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OP-ED COLUMNIST

Olive Oil and Snake Oil

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WASHINGTON

You kept expecting Tom Hagen to jump up and object to a senator's question on behalf of his Don.

The wood-paneled Senate committee room had an old-school look. The combed-over committee chairman, Carl Levin, had an old-school look. And the Congressional hearing trying to illuminate surreptitious and avaricious behavior by an amoral, macho gang was the 2010 equivalent of the 1950s Mafia hearing depicted in "Godfather II."

"Government Sachs," as the well-connected Goldman Sachs is known, was called to account by the actual government on Tuesday. And the traders and executives who dreamed up the idea of packaging smoke were every bit as slick, evasive and dismissively unapologetic as Michael Corleone. He only claimed to trade in olive oil; they actually delivered the snake oil.

You know you're ethically compromised when Senator John Ensign scolds you about ethics. The Nevada Republican is under investigation by the Senate Ethics Committee and the F.B.I. for chicanery surrounding an affair with a staffer. His wealthy parents paid off the mistress and her husband, who was also on Ensign's payroll.

"I think most people in Las Vegas would take offense at having Wall Street compared to Las Vegas. Because in Las Vegas, actually people know that the odds are against them. They play anyway," said the righteous Ensign. "On Wall Street, they manipulate the odds while you're playing the game. And I would say that it's actually much more dishonest."

There was a bipartisan jackpot in casino metaphors.

"How does that differ from going out to Caesars Palace, the sports book, and making a wager on the outcome of an athletic contest?" Senator John McCain of Arizona asked C.E.O. Lloyd Blankfein.

But the Republicans' whacking of Wall Street's wise guys lost a little of its punch when you knew

that they were ducking out to the Senate floor, trying to thwart Democrats' efforts to pass a bill tightening regulation of Wall Street. Republicans ignored the contradiction in this, the same way Goldman Sachs ignored the conflict in betting against the product it sold to clients.

President Obama bashed Wall Street to pose as a tough populist. The S.E.C. dragged itself away from porn long enough to make an example of Goldman Sachs to shore up its image as a strict enforcer. And Goldman Sachs came to Washington to try to recover an image for integrity.

As Americans lost homes and lined up for jobs, Goldman made \$13 billion in 2009, and Blankfein got a bonus of, as he haltingly admitted to McCain, "um, um, nine million."

"The idea that Wall Street came out of this thing just fine, thank you, is something that just grates on people," Delaware Senator Ted Kaufman told Blankfein. "They think that you didn't just come out fine because it was luck. They think that you guys just really gamed this thing real, real well."

Baby-faced Josh Birnbaum, the former managing director who urged betting against subprime mortgages, did not polish the firm's reputation with his elitist smirk and name-dropping of Wharton.

"Mr. Birnbaum, do you know what a stated income loan is?" Senator Kaufman asked.

"I think it's just what it sounds like," Birnbaum replied, like a petulant schoolboy in detention.

The Goldman crowd was certainly cosmopolitan. Blankfein dropped a Latin phrase (Goldman had a "de minimis" business in direct home loan mortgages) and French peppered Senate Exhibit No. 62, from the petite, handsome Fabrice Tourre, the S.E.C. target who called himself "the fabulous Fab" in a 2007 e-mail.

"More and more leverage in the system, l'edifice entier risqué de s'effondrer a tout moment. ... Seul survivant potentiel," gushed the highflying Frenchman charged with creating subprime mortgage investment deals intended to fail. That translates loosely to: the cheese stands alone.

Continuing to talk about himself in the third person, he wrote, "Standing in the middle of all these complex, highly levered, exotic trades he created without necessarily understanding all the implications of those monstrosities!!! Anyway, not feeling too guilty about this. ..."

In an e-mail to his girlfriend, he called his "Frankenstein" creation "a product of pure intellectual masturbation, the type of thing which you invent telling yourself: 'Well, what if we created a "thing," which has no purpose, which is absolutely conceptual and highly theoretical and which nobody knows how to price?'"

In another e-mail to her, he blithely joked that he was selling toxic bonds "to widows and

orphans that I ran into at the airport.” At least the Fabulous Fab had the good manners to cloak his feelings of fabulousness in front of the committee and put on an earnest mask. Luckily for Goldman, greed may trump ethics. The firm’s stock closed higher Tuesday. Wholesale olive oil closed higher as well.

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