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Goldman Sachs Doesn't Have Clean Hands in Greece Crisis

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Wall Street on Parade

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Tens of Thousands Protest in Front of the Greek Parliament Against Austerity Plan for Greece, Evening of June 29, 2015

Are Goldman Sachs executives Lloyd Blankfein, Gary Cohn and Addy Loudiadis losing any sleep over elderly pensioners waiting outside shuttered banks in Greece, desperately trying to obtain their pension checks to pay their rent and buy food? Are these Goldman honchos feeling a small pang of conscience over the humiliation by creditors of this once proud country? Perhaps Blankfein, who famously espoused that he's "doing God's work" might shed a tear or two for the small child clinging to her elderly Grandmother's hand as she searches in Athens for an ATM that will give her $66 from her bank account – the maximum allowed per day under the newly imposed capital controls.

According to investigative reports that appeared in Der Spiegel, the New York Times, BBC, and Bloomberg News from 2010 through 2012, Blankfein, now Goldman Sachs CEO, Cohn, now President and COO, and Loudiadis, a Managing Director, all played a role in structuring complex derivative deals with Greece which accomplished two things: they allowed Greece to hide the true extent of its debt and they ended up almost doubling the amount of debt Greece owed under the dubious derivative deals.

A February 2012 BBC documentary on the Goldman Sachs deal provides a layman's view of the dirty underbelly of the deal, calling it "a toxic import" from America that is "hastening" the downfall of Greece.

On March 5, 2012, Nick Dunbar, who appears in the BBC documentary on the Goldman Sachs deal and author of *The Devil's Derivatives*, penned a revealing article for Bloomberg News with Elisa Martinuzzi. The writers describe the Goldman Sachs deal with Greece as follows:

"On the day the 2001 deal was struck, the government owed the bank about 600 million euros ($793 million) more than the 2.8 billion euros it borrowed, said Spyros Papanicolaou, who took over the country's debt-management agency in 2005. By then, the price of the transaction, a derivative that disguised the loan and that Goldman Sachs persuaded Greece not to test with competitors, had almost doubled to 5.1 billion euros, he said…

"A gain of 600 million euros represents about 12 percent of the $6.35 billion in revenue Goldman Sachs reported for trading and principal investments in 2001, a business segment that includes the bank's fixed-income, currencies and commodities division, which arranged the trade and posted record sales that year. The unit, then run by Lloyd C. Blankfein, 57, now the New York-based bank's chairman and chief executive officer, also went on to post record quarterly revenue the following year…

"The revised deal proposed by the bank and executed in 2002, was to base repayments on what was then a new kind of derivative — an inflation swap linked to the euro-area harmonized index of consumer prices…

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