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'Government Sachs' Strikes Gold ... Again

Posted on Jul 14, 2009

By **Robert Scheer**

Connect the dots: Goldman Sachs made \$3.44 billion in profit this past quarter, while the U.S deficit topped \$1 trillion for the first time in the nation's history and appeared to be headed toward doubling that figure before the budget year is out. Since most of the increase in the federal deficit is due to bailing out the banks and salvaging the greater economy they helped destroy, why is the top investment bank doing so well?

Well, because that was the plan, as devised by Bush Treasury Secretary Henry Paulson, a former CEO of Goldman Sachs. Remember that Lehman Brothers, Goldman's competitor, was allowed to go bankrupt. The Paulson crowd wouldn't let Lehman change its status to that of a bank holding company and thus qualify for federal funds; soon afterward, Goldman was granted just such a deal, worth a quick \$10 billion. Much is now made of Goldman paying back part of its bailout money, but forgotten is the \$12.9 billion that Goldman got as its cut of the \$180 billion AIG payoff. That is money that will not be paid back.

Goldman is considered a very smart bank because it was early in reducing its exposure to the mortgage derivatives that in large part caused the meltdown. However, it had done much to expand the market and continued to sell suspect derivatives to unwary buyers as sound investments, even as Goldman divested. The firm still holds \$1.85 billion in real estate and lost \$499 million in the previous quarter on bad loans, but made up for it by playing the vulture role and issuing high-interest debt to governments and companies made desperate by the recession that the financial gimmicks of the banks brought on in the first place.

And Goldman was not just another bank. Before Paulson ran the Treasury Department, another former Goldman head, Robert Rubin, pushed through the repeal of the Glass-Steagall controls on banking activity. While some now play down the significance of this radical deregulation, not so Goldman Sachs CEO Lloyd C. Blankfein—at least not back in June 2007, when the markets were still doing well. "If you take an historical perspective," Blankfein told The New York Times by way of explaining his company's spectacular success at the time, "we've come full circle, because that is exactly what the Rothschilds or J.P. Morgan the banker were doing in their heyday. What caused an aberration was the Glass-Steagall Act."

That 1933 act was repealed in a law signed by President Bill Clinton at Rubin's urging, and in the following eight years Goldman Sachs recorded a 265 percent growth in its balance sheet. "Back then," The Wall Street Journal reports, "Goldman was churning out profits by trading credit derivatives, speculating on currencies and oil and placing big bets [on] the roaring stock market."

Big bets made in a casino designed by Goldman, which now makes money off loans to the victims. High on the list of victims are state governments that have to turn to Goldman for money because the federal government that saved the banks won't do the same for the states, which have watched their tax bases shrink because of the banking meltdown. As the WSJ noted, "issuing debt to ailing governments" is now a growth industry for Goldman.

Why didn't the federal government just lend the money to the states? Why was all the money thrown at Wall Street instead of needy homeowners or struggling school systems? Because the federal government works for Goldman and not for us. Indeed, when it comes to the banking bailout, Goldman Sachs is the government.

So much so that last fall The New York Times ran a story, headlined "The Guys From 'Government Sachs,'" that stated: "Goldman's presence in the [Treasury] department and around the federal response to the financial bailout is so ubiquitous that other bankers and competitors have given the star-studded firm a new nickname: Government Sachs."

One of those stars was Stephen Friedman, another former head of Goldman. Friedman



AP / Mark Lennihan

Fortunes change: Lloyd Blankfein, right, CEO of Goldman Sachs, leaves the New York Stock Exchange after attending a panel discussion in 2008.

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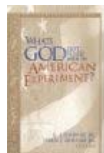
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was both a director of the company and chairman of the New York Federal Reserve Bank when he helped work out the details of the Wall Street bailout. The president of the N.Y. Fed at the time, Timothy Geithner, now secretary of the treasury, requested a conflict-of-interest waiver that allowed Friedman to buy more Goldman Sachs stock, and Friedman ended up with 98,600 shares. At market close on Tuesday that was worth \$14,756,476. That's nothing – three years ago, the 50 top Goldman execs made \$20 million each, and this year could be better.

They're not hurting.

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By **Tyco**, July 15 at 6:01 pm #

Mr. Geithner and Mr. Summers have their tongues permanently attached to the anuses of Mr. Goldman and Mr. Sachs. This is the way democracy is conducted in these United States. Both the lickers and the lickees find this natural and satisfying. Moreover it is not against the rules of the Democratic Party. In fact, it's encouraged.

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By **johannes**, July 15 at 3:33 pm #

So long as the Americans keep writing, over the thieves they keep on stealing, they are not afraid about words, its all in the program.

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By **prole**, July 15 at 3:31 pm #

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"Why was all the money thrown at Wall Street instead of needy homeowners or struggling school systems? Because the federal government works for" ... the 'Goldmans' of the world. Little wonder then that the nation's leading zionist organ, the NY Times could brazenly make it official to the goyim about who is in charge, when last fall it boldly "ran a story, headlined 'The Guys From `Government Sachs'" i.e. the Boys from the Borscht Belt. Sachs is symbolic but the government 'of the Chosen People, by the Chosen People and for the Chosen People' is willing to admit a few Shylocks from other sister firms too in the interest of greater 'inclusiveness'. So while you have the typical Goldman grubs like Stephen Friedman, you'll also find a cabal of Citigroup scavengers too in the Obama mafia, such as new Deputy Secretary of State Jacob Lew, lately Chief Financial Officer of Citi. Or Michael Froman, from Citi's alternative investment dept., and chief-of-staff to Rubin in Clinton's Treasury., now the new Deputy National Security Adviser for International Economic Affairs. Interestingly, it was Froman who first got a neophyte Obama into the loop by introducing him to his patron Robt. Rubin. And then there's Froman's deputy, David Lipton, formerly heading Citi's global country risk management team. And Lewis Alexander, former Citi chief economist and now Counselor to Treasury Secretary Timothy Geithner. But there's room for other corporate swine at the federal government trough, as well. Like Neal Wolin, from the Hartford Insurance Company, now Dep. Sec. of Treasury. Goldman however, is not being left behind, recent Vice Chairman of the group, Robt. Hormats has just been tapped to be Under Sec. State of Economics and Agricultural Affairs. Worse still, is Gary Gensler, former Goldman partner, who as Assistant Secretary of Treasury in the Clinton Administration had a big hand in the infamous Commodity Futures Modernization Act of 2000, and is now CFTC commissioner, the ultimate fox-guarding-the-chicken-coop appointment. Of course Rubin himself is the archetype corporate mandarin, having been a top honcho at both Goldman and Citi, as well as more famously, pulling Clinton's strings and now Obama's. And with Lloyd Blankfein charring Goldman and Jamie Dimon topping JP Morgan Chase – and Bernanke at the Fed - the economy is in the vise-grip of Government Sachs – or more properly, Government Shylocks - for the foreseeable. No wonder Blankfein would think it an aberration when the Rothschilds or someone from the same tribe didn't hold the pursestrings of society. This has been going on for ages. "Connect the dots".

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By **flow**, July 15 at 3:12 pm #

Can anyone break the code in the message these folks are getting from Goldman Sachs, health insurers and former Vice President Dick C.

<http://extras.sItrib.com/bagley/>

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By **flow**, July 15 at 2:22 pm #

Bravo! Bravo! Tao Walker!

There is no oblation like liberation!

Liberation from the con, liberation from the deceit, liberation from the delusion.

Give me liberty or give me death! (talk about oxymoron, what is life deprived of liberty if not the most wretched privation?)

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By **RdV**, July 15 at 2:21 pm #

How oddly irrelevant Obama has become. Sort of like Bush in his final years—after the scales had been tipped and everyone was just waiting for the change.

So much for the big change, huh? Now everyone views these things avoiding the uncomfortable facts of who the Obama appointees are and the feeble lines he promotes in draining the treasury to enrich these crooks, otherwise known as "bush's base". Obama has become an embarrassment. Death redeemed Michael Jackson. Obama better hope that it isn't his only way out of being such a disappointing failure as his legacy.

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By **KDelphi**, July 15 at 2:07 pm #

Thank you, mlb.

And, another article , at the same site, will help put it in perspective. (or, why

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Obama should have given money to the states vs the banks)

"California: the human toll of the economic crisis"

By Kim Saito and D. Lencho

15 July 2009 (social service applicants talk to wsws)

<http://www.wsws.org/articles/2009/jul2009/dpss-j15.shtml>

"California's ruling class is using the state's deepening economic crisis to increase its attacks on the working class. Republican governor Arnold Schwarzenegger and the Democratic-majority state legislature is preparing a series of massive spending cuts, and possibly regressive tax increases, that will further devastate the living conditions of the working class in California ...

The major banks are also stepping up the pressure in a more direct way. On Monday, a group of the country's largest banks—including Bank of America, Citigroup, Wells Fargo, and JP Morgan Chase—said that they would not accept state "IOUs" beyond July 10..."

unquote

Did I read that correctly??

"The move by the banks to stop accepting warrants also opens the way for speculators to profit from them. Already, vulture investors are seeking to purchase IOUs from small businesses and individuals in need of immediate cash. If banks stop accepting the warrants, recipients may be forced to sell them at a substantial discount, allowing speculators to cash in by redeeming the warrants (including interest) in October."

Are you shitting me?! The BANKS are in a position now to make demands??!!

!!!!!!!!!!!!!!!!!!!!

Again... The coordinated action of the financial oligarchy will severely constrain the main measure taken by the state to allow for continued operations without a budget....

Further...

".....The warrants are 90-day bonds, redeemable in October. They will pay for services for special needs children, state prison caterers, tax refunds, low-income senior citizens, student aid programs, welfare recipients, contractors and other creditors. While past court decisions have forbidden the government from paying state workers with warrants, the state will use them for other payments, such as travel reimbursements...."

For its part, the Obama administration sees the wholesale attack on the California working class as a model for the country as a whole.

"A few weeks ago, some legislators asked the federal government for emergency funding. At the time, Treasury Secretary Timothy Geithner, and White House economists Lawrence Summers and Christina Romer, rejected the request. They chided the state for failing to get its house in order and demanded instead that California accept the bitter medicine of austerity. According to the Washington Post, the White House feared that a bailout for California would lead to "a cascade of demands from other states."

What moral cowardice....

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By **TAO Walker**, July 15 at 1:54 pm #

Neither Robert Scheer's watered-down rhetorical exercise here nor Matt Taibbi's much more comprehensive and incisive piece in Rolling Stone gives any real consideration to the descending progression of predatory practices by Goldman-Sachs and a few others....although that is certainly implicit in Taibbi's treatment. These've gone from boldly picking peoples' pockets to preemptively CONscripting the lives of generations to-come to the servicing of unpayable fraudulent debt. These vampires are already setting-up to rob and pick-over their (at-least semi-voluntary) "victims" corpses.

The slaphappy 'popular' assumption seems to be these things are merely circular, rather than purposely CONfigured as ever-tightening spirals of engineered degradation in which the hapless CONsumptive 'public' never gets back to some earlier level of societal well-being, but always finishes a "business(as in: getting 'the-business')-cycle" deeper in The Hole. Having succeeded in ripping the domesticated peoples from the natural Living Arrangement, the tormentors now rely on their captives' effectively CONgenital inability to even recognize (nevermind understand and resist) the process of industrialized exploitation to which they're self(and mutually)-deludingly subject.

On the bright side, the entire CONtraption itself is already deep into the terminal phase of its operations....running on fumes, so-to-speak. What's more, its owners have come-up well short of where they figured to be by now, which explains in-part the remarkable degree of wretched excess to which they're now reduced....accelerating their own death-spiral quite in-spite-of their own silly

selves.

Meantime, for those who can see The Way clear of this cascading failure's wreckage, out of the shroud of their false "individual" Id-entities, and back to the Natural Form of Humanity (which English-speakers still call "community," despite massive efforts to devalue the term by applying it profligately to every random collection of "individuals" around), the Song 'n' Dance of Life Herownself goes-on as always. Us surviving free wild Human Beings are ready to welcome as many of our tame Sisters and Brothers back as can make-it alive through The Eye of The Needle.

The rest we'll catch later.

HokaHey!

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By **captain Rick**, July 15 at 1:32 pm #
(Unregistered commenter)

Now we ask you , who has done more damage to America Al Quieda or Goldman Sachs?

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By **flow**, July 15 at 1:29 pm #

How much of Goldman Sach's current windfall is the product of purchases made by the Federal Reserve?

As the crisis unfolded and the influence of conventional monetary policy stalled (due to the zero-bound limit on interest rates), in an effort to ward off deflation, a decision was made by the Federal Open Market Committee to pursue the unprecedented policy of expanding the money supply through the purchase of certain market (not government) securities.

The Fed "printed" a few trillion dollars for itself and then started buying securities. Securities from whom? GS?

Does anyone know what is meant by the term *helicopter money*? Or what Bearnake had to say about how the Fed would manage a crisis characterized by the threat of deflation and the limits of the zero-bound? (See Bearnake's Helicopter speech at the Fed's website)

Simple. Drop money out of a helicopter to increase the money supply. But given the political sensitives, this must be done in secret and to "friends of the Fed only" (see wikipedia).

Perhaps this is another reason why GS's CEO was invited to those sensitive meetings held by Paulson, Bearnake and Geitner, where the key decisions were made concerning AIG, Lehman and ????.

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By **Dalmazio**, July 15 at 12:44 pm #

@thebeerdoctor:

"If America is circling the drain, Goldman Sachs has found a way to be that drain—an extremely unfortunate loophole in the system of Western democratic capitalism, which never foresaw that in a society governed passively by free markets and free elections, organized greed always defeats disorganized democracy."—MATT TAIBBI

Nice quote! And good article.

I believe the key to the above quote is the word "passive". Constitutional republics (which the U.S. is supposed to be—one step up from a simple democracy) cannot be governed passively. There must be *active* involvement, especially on the part of government representatives goaded by their constituents to protect the free market from vulture opportunists.

That is, it is the role of government (representing the will of the people) to insure the free market remains free from the exploitation of large corporations, such as Goldman Sachs et al. Instead, we have allowed the fox to take up permanent residence in the hen-house... There can be only one outcome.

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By **thebeerdoctor**, July 15 at 11:38 am #

"If America is circling the drain, Goldman Sachs has found a way to be that

drain—an extremely unfortunate loophole in the system of Western democratic capitalism, which never foresaw that in a society governed passively by free markets and free elections, organized greed always defeats disorganized democracy.”

MATT TAIBBI

http://www.rollingstone.com/politics/story/28816321/the_great_american_bubble_machine

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By **Fredric Dennis Williams**, July 15 at 11:12 am #
(Unregistered commenter)

As long as politicians win election and re-election with millions of dollars in contributions, and then appoint hundreds of contributors and associates to top positions in government, it is inevitable that those with money will be in a position to profit from government.

The cure for this is the elimination of the spoils system and the creation of a career civil service with the most stringent requirements for employment. No one below cabinet level should be a political appointee. Currently we have the worst of both worlds—countless political hacks, tax cheats, and influence peddlers on the one hand and bureaucrats chosen because they knew someone on the other.

Ideally, the government should go back to making the rules and enforcing them, and should cease running operations that spend trillions. But until then, a carefully qualified career civil service is a good first step.

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By **mlb**, July 15 at 10:24 am #

Which society is more morally backward, one which stones its worst criminals in the public square, or one which allows them not only to freely walk the streets but to continue their crime sprees unchecked and even aided by the government?

Here's another very good piece on this:

Record pay and profits at Goldman Sachs, By Andre Damon and Barry Grey - 15 July 2009

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By **NYCartist**, July 15 at 8:39 am #

Thank you. There's a nice companion interview with Matt Taibi on DemocracyNow this morning.

<http://www.democracynow.org> (live now, video later, transcript later)

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By **jerrygates**, July 15 at 6:20 am #
(Unregistered commenter)

A word to the states that bit on Goldman loans, they are responsible for lowering the value of your pensions, investments and state coffers by 30%. Subtracting this amount, amortized over the life of your new debts is a good payback for a vulture. Don't make even the first payment and see what happens.

Goldman has taken on the US treasury as its own banker, receiving loans at less than zero % making US citizens lose money, so what the hell, what comes around, goes around, Take your own state bailout out of Goldman's accounts and realize that that is exactly what they did to the states, indebting them to private enterprise for the duration as muni bonds, post bailouts will come from Goldman brokers as do the city bonds and their heavy payments, Remember what Nancy said, Just say no, but in this case, just take their money for a few months, then belly up and see if the US treasury of Goldman Sachs is too big to fail. It's not and when it does, what will states loans be worth to the vultures who bought them? Why let Goldman profit from state misery when the congress and senate is supposedly in the purse strings business, not treasury? WHAT, yea suckers, they stole your jobs!

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By **thebeerdactor**, July 15 at 5:47 am #

This narrative has been told so often, but does any of the concerned outrage change the results? As Eliot Murphy once said: "the killers still run the country,

and they count their money with their blood stained hands."
Disturbed by the truth is about as far as it will ever go. Legal robbery is the
sweetest crime of all.

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