



Bringing down the house (of Goldman Sachs): Analyzing corrupt forms of trading with Lacan*

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abstract

Why do organizational members derive pleasure from being dishonest? The paper seeks to respond to this question by adopting a psychoanalytically informed approach to the analysis of how individuals perceive their own corruptness. I focus in particular on the Goldman Sachs Abacus deal, a notorious case of corruption concealed behind a facade of legality. Building on the detailed analysis of emails exchanges from within Goldman Sachs, I utilize the Lacanian concept of 'ideological fantasy' to discuss how the traders' narratives bear witness to a certain logic of fantasy that appears to fuel corrupt activities. I also examine the cover-up tactics which were adopted to camouflage the corrupt operations and make them appear licit. Corrupt performances and their cover-up are theorized as forms of self-transgressive *jouissance*, a simultaneously pleasurable and self-destructive practice that is needed to sustain and protect the impossible norms of the corporation.

Introduction

A large number of press articles have appeared recently dealing with a general suspicion of corruption, fraud and crime in the banking industry. For example, Standard and Poors (S&P) have been suspected of having over-rated corrupt

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collateralized debt obligations (CDO)¹ to please Wall Street banks at the peak of the subprime crisis (Cassidy, 2013). In an email sent in March of 2007, an analyst from S&P's New York offices commented on the financial crisis to his colleagues in a rather derisory way, parodying a famous song by the rock band Talking Heads:

Watch out

Housing market went softer

Cooling down

Strong market is now much weaker

Subprime is boiling o-ver

Bringing down the house [...]

Shortly after sending the message, a second email stated: 'For obvious professional reasons, please do not forward this song'. Emails and private conversations, including jokes, parodies and complaisant comments shared between analysts, have been used as evidence of fraud by judges in various trials. Such emotive language is unique, as it renders the performances of the corrupt amenable to observation and analysis.

The empirical focus of this paper is on the Goldman Sachs scandal known as 'the Abacus deal', which involved the unethical selling of corrupt CDOs to the German bank IKB Deutsche Industriebank (IKB). CDOs played a prominent role in the U.S. subprime crisis, and Abacus can be regarded as an exemplary case of the excesses of Wall Street firms during the crisis. CDOs had been applied to mortgage-backed securities to provide investors with greater diversification of the risk of mortgage lending. In brief, Goldman had been accused by the Securities of Exchange Commission (SEC) of omitting key information that IKB and other investors buying the CDO known as Abacus might have wanted to know, namely the role played by the Paulson's hedge fund, a direct competitor of IKB, in selecting the specific securities in that transaction. As a result, Paulson made profits of up to a billion dollars, while IKB became one of the first financial institutions to require a bailout during the global financial crisis (McGee, 2010).

1 The International Monetary Fund (IMF, 2003) defines CDO as bonds whose income payments and principal repayments are dependent on a pool of instruments. Typically, a CDO is backed by a diversified pool of loan and bond instruments either purchased in the secondary market or from the balance sheet of a commercial bank.

Although an established literature already exist on corruption at both an individual and organizational level (Pinto et al., 2008), more work needs to be done to understand the way individuals perceive their own corruptness. In particular, the role of affect and identity performances in the self-rationalization of corruption has not yet been studied. Why do organizational members derive pleasure from being dishonest? And how can the analytic category of fantasy be used to analyze the way individuals perceive their own corruptness? To respond to these questions, I will try to demonstrate how and why the mode of enjoyment of rogue traders materializes the grip of ideological fantasy, which can be defined as the logic providing social actors' energy with a direction. From a Lacanian perspective, ideology is not understood as an internal cognitive, but rather external affective level: it is out there, embodied through our action.

The corpus of Lacanian (1966/67; 1977; 1991; 1998) and post-Lacanian psychoanalytic theory (Butler, 1990; Glynos and Howarth, 2007; Laclau and Mouffe, 1985; Žižek, 1989; 1991) is mobilized, as it typically seeks to confront public norms with actual narratives that emerge in practice, taking seriously dirty secrets, parodies and self-transgressive acts (Glynos, 2008; Glynos and Stavrakakis, 2008; Stavrakakis, 2010). Mobilizing Lacanian theory in order to study organizations is not new; for example, two special issues have addressed the use of psychoanalytic and Lacanian theory to study workplace phenomena, namely *Organization* (see Contu et al., 2010) and *Organization Studies* (see Fotaki et al., 2012). In particular, I will concentrate on a number of emails (essentially, various selected quotes from four email exchanges within Goldman Sachs) shared between traders involved in the design of a corrupt CDO, known as Abacus. Therefore, this paper contributes to the study of corruption, as well as providing Lacanian studies of organization with an illustration drawn from the subprime mortgage crisis.

The paper is organized as follows. I will situate this work within the literature on corruption. Then, I will firstly examine the narratives through which the traders fantasize and provide the CDO with an imaginary substance; secondly, the problem of self-transgressive enjoyment which fuels this fantasy; and thirdly, the performance of naming through which the traders provide their toxic construction with a fantasmatic appeal. Finally, I will discuss this case and show that such corrupt performance can be read as an erotic drama.

What do we know about corruption?

The study of corruption has a long history; its literature is multi-disciplinary, drawing on economics, political science, criminology, sociology and

management. In this paper, I will discuss more specifically how individuals perceive their own corruptness.

As I will illustrate through the example of the Abacus deal, corruption is hard to formalize as it does not have to be illegal. In fact, regulations are constantly challenged by the complexity and dynamism of organizational life; the slippage between rules and behavior offers some latitude (Ashforth and Anand, 2003). A good example is provided by Gellerman (1986) through a case of fraud at E.F. Hutton, in which the accused pleaded guilty to 2000 counts of mail and wire fraud, and agreed to pay a fine of \$2 million, pay the government's investigation costs of \$750,000 and to set up an \$8 million reserve as restitution to the banks. Hutton's branch managers were encouraged to pay close attention to cash management. The practice for which they were condemned was somewhat analogous to an individual overdrawing a checking account. Managers of the companies argued that if overdrafts were not specifically labelled as being wrong, they were thus permitted:

They presumably thought they were pushing legality to its limit without going over the line. The branch managers were simply taking full advantage of what the law and the bankers' tolerance permitted. (Gellerman, 1986: 88)

Laws and regulations have also been historically created to legitimize unethical behaviors. A good example is that of the German Third Reich enacting laws to strip Jews of their rights, citizenship and property, thereby legitimizing their genocide (Ashforth and Anand, 2003). Moreover, paperwork and false documentation may be artificially created to conceal fraudulent activity and make it appear legal. Thus, Daly and Sampson (2012) describe how the Mafia penetrates the banking system, citing the silent role of an army of white collar workers between the black economy of drugs crime and the mainstream economy. Daly and Sampson quote Antonio Maria Costa, head of The UN Office on Drugs and Crime, who claimed publicly in an interview with the Executive Intelligence Review to have evidence that the Mafia poured money into various banks on the brink of collapse to keep the banking system afloat during the subprime mortgage crisis: 'In the financial institutions there are people who are involved in laundering not necessarily the money, but the paperwork which is necessary for making blood money licit' (Spannaus, 2012).

How do corrupt individuals cope with their ambiguous behavior? How do they relate to themselves as being corrupt? The mainstream literature (Ashforth and Anand, 2003; Brief et al., 2001) on corruption has addressed the way corruption is normalized, that is embedded in organizational structures and processes. For Ashforth and Anand (2003), the key dimension of *normalization* is the way individuals internalize and rationalize their actions, namely the process by which

those individuals who engage in corrupt acts use socially-constructed accounts to legitimize their acts in their own view. Thus, corrupt individuals involved in white collar crimes acknowledge their mistakes, but nonetheless refute, unlike street criminals, their being labelled as criminals (Benson, 1985; Cressey, 1986). Moreover, individuals involved in corrupt acts continue to value fairness, honesty and integrity (Sykes and Matza, 1957). Ashforth and Anand (2003) mobilize the notion of *rationalising ideologies* to explain how and why individuals deny the identity implications of their actions. The rationalizing ideologies are used by individuals motivated to resolve the inherent ambiguity of their actions in a manner that preserve their social respectability:

When corruption is ongoing, these idiosyncratic social constructions tend to become woven into a self-sealing belief system that routinely neutralizes the potential stigma of corruption; hence, our use of the term ‘rationalizing ideologies’. (*ibid.*: 16)

The mainstream literature has not yet sufficiently explored the affective motives at work in the rationalization of corruption. We still know little about the inter-linkage between emotions and the rationalization of corruption, and how affectively-charged processes and rationalizing ideologies require one another to function. More studies are needed to understand the way corrupt subjects engage with the norms and spontaneously adopt, and even enjoy, their corrupt behaviors.

A psychoanalytic approach is one way of addressing this affective dimension. A first milestone in this literature is Levine’s (2005) account of corruption as self-aggrandizement. Levine regards corruption as an attack on norms driven by a specific form of greed, called ‘ultimate narcissistic fulfilment’. To illustrate greed at work, Levine describes the contempt for rules constitutive of Enron’s culture:

Accounting norms were not about assuring transparency and protecting the interests of investors and the public; they were simply obstacles to be overcome, complex rules systems waiting to be manipulated and circumvented. [...] As one Enron trader put it: ‘We took pride in getting around the rules’. (*ibid.*: 275)

Put another way, the legitimacy of the norms was not taken for granted; manipulating the norms was regarded favorably. Significantly, Levine argues that greed is motivated by ‘the hope to make real a grandiose self-fantasy’. This accounts for the inability of the corrupt to perceive their conduct as corrupt. The key argument in Levine’s work is, therefore, that a *new morality* substitutes for the social norms in the mind of the corrupt self; ‘greed can be defined within, rather than in opposition to, a moral world’ (*ibid.*: 736).

Corruption is indeed an ambiguous phenomenon, a side product of the classification between privacy and transparency (Bratsis, 2006; Lennerfors, 2010), which reveals the conflict between what is said and what things are:

Scandals bring out the duality that underlies political life: the gap between what is said and what things are, between idealized politics and down-and-dirty politics, between the norms that are publicly legitimated and upheld, and actual behavior. (Tumber and Waisbord, 2004: 621)

Bratsis (2003) denounces the lure of the separation between the private and the public. He describes the fight against corruption as a need to abstract oneself from material existence. Thus, Bratsis stresses the pragmatic problem raised by this separation, and further adds that everyone knows that it is fictitious. Although we know that George W. Bush the public servant cannot be abstracted from George W. Bush the private citizen, along with his religious fundamentalism, corporate alliances and personal affiliations, we *desire* this illusion to be maintained. Furthermore, Bratsis also argues that this logic of *cynicism* involved in political corruption is also at stake in the corporate world.

Lennerfors connects Bratsis' element of fiction to Žižek's notion of superego injunction (Lennerfors, 2008). Thus, the problem raised by the idealization of the norms, as well as the demand for performance inherent to competitive organizations such as Enron or the mediatic pressure of the political environment, is that bureaucrats or politicians are forced to abstract themselves from their material existence. The norms operate as a superego injunction ('You can make because you must') by bombarding the subject with contradictory demands that are impossible to fulfil, with the sadistic and malevolent neutrality of the Law (Žižek, 2002). From this perspective, greed is a symptom of the *failure* of the subject to reconcile these abstract rules and norms of the organization with his/her own private pleasures and interests. Lacanian theory enriches our understanding of corruption by capturing the paradoxical *jouissance* of the subject, secretly enjoying his failure to fulfil the proclaimed ideal. The notion of *jouissance* is distinct from mere pleasure in the sense that it also involves an element of pain, an act of transgression, a thrill which can be found, for example, in an illicit and risky love affair (Žižek, 1991).

The notion of *jouissance* leads Lennerfors (2008) to examine more closely the fantasies in the perceptions of corruption – that we externalize the corrupt, and see ourselves as deprived of *jouissance*, while the corrupt enjoy themselves. Corrupt activity is simultaneously fascinating and repulsive for society, as corruption constitutes a 'theft of enjoyment' (Žižek, 1993) for honest people. Corruption is what escapes to us, what has been stolen from us; it is always what we cannot do, whether it is externalized to other people, other companies, other

industries or other continents (Lennerfors, 2008). Corrupt subjects enjoy what the non-corrupt cannot enjoy: being greedy, dirty, arrogant, something that we, the ‘non-corrupt’, cannot do. For Lennerfors, corruption cannot merely be captured by the public and private dichotomy; if that were the case, everybody would be corrupt. What captures the distinctive dimension of corruption is a small, extra symbolic thing, a leftover, an element of *jouissance*. Hence, *jouissance* captures the *excess*, the projection of desire, which makes corruption so provocative (*ibid.*). Thus, corruption is, in Lacanian terms, an empty signifier, which means an empty box into which one projects one’s desires. From Lennerfors’ perspective, beyond the concept of corruption lies what we introduce into it, whether it be secrecy, the attack on norms or alcohol.

Thus far, I have summarized the existing psychoanalytic account of corruption. However, this literature is not entirely sufficient to understand all the subtleties of corruption. While Levine (2005) touches upon the notion of self-fantasy, his definition of the word seems to be narrowly understood as the false representation of reality, or the aggrandisement of the self. Furthermore, the notion of new morality fails to explain the erotic aspect of transgression that is consubstantial with corruption. While this element of transgression/*jouissance* is at the core of Lennerfors’ (2008) view, his approach and his empirics are more preoccupied with the perception of corruption among the non-corrupts and the fascination this produces. More work and examples are needed to understand the *jouissance* of those who actually transgress rules. What do emotions tell us about the corrupt subjects? What passions and desires drive the corrupt subject beyond ‘private gain’ and the mere pursuit of rational interests (Voronov and Vince, 2012)? What dirty secret about the self is rendered visible by corruption? To fill this lacuna, I offer here the notion of ideological fantasy, which is introduced by Žižek (1989) and further theorized by the Essex Lacanian School, as a promising way to conduct studies on corruption.

In the above section, I have situated this work within an already established body of literature on corruption. However, rationalising ideologies can be better understood by adopting an affective lens. It is now time to explore what the notion of ideological fantasy has to offer to the theorization of corruption.

Ideological fantasy

The notion of ‘ideological fantasy’ is a theoretical milestone for understanding the pivotal role of affect in the ideological rationalizing of corruption, and how *jouissance* can be mobilized as a theoretical tool to trace ideology in discourse.

I draw here on the Essex Lacanian discourse literature (Glynos, 2001; Glynos, 2008; Glynos and Howarth, 2007). This is heavily influenced by Laclau and Mouffe's opus *Hegemony and socialist strategy* (1985) and Žižek's reading of Lacan. In brief, Laclau and Mouffe conceptualized the 'radical contingency' of social relations, a fundamental element of undecidability presiding over social relationships. The contingency of structure and identity is especially evident in moments of dislocation, such as the subprime mortgage crisis, which induces an identity crisis for the subject and 'compels' him to act in a way to restore or affirm a recognizable sense of identity through an identification with discourses (Laclau and Mouffe, 1985). Thus, the Lacanian notion of fantasy constitutes a particular version of the hegemonic approach to ideology and pertains to the affective grounding of ideology.

A growing body of analyzes is currently drawing academic attention to the power of fantasy to structure the motivations underpinning workplace practices (e.g. Cederström and Grassman, 2008; Kenny, 2012; Sköld, 2009; 2010). Glynos' account of the logic of fantasy makes clear the analytic distinction between the norms of a practice and the way subjects engage with these norms (Glynos, 2008). In other words, ideological fantasy pertains to the way we identify with specific norms and the direction towards which we invest our energy. In fact, we are never fully confident that it is this particular role that we should carry and identify with (Cederström and Willmott, 2007); therefore, our political acting is always provisional and requires fantasy to function.

What does the Essex Lacanian literature tell us about fantasy? The category of fantasy comprises four main aspects. First, fantasy names a narrative structure involving ideals and obstacles to its realization, the promise of an imaginary fullness as well as the converse horrific side of the scenario (Glynos, 2001). Second, fantasy stems from the *desire* of the subject which fundamentally resists the public-official disclosure. The category of desire captures the mode of subjectivity which escapes the constraining dimension of fantasy (Glynos, 2008). Third, fantasy produces and structures *jouissance*, which manifests itself as a secretly joyful and transgressive affirmation against an officially-affirmed ideal. The category of 'self-transgressive enjoyment' is defined by Glynos and Stavrakakis as the 'subject's transgressive relation to an officially-affirmed ideal' (2008: 263). Finally, fantasy provides the subjects with a foundational guarantee for their existence as a subject of desire, a degree of protection from the anxiety of being directly confronted by the 'radical contingency' of social relations.

Therefore, this approach requires a tracing of the affectivity present in the discourse of the traders, including the technical norms which they discuss. I will

show how corrupt people enjoy themselves, what form of enjoyment is promoted and what fantasy sustains their work.

Corruption in action: The Abacus deal

The Abacus deal is a particularly interesting and revealing case of corruption in action. When the financial markets crashed in 2008, Goldman Sachs were able not only to survive the meltdown, but also to generate profits at a time of crisis. Hence, the ethical implications of their trading practices have generated public suspicion.

It would have been unthinkable, a few years ago, to have mentioned the name of Goldman Sachs, one of the iconic firms of Wall Street, in a paper about corruption. At least this was the case until the summer of 2010, when the investment bank paid a fine of \$550 million, which constitutes the largest penalty the SEC² has ever imposed on a Wall Street firm. The SEC argued in its lawsuit that the bank had ‘made materially misleading statements and omissions with the CDO that Goldman Sachs had structured and marketed to the German bank IKB’ (SEC, 2010). In the rhetoric of the SEC, the Abacus deal is also a symbol of the excesses of Wall Street during the subprime crisis, in the sense that the corrupt transaction ‘contributed to the recent financial crisis by magnifying losses associated with the downturn in the United States’ housing market’ (*ibid.*).

More specifically, Goldman failed to disclose a conflict of interests in the mortgage investments it sold while the housing market was experiencing a downturn. During this litigious transaction, IKB requested that an outsider – an independent third-party with knowledge and expertise of the US market – should put together and secure the deal. ACA³ Management, a firm analyzing credit-risk, was designated as this third-party, and its name was disclosed in the communication with IKB. However, evidence produced by the SEC tells another story, indicating that Abacus was, during the six months Goldman executive spent putting the CDO together, assembled by hedge fund manager John Paulson, one of Goldman’s institutional clients and IKB’s direct competitor. Hence, the SEC argues that Goldman

knowingly, recklessly or negligently misrepresented in the term sheet, flip book and offering memorandum for [Abacus] that the reference portfolio had been

2 The Securities and Exchange Commission (SEC) is the agency of the United States Federal Government whose mission is to protect investors, regulate markets, and facilitate capital formation (SEC, 2013).

3 ACA stands for Adviser Compliance Associates.

selected by ACA without disclosing the significant role in the portfolio selection process played by Paulson, a hedge fund with financial interests in the transaction directly adverse to IKB, ACA Capital and ABN. (*ibid.*)

In other words, Goldman was accused of pushing a product that was designed to fail, as Paulson was simultaneously betting against this product. In summary, the gambler Paulson conspired with the croupier Goldman to rig the game by weighting the roulette against fellow gambler IKB (Cohan, 2011).

The discourse and communication of traders of Goldman Sachs came to resemble a Machiavellian manipulation of artefacts and acronyms in which nothing was as it seemed. Goldman publicly acknowledged that the fundamental basis of the lawsuit was accurate, without explicitly recognizing their guilt:

It was a mistake for the Goldman marketing materials to state that the reference portfolio was ‘selected by’ ACA Management LLC without disclosing the role adverse to CDO investors. Goldman regrets that the marketing materials did not contain that disclosure. (SEC, 2010b)

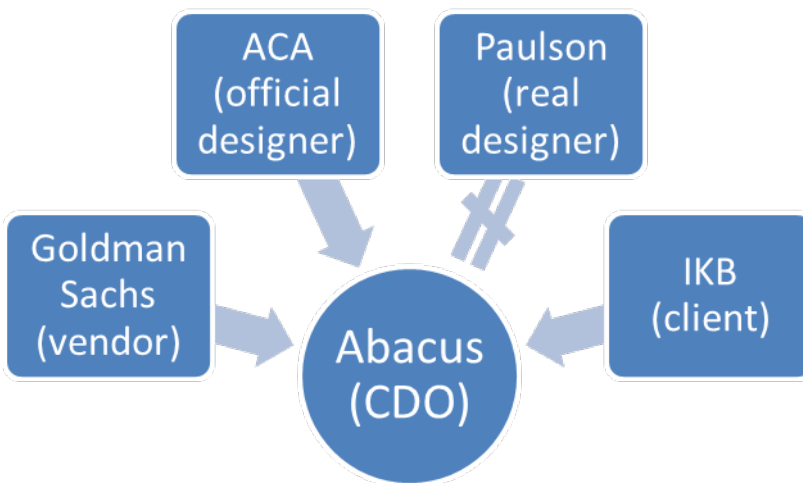


Table 1 The making of the corrupt CDO⁴.

The Abacus deal also revealed the tacit rules that many Wall Street insiders were already aware of, namely that clients need to be able to look after themselves (McGee, 2010). A CDO investor told the Financial Times that IKB was known to be a patsy:

4 The relationship between Abacus and Paulson is unknowable, as the identity and the role of Paulson are undisclosed in the marketing materials.

IKB had an army of PhD types to look at CDO deals and analyse them. But Wall Street knew that they didn't get it. When you saw them turn up at conferences there was always a pack of bankers following them. (Cohan, 2011: 15)

Although the fact that this behavior was morally wrong was not altogether contested by the defendants, the issue of knowing whether this was legal or not is another matter: 'Didn't Goldman have a duty to reveal his views and identity to anybody thinking of taking the other side of the wager?' (Pratley, 2010). Goldman's detailed defense here tended in fact to legitimize the making of corrupt CDOs: 'as normal business practice, market makers do not disclose the identities of the party on the other side' (Goldman Sachs, 2010).

The Abacus case provides a typically perspicuous context of legal corruption. Although highly symbolic of the excesses of Wall Street which led to the subprime crisis, Abacus remains as the sole law enforcement case to have surfaced against Goldman. While in 2010 Goldman paid \$550 million to settle accusations, in 2012 the SEC ended an investigation into a \$1.3 billion subprime mortgage deal. Thus, the Justice Department finally decided not to examine further Goldman Sachs' actions during the crisis, and 'ultimately concluded that the burden of proof to bring a criminal case could not be met, based on the law and facts as they exist at this time' (Protess and Ahmed, 2012). The final word goes to a Goldman Sachs' spokesman, finally closing the affair: 'We are pleased that this matter is behind us' (*ibid.*).

Fantasy narratives at the height of the crisis

On January 23rd 2007, Fabrice Tourre, young vice president on Goldman structured product correlation trading desk in New York City during the relevant period, sent to his girlfriend, an employee at the Goldman London office at the time, an article from The Financial Times dealing with a 'CDO boom' and 'largely unseen' bubbling. The reading of the article and the premise of a broader crisis conjured both a horrific and beatific picture in the trader's mind, as manifested by the content of the email⁵:

More and more leverage in the system. The whole building is about to collapse anytime now [...] Only potential survivor, the fabulous Fab [rice Tourre] [...] standing in the middle of all these complex, highly-leveraged, exotic trades he

5 The excerpts of Goldman Sachs internal emails in this paper were released publicly by the Securities and Exchange Commission (2010) as part of their complaint and by Senator Carl Levin (D-Michigan) as part of the April 27, 2010, hearing 'Wall Street and the financial crisis: The role of the investment banks' before the United States Senate Permanent Subcommittee on Investigations (2010), whose transcript has also been publicly released.

created without necessarily understanding all of the implications of those monstrosities!!! (SEC, 2010)

The extremely informal register mobilized here contrasts with the register of typical technocratic discourse. Let us note first that the trader endorses a demiurgic position, by comparing himself to a creator contemplating his own creation. The self-centered location of the trader and vice-president is remarkable; he does not communicate as a subject, but sticks to a knowledgeable perception of the self through an objectifying perception of himself using the third person form 'he'. The nickname 'fabulous Fab' illustrates this infantilized register through a fragmented and objectified perception of the self; to some extent, 'Fab' is a mutilated name. The etymology of the word 'fabulous' is telling: in Latin, 'fabula' means 'legend' or 'myth'. Metaphors such as 'survivors' tend to represent the self as a hero or a warrior, constituting the climax of the fantasy of self-rationalization. However, words such as 'creators', 'monstrosities', 'exotic', 'collapse' refer to a strange, distorted and threatening perception of the environment, as if the trader were immersed, in Lacanian words, in a fantasy-scenario (Lacan, 1966-67). Those words have the function of transforming the impossibility of the fantasy into 'mere difficulty', maintaining a protective distance from the desire of control and rendering the desire of the trader bearable and familiar. Thus, Glynos (2008) underscores that the narrative structure varies across contexts, but a crucial element is the obstacle preventing the realization of one's fantasmatic desire, as the Lacanian conceptualization of the subject survives only insofar as its desire remains unsatisfied.

The excessive *jouissance* of the trader manifests itself through both horrific (the building's collapse and monstrous imaginary) and beatific (the figure of the demiurge creating and controlling his environment) fantasy narratives. In the subsequent part of the above email, the jubilation of the trader is nourished by an ideological fantasy through which the trader articulates his self-explanation or self-rationalization:

Anyway not feeling too guilty about this, the real purpose of my job is to make capital markets more efficient and ultimately provide the US consumer with more efficient ways to leverage and finance himself, so there is a humble, noble and ethical reason for my job ... amazing how good I am at convincing myself!!! Sweetheart, I am now going to try to get away from ABX and other ethical questions, and immediately plunge into Freakonomics [...] I love when you advise me on books I should be reading. (US Senate Permanent Subcommittee on Investigation, 2010)

Bratsis' logic of cynicism is apparent here in the ironical distancing of the trader, who dramatizes the split between a corporate identity (from 'Anyway' to 'job') and the personal and blasé identity (from 'amazing' to 'reading'). Not only do the

cynical reasoning and ironic detachment of the trader fail to prevent ideological fantasy to determine his decisions and actions, but they also provide this corporate ideology with its libidinal force and excitement.

To summarize, the trader fails to understand the very complex crisis he is facing, and control is impossible. Thus, the logic of the fantasmatic narrative provides the subject with both an ideal and an impediment to the realization of this ideal.

The problem of self-transgressive enjoyment

Although the above narratives demonstrate the impossibility of possessing positive knowledge of the complex implications of the CDOs, the traders are required to behave in a transparent and predictable way. How do they cope with this impossible demand?

The lawsuit of the SEC quotes numerous emails, full of technical jargon and acronyms, which present a superficial sense of structure and predictability. I propose here the idea that these labels and acronyms are not only instruments of control, but are also indicative of a certain fantasy screen which structures the particular mode of enjoyment of the traders, organized towards the success of the deal. This point is well illustrated by the following email, sent later on January 29th, in which Fabrice Tourre quite clearly describes the CDO as an object of *jouissance*, combining ambiguous elements of sexual pleasure with the pain of self-destruction:

When I think that I had some input into the creation of this product (which is, by the way, 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?’) it sickens the heart to see it shot down in mid-flight... It’s a little like Frankenstein turning against his own inventor ;) (U.S. Senate Permanent Subcommittee on Investigations, 2010b)

Furthermore, the corrupt CDO is anthropomorphized, turned into Frankenstein. Freund and Jacobi (2013) identified how the emotional terrain of the metaphor of the monster transects political ideology and the striving for personal immortality. In particular, they draw on Marx’s metaphor of the capitalist vampire embodying the insatiable nature of capitalism. Furthermore, the metaphor of the plane to designate the CDO ‘shot down in mid-flight’, can here be connected to the banking system described, in the email above, as a ‘whole building about to collapse’, which is also reminiscent of the ‘bringing down the house’ parodied by the S&Ps analyst. The *jouissance* of the trader is therefore dramatized through the fantasy of a war-like experience and a self-destructive thrill.

In other words, the practice of assembling corrupt CDOs is fuelled by *jouissance* within a certain ideological fantasy through which technocratic discourse is rendered desirable. Thus, technocratic rationality fixes in the trader's unconscious the right way to do the job; it covers up the 'radical contingency' of the financial markets which surfaces and is visible when the system is in crisis. But why is corruption so difficult to see? Corruption appears in contexts where the 'radical contingency' underpinning technocratic rationality is revealed. The dominant use of technocratic discourse is reinforced, whereas corruption operates silently through transgressive enjoyment, disclosed informally to girlfriends and colleagues. This is akin to practices within military communities; practices such as bullying or hazing, which transgress the ideal of fair treatment of the institution, are kept secret. Their function is to sustain an ideal of discipline and order by enabling the enjoyment of its transgression (Glynos and Stavrakakis, 2008). Thus, the design of this corrupt CDO can be read as a self-transgressive practice which sustains the technocratic rationality being transgressed; indeed, the joyful and confidential failure to respect the ideal of transparency perpetuates its lure. The category of self-transgressive enjoyment helps us to understand how traders cope with the conflicting demands of an impossible ideal of transparency and private and contingent situations.

In the previous section, the CDO has been identified as an object of desire, fantasized by the trader through narratives, producing his self-transgressive *jouissance*. A particular way of transgressing in the case of Abacus is the manipulation of names and labels.

The performance of naming

When Goldman's clients consider an offer, they examine the portfolio and the marketing materials, and subsequently make their decisions based primarily on who is taking part in the design of the CDO. The reputation and names of the parties involved in the CDO's design are therefore central to the decision-making process.

In December 2006, Toure and his team were focussing on finding a 'portfolio manager' to select the securities to be referenced, which led to some internal debate about which firms would potentially want to be involved with Paulson:

They will never agree the type of names Paulson wants to use. I don't think [redacted] will be willing to put [redacted's] name at risk for small economics on a weak quality portfolio whose bonds are distributed globally. (U.S. Senate Permanent Subcommittee on Investigations, 2010)

However, Goldman finally requested that ACA play the role of official portfolio agent. In the following internal email dated February 7th 2007, the vice-president makes explicit that ACA's reputation and brand has been used solely to facilitate the success of the offer:

One thing that we need to make sure ACA understands is that we want their name on this transaction. This is a transaction for which they are acting as portfolio selection agent, this will be important that we can use ACA's branding to help distribute the bonds. (SEC, 2010)

Yet how do names symbolize the object they denote? What do they mean? How do ACA, IKB or Paulson refer to organizations and institutional properties – offices, employees, assets, reputation, bureaucracy and so forth?

To understand the tactic of naming, a short digression via Clint Eastwood's film *Flag of our fathers* (2006) may prove helpful. This film tells the story of an American flag being raised by anonymous US soldiers for the first time on Japanese soil on Mount Suribachi at the peak of the battle of Iwo Jima, with these soldiers thereby risking their lives for the sake of the United States of America. After this heroic performance, Colonel Johnson orders random soldiers named Doc, Ira and Rene to replace the original worn-out flag and to raise a brand new one. The second performance takes place chronologically after the battle is won by the U.S. army, and is therefore banal and insignificant. The soldiers did not in fact heroically risk their lives; they are merely executing a practical decision. However, the second scene is captured by a photographer, and the image unintentionally becomes highly symbolic in the context of the US war propaganda. Unable to find the names of the original heroes, the government officers ask for the raisers of the second flag, Doc, Ira and Rene, to raise money in the United States and embody heroic U.S. soldiers. While performing their role in public, the soldiers become, in private, progressively sick and devastated by the haunting sense of guilt with regards to the true heroes who had remained and died on the island. This example illustrates how loose the link is between the signified 'war heroes' and the process through which those heroes have been retroactively designated through a contingent naming process in order to respond to the needs of war ideology.

Likewise, the names (in the trader's words) manipulated by the trader are very similar to those of Doc, Ira and Rene. Are they not chosen for purely marketing (and ideological) purposes? The Lacanian notion of 'logical time' (1991) helps to understand how the CDO is symbolically constructed through 'retroactive determination of meaning' (Parker, 2010: 161). While Paulson was the *original* designer of Abacus (the true heroes raising the flag), ACA were only designated *afterwards* (the parodic actors of the flag raisers). Yet the desire of the traders is

bound to the reputation of ACA, as it appears clearly in the email quoted above: ‘we want their name on this transaction’ (SEC, 2010). ACA does not operate as an actor materially designing the CDO (as Paulson technically designed the portfolio), but as a name performing a symbolic function; this is why they are ‘acting as portfolio selection agent’ (*ibid.*). When Goldman designs a CDO, the assemblage has to signify trust, legitimacy and predictability in order to ensure a successful offering. To respond to this objective, the bank posits a name retroactively and arbitrarily attached to those connotations. As stated by Butler et al. (2000), the linguistic function of positing retroactively confers a necessity on the object through the name it uses. Although ACA acts merely as a sponsor, and its participation in the design is not effective in practice, the name itself is necessary, as it provides a substantive force to the CDO and ‘helps distribute the bonds’ (SEC, 2010). The illusion of prior substantiality is created through the performance of naming, although the trader knows that this functional anchoring is a lure and that his message covers up a series of dangerous gaps.

In sum, the ideological fantasy bounding the traders to Abacus and provides them with an institutional guarantee to create value, covers up the traumatic ‘radical contingency’ of the markets (Laclau and Mouffe, 1985). This twist operates through naming performances, inscribed in a logical timeframe.

Interpreting corrupt performance as an erotic drama

Corruption scandals reveal the gap between the norms officially claimed and the guilty pleasure of transgression motivating the work of the traders. How does this fantasy analysis of the discursivity of the Abacus case finally enrich our understanding of corruption?

In this paper I have identified the (1) narratives structures as well as the beatific and horrific scenarios through which traders dramatize their failure and re-signify their identity. This failure manifests itself through an excessive identification with labels and acronyms which merely constitute a partial indicator of the trustworthiness of the deal. This lure of technocratic rationality explains why, underneath its hyper-technical surface, the discourse of the traders turn out to contain highly emotional biases – narcissism, aggression, fantasy narratives, paranoia and so forth. The value of the Lacanian framework mobilized in this paper is that it unearths the fantasmatic mode of attachment to technocratic norms underpinning the ideology of the corporation.

The second aspect of fantasy which I have highlighted is the (2) crucial role of desire in the discourse of the traders. In this case, the technocratic use of

language enacts the public-official disclosure of Goldman Sachs; a particular right way to do the job and making sense of it. Yet traders and analysts are gripped within a linguistic regime which is closed to their true feelings. As a result, desire takes weird, self-destructive, corruptive forms; it does this as a revenge of immediacy, a return of the repressed passion of the subject through, for example, unauthorized speech, as in the email sent by the Standard and Poors' analyst, quoted in the introduction ('For obvious professional reasons, please do not forward this song'). As a result, Goldman vice-president becomes a 'desiring machine' (Böhm and Batta, 2010), who speaks the technocratic language (as does a sociopath or a robot), while secretly enjoying its transgression, as is evident in the private email to the girlfriend quoted by the SEC.

This leads us to the third element of fantasy, namely that it (3) structures and produces *jouissance*. I have interpreted that corrupt forms of trading can be read as the self-transgressive enjoyment of the trader. Paradoxically, this explains why corrupt performances reveal, in a rather pathetic way, the craftiness of the trader, and are often recognized informally within an organization such as Enron or E.F. Hutton. As Gellerman puts it concerning E.F. Hutton: 'On several occasions, the managers who played this game most astutely were even congratulated for their skill' (1986: 88). Such informal congratulations are necessary for the proliferation of corruption. The ideology of the corporation is not to be found in the code of ethics which officially displays the values of the firm, but rather in the form of enjoyment which is promoted informally within the corporation. In this sense, corrupt acts embody the concrete ideology of the organization, materialized and performed through the *jouissance* of its members.

Ideological fantasy finally bears (4) a reassuring function. It is, in a way, through this fantasy that the trader performs his job and preserves a degree of protection from the anxiety of being directly confronted by the radical contingency of social relationships, the social-ethical consequences of his actions as well as the emptiness underpinning the rules, procedures and jargon he is manipulating, which are particularly visible during the subprime mortgage crisis. This relational understanding of corruption recalls that corruption is also motivated by the desire of the subject to mean something for others, to be recognized, admired by his peers or girlfriend.

In sum, rogue traders are not merely self-serving, greedy people, who create an image of technocratic rationality to promote their ends without believing in it. It is because their enjoyment is unconscious even when it seems strategic that they know how to play the game. It is precisely this element of fiction which the notion of ideological fantasy captures. More specifically, the trader's corrupt

performance has the structure of an *erotic drama*: the vice-president performs a fantasy-scenario combining escalating pleasure with the thrill of self-destruction leading to the breaking point of *jouissance* and the fatal ending with the trial of the SEC and his dismissal from the bank. He serves fully the ideology of the corporation, which in return bombards him with ambivalent requests, using its fantasmatic appeal to get the most out of him.

The ideological fantasy operating in the organizing of Goldman Sachs is not to be found at the level of official norms, but in the visible *jouissance* of the traders. Furthermore, corrupt speech acts invite us to shed light on the fiction sustaining the belief in technocratic rules.

Conclusion

This paper has examined a corruption case in the banking industry, and has contributed to existing psychoanalytically informed approaches to corruption (Bratsis, 2003; Levine, 2005; Lennerfors, 2008) by drawing more specifically on the Essex Lacanian literature. Yet this case is based upon a few emails only and further research could potentially complement these data through more robust methods such as interviews or ethnography. In sum, I have made three main contributions to the existing theorization:

Firstly, Levine's notion of new morality of the corrupt fails to capture the erotic nature of this new ideology, which substitutes for the official one. His concept of 'new morality' does indeed extinguish the thrill of transgression and self-destruction. It is precisely because this ideology is performed and nourished ambiguously and seductively at an informal and affective level, for example through informal congratulations, that it is reinforced and so hard to capture.

Secondly, the notion of ideological fantasy better accounts for the mechanism underpinning Bratsis' account of the cynicism of the corrupt and the pivotal role of self-transgressive enjoyment through which the subject manages to spontaneously perform the fiction. The notion of self-transgressive enjoyment captures the contemporary ideological grip which is not at the level of abstract knowledge, but at the level of action and concrete affectivity. Cynicism is a form of ideology: 'Cynical distance is just one way – one of many ways – to blind ourselves to the structuring power of ideological fantasy: even if we do not take things seriously, even if we keep an ironical distance, *we are still doing them*' (Žižek, 1989: 30, italics as in original).

Thirdly, this approach complements Lennerfors' mobilization of Žižeko-Lacanian theory to interpret corruption by looking not only at the perceptions of corruption within the non-corrupts, but also at the feelings of the corrupt themselves. The novelty of a theorization of corruption through the Essex Lacanian theory is the demonstration that the *jouissance* of the traders is not subversive *per se*, but rather materializes the grip of ideology (Glynos, 2001), the glue binding the organizing of Goldman Sachs. Corruption is the intimate *raison d'être* of the rogue trader, as it is informally valued and recognized by the hierarchy and colleagues. Traders are frequently treated as scapegoats and described as isolated cases in such affairs. In contrast, a fantasmatic interpretation suggests that the normalization of corruption happens within the affective and ideological context of the corporation. From that perspective, the notion of ideological fantasy enables to bridge the gap between individual perception and the broader organizational implications of corruption.

Finally, this case is reminiscent of the story of Jérôme Kerviel, the world's most famous trader, who lost € 4.9 billion of the French bank Société Générale. Kerviel did not steal one centime for himself; his ultimate ambition was merely to increase his own bonuses. The media nicknamed him 'Mister Nobody'. In October 2010, the trader was found guilty and sentenced to five years in prison, two years of which were suspended. Further, the court ordered him to repay € 4.9 billion to his employer – before cancelling this latter decision in 2014. After the trial, the rogue trader summarized his case with these words: 'I had to be killed so Société Générale could survive' (Davies, 2010).

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