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A Wall Street State of Mind

How a city that once celebrated seamstresses and stevedores came to admire "big swinging dicks."

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The New York Stock Exchange on the eve of its completion in 1903

Debris from the financial implosion was everywhere, still smoldering. Who knew what economic corpses would show up next, how far and wide the devastation extended? Still, early in the spring of 2009, *The New York Times* quoted a young Wall Street reveler from a large investment firm celebrating at a swanky city eatery: "If you'd asked me in October, I'd say it'd be a different situation, and I don't think I'd be here. Then the government gave us \$10 billion!"

Before the meltdown, the I-bank traders knew, as so many in the industry knew, that they were peddling junk securities—yet no fear, no reservations clouded their knowingness. This all became clear to the rest of us after a Senate hearing in April 2010, where a former Moody's credit officer explained the traders' hip, coded argot, "IBG-YBG." When the dust cleared, the bankers told each other, "I'll be gone, you'll be gone."

About the Author

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Steve Fraser

The poetry of Wall Street! So much said in so few words. The reveler and the fraudsters condensed a state of mind that incubated on the Street and then metastasized throughout the tissues of the city. Compacted together inside those verbal IEDs are the combustible components of an aggressor worldview: the sense of entitlement and the amorality; the imperial arrogance alongside the hip insiderism; a psychic stew of irreverence and ironic distancing, cynicism but also the sneaky thrill of transgression, macho bullying and sociopathic cool. Or as Gordon Gekko once put it: "If you need a friend, get a dog."

Before the "bonfire of the vanities" of the 1980s, the Street camouflaged its baser instincts with the discreet charm of the limousine liberal, his noblesse oblige and sang-froid. So too did New York, long ago, nurture a reputation for toughness, for being a hard place to make it, for impiety and iconoclasm and a rebellious perseverance. The toughness of New York—say in the Marx Brothers' version—derived from a cosmopolitan city culture saturated in the emotional strivings and courage of middling upstarts, immigrant and working-class neighborhoods ready to challenge the pretensions of the power elites in every arena from opera houses to the White House. Its

motivational DNA carried instincts for both self-advancement and social solidarity. For all of the city's imperial chest-thumping, New York's fabled grittiness derived from a mix of middle-class entrepreneurial gumption and working-class fight-back.

Over the last generation, New York has become a caricature of that earlier everyman insouciance, thanks to Wall Street's overweening presence. The caustic camaraderie of the Marxes mutated into the narcissism of domination. A city that once admired the feistiness of seamstresses and stevedores and the hustling shrewdness of the family businessman came instead to admire its "big swinging dicks."

"Marxist" New York did not vanish; it receded from view. What happened was a shift in the center of cultural gravity. Wall Street washed over every aspect of city life. I'm reminded of what occurred in Boston in 1919. That was a year when everything that could happen *did* happen, from worldwide epidemic influenza to worldwide epidemic revolution. In Boston, a tank containing thousands of tons of molasses tipped over, and the city was inundated with a slow-moving tidal wave of the goo, killing people and horses, covering warehouses and factories, streets and homes. Wall Street's irresistible cultural flooding of New York City was like that, its toxic sludge showing up everywhere.

* * *

Decade of Greed

The tide came rolling in beginning in the 1980s. Wall Street gave birth to a new vanguard of the bourgeoisie, upstarts often from the outer boroughs, middle-class suburbs and public colleges. Junk bond magicians, merger-and-acquisition athletes, leveraged buyout geniuses were fearlessly challenging and unhorsing what they mocked as the sclerotic, white-shoe old guard, sequestered in its fossilized, walnut-paneled castles of corporate and financial timidity. Cigar-chomping "Jacobins" squared off against those in pinstripe suits and rimless glasses; it was a war waged by improbable heroes of anti-capitalism on behalf of capitalism!

Newspaper editors, magazine entrepreneurs, novelists, playwrights, filmmakers and television producers, book publishers, historians, gossip columnists, architects and even choreographers looked on with a kind of bug-eyed fascination. They couldn't take their eyes off what Michael Thomas, a columnist for *Manhattan Inc.* (one of a host of slick new city publications born under the Street's aura, and with a name to die for) waspishly dubbed the "New Tycoonery."

Gushing, bemused or both, other magazines like *Success*, *Venture*, *Millionaire* and a reborn *Vanity Fair* (as well as established ones like *Esquire* and *The New Yorker*) became the documentarians of the era's power-suit costuming, its manly horseplay, its philanthropic social climbing, its OK Corral financial stare-'em-downs and shoot-'em-ups. A "letter from the editor" in *Manhattan Inc.*'s maiden issue proclaimed that "the business of New York is, in a word, power—economic, political, social, and cultural." The editor envisioned that the audience for the magazine would consist of "Manhattan-based men and women who operate on a grand scale."

Ad pages filled up with solicitations from high-end real estate brokerages offering "historic mansions" all around the metropolitan gold coast. This comprised a geography running from the onetime warehouse, workshop and shabby residential neighborhoods now dubbed SoHo and TriBeCa to those "sophisticated living" and "blue-chip investments" in Old Lyme, Connecticut, or Westchester or Bucks County.

Collateral damage in the form of rising rents and home prices and expensive cups of coffee made Manhattan unlivable for the huddled masses of yesteryear. In the decades that followed, the borough underwent a class cleansing, as if its former residents were placed under orders of evacuation. Once the center of the city's cotton and textile trade, SoHo morphed into the sixth-most-expensive ZIP code in the United States. Manufacturers and wholesalers fled the city as rents soared. So too were artists' ateliers replaced by exotic eateries and boutiques. As it had a century earlier, New York became the showcase city for gilded extravagance.

* * *

Splendor in the City

During the heady days running from Reagan's "morning in America" through the Clinton dot-com debacle, the after-hours social life of Wall Street's newest moguls had a narcotic effect on the city's journalists. They filled page after page with who wore what and who sat next to whom and what edible artwork was served at the latest fete for the Metropolitan Opera. Philanthropy as a form of social climbing became an indoor sport with an avid following. The city's hostesses threw shindigs at "Club Met," otherwise known as the Metropolitan Museum of Art. Saul Steinberg, the era's most notorious "greenmailer" and original corporate raider, the Brooklyn-born son of a midsize plastics manufacturer, was ushered into society at a gala affair covered like a coronation, where live models posed as Old Master paintings.

Back in the nineteenth century, New Yorkers made fun of what they called the "shoddy" or "shaver" or "chop-chop" aristocracy. Their fakery seemed laughable if not obnoxious. A century later, not many were laughing. What Henry James had once characterized as the "bottomless superficiality" of the upper-class world now mirrored the glossy, image-obsessed state of daily life in "Capital City." Nouveau robber barons competed with rock stars for off-the-business-page coverage in style-conscious publications like *New York*, which meticulously traced their footsteps across the art market, the city's nightlife and the white sands of the Hamptons. Male sartorial splendor became an item of editorial comment as well as commercial advertisement. Wall Street modeled a return to a kind of rococo extravagance: red suspenders, assertive midribs encased in vests, custom suits from the Old World that gave off a lambent shimmer. *Manhattan Inc.* invented a column called "Power Tools" offering advice on power fashions, including a pair of "Aggressive" wing-tipped patent leather shoes (\$355, about \$1,000 today) and a silk scarf embellished with a "Napoleonic bee design" (\$135, about \$380 today). Aston Martin slyly promised prospective customers that the car would "Demoralize thy

neighbor.”

Until the Crash of '08, this showiness mesmerized the city. Like many a public spectacle, it was more than just entertainment; it was a display of power, the cultural arsenal of an elite with few if any other creditable credentials.

Art, too, became part of this armory's inventory. The art world—which, after all, has always been negotiating the border between bohemia and bazaar—crossed over. Reports of art and antiques auctions read like junk-bond offerings or IPOs, with the heaviest emphasis on the prices bid and asked. The art market was systematically deconstructed so that prospective buyers might better gauge the values on offer according to “difficulty,” “materials,” “supply,” “size” and “collector cachet.”

Later on, when the bad times arrived after the dot-com and subprime implosions, the art market became a hedge fund for heavyweight investors, worth about \$8 billion a year. According to an art critic quoted in *The Village Voice*, today's art business is “calcified, self-reverential, and a hostage to rich collectors who have no respect for what they are doing.” Another called it a “vapid hell-hole of investment-crazed pretentiousness.” A Sotheby's auctioneer agrees: “The best art is the most expensive because the market is so smart.”

Smartness itself was whittled down to mean the dysfunctional talent for applying differential calculus and “Gaussian copulas” to phantom investments. SAT scores and Ivy League diplomas disguised hierarchies of wealth, power and connectedness—otherwise offensive to the city's indigenously egalitarianism—as the workings of “meritocracy.” It was the spectacle of imperious power, however, not some imaginary rebirth of democratic sensibilities, that mesmerized. Power portraits of the biggest deal-makers, like the lawyers at leading M&A firm Skadden, Arps, Slate, Meagher & Flom, marveled at their all-around fitness, their regimen of workouts that prepared them for “all-nighters.” A high-end athletic club offered the “Fitness Program Fast Enough for Wall Street.” Bond traders boasted of “ripping the faces off” clients. One young trader caught up in the throes of some super-heated deal was overheard to exclaim, “I love it. It's just like combat. It's the real thing.” The “real thing” reeked of pure male fantasy.

By the time of the Clinton era, this cock-of-the-walk exhibitionism infected broad stretches of the city's social terrain from Gracie Mansion to Fifth Avenue, leaving a vapor trail of ill-concealed contempt for an invisible mass of “losers.” Inflected this way, “losers” is an ugly word ripe with sadistic meanness, and it migrated from the trading floor into the thesauruses of everyday life and entertainment. A French newspaper once observed that “Americans are the only race which passed directly from barbarism to decadence without knowing civilization.” Notwithstanding the Gallic condescension of that *aperçu*, “loser” also captured the civic and emotional devolution as the Street's winner-take-all braggadocio became the idiom of mayors like Koch and Giuliani.

New York's book publishers, always trying to sniff out where readers might trend next, sensed this infatuation with the “terminator” and recognized that Wall Street had become a sexy place, full of “real cliff-hanger stuff.” Yearnings for glory could be found even in institutions like Lehman Brothers, where a standoff between two otherwise colorless figures—one, Lewis Glucksman, a jowly merchant; the other, Pete Peterson, a faceless onetime political functionary—could serve as a facsimile of knightly combat, a tale of *Greed and Glory on Wall Street*, as narrated by Ken Auletta.

Scan the titles of other bestsellers from those days: *The Predators' Ball*, *Den of Thieves*, *Serpent on the Rock*, *Barbarians at the Gate*, *Liar's Poker* and, of course, *Bonfire of the Vanities* and *American Psycho*. They pleaded an iconography of evil and Napoleonic ambition, of “IBG-YBG.” But they were inevitably infected with the era's bottomless irony. Those “barbarians” storming the gates of RJR Nabisco are not so much a threat to Western civilization as they are merely a menace to Wall Street's old guard. *The Fall of the House of Lehman* doesn't quite measure up to the fall of the Habsburgs, especially since its dramatis personae bear comic book names like “the spook” and “the brat.” That may be the price one pays for becoming a ruling elite under the reign of popular culture: gravitas evaporates. But power endures.

Awestruck hero worship was certainly not the only note sounded. Michael Thomas and Lewis Lapham performed exquisitely comic dissections of the mores of Wall Street's new moneyed elite. Novels, especially *Bonfire of the Vanities*, seemed to puncture the infatuation. The zeitgeist, however, remained with the Street as the raucous savagery of the '80s gave way to the Wall Street “R” Us mood of the Clinton years. Presiding over a superficially healthier economy, the Street shed some of its gunslinger posturing. Its leading figures, people like Robert Rubin, came across as more than respectable: they were savants guiding our country—and the world, for that matter.

When the “New Tycoonery” made way for the day traders in our own rendition of the “Gay '90s,” many New Yorkers stopped merely gazing at the Wall Street spectacle and decided to enlist. It's an old Marxist adage that the ideas of the ruling class become the ruling ideas. So it was and, to a large extent, still is. With some exaggeration, it might be called the democratization of Wall Street: most of the suspicion that had shadowed the Street for generations, even in the Reagan era, faded away. Instead, the Street became a zone of liberation and visionary exultations. Once an exclusive arena, now Wall Street welcomed all, solicited everyone, empowered them, put them in touch with the ruling spirit of the new era.

On street corners and bus stops, Citibank posted clever broadsides linking finance to every material craving, while simultaneously implying that such seductions were unworthy of the

people and that the bank knew it. Its \$1 billion "Live Richly" ad campaign included folksy homilies: the world's largest bank invited us to "Open a Craving Account" and pointed out that "Money Can't Buy You Happiness. But it can buy you marshmallows, which are kinda the same thing." Citibank also reminded us that "He who dies with the most toys is still dead," and that "The best table in the city is still the one with your family around it."

Freedom and the good life! It was Horace Greeley all over again: "Go East, young man," stake out your homestead on the virtual frontier and be free at last. A saleswoman in New York credited her involvement in the market with a miraculous change in her thinking, saying that it gave her a "feeling of control over my life I never had before."

Talk about the stock market was omnipresent in the '90s. You could hear it while having your teeth cleaned, or racing down supermarket aisles, or during intermission at Lincoln Center, or in bed. It dominated the news on TV and radio. Talk shows and whole new cable channels proliferated whose market analysts became celebrities. You couldn't even go to a Mets game without watching the latest stock quotes running beneath the scoreboard's hits, runs and errors—and that was before Shea Stadium became Citi Field.

Around the turn of the millennium, *The New Yorker* published in book form an ensemble of essays to take the measure of the "New Gilded Age." Most were about New York, and each was expertly crafted. The book as a whole, however, failed utterly to capture the yawning social divide, the political corruption and moral dissonance that once fascinated people like Mark Twain, who gave us the phrase "gilded age." The book itself was a hermetically sealed universe, a perfect embodiment of gilded insularity.

No one better conveyed that imperial parochialism than the city's newest mayor. Michael Bloomberg's tough-love way of running the city had nothing in it coming from the Jewish and Italian barrios where Ed Koch and Rudy Giuliani matured. His instead expressed the icy calculus nurtured on the Street. He was, after all, a Wall Street fraternity brother. His button-down demeanor, self-assuredness and irrepressible contempt for anyone who dared disagree with him were style points honed to perfection in lower Manhattan, a real Wall Street state of mind. The purity of the business model that guided his policy decisions on everything from public education to economic development and a living wage marked the triumph of that way of being in the world.

* * *

After the Fall

Wall Street's presumptions have always grated against the city's plebeian instincts. After the fall, it got a taste of its cultural comeuppance. Merrill Lynch CEO John Thain was put in the stocks for his \$1,400 wastebasket and the \$87,000 area rug for his office. Outrage greeted Richard Fuld, CEO of the deceased Lehman Brothers, after it was revealed that he'd been rewarded with \$22 million in "retirement" pay in 2008 as his firm collapsed into oblivion. And so on. Glee greeted the news about the decline of high-priced strip clubs like Scores and Rick's Café that catered to a smug crowd of self-satisfied "walking dollar bills," young brokers and traders parading around like Mafioso made men accustomed to dropping \$50,000 or \$100,000 in a night. *The New York Times's* DealBook section (the Gray Lady's bow to the Street's dominion) noted that those twentysomethings who once had it all—"style, smarts and too much money to spend wisely"—would now have to recalibrate their expectations.

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Occupy Wall Street climaxed the Street's ignominy. First it turned lower Manhattan into a Grand Guignol of long-dormant resistance to the Street's overlordship; then the mayor turned the area into a mini-police state reminiscent of the "dead zone" enforced there back in the first tumultuous Gilded Age to ward off "communards." Either way, the Street was momentarily put off its game.

But was it down for the count? Not according to *New York* magazine. Though it pilloried the Street, even invoking Matt Taibbi's famed "vampire squid" metaphor, one of its writers predicted that the bankers would soon "be seen as Masters of the Universe again." This would seem to be the case. Out in the Hamptons last summer at Romney fundraisers, no one was wearing a hair shirt. The imperial swagger and the haughtiness were back. Long lines of limos and Range Rovers waited to gain entrance to the Ron Perelman and David Koch estates. One impatient arriviste yelled from her car window, "Is there a VIP entrance? We are VIP." Another gilded guest and amateur sociologist offered a thesis about why some benighted souls might vote for Obama: "I just think if you're lower-income—one, you're not as educated; two, they don't understand...how the systems work."

In "*The Costs of Wall Street Greed*," from 2011, Sarah Anderson tallied up "the ways the financial industry makes the 99 percent pay for the pleasures of the 1 percent." [Read all of the articles](#) in The Nation's special issue on New York City.

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