lehman/AmEx had formed a "new product development group" and "special products group;" Morgan Stanley boasted a "securities mathematical programming" division; Prudential-Bache unveiled a "new product development team;" and Salomon Brothers formed a 100-member

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88 Wharton Undergraduate Division, "Placement Survey, Class of 1987," "Wharton Undergraduate Division, Class of 1988," and College of Arts and Sciences, "Career Plans Survey, Class of 1987," available at University of Pennsylvania Career Services office. On banks increasingly-educated workforces, see Thomas Philippon and Ariell Reshef, "Skill Biased Financial Development: Education, Wages and Occupations in the U.S. Financial Sector," National Bureau of Economic Research, Working Paper 13437 (September 2007).

89 Lewis, *Liar's Poker*, 159; Michael Blumstein, "After the Coup at Phibro-Salomon," *NYT*, August 12, 1984.

90 Lehman Brothers Kuhn Loeb, "Fiscal 1984 Plan," Box 685, Folder 4, LBC; Eccles and Crane, *Doing Deals*, 45-6.

91 Michael Blumstein, "Morgan Stanley Fights for No. 1," *NYT,* April 1, 1984; Margot Hornblower, "In the Shadow of the Boom: Recovery Strains New York City's Physical and Social Fabric," *The Washington Post*, August 24, 1987;

"Institute for Quantitative Research and Finance."[92] Looking to keep up with the quantitative arms race, First Boston brought in its own resident quant in 1985: 32-year-old managing director Dexter Senft. Trained as a theoretical mathematician, Senft created computer algorithms that allowed millions of Freddie Mac mortgages to be divided into distinct securities. Senft's innovation was quickly copied by other New York firms. In just one year, investment banks sold $15 billion of these so-called "collateralized mortgage obligations." Mortgage securities departments quickly became the fastest-growing sector across Wall Street.[93] By the mid-1980s, stereotypically brash, suspenders-wearing bankers now found themselves working alongside more people like Senft: young, diffident intellectuals with esoteric math skills. "You couldn't create and trade in the mortgage market if you didn't have at least some kind of math background—you just couldn't," remembers First Boston banker Fred Stillman. "So that took a lot of the old-line traders out of the market, even if you were a spectacular trader."[94] New investment instruments emerged almost daily in this period. Back in 1975, one investing expert counted 65 extant fixed-income products. By 1985, that number had mushroomed to 270.[95]

Technological advances also transformed banks' more traditional business lines: currency trading, government bonds, and equities. Perhaps surprisingly, investments in computing actually increased the number of support staff that banks needed. (This was markedly different than the parallel automation of manufacturing, which resulted in a shrinking labor force.) And unlike the so-called "earners" in banks' front offices, many of these technical support jobs went to women, who were a sizeable presence in the American telecommunications and computing sectors. In 1980, Chase Manhattan, a New York commercial bank, hired over

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[92] "Lehman Brothers: Career Opportunities, 1983," Box 608, Folder 12, LBC; Fred Bleakley, "Wall Street's New Inventor Class," *NYT*, January 13, 1985; "Salomon's Idea Machine," *Institutional Investor* 22, no. 13 (Nov. 1988), 80-88.

[93] Bleakley, "Wall Street's New Inventor Class."

[94] Author interview with Fred Stillman, April 8, 2016.

[95] Hilary Rosenberg, David M. Darst, *The Complete Bond Book: A Guide to All Types of Fixed-Income Securities* (New York: McGraw-Hill), 1975; "Burgeoning Secondary Market, Aided by New Legislation and Instruments, Becoming a True--and Major--Capital Market," *United States Banker* (January 1985).

300 “systems people” to manage their computerization efforts.[96] In 1981, Chase brought in Elaine R. Bond, a computers expert from IBM, to direct its rapidly-expanding technical team. By 1983, her staff had already grown by thirty percent to 120. Of those she hired from outside the bank, Bond noted, “all have come from the telecommunications community.” Many of those new workers were women. Across the industry, employees were needed for a panoply of new technology-related jobs.[97] Later in the 1980s, desperate for technical expertise, banks began to recruit undergraduate engineering majors who might have otherwise gone into the telecommunications industry. In Princeton’s class of 1987, roughly the same number of engineering majors went into financial services (44) as into R&D departments (52). Young engineers, like young business majors and MBA graduates, were suddenly in high demand on Wall Street.[98]

Transforming New York

The overwhelming majority of those hired by investment banks headed for New York, the epicenter of the industry. There were, of course, other satellite destinations for high finance: the banking divisions at insurance companies in Hartford, Connecticut; Drexel Burnham’s high-yield bond desk (led by Michael Milken) in Los Angeles; Salomon Brothers’ offices in London; Morgan Stanley’s branch in Tokyo. But almost all young traders and analysts were, at least initially, sent to banks’ New York headquarters. All of the top banks’ foreign exchange, mergers & acquisitions, mortgage securities, equities, and government bond trading programs were based in New York. And the vast majority of corporate finance employees—the traditional heart of investment banking—worked in Manhattan. In 1985, 348 of Shearson Lehman/American Express’ 417 corporate financiers were stationed in New York. The remainder were divided

[96] Robert A. Bennett, “Banking: Rising Curve,” *NYT*, October 12, 1980.
[97] Robert A. Bennett, “Cashing In on the New Business of Banking,” *NYT*, October 16, 1983; Barbara Donnelly, “Wall Street's Quants Come into Their Own,” *Institutional Investor* 18, no. 11 (Nov. 1984), 181.
[98] Princeton University Career Services, “News from Career Services, January 1988,” Box 75, Folder 1, Historical Subject Files, PUA.

between Atlanta (16), San Francisco (13), Chicago (9), Los Angeles (6), Houston (4) and Dallas (1), with another 19 based abroad.[99] Among those of the Wharton undergraduate class of 1988 bound for jobs in finance, almost sixty percent went to banks in Manhattan. Another ten percent worked at bank outposts in nearby suburbs like Stamford and Greenwich, Connecticut.[100] On a representative week in 1984, 29 out of 48 jobs listed in Harvard's MBA career offices' weekly newsletter were located in New York City. And 10 out of 17 summer internships for first-year students were Manhattan-based. Ultimately, a third of Harvard's 1987 MBA class went directly to jobs in New York City after graduation.[101]

The frenzied hiring of young bankers transformed the demographics of Wall Street. Once a coterie of partnerships run by experienced bankers, investment banking became a young person's game. One industry expert estimated that by 1987, somewhere between one-half to two-thirds of investment bankers had begun their careers after 1975. "Easily 50 percent of Wall Street is 35 or under," an executive recruiter working on Wall Street told a reporter in 1987.[102] Firms that focused on new strategies—M&A, high-yield bonds, international arbitrage—were even younger. In Drexel Burnham Lambert's corporate finance division, two-thirds of employees had entered the field after 1975. The department's director was only 41 years old. In 1984, *Institutional Investor*, the industry's leading trade magazine, ran a twenty-page spread on this "new generation." All of the featured bankers were under 40 years old; eight of twelve were graduates of Harvard's MBA program. Yuppies were at the helm of the new Wall Street, which was larger and more competitive than ever before.[103]

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[99] William F. Wolf III and Amy J. Schiffman, "Memorandum: Possible Responses to Questions Frequently Asked by Recruits," January 18, 1985, Box 667, folder 11, LBC.

[100] Wharton Undergraduate Division, "Wharton Undergraduate Division, Class of 1988," available at University of Pennsylvania Career Services office.

[101] Harvard University, "Report of the President of Harvard College and reports of departments,"1978 and 1987, available at hul.harvard.edu/lib/archives/refshelf/AnnualReportsSearch.htm; Harvard MBA Placement and Counseling Services and Career Resources Center, "10-K," November 5, 1984, HBSHC.

[102] Anise C. Wallace, "A Charmed Life on the Street," *NYT*, August 9, 1987.

[103] Beth McGoldrick and Erik Ipsen, "The New Generation of Investment Bankers," *Institutional Investor* 19, no. 3 (Mar 1985), 111.

As banks grew, they heralded a transition in the employment base of the entire New York metropolitan region. The workforce of member firms of the New York Stock Exchange—which included stockbrokers, analysts, and traders—grew from 140,000 in 1980 to 234,000 in 1986. Manhattan experienced a skyscraper boom not seen since the late 1960s. The downtown financial district added 5 million square feet of office space in 1983 alone, and vacancy rates fell below three percent. A new fleet of office towers rose in Midtown as well. In the 1980s, New York saw more tall buildings completed than in any decade to date. Zoom out to the entire metropolitan area, encompassing the rising bank towers immediately across the Hudson River in New Jersey, and the figures are even more dramatic. In the early 1980s, the region crossed a key threshold: the 480,000 workers in financial services surpassed the 470,000 employed in manufacturing. Forever more, finance would be the dynamo driving New York's economy.[104]

As banks' technical and support workforces swelled, they also began to expand centrifugally across the city and region. But yuppies were uniquely immune from this shift. Banks mostly shifted lower-status employees to offices in outlying boroughs and nearby suburban counties. The division in banks' labor force fell along gender and class lines: most of those moved to so called "back offices" were the lower-paid and mostly-female and minority assistants, HR professionals, and technical staff hired to support traders, analysts, and salespeople. Meanwhile, the largest banks kept their highly-educated, primarily-male bankers in Manhattan offices. In 1982, Merrill Lynch bought a 275-acre site in Princeton, New Jersey, where it planned to move 1,000 support staffers over the next three years. Meanwhile, the bank leased ten new spaces in Manhattan for front-office "earners"—the analysts working on trading

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[104] New York State Department of Labor and U.S. Department of Commerce, Bureau of the Census, 1977 and 1982; Leonard Sloane, "Wall Street Could Be Anywhere, U.S.A.," *NYT*, February 5, 1978; "A Record for Financial Service Jobs, *Newsday,* July 22, 1982; Anise C. Wallace, "A Charmed Life on the Street," *NYT*, August 9, 1987. Skyscraper statistic in Linda Poon, "Charting the Booms and Busts of NYC's Skyscraper History," *Bloomberg* (October 27, 2015), available at http://www.bloomberg.com/news/articles/2015-10-27/new-timeline-traces-the-booms-and-busts-of-new-york-city-s-skyscrapers.

and sales floors.[105] After Morgan Stanley opened a 340,000 square foot office in 1988 in downtown Brooklyn, it moved 800 back-office employees—but no bankers—there. It was a similar story in commercial banking in the 1980s. When Citibank moved its credit card division to South Dakota and Chase Manhattan opened an office in Wilmington, Delaware, chasing lighter taxes and regulation, they kept their upper management in New York City.[106] Fearing a mass exodus of its most lucrative industry, Mayor Ed Koch's administration offered banks huge tax breaks to try and keep banks within the city. In the late 1980s, Chase Bank announced plans to transfer some of its workforce to New Jersey. Once Chase secured $235 million in subsidies from the city and New York State, however, they decided to decamp to the new Metrotech campus in Brooklyn instead. In this case as in several others, New York's largesse largely succeeded in keeping yuppies from leaving the city. As late as 1990, 84 percent of all securities traders in the 18-county New York City metropolitan region still worked in Manhattan.[107]

By that year, the city had become a lodestar for highly-educated workers of all stripes. New York City now boasted the highest percentage of workers in what we might call "information intensive industries"—advertising, banking, law, technology, insurance, higher education—outranking even Washington, D.C., Boston, and Chicago. The growth of Wall Street was largely responsible for the geometric expansion in those fields. And while yuppies were to be found in those other cities, they flocked first, and in the greatest numbers, to New York City.[108]

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[105] "Merrill Lynch Is Shifting Some Workers to Jersey," *NYT*, December 19, 1982. On the suburbanization of financial service firms, see Garreau, *Edge City: Life on the New Frontier* (New York: Doubleday, 1991); Kristin Nelson, "Back Offices and Female Labor Markets: Office Suburbanization in the San Francisco Bay Area," (PhD diss., University of California Berkeley, 1984).

[106] Jaffe and Lautin, *Capital of Capital*, 226; Barney Warf, "New York: the Big Apple in the 1990s," *Geoforum* 31, no. 4 (November 2000), 487-99; L.J. Davis, "Grand Slamex," *Manhattan, Inc.* (February 1985), 108; Alex Schwartz, "Corporate Service Linkages in Large Metropolitan Areas: A Study of New York, Los Angeles, and Chicago," *Urban Affairs Review* 28, no. 2 (Dec. 1992), 276-296.

[107] Shawn Kennedy, "Envisioning Brooklyn as Office Center," *NYT*, January 20, 1988. On the decentralization of Wall Street, see Aaron Shkuda, "Where is Wall Street? The Gold Coast of the Hudson and the Battle for Corporate Back Offices," lecture delivered at the Jersey City Free Public Library, February 22, 2021.

[108] Matthew P. Drennan, "Information intensive industries in metropolitan areas of the United States of America," *Environment and Planning A* 21, no. 12 (December 1989), 1605.

But once they settled in New York, many yuppies would discover that the jobs they had fought so hard to land were less rewarding than they had hoped. Of course, their salaries were massive. But money alone was not enough to assuage yuppies' sense of drudgery and exploitation. Between long hours, brutal workloads, stultifying hierarchy, numbing repetitiveness, and racial and gender discrimination, the work of a junior analyst or a young legal associate was getting worse, even as their firms grew fantastically profitable. Some began to feel that their professional careers were being degraded into something more akin to corporate pencil-pushing. Or perhaps it was even worse than that. The large law firms where they toiled for 80 or 90 hours each week, yuppies griped, had more in common with a factory—or worse still, a sweatshop—than the venerable professional partnerships of decades past.