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Paulson's former firm to be among largest beneficiaries of bailout: bank

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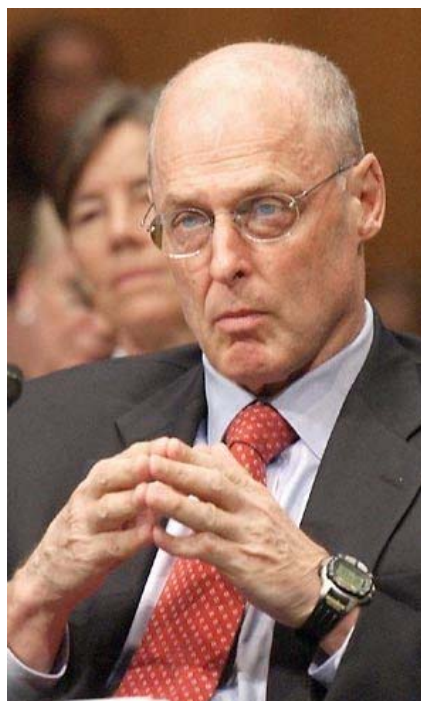
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It certainly pays to be Treasury Secretary if your former firm is a brokerage house, a new study says.

Goldman Sachs Group -- formerly run by Treasury Secretary Henry Paulson, and Morgan Stanley, stand to be among the biggest beneficiaries of a \$700 billion US bailout.

"Its benefits, in its current form, will be largely limited to investment banks and other banks that have aggressively written down the value of their holdings and have already recognized the attendant capital impairment," Jeffrey Rosenberg, Bank of America's head of credit strategy research, wrote in a [report obtained](#) by Bloomberg News yesterday.



Paulson was the head of Goldman Sach's investment banking division from 1990 to 1994. He later became chairman and chief executive officer of Goldman, and left his post to join the Bush Administration.

According to the study, the bailout benefits Paulson's former firm more because banks haven't had to write down as many troubled mortgage assets under accounting rules. This means that participating in the program would cause them to actually lose capital, as opposed to investment banks, which stand to gain.

Paulson \$700 billion program is designed to remove "bad assets" from the US financial markets to prevent credit for businesses from drying up, which would send the economy into a further tailspin. Many businesses rely on credit to fund their daily operations.

Lawmakers are debating the plan today.

"While Goldman and Morgan Stanley, both based in New York, were yesterday granted permission to transform themselves into bank holding companies, the companies so far have operated mostly under investment-bank accounting rules, logging almost \$21 billion of asset writedowns and credit losses," Bloomberg News notes.

Goldman made sizable profits in 2007 from the subprime mortgage sector. It, along with Morgan Stanley, has fared better than investment houses Merrill Lynch, Lehman Brothers and Bear Stearns, because it has held a more conservative capital base.

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Paulson has admirers: during his Goldman tenure the firm donated 680,000 acres of land in Chile, and he has personally given away \$100 million of his fortune to charitable groups.

According to estimates conducted by [Open Secrets](#), Paulson is the richest cabinet member of the Bush Administration.

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