

## WASHINGTON MAN

*He transformed himself from public servant to rich lobbyist. When the financial crisis hit, he remembered who he was.*

BY GEORGE PACKER

In 1994, Jeff Connaughton, an Alabamian who had moved to Washington in the hope of dedicating his life to public service, attended a fund-raiser for Kathleen Kennedy Townsend at Hickory Hill, the Kennedy family manor in McLean, Virginia. During the party, Connaughton slipped into the study, where he discovered a bound volume of Robert F. Kennedy's notes, including handwritten drafts of speeches. Connaughton's eyes fell on a sentence that read "We should do better." Kennedy had crossed out "should" and replaced it with "must." Connaughton, a conservative Democrat, was moved. This was his core idea of politics: great speeches, historic figures, a common purpose. In the annals of Washington, Connaughton was that overlooked yet necessary thing—not a leader but a follower. He later said of himself, "I am the perfect No. 2 guy."

For years, the man whose No. 2 he wanted to be was Joe Biden. In 1979, Connaughton was a business major at the University of Alabama, in Tuscaloosa, and the head of a nonpartisan student group that invited Biden—then a thirty-six-year-old senator from Delaware, in his second term—to give a speech on campus. Connaughton was short, smart, and sandy-haired, with the inferiority complex that's bred into boys from Alabama. Biden arrived looking trim and confident in his tailored suit and expensive tie.

As Connaughton later wrote, two hundred people assembled in a lecture hall to hear the speech. "I know you're all here tonight because you've heard what a great man I am," Biden began. "Yep, I'm widely known as what they call 'Presidential timber.'" The crowd laughed nervously, thrown by his sense of humor. "Why, just earlier tonight, I spoke to a group of students who had put up a great big sign, 'Welcome Sen-

ator Biden.' And then when I walked under the sign I heard someone say, 'That must be Senator Bidden.'" The laughter rose.

Now Biden had the crowd, and he turned to his subject: the proposed SALT II arms treaty. He spent ninety minutes arguing lucidly, without notes, in favor of reducing the American and Soviet nuclear arsenals. A day earlier, the treaty's prospects had suffered a blow with the supposed revelation of a brigade of Soviet troops in Cuba. "Folks, I'm going to let you in on a little secret," Biden whispered, and the audience leaned in to hear. "Those troops have been in Cuba all along!" he shouted. "And everyone knows it!" At the end of the speech, the applause was loud and long. When Connaughton got up to approach Biden and thank him, he accidentally started a standing ovation.

A campus security guard drove Biden to the Birmingham airport, and Connaughton went along. Biden looked tired from his speech, but he answered the security guard's questions ("What's the difference between a Democrat and a Republican?") as attentively as if they had come from David Brinkley. When Connaughton asked Biden why he rode the train from Wilmington to Washington every day, the Senator shared the story of the car accident that had nearly wiped out his young family, in December, 1972, a month after his election to the Senate. "My wife and baby girl were killed," Biden said. "And my sons were badly injured. So I stayed with my sons at the hospital. I really didn't want to be a senator. Eventually, I was sworn in at the bedside of one of my sons. I served, but I went home every night to be with my sons. And, over the years, Delaware just got used to having me home every day, so I really can't ever move to Washington."

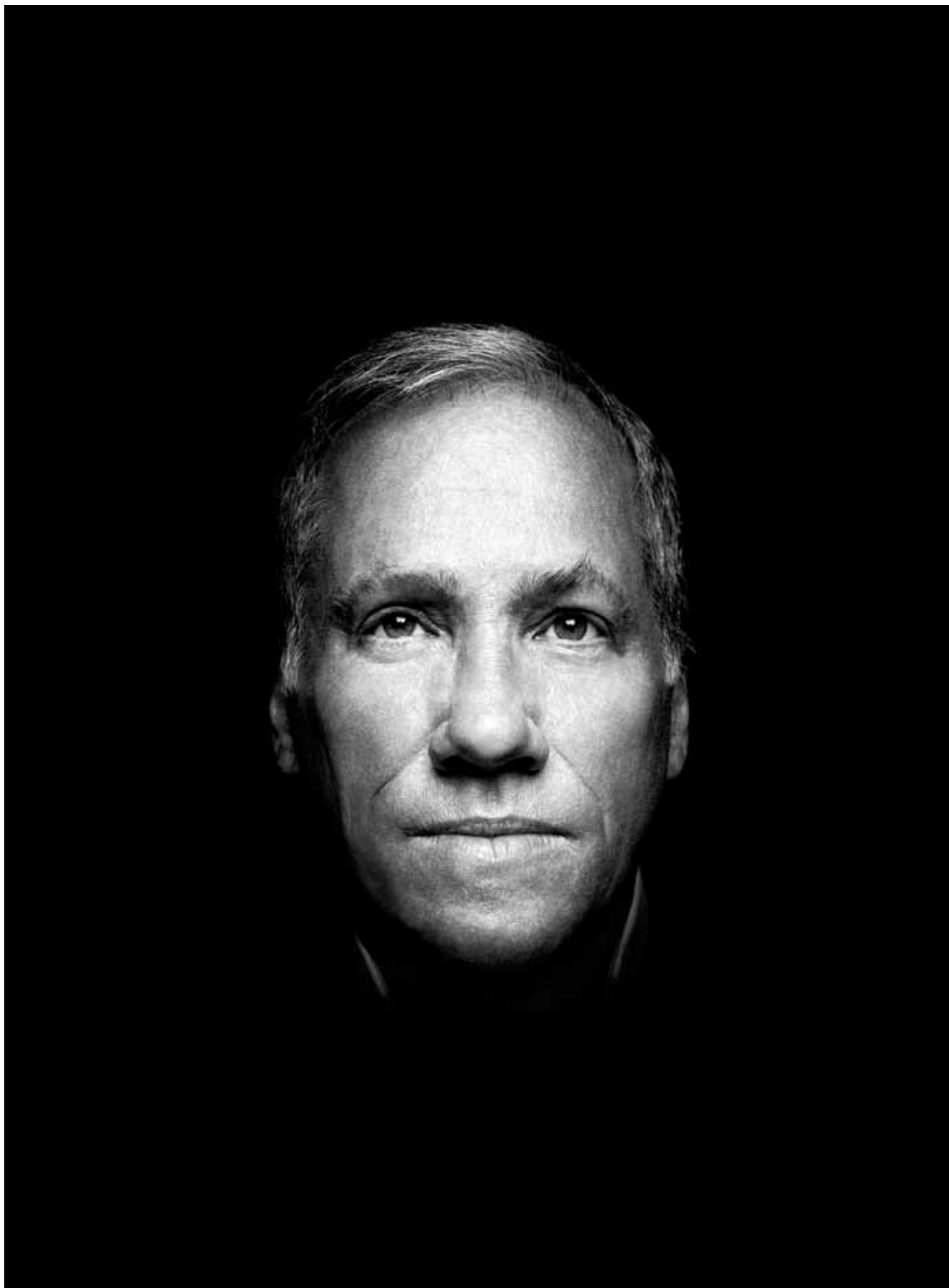
Here was tragedy, here was energy, here was oratory—just like the Kennedys. When they arrived at the airport, Connaughton produced a spiral notebook, and Biden signed it: "Please stay involved in politics. We need you all." At that moment, Connaughton felt certain that he would end up following this man to the White House.

Before graduating, he invited Biden to Alabama twice more for speeches. The last time that he dropped Biden off at the Birmingham airport, he made a promise: "If you ever run for President, I'm going to be there."

Connaughton didn't immediately head to Washington. First, he went to the University of Chicago business school. (Biden had written a letter of recommendation.) It was 1981, and *Time* ran an article, called "The Money Chase," about the vogue for M.B.A.s; the cover image showed a graduating student whose mortarboard had a tassel made of dollars. Connaughton, the son of a government engineer and a homemaker, had never had money, and Wall Street's allure was almost as strong as that of the White House.

For two years, he worked at Smith Barney—first in Manhattan, then in Chicago. In 1985, missing the South, he passed up a large bonus and joined the E. F. Hutton office in Atlanta. Several months later, the firm pleaded guilty to two thousand counts of wire and mail fraud. In Washington, Joe Biden, who was a member of the Senate Judiciary Committee, began talking on TV about the epidemic of white-collar crime on Wall Street and the failure of the Reagan Justice Department to police it. In a speech at N.Y.U., Biden said, "People believe that our system of law and those who manage it have failed, and may not even have tried, to deal effectively with

*Jeff Connaughton wanted to make a difference, but he was a follower, not a leader. He said, "I am the perfect No. 2 guy."*



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PHOTOGRAPH BY PLATON



*“Oh, are you attacking from home today?”*

unethical and possibly illegal misconduct in high places.” He was getting set for the big race.

The guilty plea cost E. F. Hutton business and began hollowing out the firm, but Connaughton survived. He worked in the public-finance department, specializing in underwriting tax-exempt bonds issued by state and local governments. One day, he came up with a marketable idea: in Florida, many towns and counties had huge pension liabilities, so why not arbitrage them? Create a fifty-million-dollar pension bond, borrow at four per cent, then invest the tax-free money for a few years, at six or seven per cent. “It was a kind of scam on the U.S. taxpayer,” he said later. But his boss was pleased.

At twenty-seven, Connaughton was an assistant vice-president, making more than a hundred thousand dollars a year, but this was not what he wanted to do with his life. By the end of 1986, it seemed clear that Biden would run for President in 1988. Connaughton knew an E. F. Hutton lobbyist who had connections to the campaign, and he got a job as a junior staffer, at twenty-four thousand dollars a year. No longer able to afford the lease payments on his new Peugeot, he traded it for his parents’ 1976 Chevy Malibu. As Con-

naughton recalled, “I had done Wall Street, and I was going to do the White House next.”

Connaughton’s first assignment was to find twenty people in Georgia to write the campaign a two-hundred-and-fifty-dollar check. After amassing that level of support in twenty states, a candidate qualified for federal matching funds. It was one of the hardest things that Connaughton had ever done, but the fear of failing spurred him, and he begged everyone he knew in Georgia to write a check. He succeeded in getting twenty people, and he learned something about fund-raising: you didn’t have to convince anyone that Biden was going to win, or even that he was right on the issues—only that *you* needed this, as a favor.

In March, 1987, Connaughton started working at the Biden campaign headquarters, in a downscale office complex outside Wilmington. Having done well in Georgia, he was going to be a fund-raiser. Although it wasn’t what he’d imagined the night he met Biden in Tuscaloosa, he said, “Just tell me where to go.” He began working twelve-hour days.

Biden, meanwhile, was giving one stump speech after another. Connaught-

ton felt that Biden’s words were stirring but superficial. He always brought the house down with the line “Just because our political heroes were murdered does not mean that the dream does not still live, buried deep in our broken hearts.” Connaughton disliked the allusion to the Kennedys, which seemed canned. He wanted Biden to give more substantive speeches, like the old SALT II lecture.

Connaughton worked under Biden’s veteran chief of staff, Ted Kaufman, a man with a spindly El Greco frame and a dome of curly dark hair. Both M.B.A.s, they took to each other, and decided to run the fund-raising operation like a company. Connaughton helped draft a strategic plan, constructing an organizational pyramid of captains and sub-captains. The more money the sub-captains raised, the more access to Biden their captain received. Connaughton kept track of the contest, and decided who earned a lapel pin, who got dinner with the candidate. He also set up a system for contributors. If one of them wanted to see Biden, he needed to donate at least a thousand dollars. Connaughton told big donors, “For fifty thousand dollars, I can get you dinner with the Senator at his house. For twenty-five thousand, I can get you dinner with the Senator, but not at his house.” Connaughton worked all day without a break and collapsed into bed each night, thinking, *I am living my purpose right now.*

That spring, Gary Hart quit the Democratic primary race after being caught philandering, and Biden became a strong contender for the nomination. Money flowed into the campaign, and Connaughton, under Kaufman’s guidance, organized fund-raisers with trial lawyers and with the Jewish community. He started travelling with Biden, and if the plane was delayed, or if on arrival Biden talked too long or not long enough, Connaughton absorbed the flak from donors. He and the Senator never spoke.

One day, on a flight to a fund-raiser in Houston, Connaughton was told to brief Biden about the event. He carried the briefing book up the aisle to the first-class cabin. “Senator Biden, may I speak with you for a minute?” Connaughton asked.

“Just gimme what you got,” Biden said, hardly looking up.

Biden apparently didn't remember Tuscaloosa. It wasn't even clear if he knew Connaughton's name. "Hey, chief," he'd say to his male underlings, or "How's it going, cap'n." Biden always had time for strangers, especially if they bore any relation to Delaware. And if you were family, or if you were part of a small circle of long-serving aides, like Kaufman, then he was intensely loyal. But if you just worked your ass off for him for a few years he wouldn't notice. In Washington, elected officials considered themselves a higher breed. A guy like Connaughton was expendable, unless he proved to be a workhorse, and even then his place was far from secure.

"He saw the uncertainty in my eyes," Connaughton later said. "I had an out-sized view of our relationship, because I'd waited so long to join him. From his perspective, I was just one more guy who'd shown up to work on his campaign." Connaughton was willing to put up with it: "I was attracted to power."

Connaughton was doing the hard, thankless work of soliciting money, yet he felt oddly stigmatized for it. Biden hated the drudgery and the compromises that fund-raising entailed. Some of his colleagues seemed to spend half their lives dialling for dollars; Alan Cranston, the California senator, made call after call soliciting five hundred bucks while pedalling an Exercycle at the gym. Biden hardly ever called anyone. As a senator from a tiny state, he'd never had to raise much money, and he didn't adjust well to the financial scope of a Presidential campaign. He objected to the demands placed on him by the people who helped him raise money and the people who wrote checks; it was as if he couldn't stand owing anybody. Rejecting the permanent class in Washington, he continued commuting from Wilmington. Remaining Ordinary Joe became a point of aggressive pride. He was as incorruptible as he was ungrateful.

One day in September, Connaughton took a break from the campaign to attend the Alabama-Penn State game. He was driving in the middle of the Pennsylvania countryside when a news bulletin came on the radio: Biden, at a debate in Iowa, had plagiarized a speech by a British Labour politician named Neil Kinnock, even stealing Kinnock's identity as a descendant of coal miners.

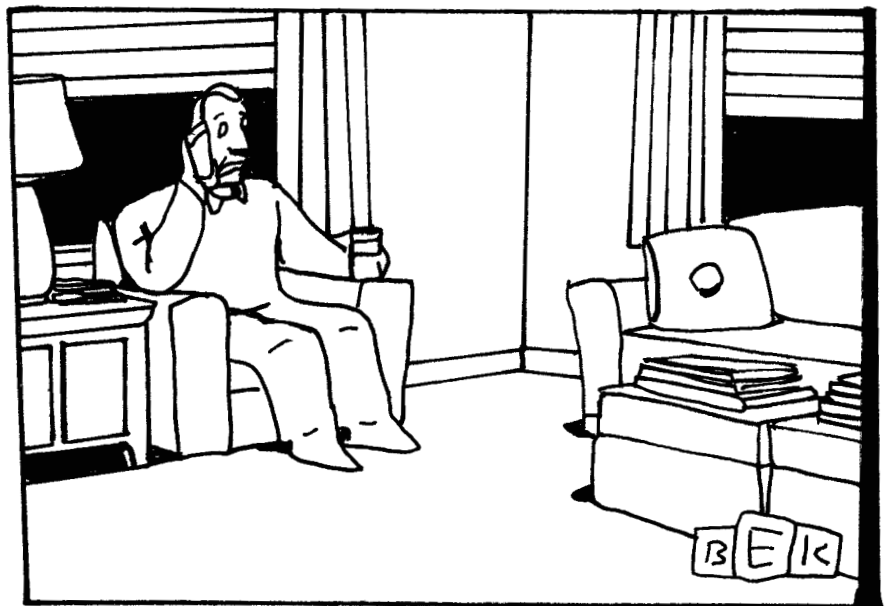
The media quickly uncovered other misdeeds: lines lifted from Hubert Humphrey and R.F.K.; a badly foot-noted law-school essay that resulted in a failing grade. Then a Biden campaign event recorded by C-SPAN surfaced, and that made things even worse. For almost all of the ninety minutes, he brilliantly displayed his command of policy, but he had spent his whole career saying too much, and just before the end a voter asked him about his law-school grades. Biden snapped, "I think I probably have a much higher I.Q. than you do," then made at least three false statements about his education.

The ensuing media frenzy consumed Biden's campaign, and he decided to withdraw, making the announcement at noon on September 23rd. That morning, Connaughton was told by Ted Kaufman to notify fund-raising captains across the country. Two minutes before Biden's press conference, Connaughton called his mother, and all he could say was "Turn on the TV." He wept in the bathroom while the rest of the staff listened to Biden's statement, which was delivered in the Capitol. "I'm angry with myself for having been put in the position—put *myself* in the position of having to make this choice," Biden said. "And, lest I say something that might be somewhat sarcastic, I should go to the Bork hearings." With that, Biden walked over

to the Senate Caucus Room and took his seat as chairman of the Judiciary Committee, where the arch-conservative judge Robert Bork was being assessed as a Supreme Court nominee. (Biden's thoughtful questions and his fair handling of the hearing were the first steps in his quest for political rehabilitation.)

Connaughton was shell-shocked: his hero had been reduced from White House material to national joke in two weeks. When Ted Kaufman asked him to stay in Wilmington to help close down the campaign, he said yes. It made him seem like a good soldier, but the truth was that he was too paralyzed to look for a better option. He now had the worst job in politics—spending hours on the phone with angry supporters who demanded their money back, or with furious staffers in Iowa and New Hampshire who had failed to receive paychecks. Everyone who'd ever given Biden a ham sandwich sent a bill. It fell to Connaughton, among others, to make an archive of Biden's disgrace, chronicling every news story and op-ed that might be used against him in his next Senate race, in 1990. It was like cleaning up body parts after an accident and, in anticipation of a lawsuit, preserving some pieces as evidence.

At the end of 1987, Connaughton was offered a job as a fund-raiser for the Democratic Senate Campaign Com-



*"I spent all day taking the edge off, but it's still there."*

mittee. He said no—he didn't want to devote his career to keeping track of checks and lapel pins. Then Kaufman told him of an opening on the staff of the Senate Judiciary Committee; the salary was forty-eight thousand dollars. But there would be engaging work on anti-trust law, intellectual property, civil-justice reform. Connaughton admired Kaufman, and he hadn't given up on Biden. In any case, Wall Street wasn't likely to hire him: the stock market had crashed on October 19th, and the 1986 tax-reform act had shut down many of the arbitrage tricks that had kept public-finance departments thriving. He decided to stay in Washington.

Everyone in D.C. was someone's guy. Connaughton became a Biden guy.

Connaughton, who was single, moved into a basement apartment on Sixth Street, on Capitol Hill, beneath Mitch McConnell and next door to Daniel Patrick Moynihan. His work hours were long, and he spent weekday evenings drinking with other young staffers at local bars: the Tune Inn, the Hawk and Dove.

Biden finally learned Connaughton's name. Connaughton proved himself by doing the kind of staff work—research, writing, bringing in experts, sounding out interest groups—that makes a senator look serious. After his fall from grace, Biden wanted to prove that he had enough gravitas and legislative prowess to deserve a second chance at the Presidency. Connaughton worked with the Association of Trial Lawyers to block a law that would have made it harder for international airlines to be sued for injury and death. He proposed setting up several hearings on drug policy, which would give Biden a reputation for being tough on crime. He put together a dossier of the Senator's achievements—a counterpart to the scandal archive—that was used for Biden's 1990 reelection campaign, which was successful. Eventually, Connaughton sat at a desk just outside Biden's office, but he never dared to ask to see the boss. "I just didn't have the foundation under me to deal with Biden, who is like a political genius," he said. "If you went in there and he could sense any confusion, doubt, or uncertainty in your mind, he'd pounce."

In 1991, Connaughton decided that

## FACES AT THE WINDOW

They must be having fun down there,  
Sarah sucking on all three colors  
of her lollipop & Bruno looping out  
his spinning top. Their laughter  
rises up to slowly torture me.  
They must be having fun. Yes,  
Mother, I'm practicing my scales.

With Bruno gone years in the war  
& Sarah lost over in America,  
I've counted the green leap years.  
Now the concert hall is filling up,  
awaiting the prodigy to play rain  
on a zinc roof. I'm in the first row  
before I step out into the evening.

Those fingers on the keys unknot  
my stitches. I knew all the notes  
before a sparrow was condemned  
to sing in the eaves. I stand here

he needed to go to law school. A law degree would allow him to move in and out of politics, to know the substance of government, to make money in the course of a career, and—perhaps—to move back to Alabama. He spent his Wall Street savings on three years at Stanford.

When he graduated, in 1994, he was hired to clerk for Chief Judge Abner Mikva, of the D.C. Court of Appeals. (A Biden aide helped get him the job.) Mikva, a former congressman from Chicago, was widely admired. Soon after Connaughton started the job, there were rumors that Mikva would be named President Bill Clinton's counsel. Suddenly, the White House seemed to be within Connaughton's reach. He called Ted Kaufman and said, "I need Biden to call Mikva and tell him that I'm great and that he should definitely take me with him."

A few days later, Kaufman called Connaughton back. "Biden doesn't want to call Mikva."

"What?"

"It has nothing to do with you. He doesn't like Mikva."

For once, Connaughton was too angry to bite his tongue. "Who cares whether he likes Mikva? This is about me."

Kaufman sighed. Connaughton knew that it was one of Kaufman's duties to

protect Biden from the consequences of the indignities that he doled out; usually, this meant adopting the tactical silence, feigned ignorance, or kindly evasion that the wife of a tyrannical father uses to mollify the children. But Kaufman cared about Connaughton, and spoke candidly. "Jeff, don't take this personally," he said. "Biden disappoints everyone. He's an equal-opportunity disappoointer." (Kaufman denies saying this, and disputes that the conversation about Mikva took place; Biden's office denies that Biden had a negative view of Mikva.)

Connaughton continued to be a Biden guy—raising money for him, campaigning for him—but the romance of that pursuit died with the phone call that Biden refused to make. There had always been a transactional aspect to Connaughton's obsession, and now it was the central aspect. Biden had used him, and he had used Biden, and they would go on using each other, but that would be all. It was a Washington relationship.

Mikva took Connaughton to the White House anyway, because Connaughton, now an experienced No. 2, had made himself indispensable. Before being offered a job, he wrote a detailed transition plan for Mikva's move to the counsel's office, with a media strategy and a

motionless, clearly nothing but  
a silhouette gazing at a ball  
bouncing on the sidewalk.

He must be having fun. My days  
just a touch-up of muted hues  
& forgotten cadenzas. Somebody  
please remember me. Sarah,  
wherever you are, I hope  
you're having fun. Ha-ha  
still runs past my window,

down the hill. The dead live  
across the street, up & down  
our block. Oh, well, yes,  
the piano. That's my son,  
Federico, named after a great  
Spanish poet, playing the keys  
low as wind through blood weed.

—Yusef Komunyakaa

summary of the issues that he would face. Mikva named him special assistant to the counsel, at thirty-two thousand dollars a year (his clerkship salary). Neither of them had any idea what the job meant.

Connaughton walked into the West Wing on October 1, 1994. It was a Saturday, and he wore what he thought would be appropriate attire for a weekend in the White House: blue blazer, white shirt, khakis, and loafers. The first person he recognized was George Stephanopoulos—in sweatpants and stubble. Offices in the West Wing were small and antiquated, and the counsel's office was in a cramped corner of the second floor. Yet to Connaughton the whole building was sacred. He started giving after-hours tours to anyone who asked.

The Administration was struggling: the First Lady's health-care initiative had just been euthanized in the Senate, and relentless Republican attacks over Whitewater, Travelgate, and other purported scandals had created a sense of siege in the White House. Some of the Clintons' top aides—Webster Hubbell, Bruce Lindsey—were under investigation by Kenneth Starr, the special prosecutor in the Whitewater matter. The President himself was being sued by Paula Jones, an Arkansas state employee who accused him of sexual harassment.

Much of the Administration's anxiety was directed at the corner office on the second floor. Clinton was burning through counsels at a record clip—Mikva was the third, after less than two years—and colleagues joked that Connaughton was the only lawyer in the White House who didn't have a lawyer of his own.

Not long after starting work, Mikva and Connaughton met with David Dreyer, an official from the communications team. Mikva was speaking the next morning at the *Christian Science Monitor's* monthly breakfast, and Dreyer came with instructions: Mikva was to announce that he had looked into the Whitewater affair and had found nothing.

Judge Mikva, in his late sixties, white-haired and sage, was silent.

"Why would he say that?" Connaughton said. "He's only been here two weeks."

"It's his job to say that," Dreyer snapped.

"It's not his job to throw away a lifetime's worth of credibility in a single morning," Connaughton said.

Dreyer insisted that Mikva's prime obligation was to defend the President.

"Let me think about it," Mikva said finally.

At the breakfast, Mikva avoided committing himself to a position on White-

water. He was asked about Clinton's legal-defense fund, which had been started by the President's supporters after Paula Jones initiated her lawsuit. (The charges were eventually settled.) Mikva replied that he did not "totally approve" of the legal-defense fund's existence, saying, "I'm uncomfortable. I expect the President is uncomfortable." He added that he saw no alternative, other than limiting the Presidency to the very rich.

Every paper in the country ran with the story, and Mikva learned that Hillary Clinton wasn't happy that he had sounded off without permission. Mikva, who was as naïve about politics in the age of the Drudge Report as he was wise about constitutional law, stopped talking to the media.

At first, as the Clintons and their staff fumed and schemed and battled for their lives, Connaughton had almost nothing to do. Mikva had never defined his role. There was only a wall between him and the high-stakes meetings in Mikva's office, but in Washington that wall made all the difference. The odd jobs given to him took an hour or two each day. He was so worried about looking superfluous that he'd leave the West Wing with a handful of papers and walk the halls of the nearby Old Executive Office Building, shuffling through the papers as if attending to important business.

One day, Connaughton and another aide went with Mikva to Biden's Senate office. Mikva wanted to have a good working relationship with the chairman of the Senate Judiciary Committee. They ran into Biden in the hall, and Biden draped an arm over Connaughton's shoulder. "Jeff, how you doing, buddy?" he said. "Great to have you here. You know from all your years with me where to take these fine people. Go make yourselves at home in my office, and I'll be right down."

As they continued toward Biden's office, Mikva quietly asked, "Did Joe know you were with me before today?"

"Oh, yes."

"I always thought he'd call me."

Connaughton didn't know what to say: just as a twenty-seven-year-old campaign aide couldn't tell a Presidential candidate, "I waited seven years and left Wall Street to work for you, but you

can't give me five minutes," a thirty-four-year-old White House special assistant couldn't tell his boss, "Biden didn't call you about me because he doesn't like you." So Connaughton smiled and said nothing. A whole life in politics could pass with such omissions.

At the meeting, Biden dropped Connaughton's name a dozen times, as if he'd been part of his inner circle: "Jeff would be the first to tell you that when he was here . . ." Connaughton played along.

Over time, he found his place on the counsel's staff. He helped write Mikva's speeches. He prepared a memo on legal reform. And he began to understand how power worked in the White House. People didn't have it—they made it. If you wanted to be included in a meeting, you didn't wait for an invitation; you just showed up. He told Mikva, "If you don't use your power, you won't have any power." A cow had to be milked in order to keep the milk coming. A key indicator of status in Washington was whether you could get your phone calls returned; for the first time, Connaughton's calls were returned instantly—especially by reporters, who found him a reliable source.

Once a week, Janet Reno, the Attorney General, visited the White House to discuss legal matters with Mikva. After one such meeting, Vernon Jordan, the President's consigliere, happened to be standing outside the office.

"Hi, Vernon, how are you?" Reno said.

"Hi, General Reno. You haven't returned my call."

"Oh, I'm sorry," she said. "I've been so busy."

Jordan, from his imposing height, in his elegant suit, glared at her. "That's no excuse."

Connaughton, sitting fifteen feet away, drew a lesson: if Vernon Jordan couldn't get Janet Reno to return his calls, he wasn't really a Washington player. He *had* to face her down.

This time, at least, she yielded: "Let's have lunch next week."

Connaughton came to believe that there were two kinds of people in Washington: those who crossed the room at a party to greet someone they knew, and those who waited for the other person to cross the room. Several years later, he and Jack Quinn, a Democratic Party in-

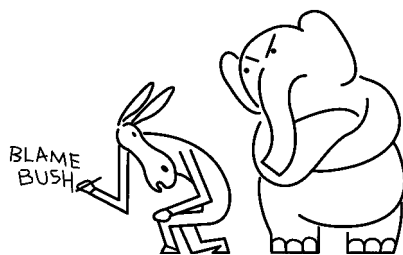
sider who succeeded Mikva in the counsel's office, ran into Jordan.

"Let's have lunch some day," Quinn said. "Give me a call."

"You call me," Jordan replied. "You're the junior partner in this friendship."

An obscure item in Newt Gingrich's Contract with America became the highlight of Connaughton's tenure in the White House. The Private Securities Litigation Reform Act of 1995 was drafted by Republicans to weaken the anti-fraud provisions of the Securities Exchange Act of 1934 and to make it harder to bring lawsuits against companies whose executives talked up their stock prices with misleading forecasts of performance. Corporations considered these suits frivolous, and the bill attracted powerful support from Wall Street and Silicon Valley.

Many members of the President's staff didn't want to offend the technology executives who were one of the Party's key constituencies, but Connaughton opposed the bill, and he saw a chance to create a small power base in the White House. He talked daily to lobbyists for trial lawyers and leaked information to reporters. He forged a bond with regulators at the Securities and Exchange Commission, and even with its chairman, Arthur Levitt, who wanted modifications to the Republican bill. Finally, Connaughton urged Mikva to push President Clinton to demand changes



that would make the bill less onerous to plaintiffs.

One night in June, when Connaughton was working late, the Presidential scheduler called the counsel's office: Clinton wanted to discuss the bill. Mikva, Connaughton, and Bruce Lindsey—Mikva's deputy and a longtime Clinton friend—crossed over to the Residence, where they were told to wait for Clinton in his private study, on the second floor. The Clintons had covered its

walls in vermillion simulated leather. On one wall, Connaughton noticed the famous oil painting "The Peacemakers," which depicts Lincoln and his generals planning the last phase of the Civil War on board a steamship. As Connaughton later wrote, few members of the White House staff ever got to see the President's private study, but it was too late for an official White House photographer to be on hand—and so, in terms of impressing friends and clients, the peak moment of his political life might as well not have happened.

A little after nine, Clinton walked in. Despite his suit and tie and graying hair, he still looked like the red-cheeked, slightly overweight boy Connaughton had seen in old photographs. "So, what have we got?" he said.

Lindsey and Connaughton described the burdens that the bill would place on plaintiffs in fraud lawsuits.

"I've stood out there in Silicon Valley, and I've heard them go on and on about how bad some of these class-action suits are," Clinton said. "But I can't be in a position where it looks like I'm protecting securities fraud." He mimicked the kind of voice that could be used in an attack ad against him.

After the briefing, Mikva and Lindsey walked over to the dining area, where Hillary Clinton was having dinner with Ann Landers, an old friend of hers and of Mikva's. Connaughton waited, alone, outside the study. After a few minutes, Clinton came out and looked him in the eye. "You think I'm doing the right thing, don't you?"

Connaughton never forgot this moment. It confirmed his feeling that Clinton, for all his faults, was in politics for the right reasons. Years later, Connaughton still got choked up thinking about a speech that the President gave to his staff on the South Lawn—no press, no cameras—after the crushing defeat of the 1994 midterms. "I don't know how much time we've got left," Clinton had said. "But whether it's one day, one week, one month, two years or six years, we have a responsibility to come to work every day and do the right thing for the American people." Later, during the Lewinsky scandal and the impeachment hearings, Connaughton—then two years out of the Administration—went on TV shows like "Crossfire" and "Meet



the Press” dozens of times to defend Clinton against overzealous prosecutors and a partisan Congress.

That night in the hallway, Connaughton told Clinton, “Absolutely, Mr. President. You can’t undercut the chairman of the S.E.C. on a question of securities fraud.” Arthur Levitt, a former Wall Street broker, was getting angry phone calls from the bill’s supporters in the Senate, especially Christopher Dodd, the Connecticut Democrat, who was one of the finance industry’s champions in Washington.

“Yeah, that’s right,” Clinton said. “And Levitt is an establishment figure, right?”

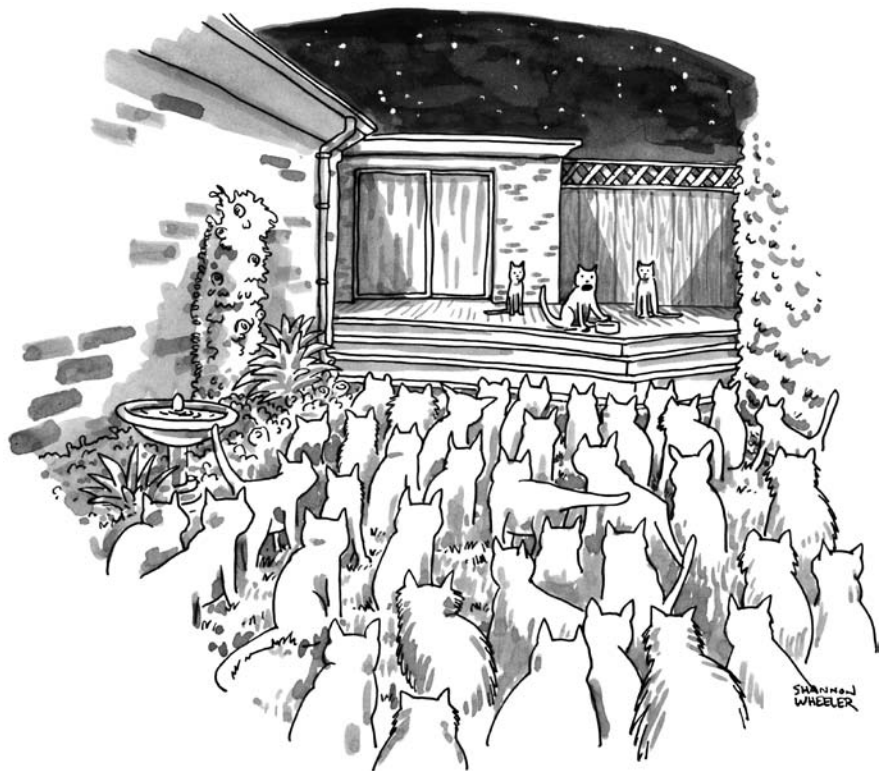
Levitt had been the chairman of the American Stock Exchange for a decade. Before that, he had been a Wall Street partner of Sanford Weill, the future head of Citigroup. He had owned a Capitol Hill newspaper, *Roll Call*. During his eight years at the S.E.C., he allowed Enron and other companies to loosen their accounting controls. Without question, Levitt was an establishment figure.

“Yes, Mr. President,” Connaughton said. “That’s right.” It seemed remarkable that the President needed a junior aide to reassure him that he’d have some cover when the financial and political elite came after him. But the establishment was a far bigger force than any President. In his second term, Clinton proved it by moving in the opposite direction, supporting the deregulation of banks, including the repeal of the Glass-Steagall Act, and preventing financial derivatives from being regulated. For now, though, he stood fast.

The Senate passed the securities-litigation bill in spite of the President’s objections. Clinton vetoed it, and Congress overrode the veto. Even liberal stalwarts like Ted Kennedy joined Dodd in voting with the corporations. Biden, a former trial lawyer, stuck with the President.

In the course of the year, Hillary Clinton installed a rogue team of lawyers at the White House to handle Whitewater and related issues, even though they fell under the counsel’s responsibility. At the end of the year, Mikva quit.

So did Connaughton. After almost a decade in politics, he was thirty-six and broke, renting a modest apartment in Arlington, Virginia. In December, 1995,



*“It has come to my attention that some of you are sleeping on the job.”*

he took a job as a junior associate with Covington & Burling, a top Washington law firm. If he made partner, he’d become a millionaire.

He hated the work. Instead of briefing the President and battling Congress, he was on his knees, sifting through boxes of documents, or stuck at his desk, writing memos on behalf of a silver mine that was polluting groundwater. He did research on a case in which the plaintiff had been moving bottles of acid with a forklift, accidentally broke some bottles, and burned most of his body as he repeatedly slipped in the acid. The law firm represented the defense. “I hope you’re asking me to research whether there’s enough money in the world to compensate this man,” Connaughton told the partner who gave him the assignment.

“No, I’m not,” the partner replied.

One day, Jack Quinn, Mikva’s replacement, needed someone to write a speech for him about executive privilege. A staffer in the White House counsel’s office suggested that Connaughton take it on, and he wrote it at night and on weekends, for no pay. When Quinn needed another speech, on the separa-

tion of powers, Connaughton wrote that, too.

At the end of 1996, Quinn left the White House to re-start his lobbying practice at Arnold & Porter, a Washington law firm with strong ties to the Democratic Party. To get things running, he looked around for a No. 2—someone who knew how to make his boss look good. His eye fell on Connaughton.

Clinton had banned top officials who left the Administration from directly contacting the Executive Branch for five years. The rule applied to Quinn but not to Connaughton, who wasn’t senior enough. So, at the age of thirty-seven, he joined Arnold & Porter and launched a new career: as a lobbyist.

Connaughton’s timing in politics hadn’t been great, but in lobbying it was nearly perfect. In 1997, organizations were spending more than a billion dollars a year exercising their First Amendment right to petition the government for redress of grievances. Within a decade, the figure was nearly three billion. The prospect of riches





*"It's more than one kid. You better cut the watermelon into pieces."*

lured top talent: between 1998 and 2004, forty-two per cent of the representatives and half the senators who left office went on to lobby their former colleagues. Thousands of congressional aides also decamped for K Street, as did hundreds of Connaughton's ex-colleagues in the Clinton Administration. When Connaughton first passed through "the revolving door," the practice was still called "selling out." Later, it became known as "cashing in," a phrase that conveyed envy, not judgment.

At Arnold & Porter, Connaughton represented clients from Silicon Valley and the telecom industry, and he enjoyed the work. But, in January, 2000, an even better opportunity arose. Partly at Connaughton's urging, Quinn left to set up a new firm. The moment was right for cashing in: Quinn was known in Washington as an Al Gore guy, and Gore had a good chance to win the Presidency that fall. Moreover, Quinn had spent four years at the top levels of the Clinton White House.

The surprise was Quinn's new partner: Ed Gillespie, a Karl Rove guy. He had worked for Dick Armey in the House and had helped draft the Contract with America. Other lobbying firms were either Democratic or Republican, and lost clients when the wrong

party took power. At Quinn Gillespie & Associates, the lobbyists were all fierce partisans—Quinn and Gillespie first met as combatants on Fox News—but when they got off the elevator in the morning their loyalty was directed exclusively toward their clients. Congress was fracturing on ideological lines, voters were growing more polarized, and states were turning red or blue. The lobbyists at Quinn Gillespie were singularly united.

The firm rented elegant fifth-floor offices on Connecticut Avenue. To attract clients, Republican staffers wrote checks to Republican politicians and hosted fund-raising events for them; Democrats did the same for their side. Connaughton came on board as vice-chairman, with a corner office and a seven-and-a-half-per-cent equity stake. Quinn and Gillespie divided the rest.

As the 2000 election drew near, Connaughton realized that he wasn't quite as passionate as usual about his team winning. Whether the victor was Bush or Gore, Quinn Gillespie would come out all right. On Election Night, Quinn was in Nashville with the Gore team and Gillespie in Austin with the Bush team, and as the Florida vote tipped back and forth the two partners shared the latest news by BlackBerry. Gillespie played a

major role for the Republicans during the Florida recount, and, after the Supreme Court made Bush President, Gillespie was one of the most important insiders in Washington. His firm now had ties to every power center in government.

The firm prospered from the start, and Connaughton was soon making more than half a million dollars a year. He couldn't provide access to top officials, but his experience in the Senate and the White House meant that staff members on the Hill returned his calls, and his cable-news appearances on behalf of Clinton during the impeachment hearings had raised his profile. He also had the cachet of being a Biden guy—the Senator had by now rebuilt his reputation by demonstrating a formidable understanding of foreign policy, and once again looked like someone with a political future.

As Connaughton saw it, lobbying was no longer about opening one door for a client; power in Washington had become too diffuse for that. It was about waging a broad strategic campaign, hitting different audiences through different channels, shaping the media's view of an issue, building pressure on legislators in their home districts. Quinn Gillespie was expert at forming temporary "grasstop" coalitions—enlisting local citizens in a cause, as if there had been organic grassroots support. The firm didn't flinch from controversy. When Jack Quinn's legal client Marc Rich, a billionaire fugitive living in Switzerland, received a Presidential pardon on Clinton's last day in office, the uproar consumed Quinn for weeks. Yet the incident proved that Quinn could get a tough thing done for a client. Old Washington pretended that its moral sensibilities had been scandalized; New Washington understood that the Marc Rich pardon was good for business.

The firm's clients included the American Petroleum Institute, the nursing-home industry, Verizon, Hewlett-Packard, and Bank of America. Quinn Gillespie helped Enron beat back attempts to regulate the electricity markets in California. (It was shortly afterward that the company went bankrupt.) Connaughton had one of his biggest successes with online advertisers. He met with all five commissioners at the Federal Trade Commission and the attor-

neys general of seven states, and headed off a bill in Congress that would have helped consumers prevent Web sites from collecting data on their Internet spending habits.

At Arnold & Porter, Connaughton had drawn the line at representing Allianz, a German insurance company that had been accused of cheating Jewish policyholders after the Second World War. Quinn refused to work for the tobacco industry. But now the firm represented the Republika Srpska, the Bosnian Serb entity spawned at the end of the Balkan wars, and Ivory Coast, which was enmeshed in its own civil war, with the government rumored to be operating death squads. Connaughton believed that the firm was trying to get the Ivorian regime to do the right thing by holding elections. But when he flew to Abidjan and met with President Laurent Gbagbo it was clear that Gbagbo had no interest in democracy—he just wanted good P.R. The firm soon ended the relationship.

A colleague at Quinn Gillespie once said that when the firm hired a new lobbyist only two things mattered: “One, is he comfortable asking his friends to do favors for him? And, two, is he willing to do this?” The colleague made a show of spreading his legs. “Does he understand that we’re here to make money?”

Connaughton wanted to make money, but he also wanted to get things done. Public service seemed to bring more humiliation than triumph, whereas the private sector was closer to a meritocracy: your reward corresponded directly to what you produced. Connaughton was proud of his partners and what they built together, and his years at Quinn Gillespie were the happiest he’d spent in Washington. He opened a brokerage account and ordered custom-made suits. He bought a town house in Georgetown, then a waterfront condo in Playa del Carmen, Mexico, then a thirty-nine-foot Italian powerboat.

Connaughton had remained close friends with several people he had met on the Biden ’88 campaign. Some of them were still in public service, and they were now struggling financially; one man, who worked for a nonprofit housing group, was living with his parents. Connaughton got a bit defensive when anyone implied that lobbying was a corrupt alternative to public service. Lobby-

ing, he said, provided a valuable flow of information and analysis between corporations and government officials. If a senator was a kind of judge, a lobbyist was a kind of advocate, giving the senator the best arguments on one side of a case. Of course, it was a stretch to portray the process as egalitarian: an advocate without corporate backing rarely got the chance to present the other side to a senator.

Connaughton had become what he called a Professional Democrat. This was the class of Washingtonians—lobbyists, lawyers, advisers, consultants, pundits, fixers—who shuttled between jobs predicated on corporate cash and increasingly prominent positions in Democratic Party politics. Wealth added to their power, and power added to their wealth. They connected special interests to Party officials through fund-raising. They had breakfast with politicians, lunch with the heads of trade associations, and dinner with other Professional Democrats. Behind their desks were “power walls”—photographs showing them smiling next to the highest-ranking politicians they knew. Professional Republicans ascended in Washington even more easily, because their party affiliation didn’t require them to affect disdain for big-money politics.

Quinn Gillespie encouraged its lobbyists to go out every night; the information generated through networking was invaluable. Connaughton did his share of socializing, though he disliked the status games at big parties—he still had the insecurity of an Alabama transplant. Sometimes, he would park his car, walk in, break out in a rash, and decide to leave.

If he were married, he sometimes thought, his lobbying power would be even greater. Power couples could switch, in tandem, between government and the private sector, one spouse bringing in money while the other climbed the rungs of government, sharing intelligence along the way. For a time, Connaughton dealt with one Senate chief of staff on financial-reform issues before finding out that he was married to a high-level banking executive. In Washington, pillow talk could be worth millions.

Quinn Gillespie tried to do as little fund-raising for politicians as possible. Hosting events was a second-rate way of bringing in business—the firm preferred to win accounts by making direct pitches. But the politicians wouldn’t leave it alone. Connaughton would secure a meeting for a client with a senator



*“He gets all his news from us.”*

through the chief of staff. A few days later, he would get a call from the senator asking him to attend a thousand-dollar-a-head fund-raiser. There was nothing to say except "I'd be delighted." Before long, the partners at Quinn Gillespie were maxing out on their fifty-thousand-dollar limit in contributions per election cycle.

A Quinn Gillespie fund-raising event was typically a breakfast buffet, held on Tuesday, Wednesday, or Thursday—the only mornings when senators were reliably in Washington. After Connaughton or Quinn gave the senator a fawning introduction, and the senator told a couple of lame jokes, they'd get down to business. When Connaughton started out in lobbying, it was considered unseemly to combine raising money with discussing issues, but that line eroded over time. Eventually, a pro like Chris Dodd—who was loose and fun at such events—would go around the room and ask each donor, "What do you care about?" Three weeks after an event for a senator, Connaughton would call the chief of staff, who would say, "Hold on, the senator wants to talk to you directly." After a year or so without an event, it would become difficult to get the senator on the phone, and Connaughton would have to schedule another breakfast.

In 2001, he and Quinn organized an event for Biden, who had just become chairman of the Senate Foreign Relations Committee and was about to secure his sixth Senate term. The event raised almost seventy-five thousand dollars. Two years later, Connaughton hosted another event. On both occasions, Biden failed to thank him. Connaughton complained to a close friend who had worked for Biden since the mid-seventies, and who'd taken Connaughton to lunch after the second fund-raiser. Two weeks later, Biden sent him a note. "Jeff, you've always been there for me," it read. "I hope you know I'll always be there for you."

Connaughton had never really sold himself as someone who could get to Biden. But he made a cold calculation that it was worth maintaining the illusion of closeness, which meant enduring the slights and the condescension. Biden probably would never become President, but chairman of the Foreign Relations Committee was a powerful position, and

during the 2004 campaign Biden was on John Kerry's short list for Secretary of State. In any case, it wouldn't be worth much to be known as an "ex-Biden guy." Being a Biden guy gave Connaughton stature with clients. So, publicly at least, he remained one.

In late 2003, Quinn Gillespie was bought by W.P.P., a London firm that is the world's largest advertising and public-affairs company. The partners' share of the sale was to be paid out in three installments over the next four years, and the eventual price depended on Quinn Gillespie's profitability. Connaughton worked harder than ever; at night, in bars and restaurants, he would recalculate his expected share on the back of a napkin. From 2005 to 2007, Quinn Gillespie made almost twenty million dollars annually. When Connaughton finally cashed in, he was rich.

In 2007, Connaughton sold his Mexican condo, tripling the purchase price. He began looking for another vacation property to flip. He kept hearing about a paradisiacal stretch of beach in Costa Rica called Mal País. The supermodel Gisele Bündchen had built a house there, and prices were soaring. He flew down and looked at two spectacular lots with views of the Pacific. He decided to build a house on one lot, sell it, and, with the profit, build a villa for himself on the other lot.

One of Connaughton's clients at Quinn Gillespie, where he still worked, was Genworth Financial, a mortgage insurer. People at the firm began telling him about an epidemic of foreclosures around the U.S. They warned him not to buy real estate until 2009, at the earliest. Then Connaughton travelled to Des Moines, and a city councilman there told him that one of the top three issues in Iowa was foreclosures. Biden was running for President again, and Connaughton relayed the message to a campaign staffer: the growing housing crisis should be a focus. (In the seventies, when Biden was still a freshman senator, Hubert Humphrey advised him, "You should become Mr. Housing. Housing is the future.") The idea went nowhere. The candidates weren't talking about foreclosures.

Connaughton also ignored the warnings. In the fall of 2007, he closed on the

Costa Rica lots, for almost a million dollars. He knew that the land was overvalued, but he expected it to become even more so. "It was greed," he later said.

That year, Connaughton joined Biden's second Presidential campaign, serving briefly as treasurer of its political-action committee, Unite Our States. The effort was doomed from the start. Biden seemed to be winging his stump speech—he'd be outstanding at one stop, disjointed at the next. And he still hated the money game. When a young staffer got into his car one day, holding a list of names, and announced, "Time to do some fund-raising calls," Biden said, "Get out of the car." He believed that strong debate performances would bring him more money than personal calls.

Connaughton spent December in Iowa. Every two years, members of Washington's permanent class migrated to various spots in "the real America" and campaigned for their team. For a time, they got back in touch with what it meant to be a member of their party. In 2004, Connaughton had spent three bone-tiring weeks in South Dakota, knocking on doors for Tom Daschle, then the Senate Minority Leader. The poverty shocked him: many trailers in Rapid City had rotted-out floors. The residents of nicer mobile homes were voting Republican. "Daschle's gone Washington," they said. Connaughton met Lutheran women who were so passionately opposed to abortion that he joked that they came closer to converting him than he did to converting them. Abortion was one of the very few issues that could blow up on a politician back home—no one knew, or cared, how a senator had voted on the Private Securities Litigation Reform Act. Near the Pine Ridge reservation, a Native American woman told Connaughton, "You only care about us once every four years." It burned a hole right through him, because she was right—the plight of women like her moved him every Presidential election cycle, and then he forgot about them. And so he tried to make a lasting gesture: he advised a Daschle campaign staffer to organize a donation of computers to community centers in poor areas. No one followed up. In November, Daschle lost.

On the campaign trail in 2007, Connaughton began spending occasional

time with Biden. Once, before a fund-raising event, they were alone together—Connaughton mustering his usual smile, saying how good it was to see the Senator, crisply informing him about the group he was about to address. Biden looked at Connaughton questioningly, as if he were pained by the wall of formality between them. He began to say something: “Why are you—why can’t we . . . ?” Connaughton left Biden’s words hanging in the air. In three seconds, the hosts would walk in, and, more than twenty years after “Just gimme what you got,” there was too much to say, and it was probably too late.

On January 3, 2008, Connaughton monitored the Iowa caucus vote at a high school near Waterloo. About eighty people stood in Barack Obama’s corner, sixty in Hillary Clinton’s, and six in Joe Biden’s. Finishing fifth in Iowa, with 0.9 per cent of the vote, Biden dropped out that night. He requested from his staff a list of the people who had helped his campaign the most. Connaughton ranked third.

That month, Connaughton later wrote, he flew to Costa Rica and went out for dinner with his architect and an American developer. The developer had just come from meetings at Lehman Brothers and Merrill Lynch, in New York. “Both companies are technically insolvent,” he said.

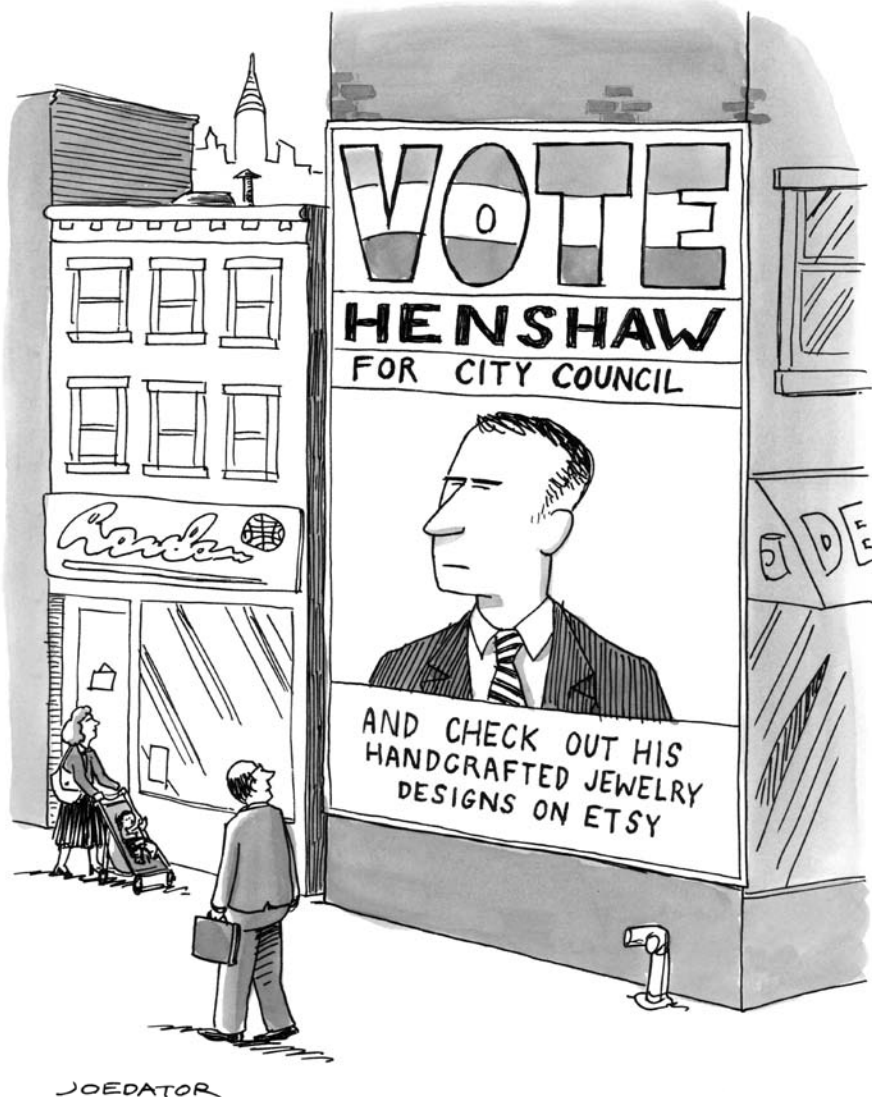
“What? I don’t believe it,” Connaughton said.

The developer explained that the banks were sitting on assets whose current value was exceeded by their liabilities. Connaughton still resisted. If it was true, everything he had learned in business school and law school—about efficient markets, about the standards of disclosure at banks, and about the professional duty of lawyers and accountants to reveal material information and protect investors—was wrong.

“I predict we’re going into a three-year recession,” the developer said.

That spring, Bear Stearns failed. Connaughton had most of his wealth in a globally diversified stock portfolio. The markets were falling, but not precipitously. He expected, at most, a ten-per-cent correction. He left his money where it was.

On August 23rd, Obama announced his selection of Biden as his running mate. Connaughton suddenly found himself on



the outer edge of the innermost circle in Democratic politics. He had not expected to have any role at the Convention in Denver; now he was vetting the guest list for the V.I.P. party in the Biden hotel suite. At the party, he waited his turn, and received an arm around the shoulder. “We did it, pal,” Biden said.

In mid-September, Lehman Brothers went bankrupt, and the rest of Wall Street was poised to perish with it. Connaughton’s stock portfolio and his property in Costa Rica lost almost half their value. Yet his political stock was at its peak. On November 4th, Joe Biden was elected Vice-President of the United States.

Connaughton was happy that Obama and Biden were in office, but he was pissed off about the state of the country. He was angry at the bankers, lawyers, and accountants on Wall Street

who had kicked aside the laws and rules and codes of behavior that he believed in. He was angry at both political parties for letting it happen. He was angry at the S.E.C., the ratings agencies, and the other regulators who hadn’t done their jobs. He was angry on behalf of the middle class, especially baby boomers; just when they’d saved enough for retirement, half their 401(k)s disappeared. And he was angry on his own behalf—no one was going to cry for him, but he had lost a lot of money. “Maybe I felt it so much because I had so much personally at stake,” he said. “I was just coming into huge bucks as the whole system falls apart. If you can’t trust Republicans to protect wealth, what good are they?” Connaughton came to be “radicalized by the realization that our government has been taken over by a financial élite.”

When Biden became Vice-President,



*"You have a lot of boring health issues, so I'm prescribing medical marijuana for myself."*

Ted Kaufman inherited the first two years of his next Senate term, and Kaufman asked Connaughton to be his chief of staff. Connaughton would have preferred a White House job like deputy counsel, but he bore the stigma of being a registered lobbyist, and Biden wasn't using his influence to get his people into top positions. Connaughton thought about it over a weekend, then informed Jack Quinn that he was leaving. The energy of anger drove him—just short of fifty and facing a huge salary cut—back into government.

The financial crisis was the biggest issue in the country, and Connaughton and Kaufman saw it in similar terms. First, it represented a breakdown of the legal system. How else, other than unchecked fraud, could those banks have been "technically insolvent," with only a handful of insiders knowing the truth? But there were deeper causes: the dismantling of the rules that had kept the banking industry stable for half a century. Connaughton saw Kaufman—seventy years old, with a musty M.B.A. from Wharton—as akin to Rip Van Winkle, waking up in the age of "synthetic collateralized debt obligations" and "naked credit default swaps." What

had happened to the Glass-Steagall Act, which maintained a wall between commercial and investment banking? (Passed by Congress in 1933, repealed by Congress in 1999, bipartisan vote, Clinton's signature.) What about the "uptick rule," which required investors to wait until a stock rose in price before selling it short? (Instated by the S.E.C. in 1938, abolished by the S.E.C. in 2007.)

Kaufman was going to be a senator for only two years; because no election hung over him like a guillotine, he could skip the fund-raising breakfasts. Connaughton also felt liberated: he'd already cashed in once and didn't need to do it again. They could go after Wall Street without fearing repercussions. This was their moment—the first year of a Democratic Presidency, with the economy hemorrhaging hundreds of thousands of jobs.

The Obama Administration, however, did not seem as eager to approach the economy with fresh eyes. Connaughton was alarmed that many of the President's advisers were disciples of Robert Rubin, who, as Treasury Secretary during the Clinton Administration, had been essential to the deregulation of

banking. Rubin subsequently became a top executive at Citigroup, where his enthusiasm for taking big risks with products like subprime-mortgage securities had left the bank in need of the largest bailout in American history. Although Rubin was no longer politically viable—the media had flayed him for drawing a fifteen-million-dollar salary as Citigroup collapsed—one of his colleagues, Jacob Lew, was named Deputy Secretary of State (with a nine-hundred-thousand-dollar bonus in his pocket). Timothy Geithner, a Rubin protégé and a key architect of the bailouts, was appointed Treasury Secretary and survived the revelation that he had flagrantly underpaid taxes. Mark Patterson, a Goldman Sachs lobbyist, was hired as the chief of staff at Treasury, even though Obama had supposedly imposed a ban on hiring lobbyists. Lawrence Summers, one of the prime authors of the pro-bank policies of the late nineties (repealing Glass-Steagall, leaving derivatives unregulated), became the leading economic adviser at the White House. Obama's new chief of staff, Rahm Emanuel, was a career public servant, but he had made more than sixteen million dollars at an investment bank in the thirty months he spent between government jobs. These men—all at the top of their fields, all connected to an industry that had failed colossally—were the ones being trusted to sort out the wreckage.

Connaughton observed all this with unease: he knew something about revolving doors and mutual favors and the unconscious biases of the powerful. Yet the financial crisis was a seismic event, and an angry public was paying attention. Now was the time for Washington to take on Wall Street.

To have any impact, a politician had to limit himself to a few issues. He didn't have room in his schedule, or his head, for more. (Connaughton had heard Kaufman say of Biden, "Every time you want to put something in the boat, you have to take something out of the boat.") Kaufman focussed on reckoning with the financial collapse. He co-wrote a bill, with Patrick Leahy, of Vermont, and Charles Grassley, of Iowa, authorizing three hundred and thirty million dollars for funding federal prosecutors and hiring more F.B.I. agents, so that the gov-

ernment could go after fraudsters—not just petty mortgage originators in Long Beach and Tampa but top Wall Street executives. When the fraud-enforcement bill sailed through in May, and Kaufman—a mere freshman—was invited to join the President onstage at the signing at the White House, he and Connaughton thought that they were getting somewhere.

In September, Kaufman and Connaughton arranged to meet with Lanny Breuer, the assistant attorney general for the criminal division of the Justice Department. The government's pursuit of financial fraud had so far come up empty, and Kaufman wanted to confirm that the department was on the case, ready to make aggressive use of the money from the new bill. He planned to hold an oversight hearing to make sure. In Kaufman's office, Breuer explained that he was operating under a lot of constraints, including a shortage of computers. He said that he depended on the "pipeline" of F.B.I. investigators around the country to bring cases.

"Shake your pipeline hard and get it to bring you cases," Connaughton said. "Don't just sit back and wait." Complex fraud cases, he acknowledged, were daunting for overworked federal prosecutors. The perpetrators were sophisticated at erasing traces of wrongdoing, and they were abetted by lawyers and accountants who knew how to blizzard investigators with irrelevant paperwork. Connaughton advised setting up task forces to investigate each institution under suspicion; these inquiries could last a year or two, allowing investigators to examine every e-mail and I.M. "You need to be like Ken Starr," Connaughton added. "You need to target some of these guys like they were drug kingpins, just like Starr targeted Clinton, and squeeze every junior person around them until you can get one to flip."

The meeting left him with the distinct sense that there was no great urgency at Justice.

Kaufman's oversight hearing was held in December. Breuer sat at the witness table, joined by senior officials at the S.E.C. and the F.B.I. They all said that they were doing their best, but they needed insiders who could testify about motive and intent. Just give us time, they

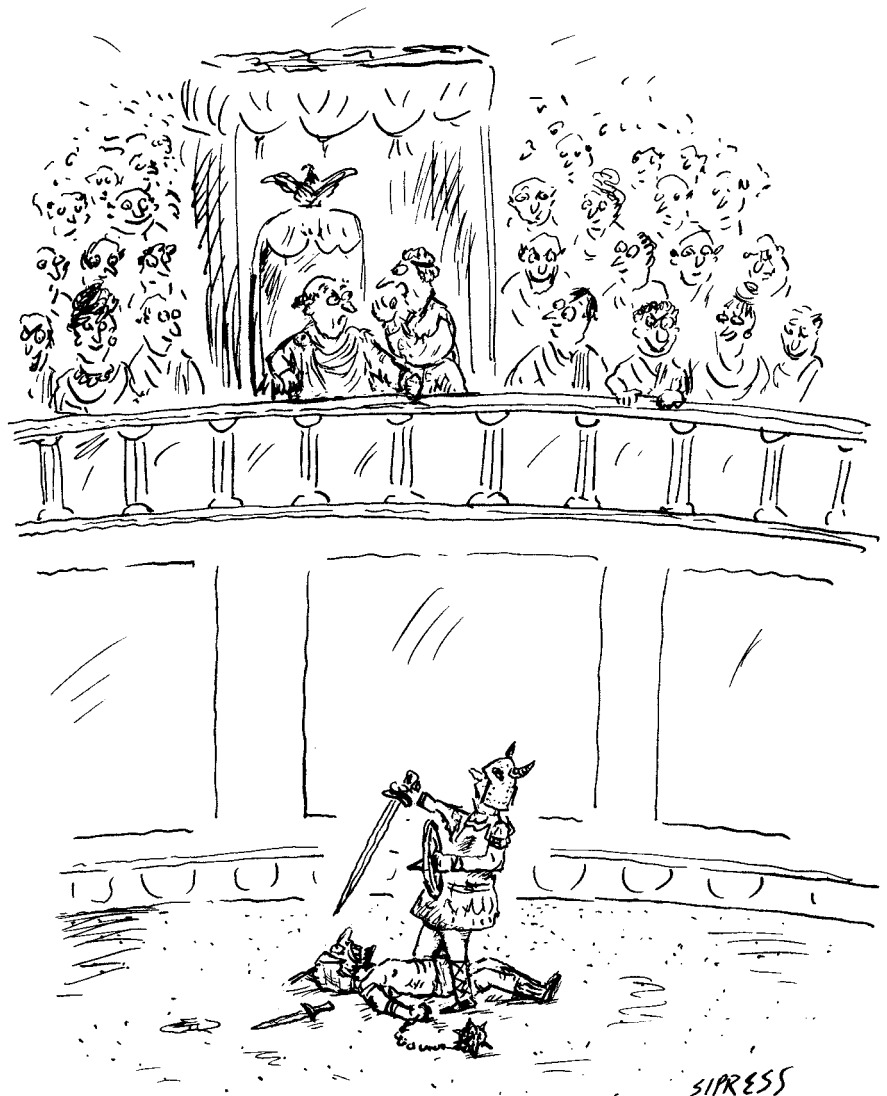
said. Connaughton wanted to believe them. But 2009 slipped into 2010, and nothing happened.

In January, 2010, Connaughton and Kaufman travelled to New York to meet Paul Volcker, the aging giant of the Federal Reserve. Volcker had crushed inflation under Carter and Reagan by driving up interest rates so high that he induced a recession; bankers had loved him for it. But Volcker was an eccentric member of the establishment. He lived among the political and financial élites, yet he had become such a scalding critic of Wall Street—the too clever engineering, the over-the-top pay—that he was now an internal dissident, officially respected and unofficially distrusted. He was notorious for having told a group of

executives, "The most important financial innovation that I have seen in the past twenty years is the automatic teller machine."

Volcker made the perfect foil for Obama: he could be used to both appease the reformers and give cover to the establishment. The President appointed Volcker to lead his economic recovery advisory board, without taking the advice seriously. Volcker's main proposal—to ban banks from setting up hedge funds or private-equity funds and from trading for their own accounts with depositors' money—was a half-step toward reinstating Glass-Steagall. After six months, nothing had come of the idea.

Volcker sat in a midtown conference room with the visitors from Washington and said, "You know, just about what-



*"Thumbs up, you enhance your reputation for compassion.  
Thumbs down, you satisfy your base."*



ever anyone proposes, the banks will come out and claim that it will restrict credit and harm the economy.” Eyes magnified by glasses, cagey creases running down the sides of his mouth, he took a long pause before adding, “It’s all bullshit.”

Kaufman laughed. He admitted that his ambition was to restore Glass-Steagall fully.

“I won’t stand in the way of someone who wants to do something more dramatic,” Volcker said.

The next week, Obama announced his support for what he called the Volcker Rule. He was trying to jolt his Presidency out of its lowest moment: Scott Brown had just been elected to Ted Kennedy’s Senate seat, denying the Democrats the ability to defeat Republican filibusters, and unemployment was the highest it had been in decades.

The Volcker Rule was incorporated into the Wall Street reform bill that was being shepherded through the Senate by Chris Dodd, the banking-committee chairman. Connaughton had been wary of Dodd ever since they’d fought over the 1995 securities-litigation bill. Having raised millions of dollars in campaign money from Wall Street, Dodd was deeply in its debt; indeed, he had recently approved millions of dollars in bonuses from the bailout fund for A.I.G. Enraged voters demonstrated outside a Dodd fund-raiser in Connecticut. Dodd got the message and announced

that he would retire at the end of 2010.

Dodd spent the winter of 2009 negotiating with Republicans behind the closed doors of the banking committee, insisting that he wanted a bipartisan bill. But he got nowhere. As the months dragged on, Connaughton began to suspect that Dodd was negotiating primarily on his own behalf, using the ideal of bipartisanship as a cover to weaken financial reform and end up with a bill that Wall Street could live with. Especially for a departing senator, fighting the establishment closed off a powerful part of America that otherwise would have embraced you. You were in or you were out, Connaughton thought, and Dodd wanted in. Upon leaving office, Dodd became the top lobbyist for the movie industry.

One day, Connaughton called up Jack Quinn. “I can’t get to the banking committee,” Connaughton said. “I assume you guys are having a hard time getting information about the bill?”

“I just spent forty-five minutes yesterday with Chris Dodd,” Quinn told him. Quinn, along with the C.E.O. of an insurance company he represented, had sat down with Dodd and found out exactly what was going on. Connaughton, the key deputy of a senator with a keen interest in financial reform, was clueless. He wrote to another chief of staff, “I came into government to help shape change on Wall Street, and now I realize the profession I just left is hav-

ing more input on the bill than I’m having from inside the Senate.”

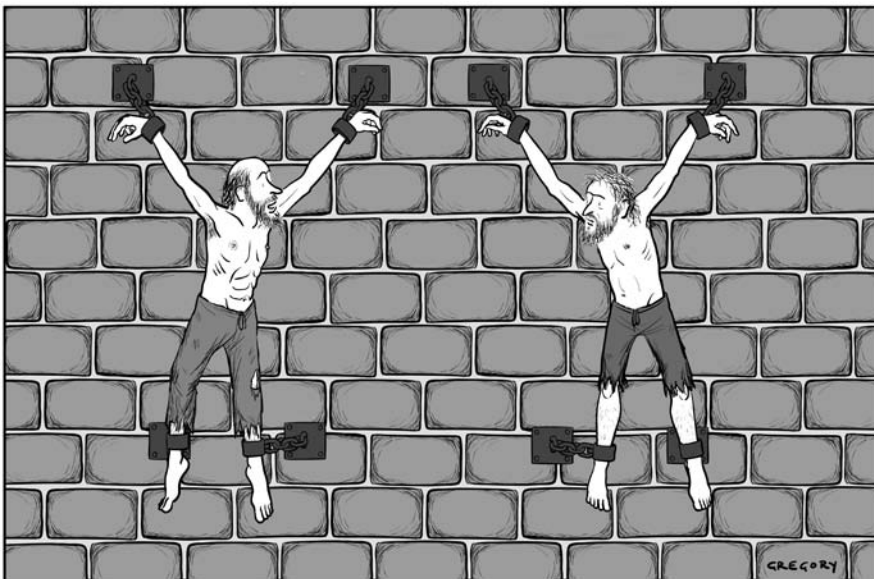
Kaufman decided to take their case to the Senate floor. He and Connaughton and another aide drafted a series of speeches on Wall Street excesses, the financial crisis, and the failure to punish any of the culprits.

Senators hardly ever listened to one another’s speeches—the tight camera shots of C-SPAN helped obscure the fact that, often, nobody was in the chamber. So Kaufman’s remarks were written as detailed essays, full of historical explanations and hard polemics, in the hope that they would be quoted on the Internet by his allies—Arianna Huffington; the M.I.T. economist and blogger Simon Johnson—and circulate widely.

On March 11th, Kaufman demanded of the empty chamber, “Given the high costs of our policy and regulatory failures, as well as the reckless behavior on Wall Street, why should those of us who propose going back to the proven statutory and regulatory ideas of the past bear the burden of proof?” He went on, “The burden of proof should be upon those who would only tinker at the edges of our current system of financial regulation. After a crisis of this magnitude, it amazes me that some of our reform proposals effectively maintain the status quo in so many critical areas.” He added that he didn’t trust the regulators to do a better job of enforcing rules the next time a bank started to implode. Congress had to do the job for them, by writing a bill with clear and simple lines. Dodd’s bill wouldn’t solve the “too big to fail” problem, Kaufman said. “We need to break up these institutions *before* they fail.”

On March 15th, after the release of the Lehman Brothers bankruptcy report, which strongly suggested that fraud had led to the firm’s demise, Kaufman took the floor again. Sounding like Joe Biden in 1985, he said, “If we don’t treat a Wall Street firm that defrauded investors of millions of dollars the same way we treat someone who stole five hundred dollars from a cash register, then how can we expect our citizens to have faith in the rule of law?”

A week later, the bill made it out of Dodd’s banking committee. There was a pale version of the Volcker Rule, weak regulation of derivatives, and no clear lines about how much liabil-



*“I’m starting to see some real definition in my abs.”*



ity banks could sustain. Connaughton and Kaufman drafted a biting critique.

"This is really going to piss off Dodd and the Administration," Connaughton warned him.

"I'm speaking to the ages," Kaufman said.

The speeches began to be noticed. The Delaware *News Journal* covered them on its front page and quoted them favorably in editorials; *Time* profiled Kaufman, and Arianna Huffington praised him. Dodd was sufficiently annoyed to call from Argentina, where he was leading a congressional delegation, and tell Kaufman, "Stop saying bad things about my bill."

Kaufman's ideas were hardly likely to win the day: Dodd had Senate committee chairmen on his side, as well as Obama's top advisers. In early April, Larry Summers visited Kaufman's office and argued that breaking up the biggest banks would make America less competitive in the global financial race; large banks would actually be less likely to fail than small ones. Kaufman cited Alan Greenspan as he politely rebutted Summers's claims. A month later, it was Geithner's turn. Connaughton chatted with him while they waited outside Kaufman's door, and found him to be energetic and witty. Entering Kaufman's office, Connaughton joked, "I've patted him down—he's clean." Geithner argued that, under new international capital requirements, the biggest banks would shrink of their own accord. Kaufman said that the only foolproof way to prevent another bailout was to limit the size of banks. In the end, they agreed to disagree.

Connaughton wondered where Biden stood. He urged Kaufman to call his old friend and ask him to push the Justice Department to pursue high-level prosecutions and push the Treasury Department to get serious about financial reform. As always, Kaufman was protective of Biden. Financial reform wasn't a Biden issue; it would take up half the boat, and his boat was full with Iraq, the stimulus, and the middle class. Connaughton couldn't get over it: their former boss held the second-highest position in the country, and still they couldn't do a damn thing about Wall Street. "You might as well be beholden to the permanent class if you're



"Mom says it's safer."

going to pull your punches at a moment of national crisis," Connaughton said.

In late April, Kaufman and Sherrod Brown, of Ohio, introduced an amendment to Dodd's bill that would limit certain liabilities of banks to two per cent of the U.S. gross domestic product. In effect, Brown-Kaufman would force banks that grew beyond a certain size to be broken up. The Senators took the floor. Spectacles perched on the end of his nose, Kaufman chopped the air as he spoke without a script. "In 1933, we made a decision that helped us through three generations," he declared, in a trembling voice. "Why are we not passing legislation that'll work over the next two or three generations?"

Connaughton was watching C-SPAN in Kaufman's office. "He's like Biden," he said, to no one in particular. Later, Connaughton sent Kaufman a note: "There's nothing more honorable than standing up as the sole dissenting voice on a matter of principle."

It had been the most intense period of Connaughton's working life. For months, he had arrived in the office by seven-thirty, working past midnight, and he had spent one weekend devouring the two thousand pages of the Lehman bankruptcy report and drafting Kaufman's speech on it. It was as if he

had suddenly rediscovered his old idea of politics. The years of drift and frustration, the fund-raising breakfasts, the happy hours, the slow immersion in moral compromise—all of it faded away, and he was back where he had started in Tuscaloosa, dedicating himself to the noblest calling of all.

But, in the three decades since he'd felt that initial optimism, Washington had been captured by the money power. He had been captured as well, and until now he hadn't fully apprehended how much the "influence industry"—the lobbying, the media campaigns, the grasstops, the revolving door—had transformed Washington. "When you go back into government, you realize how dramatically asymmetrical it has become with the public interest," he said. "Virtually no one walks in your door trying to educate you about the public's argument." He had come to see himself as Jack Burden, the narrator of "All the King's Men"—tainted and disillusioned by politics. "Washington changed me," Connaughton said. "And, if it changed me, it must have changed a lot of other people, too."

There were three thousand lobbyists swarming Capitol Hill, urging Congress not to do anything substantial about the wreckage their clients had made. Who stood on the other side? An angry but

distracted public. Back in the eighties, a coalition of labor unions and trial lawyers and consumer advocates could put up a fight, but by 2010 such groups were largely spent. An organization called Americans for Financial Reform was pushing for a new consumer agency, but Connaughton had to call *them* and say, “Where are you guys? I don’t feel your presence on the Hill.” If the Brown-Kaufman amendment had been a boon to corporate America, Connaughton would have been working with a team of lobbyists, strategists, and industry leaders. Instead, he was practically on his own.

Kaufman and Connaughton decided to address the fragility of the stock market. It remained the point of entry for millions of Americans into the world of finance, and it had taken their investments down with it. In recent years, the stock market had become a computerized casino dominated by high-frequency traders—the sharks at the poker table—using advanced algorithms to make thousands of trades a second and profit from tiny fluctuations in stock prices. Connaughton studied these new trading methods, and he was stunned by the opacity of the electronic labyrinth. As a former Wall Street veteran, he was pretty sophisticated about investing, but he could no longer say what happened to the trade orders he placed—and none of the insiders seemed able to explain it, either. The ordinary investor was at an immense disadvantage, the market vulnerable to extreme volatility, and the S.E.C. years behind in monitoring it.

Kaufman began pushing the S.E.C. to improve its oversight of high-frequency trading, and at first Connaughton thought they were getting somewhere. Mary Schapiro, Obama’s choice to lead the S.E.C., said that she shared Kaufman’s concerns. At one meeting, an official at the commission told Connaughton, “Wow, it’s great to hear from someone who isn’t from the industry.” But as Wall Street aggressively fought any but the smallest changes inertia set in.

On May 6, 2010, the stock market plummeted seven hundred points in eight minutes before reversing itself, with the momentary disappearance of almost a trillion dollars in wealth. This “flash crash” was caused by the kind of automated trading that Kaufman had

warned about. A few hours later, Kaufman was sitting in the presiding officer’s chair when Mark Warner, the Virginia Democrat, explained to the Senate what had just happened. “I have become a believer,” he said, and invited Kaufman to come down to the floor. Kaufman did, and called one more time for a return to the rules and limits of the Glass-Steagall era.

The same afternoon, Chris Dodd, after refusing for weeks to allow the Brown-Kaufman amendment to come up, suddenly cleared the way for a snap vote. The amendment had been picking up momentum in the press and on Capitol Hill, with even a few Republican senators announcing their support, including Richard Shelby, of Alabama, the ranking member of the banking committee.

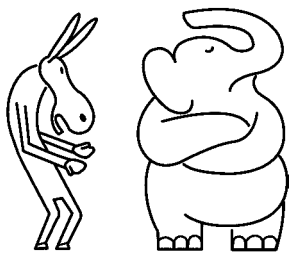
Shortly before the vote, Dianne Feinstein, of California—a Democrat, and one of the wealthiest members of the Senate—asked Richard Durbin, of Illinois, “What’s this amendment about?”

“Breaking up the banks.”

Feinstein was taken aback: “This is still America, isn’t it?”

Just after nine in the evening, the amendment went down, 61–33.

Later that night, Kaufman returned to his office. Connaughton asked him what he should put into a press release. Kaufman could muster only three words: “I am disappointed.” The size of their defeat was devastating. In the span of a



few hours, they had been vindicated by the flash crash, then thoroughly whipped on the “too big to fail” argument. Connaughton, the romantic believer in lost causes, told the staff, “Some things are worth fighting for.”

On May 21st, the Dodd bill passed the Senate, and on July 21st President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act into law. The Volcker Rule

was now a ghost of itself, with the details left to regulators. Kaufman at one point decided that the bill was too weak to earn his support, but in the end he voted with his party.

The main lobbying group that had supported the bill, Americans for Financial Reform, threw a party and invited Kaufman’s staff to celebrate. The new law, after all, had created a federal agency called the Consumer Financial Protection Bureau—a place at the table for the ninety-nine per cent. The event was held in a shabby rented theatre far from downtown, and the spread included white bread, baloney, and Doritos. Connaughton thought back to all the corporate events he’d attended in plush downtown conference rooms, with shrimp and roast beef. He was happy to be here.

There were four months left in Kaufman’s abbreviated Senate term, but the big fights were over. Most of them had been lost, or left in a limbo that was worse than losing. Connaughton, for his part, would have tossed away all of Dodd-Frank, the Volcker Rule, and everything else for the simple redress of enforcing the law. One fastball at Wall Street’s chin—a few top executives going to jail—could have had more effect than all the regulations combined.

Kaufman, who was going to take over from Elizabeth Warren as the head of the congressional panel overseeing the bailout fund, asked Connaughton what he wanted to do next. Find a job in the Administration? Lead a nonprofit for financial reform?

Connaughton imagined himself as an employee of the Interior Department, taking his lunch break out on C Street and going up to the hot-dog vender: “You got any sauerkraut today, Harvey?” Equally dismal was the idea of becoming an activist at a nonprofit group—it would be one thing if the Republicans were in power, but the people in the White House were supposed to be on his team. One day in August, he was channel-flipping when Glenn Beck came on, telling an immense crowd on the Mall that change didn’t come from Washington; it came from real people in real places around the country. Beck was an asshole, but Arianna Huffington wrote the same thing in a column two days later. They were right.

He could always go back to Quinn

Gillespie, but if he spent another day there it was going to be on his tombstone. Instead, the years with Kaufman, the proudest of his life, could be the final stamp on his Washington career. He was approaching fifty-one, and he was tired of being someone's No. 2. Connaughton said, "With Biden as Vice-President, I was tired of being a fraud. I don't care how much money it means, I don't care how many people want to buy me drinks, I'm just not going to do it. It would have been a look-in-the-mirror kind of thing." The only thing to do, he realized, was leave Washington.

He sold his Georgetown town house, closing on November 1st. The next day was Election Day. The Republicans retook the House, extinguishing any remaining possibility for strong financial reform. That morning, Connaughton rode the train to New York. He had been asked to fill in for another Senate aide on a panel at the New York Federal Reserve Bank, in lower Manhattan. His topic was "Financial Crisis and Financial Crimes." There were three hundred people in the twelfth-floor auditorium—Wall Street executives, regulators, lawyers from the district attorney's office. He tried to distill two years of work into fifteen minutes.

"First, was there fraud at the heart of the financial crisis?" Connaughton began. "Second, has the law-enforcement response so far achieved effective levels of deterrence against financial fraud? Third, are federal law-enforcement agencies sufficiently capable of detecting fraud and manipulation, particularly in markets that are increasingly complex? And, finally, should Wall Street itself care about all this?"

He paused. "In short, my answers would be yes, no, no, and yes."

He reviewed the Justice Department's failure to bring any high-level prosecutions, in spite of voluminous evidence turned up by the Lehman bankruptcy examiner and Senator Carl Levin's Permanent Subcommittee on Investigations. He talked about the S.E.C.'s paralysis in the face of manipulation of the stock market by high-frequency traders. The auditorium was silent, the audience attentive.

"Senator Kaufman's term, and my time as a Senate staffer, ends in twelve days," he said in conclusion. "But this is



"One blackbird pizza?"

not a fight for one senator to wage. These are questions that go to the foundations of the rule of law and America's future economic success. For the common good, I hope you answer them well."

Outside, he stood at the corner of Nassau and Wall Streets, exhilarated. He had just blown himself up in the heart of American finance. He would never again be a member of the permanent class.

Connaughton's Senate job ended in the middle of the month. He flew to Costa Rica and went on an eight-hour hike. When he returned to his hotel room, he took a long shower, letting the water soak him and soak him until he felt clean.

Connaughton wanted to live in the South again, near the ocean. In Savannah, Georgia, he bought a turreted Victorian near the pretty squares lined with live oaks and Spanish moss.

Savannah, beneath its quaint stylishness, had been hit hard by the crisis. In his neighborhood, there was a sign for a ten-thousand-square-foot house that had been marked down from three and a half million dollars to one and a half million. The guy who gave tours of historic Savannah was an unemployed mort-

gage banker. Soon after Connaughton's arrival, his neighbors invited him to a monthly potluck gathering, where the host that month was a prosperous-looking man in his sixties, with holdings in real estate. A week later, the man killed himself—the rumor was that he'd got overextended.

Connaughton acquired a shelter dog, part chow and part golden retriever. Except for the dog, which he named Nellie, he was often alone. All but his closest Washington friends dropped away, as if he'd moved to the other side of the earth. As long as he had money, it would be easy to insulate himself from the country's problems—to enjoy his life far from the morass of Washington, while America continued its slow decline. He could feel that temptation, and the other one, too—the itch of public service, the Biden itch. The desire to change things was still there.

He wanted to burn his ship so that he would never be able to succumb and sail back to his former life. With Nellie lying at his feet, he spent each morning writing a book about what had happened to Washington in his years there. It would be called "The Payoff: Why Wall Street Always Wins." It would say everything. ♦