NYT SPECULATES ON DEPARTURE OF GOLDMAN SACHS' BLANKFEIN, DOESN'T MENTION LEVIN'S REFERRAL

The NYT has what I assume to be a bizarre form of beat sweetener on Goldman Sachs today. It spends most of 1,300 words speculating on who might replace CEO Lloyd Blankfein if he were to step down, exploring three possible candidates in depth.

But here's the explanation for why they think such speculation appropriate:

> Two friends of Mr. Blankfein, 56, say he has told them since last summer that he is exhausted from leading the company through the financial crisis and that he would consider stepping down when he could do so gracefully, without the move appearing to be anything but voluntary.
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> [snip]
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> To be sure, Mr. Blankfein may decide to stay a while, despite the chatter to the contrary. And as far as Goldman is concerned, Mr. Blankfein is not going anywhere. A spokesman for the firm, Lucas van Praag, declined to comment other than to note that Mr. Blankfein "says he has never felt so energetic and has no plans to retire."

The NYT repeats that comment from the spokesperson without noting that its reliance on three sources "briefed on the situation" of discussions of Blankfein's departure sort of contradicts that spin.

The most amazing part of the article, though, is the way in which it frames Blankfein's possible departure in terms of an SEC probe settled a year ago. While it raises the Levin report on the causes of the financial crash, it somehow neglects to mention Levin's announcement he was making a criminal referral to DOJ.

> Roger Freeman, a financial analyst at Barclays Capital, said Mr. Blankfein might wait to see his firm through the final negotiations with Washington over new regulatory rules for the banking industry in the second half of 2011, before handing Goldman to a younger team in 2012. "This has been an exhausting period," Mr. Freeman said. "It would not be a surprising time to see a change."
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> As the economy stumbled, Goldman's success brought harsh public criticism, as lawmakers and even some clients complained that Goldman was no longer putting clients first.
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> That argument gained strength after the Securities and Exchange Commission accused Goldman of fraud last April in connection with a mortgage security it had created and sold. Goldman settled the case last July, paying a penalty of $550 million.
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> While the firm is clearly doing well, the public ire persists, especially in Washington. On Wednesday, after issuing a report examining the roots of the financial crisis, Senator Carl Levin of Michigan was sharply critical of Goldman's bet against housing. "Why would Goldman deny what was so obvious, that they were engaged in a huge short in the year 2007?" Senator Levin said. "Because they gained at the expense of their clients and they used abusive practices to do it."

Hey, NYT? Here's what Levin also said:

> But Levin made clear he has bigger hopes for this examination: he sees the report as perhaps one last chance for U.S. prosecutors to finally reel in the big fish that has eluded them since the markets started melting down in 2007.Levin said he believes execs at Goldman (GS) crossed the line in trying to soft-pedal the extent of the firm's bets against the staggering U.S. housing market as the credit bubble collapsed in 2006 and 2007.
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> The firm privately referred to these multibillion-dollar positions as "the big short," the report indicates — showing, in Levin's view, that Goldman did indeed have the systematic wager against U.S. housing that it has long denied. He said he was referring the case to the Justice Department and the Securities and Exchange Commission.
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> "In my judgment, Goldman clearly misled their clients and they misled Congress," Levin told reporters on a conference call Wednesday morning before the report was released. [my emphasis]

Now, I assume a story like this is all about helping Goldman push Blankfein out as part of a deal it eventually will make with DOJ to persuade it to settle any investigation arising from the Levin referral. That is, this is all about supporting Goldman's effort to make it look like Blankfein is leaving—if he does—on his own terms. And, in turn, supporting DOJ's apparent fierce determination not to try any of the criminals who crashed our economy.

It's just not clear why the NYT really thinks the story—lacking the crucial detail to explain why this might be news—is "news."