



How Elite Colleges Can Limit the Brain Drain to Wall Street

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Presidents of America's top universities routinely exhort students to serve the public; and the recent financial crisis made careers on Wall Street at least temporarily less attractive. But the proportion of elite college graduates flocking to financial and consulting firms is still very high. According to a survey conducted by the *Harvard Crimson*, nearly a third of all graduating seniors in 2014 took jobs at investment banks like Goldman Sachs or consulting firms like McKinsey. High tech also attracted many graduates, but only 5 percent headed to health fields, 3.5 percent to government and politics, and 6 percent to other sorts of public service.

What explains this skew in how America's top students wind up applying their talents? Professors and college administrators do not, for the most part, urge such choices, and young people themselves do not overwhelmingly claim to prefer such careers. Nor are current occupational pathways mere continuations of the past. Until the past few decades, banks reserved their entry level positions for holders of advanced business degrees and some college graduates recruited through old-boy networks. To understand what has changed, I teamed up with two graduate students, Nick Bloom and Daniel Davis, to interview 60 students and recent alums at Harvard and Stanford. Our research shows that students don't just gravitate automatically to finance and consulting. Rather, their aspirations are channeled and shaped by skewed career recruitment systems that have been forged in recent times by universities and firms.

Universities Working Hand in Glove with Banks, and Consulting Firms

In the 1980s Wall Street and management consulting firms started to do recruitment differently from other fast-growing industries like energy, health care, and high tech that also needed brainpower. Most industries managed to find the talent they needed – to, say, devise new medicines or software or oil exploration techniques – from the ranks of students graduating from a broad array of U.S. colleges and universities. But Wall Street and the consulting firms developed business models that put a premium on recruiting from a handful of universities with the highest worldwide brand equity. Top students from Purdue or the University of California might be just as good, even better, at putting together Excel spreadsheets or working 100 hours a week, but having a team of kids from Harvard sounds more impressive when your firm is trying to acquire new companies or make opaque investments.

To get to these students, the nation's top banks and consulting firms competed to become "platinum" members of the career programs run by the most elite schools. For payment, the universities handed out the best tables at campus career fairs, access to students' email inboxes, and entrée to banquet rooms for information sessions and receptions. They delivered bundles of applicant résumés and scheduled one-on-one interviews. This opulent "recruitment process" gins up early in fall term, as firms seek to sign up recruits as soon as possible to remove talent from the grasp of competing employers. Encouraged by college officials, firms make slick video presentations, ply students with great food, and deploy their own previously recruited alumni to recruit new graduates from their former schools.

Students react, we learned, with considerable ambivalence as they grapple with conflicting pressures of looking for jobs that fit their values and passions yet also see what seems institutionally prestigious. They both accept and abhor the fact that being recruited by Wall Street or consulting firms has become a measure of smarts and talent. As one of our interviewees put it, “I guess a good job means consulting or finance because, well look, that’s what the office of career services has... and that’s what my peers are talking about. For someone like me who had very limited professional experience, who didn’t really have any baseline for what one could do, it was like hey, I just see that these are the things that people from Harvard go do.”

How Universities Can Broaden the Pathways

Highly competitive, status-conscious students at Harvard, Stanford, and other elite schools go straight to finance and consulting firms along highly structured pathways, even as they rationalize to themselves that they are on their way to more noble goals. But what if institutions of higher learning took deliberate steps to broaden career pathways? At both Harvard and Stanford we heard requests for more options and many interviewees offered promising ideas. One Stanford alumna suggested creating “a little bit more of... a progressive taxation system on companies with more resources” so that, “if you’re McKinsey, you must sponsor two or three of the smaller nonprofit organizations... so that they can come to the career fair too.”

Whether or not this particular idea is practical, we already know that alternative nonprofit pathways can be devised. Wendy Kopp, the founder of Teach for America, had the profound insight that she could lure elite students into teaching at low-income schools by creating the same kind of high-stakes, tournament-like competition that Wall Street and consulting firms use. Today, nearly ten percent of Ivy League grads apply to Teach for America.

What prevents others from trying innovative approaches – for instance, the federal government? Experts warn of the coming retirement of hundreds of thousands of the most competent federal workers, many inspired by John F. Kennedy to choose public service. Worried that similarly competent and motivated new recruits are lacking, the Obama administration has established entry short-term jobs within federal agencies for young college students and recent graduates – positions not unlike those Wall Street and top consulting firms began offering in the 1980s. But the colleges have to do their part, too, to make public options more visible and prestigious.

The public sector is hardly the only place where Harvard and Stanford grads might find rewarding careers that help meet vital national needs. America would also benefit if more top graduates went into productive corporations or nonprofit management, or applied their talents to health care, transportation, agriculture, and energy – anything but financial wheeling and dealing. To broaden recruitment, Harvard and Stanford can draw on vast endowments and wide alumni networks. And if they work out creative new approaches, other campuses will be sure to follow. First, however, top universities must recognize that current students are gravitating to Wall Street and consulting firms less by choice than because of the skewed recruiting system the schools themselves helped to create.

Read more in Amy J. Binder, “Why are Harvard Grads Still Flocking to Wall Street?” and “Is High Tech the Answer?” *Washington Monthly* (September/October 2014).