

The Fall of the House Of Morgan

Morgan Stanley has declined from the paragon of corporate governance and collective integrity to a tabloid farce serving only the greed and ambition of its most senior management.

In 1990, Ron Chernow's great book *The House Of Morgan* came out. It described the great and seemingly enduring legacy of John Pierpont Morgan. In it Chernow described the fierce integrity and client loyalty that permeated Morgan Stanley as typified by its famous motto "We do a First Class business in a First Class way". This motto was taken very, very seriously and it helped to guide the operation of the firm from the most senior partner to the most-recently hired junior analyst. Belief in that motto was far more important to Morgan Stanley's culture than was any hierarchy or personality.

The commercial banking arm of the House Of Morgan, JP Morgan, appeared to be teetering in the winds of change in the financial industry, but its investment banking sibling Morgan Stanley seemed to be standing firm, and standing just as firmly to a commitment to remain quietly in the background: staying out of the limelight was as ironclad a rule as was unquestioned integrity. The star culture of other firms was completely anathema to Morgan Stanley.

However, Chernow made an ominous prediction: that when the last family member (then-Chairman S. Parker Gilbert) retired, Morgan Stanley would be sold. At the time, few within the firm could credit such a notion but seven years later the prediction was fulfilled: the great Morgan Stanley was bought by the barely-pedestrian Dean Witter with its legion of low-producing commission brokers. A firm that seemed perennially on the verge of descending into permanent status as a bucket shop had bought the mighty, haughty but rigidly competent and honest Morgan Stanley.

Now we stand on the sidelines as a soap opera is played out: with hardly anybody noticing, the interloper came in, packed the board and pushed out the heir apparent; then Parker Gilbert, Quixote-like, re-enters the scene with a group of friends and partners (see <http://futureofms.com/index.html>) to make a stink about performance and the heir comes back to riotous news coverage. The interloper leaves with something north of \$115 million. Meanwhile, every mindless chatterbox on CNBC chimes in.

Even without the color of the maneuvering and ruthless back stabbing that has resulted in the current state of affairs, this scene should raise a sense of profound loss among those who care about corporate and personal integrity. Thomas Friedman of the New York Times, he of the flat earth and someone not normally interested in these things, was moved to write a critical Op-Ed piece entitled [Learning From Lance](#) in which he contrasted Lance Armstrong's meritorious achievements to the risk-averse greed he saw exhibited at Morgan Stanley. He went so far as to say that he thought it epitomized what was wrong with America as a declining global power.

Morgan Stanley as a role model, following the corporate and financial scandals of the last several years, signals emphatically an end of a time when clients could implicitly rely upon the integrity of their banker. In *Up The Organization*, author Robert Townsend says at one point of his investment banker "If you can't trust these people, who can you trust?"; obviously, nobody feels that way these days, just ask Ron Perelman.

Sic transit gloria mundi.