Books

Profiles in Malice

Fools Rush In: Steve Case, Jerry Levin, and the Unmaking of AOL Time Warner by Nina Munk (HarperCollins, 2004).

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In *Fools Rush In*, investigative financial journalist Nina Munk ’92JRN provides a comprehensive, compelling, and truly entertaining account of the Time Warner–AOL merger. In detailing the colossal deal’s history and consequences, Munk proves her extraordinary ability to capture, often in their own damning words, the natures and aspirations of a wide range of characters.

Chief among these characters is long-time Time Warner CEO Gerald Levin who—despite an ability to dispose of corporate rivals that would honor Richard III—manages to consider himself a champion of the betterment of mankind who doesn’t quit during difficult times. Munk does equally well with Steve Case, another deadly visionary, and Bob Pittman of AOL, a lethal and energetic executive with few visionary pretensions but large social aspirations. Post-merger, these and a host of memorable minor characters devote their hardworking malice to the task of resisting successful cooperation across business units of the merged company and helping to ensure its subsequent failure.

In this way, *Fools Rush* In is a useful portrait of the frailties of professional management in companies like Time Warner and AOL. Its usefulness is limited, though, because it makes no attempt to place the AOL–Time Warner situation in a broader context, and so significantly overstates the importance of its subject. Munk claims, for example, that the merger destroyed $200 billion in value, overlooking the fact that most of this loss was due to other factors. The typical Internet stock lost 90 percent of its value in the collapse of the Internet bubble, and so almost $150 billion in AOL losses is attributable to general market conditions alone. Furthermore, perhaps $50 billion of Time Warner’s market value derived from its cable properties, another category whose values declined by at least 50 percent in the market break. Munk also underemphasizes the importance of the structures at these particular companies. Time Warner and AOL represent a subspecies of companies that function more like Renaissance courts than professionally managed enterprises. Both had strong, charismatic, autocratic founders—Henry Luce and Steve Ross at Time Warner and Steve Case at AOL—and closeness to such authority figures subsequently mattered more to a manager’s career than a well-established record of business performance. It would, therefore, be dangerous to generalize from the AOL–Time Warner case.

Munk has written an outstanding book despite these limitations and despite her tendency to imply that the good guys in the story are those who regard their corporate positions as a public trust—most prominently Henry Luce, the founder of Time, Inc. This is a dangerous fantasy. Capitalism aggressively provides a range of alternatives to any product. CompuServe, MSN, or Yahoo would do just as well without AOL. Time, Inc. rose to prominence in a period when many Americans read several newspapers and since then *Newsweek* and *U.S. News* have been close substitutes. It is not really that difficult to imagine life without Time Warner or AOL: it would look very much like life with Time Warner and AOL.

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