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Op-Ed Columnist

Goldman Can Spare You a Dime

By **[FRANK RICH](#)**

AT the dawn of the progressive era early in the last century, muckrakers attacked the first billionaire, John D. Rockefeller, for creating capitalism's most ruthless monster. "The Octopus" was their nickname for Standard Oil, the trust that controlled nearly 90 percent of American oil. But even in that primordial phase of the industrial era, Rockefeller was mindful of his public image and eager to counter it. "His great brainstorm," writes his biographer, Ron Chernow, "was undoubtedly his decision to dispense shiny souvenir dimes to adults and nickels to children as he moved about." Who could hate an octopus tossing glittering coins?

It was hard not to think of Rockefeller's old P.R. playbook while watching Goldman Sachs's behavior [when the Dow hit 10,000 last week](#). As leader of the Wall Street pack, Goldman declared [surging profits](#), keeping it [on track to dispense a record \\$23 billion in bonuses](#) for 2009. But most Americans know all too well that only the intervention of billions of dollars in taxpayer bailout money saved Goldman from the dire fate of its less well-connected competitors. The growing ranks of under-and-unemployed Americans, meanwhile, are waiting with increasing desperation for a recovery of their own.

Goldman is this century's octopus — almost literally so. The most-quoted sentence in financial journalism this year, by Matt Taibbi of Rolling Stone, [describes the company](#) as a "great

vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money.” That’s why Goldman’s chief executive, Lloyd Blankfein, recycled Rockefeller’s stunt last week: The announcement of Goldman’s spectacular third-quarter earnings (\$3.19 billion) was paired with the news that the company was donating \$200 million to its own foundation, which promotes education. In Goldman dollars, that largess is roughly comparable to the nickels John D. handed out to children a century ago. At least those kids could spend the spare change on candy.

Teddy Roosevelt’s trust-busting crusade ultimately broke up Standard Oil. Though Goldman did outlast three of its four major rival firms during last fall’s meltdown, it is not a monopoly. And there is one other significant way that our 21st-century vampire squid differs from Rockefeller’s 20th-century octopus. Americans knew what oil was, and they understood how Standard Oil’s manipulations directly affected their pocketbooks. Even now many Americans don’t know what Goldman’s products are or how it makes its money. The less we know, the easier it is for reckless gambling to return to capitalism’s casino, and for Washington to look the other way as a new financial bubble inflates.

As Wall Street was celebrating last week, Congress was having a big week of its own, arousing itself to belatedly battle some of the corporate suspects that have helped drive America into its fiscal ditch. The big action was at the Senate Finance Committee, which [finally produced a health care bill](#) that, however gingerly, bids to reform industries that have feasted on the nation’s Rube Goldberg medical system. At least health care, like oil, is palpable, so we will be able to keep score of how reform fares — win, lose or draw. But the business of Wall Street, while also at center stage in a Congressional committee last week, is so esoteric that the public is understandably clueless as to what, if anything, the lawmakers were up to, if anyone even noticed at all.

The first stab at corrective legislation emerging from Barney Frank's Financial Services Committee in the House is porous. While unregulated derivatives remain the biggest potential systemic threat to the world's economy, Frank said that "the great majority" of businesses that use derivatives would not be covered [under his committee's much-amended bill](#). It's also an open question whether the administration's proposed consumer agency to protect Americans from mortgage and credit-card outrages will survive the banking lobby's attempts to eviscerate it. As that bill stands now, [more than 98 percent of America's banks](#) — mainly community banks, representing 20 percent of deposits — would be shielded from the new agency's supervision.

If it's too early to pronounce these embryonic efforts at financial reform a failure, it's hard to muster great hope. As the economics commentator Jeff Madrick [points out in The New York Review of Books](#), the American public is still owed "a clear account of the financial events of the last two years and of who, if anyone, is seriously to blame." Without that, there will be neither the comprehensive policy framework nor the political will to change anything.

The only investigation in town is a bipartisan Financial Crisis Inquiry Commission [created by Congress in May](#). It is still hiring staff. Its 10 members are dispersed throughout the country, and, according to a spokeswoman, have contemplated only a half-dozen public sessions over the next year. Such a panel, led by the former California state treasurer Phil Angelides, seems highly unlikely to match Congress's Depression-era Pecora commission. [That investigation](#) was driven by a prosecutor whose relentless fact-finding riveted the country and gave birth to the Securities and Exchange Commission, among other New Deal reforms. Last week, we learned that the current S.E.C. has hired a former Goldman hand as the [chief operating officer of its enforcement unit](#).

Even as we wait for Congress and its inquiry to produce results, the cultural toxins revealed by our economic crisis remain unaddressed by the leaders in the private and public sectors who might make a difference now. Blankfein may be giving \$200 million to “education,” but Goldman is back to business as usual: [making money by high-risk gambling](#), with all the advantages that the best connections, cheap loans from the Fed and [high-speed trading algorithms](#) can bring. As the Reuters columnist Rolfe Winkler [wrote last week](#), “Main Street still owns much of the risk while Wall Street gets all of the profit.”

The idea of investing in the real economy — the one that might create jobs for Americans — remains outré in this culture. Credit to small businesses remains tight. The holy capitalist grail is still the speculative buying and selling of companies and the concoction of ever more esoteric financial “instruments.” The tragic tale of Simmons Bedding [recently told in The Times](#) is a role model. This successful 133-year-old manufacturing enterprise was flipped seven times in two decades by private equity firms. Investors made more than \$750 million in profits even as the pile-up of debt pushed Simmons into bankruptcy, costing a quarter of its loyal workers their jobs so far.

Most leaders in America are against this kind of ethos in principle. Last month the president of Harvard, Drew Gilpin Faust, contributed [a stirring essay to The Times](#) regretting that educational institutions did not make stronger efforts to assert the fundamental values of pure intellectual inquiry while “the world indulged in a bubble of false prosperity and excessive materialism.” She rued the rise of business as the most popular undergraduate major, an implicit reference to the go-go atmosphere during the reign of her predecessor, Lawrence Summers, now President Obama’s chief economic adviser.

What went unsaid, of course, is that some of Harvard’s most prominent alumni of the pre-

Faust era — Summers, Blankfein, Robert Rubin et al. — were major players during the last two bubbles. As coincidence would have it, the same edition of The Times that published Faust's essay also included [an article](#) about how Harvard was scrounging for bucks by licensing a line of overpriced preppy clothing under the brand Harvard Yard. This sop to excessive materialism will be a scant recompense for the [\\$11 billion Harvard's endowment managers lost](#) in their own bad gamble on interest-rate swaps.

Obama has also passed through Harvard. (Disclosure: so did I.) He too has consistently said all the right things about the “[money culture](#)” of “[quick kills and bloated bonuses](#),” of “[reckless behavior and unchecked excess](#).” But the air of entitlement that continues to waft from his administration sends another message.

In particular, the tone-deaf Treasury secretary, Timothy Geithner, never ceases to amaze. His [daily calendars reveal](#) that most of his contacts with the financial sector in the first seven months of 2009 were limited to the trinity of Goldman Sachs, Citigroup and JPMorgan. And [last week Bloomberg News reported](#) that his inner circle of “counselors” — key advisers who, conveniently enough, do not require Senate confirmation — are largely drawn from the same club. It's hard to see how any public official can challenge a culture that he is marinating in, night and day.

Those Obama fans who are disappointed keep looking for explanations. Is he too impressed by the elite he met in Cambridge, too eager to split the difference between left and right, too willing to compromise? As he pursues legislation, why does he keep deferring to others — whether to his party's Congressional leaders or the Congressional Budget Office or to this month's acting president, Olympia Snowe? Why doesn't he ever draw a line in the sand? “We know Obama has good values,” Jeff Madrick said to me last week, “but we don't know if he has

convictions.”

What we also know is that if Teddy Roosevelt palled around with John D. Rockefeller as today’s political class does with Wall Street’s titans and lobbyists, the tentacles of the original octopus would still be coiled tightly around America’s neck.

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