Brown's president and Goldman Sachs

CHARLES PINNING

Most of us aren't experts at anything, but most of us know how to do at least one thing well, and we go about doing that when we can, get paid for it if we're lucky, and entrust the really big jobs to people we call leaders. Typically, our leaders are well-compensated for what they do, either in money or power or prestige, often all three. Yet, too often, leaders find that fair compensation is simply not enough. Some just can't seem to get enough money.

Which brings us to the very local case of Ruth Simmons, the president of Brown University. It seems that Ms. Simmons, in addition to shouldering the weighty responsibilities of presiding over an Ivy League university, has also sat on the board of directors of Goldman Sachs since 2000, the year she ascended to the presidency of Brown.

During this time, her annual salary at Brown has ranged between $300,000 to $800,000, while her Goldman Sachs compensation has been in the same universe: 27,386 units of fully vested, restricted stock (RSUs) worth $4.2 million as of Feb. 12. (These RSUs will convert into shares of common stock on the first eligible trading day in the third quarter following the year of Simmons's retirement from Goldman's board of directors.)

Beginning in 2001 and possibly higher in following years: $35,000-a-year annual retainer for being on the Goldman board of directors; $15,000-a-year payment for serving on each of the board committees of which she was a member (two, at least); $1,000 for each meeting of the board or board committee that she attended; options to buy stock annually.

The year 2007, when the global financial crisis began hitting home, was a particularly lucrative one for Simmons, thanks to her Goldman board membership: $592,064 in stock awards and $75,000 in cash, totaling $667,064.

This "side job" burbled along until early this month, when the Brown Daily Herald blew the whistle. Simmons's doublespeak response was typical of one caught with a hand in the cookie jar: "I appreciate the question about whether or not it's the right company for me to be involved with at this point. That's a legitimate question. It is one that I think about, as I think about everything that I do."

Say what? In short, she avoided answering the question. She's been playing with bad boys for almost a decade now, and doesn't know how dastardly they are?

Several days after the story broke, Ms. Simmons declared that she would not stand for re-election to the Goldman board because of "increasing time requirements associated with her position as president of Brown University."

What? Has presiding over Brown taken a lot less time during the past 10 years? This is the sort of behavior we've come to expect from shameless financiers and politicians, but from the president of one of our most vaunted universities? A longtime scholar entrusted with educating and setting an example for our best and brightest children? And it is made all the more compelling given Ms. Simmons's back story: a black woman, 12th of 12 children of a Texas sharecropper who found her way through academia to become a provost at Princeton, the president of Smith College, and finally Brown's president.

Despite her assertions to the contrary, the fallout from Ms. Simmons's association with Goldman — her vast personal rewards, her votes to approve millions in bonuses after the bailout, the long-term activities of the company itself — does tarnish Brown.

Furthermore, her relationship with Goldman is insulting to the citizens and taxpayers of Providence. Brown pays very little property tax on its sprawling campus and other extensive property holdings. Several years ago, Brown agreed to pay about $1.2 million a year over the next 20 years, in lieu of taxes. This amount is a pittance, a tiny sliver of what Brown would have to cough up if taxed at the rate that homeowners and private businesses pay.

So, in a very real sense, one of the reasons that Brown can afford to compensate Ms. Simmons so generously is that the university thrives off the backs of you and me. While the state and local economies suck wind, Ms. Simmons has been enriching herself at our expense, in venues both local and international.

Big money people, such as those who run Goldman Sachs, would have you believe that capitalism is all about being free and unfettered to make money. But that is the law of the jungle. Here in the U.S. we have laws to, I would hope, elevate us beyond complete savagery.

Still, the money people will always try to beat the system. Bill Gates was handsomely rewarded for developing the DOS and Windows operating systems, yet couldn't resist destroying Netscape, the first truly user-friendly Internet browser. He did this by bundling the Johnny-come-lately Microsoft browser, Internet Explorer, with the ubiquitous Windows operating system.

By the time the government intervened with our anti-trust laws, the damage was already done. We are a country of laws, theoretically designed to give everyone a fair shot at the dream. But we know that hard-core business people scoff at this notion and play "hardball," which means that they want it all.

Goldman Sachs has been among the worst offenders, heavily involved in the derivatives market that helped bring our country to the brink of financial collapse. Engaged in managing another derivatives deal using "cross-currency swaps," Goldman helped Greece mask its true deficit, sparking a crisis that now threatens to bring down the European economy.

My guess is that Ruth Simmons will soon retire from Brown. My nomination for her successor is Brooksley Born — or someone like her. In 1998, as head of the Commodity Futures Trading Commission (CFTC), she had the derivative activities of Goldman Sachs, et al., in the cross hairs. She wanted this shrouded activity to be reported and regulated. Her efforts were shredded by members of Congress who were under the thrall of Federal Reserve Chairman Alan Greenspan, who said the market would self-regulate.

After the near financial collapse (averted by massive taxpayer bailouts to Goldman Sachs, among others) Greenspan, by then retired, admitted that his world view was wrong. When asked by a hostile member of Congress why she was so concerned about the activities of financial institutions and their derivative products, Brooksley Born said, "We're trying to protect the money of the American public, which is at risk in these markets."

Yes, Virginia — and Rhode Island and the rest of you 48 states — there are people out there who have not sold out, who are satisfied with the compensation they receive for the job they were hired to do; who are not driven by greed. That is the sort of person I should think that Brown would want as a leader. If not, then we are supporting an institution openly training future crooks and shysters; despisers of democracy and masters of doublespeak. If such is the case, then let us take off the gloves and strip them of their "nonprofit" status and tax them to the fullest.

Fair is fair.

Right, Ruth?

Charles Pinning is a Providence-based writer and photographer.