

REVIEW

Review: Duff McDonald's *The Golden Passport* is a window into the soul of mercantile America



Duff McDonald

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TITLE *The Golden Passport: Harvard Business School, the Limits of Capitalism, and the Moral Failure of the MBA Elite*

AUTHOR Duff McDonald

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How terrible a plague upon the modern world is the Harvard Business School? Over the school's 109-year existence, how much of the injustice, venality and misery ingrained in Western economies can be laid at the feet of the school's professors and their wealthy MBA spawn?

Those weren't questions Canadian journalist Duff McDonald set out to answer when he began writing this mammoth accounting of the history and impact of America's most prominent and influential graduate school for business. McDonald insists that, when it came to ol' HBS, he had, at the outset of his 30-month process, no particular axe to grind. But as he paged through the annals and waded through the evidence, he couldn't ignore what he was seeing. Pretty soon, it seems that McDonald came to much the same conclusion as McGill University's Henry Mintzberg, who in 2012 called MBAs "a menace to society," and MIT professor John Van Maanen, who said in 2015 that the innumerable CEOs educated at HBS had left the world "a much worse place."

You'd like some proof? Consider that America's military failures during the war in Vietnam can be traced back to the analytical methods that Defense Secretary Robert McNamara learned at HBS. Consider that many of the bankers and executives most responsible for the 2007 financial crisis were HBS graduates doing exactly what HBS graduates had been taught to do – go for the money, damn the consequences. Consider that George W. Bush, until recently viewed as the Worst President Ever, graduated with an MBA from the Harvard Business School.

That's just the highlight reel of HBS sins. To cover the rest, McDonald needs almost 600 pages.

And it all began, like many disasters, so innocuously. Back in the early-to-mid 1800s, long before HBS existed, North American society looked down on business and the men who practised it. The smart sons of the wealthiest families went into the professions, became doctors or lawyers, while the dim bulbs slouched off to make and sell things.

Slowly that began to change. By 1900 there were more than 500,000 factories in the United States, and more and more ambitious youths were drawn to the money-making potential of a life in commerce. Business colleges sprang up to meet the demand for training. That's when the decision makers at Harvard and the Boston Brahmins who funded it came up with a plan: If they couldn't persuade their young men to choose a suitably prestigious profession over business, they'd just redefine business as a prestigious profession.

"Business in its upper walks has become a highly intellectual calling," said Harvard president Charles Eliot to the Harvard Club of Connecticut in 1908. That same year, he opened the Harvard Business School with an ambitious goal: to be "a force for good."

The first seeds for the trouble to come were laid there, in that early arrogance. HBS, McDonald says, set out to produce "a more enlightened businessman" and quickly became "intoxicated with its own importance." In attempting to elevate the role of the manager to something exalted and yet teachable, HBS and its professors became convinced that it was true. Around that presumption, other seeds of misfortune began to take root.

This is the third book of what McDonald calls his trilogy of American business. The first two dipped into the worlds of banking (*Last Man Standing*, on the career of JPMorgan Chase CEO Jamie Dimon) and management consulting (*The Firm*, a history of the hugely influential consultancy McKinsey & Co.). Of the three, *Golden Passport* is by far the most ambitious, and in McDonald's hands this history of the Harvard Business School, its successes and failures, misdeeds and misapprehensions, becomes a window into the increasingly corrupted soul of mercantile America.

In building his case that HBS has done far more harm than good over the years, McDonald marches resolutely through the 20th century, decade by decade, describing in fine detail the economic forces at play, the evolving attitudes of the marketplace and the arguments of its leading thinkers, both inside and outside the school. Along the way, he profiles the HBS deans and professors who rose to prominence, usually on the back of some grand new theory about the keys to managerial and commercial success. He charts the path of each of these theories – the stopwatch metric of "Taylorism," for example, which stressed the value of quantity over quality, or much later, Michael Jensen's version of agency theory, linking executive compensation to shareholder return – from its heroic, profitable rise to its inevitable repudiation and fall.

At each stage, McDonald keeps an eye on the challenges lurking around the corner. As he describes the self-satisfaction that permeated the halls of HBS and the minds of its graduates in the prosperous 1950s, for example, he also clangs the bell about the coming global business pressures that no one at the school foresaw. A sense of the intellectual shallowness of HBS wafts through the entire book, as McDonald makes a mockery of the very idea of treating business as a profession.

Again and again he returns to the subject of the school's signature teaching practice – the case method. While business theories have come and gone through the school's

history, the case method has endured, and HBS embraces the approach like no other school on earth (although the University of Western Ontario's Ivey Business School comes close). Every year, HBS students read and then argue over hundreds of reported cases describing a real business problem, the executive response and the result (perhaps the most famous example being the story of how Johnson & Johnson CEO James Burke guided the company through the 1982 Tylenol crisis, when poison-laced bottles of Tylenol killed seven people in Chicago). The school has always claimed that the case method gives students the equivalent of real-world experience, teaching them how to think through problems and equipping them to be effective leaders. McDonald chops away at that notion, articulating the many problems with the case method, such as the inward focus it creates – a method taught by HBS students-turned-professors who've only learned through that method with no awareness of the outside world – or the fact that the chief skill it teaches students is to be glib, "to think on their feet and to argue with conviction, even if they don't entirely know what they're talking about."

Throughout *The Golden Passport* (the title is an allusion to the success and riches practically guaranteed to every Harvard MBA), McDonald's tone is deliciously derisive. He quickly establishes a pattern wherein he describes some proposition or assumption promoted by HBS thinkers, sets it on display for the reader to fully appreciate, and then strikes it down with a cruel stroke, using words such as "absurd" and "hilarious" and "a crock." Over time, reading this history of America's most prestigious business school comes to feel like hearing the life story of an esteemed man as told by his smirking, smart-ass younger brother.

But by sheer thoroughness, McDonald makes his case, until the follies of the Harvard Business School, and the calamities that grew from them, are laid bare. Early in the book, McDonald brings up education critic Abraham Flexner, who in 1930 warned that HBS was pretentious enough to be dangerous. Anyone who makes it all the way through *The Golden Passport* – anyone, that is, not mentioned among the many lists of people who have profited handsomely from their association with HBS – would have to conclude he was right.

Trevor Cole's most recent book is The Whisky King.

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Phillip Crawley, Publisher

THE GOLDEN PASSPORT Harvard Business School, the Limits of Capitalism, and the Moral Failure of the MBA Elite By Duff McDonald 657 pp. Harper Business/ HarperCollins Publishers. \$35.Â Much of that wealth found its way back to the school itself. Its professors earn enormous sums as consultants to businesses populated by their former students, who also give generously to their alma mater: Its endowment stood at \$3.3 billion by 2015, a dedicated portion of the universityâ€™s enormous \$32.7 billion. Image. McDonaldâ€™s criticism of Michael Jensen, now an emeritus professor, is especially withering. Duff McDonaldâ€™s Golden Passport is a magisterial history of Harvard Business School and much more. It provides a powerful lens into the intellectual underpinnings and pragmatic failures of American business and American capitalism writ large. - - Richard Florida, author of The Rise of the Creative Class.Â Is HBS complicit in the moral failings of Western capitalism? At a time of soaring economic inequality and growing political unrest, this hard-hitting yet fair portrait offers a much-needed look at an institution that has had a profound influence not just in the world of business but on the shape of our society--and on all our lives. About the Author. Moral Failure of the MBA Elite, by Duff McDonald, New York, HarperCollins, 2017, 655 pp., Â£25 (hardback), ISBN 9780062347176. It is widely known that the Master of Business Administration (MBA) degree became a highly. prized credential in the United States and beyond in the post-World War II decades. The number. of universities offering MBA programmes gradually increased to the point where the degree.Â particularly apt name for it in the title of The Golden Passport: Harvard Business School, the Limits. of Capitalism, and the Moral Failure of the MBA Elite. McDonald is a journalist keenly interested. in the history and current state of American capitalism, and is the author of books on JPMorgan. Chase CEO Jamie Dimon and McKinsey Consulting.