

## Minyanville



"No matter how much you have, you spend like you have a lot more."

Gustavo Dolfino – President, The Whiteoak Group

### Culture of Spending Coming to a Close? –

By KEVIN DEPEW – March 17, 2009 3:33 PM

**Goldman Sachs (GS)**, a main beneficiary of **AIG (AIG)** redirected bailout funds, is now offering loans to employees who may be facing a financial crisis of their own, according to the *New York Times*.

If this story seems bizarre, perhaps that's because it is, yet again, just one more story of excess leverage combined with overly optimistic income assumptions - you know, just like the excess leverage combined with overly optimistic income assumptions made by all "those people" (the ones who weren't sophisticated enough to work at Goldman Sachs, but collapsed the economy by taking out mortgages they couldn't afford).

According to the *Times* article, here's what happened. Some Goldman employees who raked it in before the collapse decided to invest in the "elite" Goldman investment funds, long considered one of the main perks of working at the bank. The problem now is that these funds periodically require the employees to add more money, which the employees no longer have because their income has dropped.

As the *Times* article put it, "Employees in the funds are contractually obligated to meet requests for more capital. Several funds have such capital calls scheduled for April. Employees who fail to make the payments risk losing their jobs, according to a person familiar with the situation."

The irony is that the decisions made by the Goldman employees who now may require loans to stay in the funds are no different than the decisions made by certain mortgage borrowers who overestimated the amount of house they could afford.

**"It's a problem with the culture of spending," Gustavo Dolfino, the president of Whiterock Group, a Wall Street recruitment firm, told the *Times*. "No matter how much you have, you spend like you have a lot more."**