

# Goldman Sachs: Making Money by Stealing It

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Money power in private hands and democracy can't co-exist. Wall Street crooks transformed America into an unprecedented money making racket.

Goldman symbolizes [master of the universe of financial manipulation](#) (Reuters April 16, 2011) It's been involved in nearly all financial scandals since the 19th century.

It makes money the old-fashioned way, through market manipulation, the scamming of investors, bribing political Washington, having its executives in top administration posts, and getting open-ended low or no interest rate bailouts when needed.

It's business model and culture assure billions of bonus dollars for company officials, complicit traders, and others on the take.

Compared to Goldman, Bernie Madoff was small-time.

Former bank regulator expert on white-collar crime, public finance, economics, and related law, [Bill Black](#) explained Goldman shenanigans pertaining to earlier SEC charges this way:

"Goldman designed a rigged trifecta. It turned a massive loss into a material profit by selling deeply underwater, toxic CDOs it owned. It helped make John Paulson (CEO of a huge hedge fund that Goldman would love to have as an ally) a massive profit - in a 'profession' where reciprocal favors are key, and blew up its customers that purchased the CDOs."

An SEC civil suit charged Goldman with defrauding customers. It made billions, and settled for \$550 million. It was pocket change, the equivalent of four 2009 revenue days. It hardly mattered.

No executive was fined or imprisoned. Grand theft continues unabated. It includes pump-and-dump schemes. The corporate media does not explain. Only scammed customers and insiders who are involved understand.

On March 4, [Black](#) used James Q. Wilson's "broken windows" metaphor pertaining to blue collar crime. He applied it to far more serious elite white-collar offenses. None rise to the

level of financial ones. The amounts involved are staggering. Broken lives, communities, and economies result. The landscape's littered with them.

No firm's more adept at amassing fraudulent fortunes than Goldman. Its CEO Lloyd Blankfein calls it "doing God's work."

It's also appalling that the Wall Street Journal "serve(s) as cheerleader and apologist for those" who amass wealth by stealing it, said Black.

### Goldman Executive Resigns

Broken clocks are right twice a day. On March 14, so was The New York Times. It gave rare op-ed space to high level Goldman executive [Greg Smith](#) for views worth sharing. He served as executive director and head of the firm's domestic equity derivatives business in Europe, the Middle East and Africa.

Headlining, "Why I Am Leaving Goldman Sachs," he said:

After almost 12 years with the firm, today was his last day. He worked there "long enough to understand the trajectory of its culture, its people and its identity. And I can honestly say that the environment now is as toxic and destructive as I have ever seen it."

In "simplest terms," he said client interests are sidelined. Goldman thinks only about making money. "The firm has veered so far from the place I joined right out of college that I can no longer in good conscience say that I identify with what it stands for."

In less blunt terms than Black, this writer, and other critics, he stopped short of explaining its grand theft model, but comments he made suggested it.

An earlier Goldman culture contributed to its success, he said. "It revolved around teamwork, integrity, a spirit of humility, and always doing right by our clients."

Exaggerated? Absolutely, whatever minor differences between today and earlier existed. According to Smith, "virtually no trace" of what he admired remains. Whatever pride he once had is now gone. It was time to leave when he no longer could look aspiring students wanting Goldman jobs "in the eye and tell them what a great place this was to work."

How can it be operating like a crime family. It's business model involves grand theft. Customers are defrauded, not helped. Politicians are bought like toothpaste. Laws are subverted and ignored. Others are discarded or rewritten at its behest. Economies are wrecked for profit.

When future Goldman histories are written, honest ones will say Blankfein, president Gary Cohn, and other top executives “lost hold of the firm’s culture on their watch. I truly believe that this decline in the firm’s moral fiber represents the single most serious threat to its long-run survival.”

Smith said his career involved advising two of the largest global hedge funds, five of America’s largest asset managers, and three of the Middle East’s most prominent sovereign wealth funds. His clients manage over a trillion dollars in assets.

He took pride, he said, advising them “to do what I believe is right for them, even if it means less money for the firm. This view is becoming increasingly unpopular at Goldman Sachs.” He knew it was time to leave.

“Leadership used to be about ideas, setting an example and doing the right thing. Today, if you make enough money for the firm (and are not currently an ax murderer), you will be promoted into a position of influence.”

Three key ways, include:

(1) Advising clients to invest in assets Goldman wants to dump, including toxic ones.

(2) Getting them to buy what makes Goldman most money.

(3) Trading “any illiquid, opaque product with a three-letter acronym,” no matter how much toxic or without merit.

He attended sales meetings devoid of ways to help clients. They’re about maximizing Goldman’s profit, no matter how illegally. “It makes me ill,” he said, “how callously people talk about ripping their clients off. Over the last 12 months, I have seen five different managing directors refer to their own clients as ‘muppets.’ “

They’re marks to be manipulated and scammed for profit. He can’t explain how senior managers don’t understand that losing client trust means forfeiting their business. No matter if you’re the smartest guys in the room. They’ll know you’re smart enough to scam them without hearing back room insults about “muppets,” “ripping eyeballs out,” and “getting paid” at their expense.

He hopes his article “can be a wake-up call to” Goldman’s board. “Make the client the focal point of your business again. Without clients you will not make money. In fact, you will not exist.”

“Weed out the morally bankrupt people, no matter how much money they make for the

firm.” Make “people want to work here for the right reasons. People who care only about making money will not sustain this firm — or the trust of its clients — for very much longer.”

## A Final Comment

Goldman’s entire history, or at least most of it, reflects predation. Its scams way pre-date Smith’s birth. In the 1920s, its [Ponzi scheme investment trusts](#) defrauded investors. Goldman profited. They lost out, and when Wall Street crashed were left high, dry, and broke.

One trust sold investors reflected others. Its offering price was \$104 a share. It became virtually worthless at \$1.75. It lost over 98% of its value. Unwary buyers then and now lose out. Only the stakes get bigger.

Today they’re enormous. Getting in bed with Goldman’s like swimming with sharks. You’re prey. They’re predators. Those burned understand Goldman’s culture enough to know it’s toxic and corrupted.

In 2002, it was largely responsible for Greece’s debt problems. It involved circumventing Eurozone rules in return for mortgaging assets.

Using creative accounting, debt was hidden through off-balance sheet shenanigans. Derivatives called cross-currency swaps were used. Government debt issued in dollars and yen was swapped for euros, then later exchanged back to original currencies.

Debt entrapment followed. Greece was held hostage to repay it. The country’s been raped and pillaged. Paying bankers comes first. Doing it left Greeks impoverished, high and dry. Goldman profited enormously by scamming an entire country and millions in it.

Its business model thrives on similar schemes globally. It’s about profits, no matter the huge cost to others. Expecting this leopard to change spots is like imagining reformers will transform Washington.

Former alderman Paddy Bauler once said “Chicago ain’t ready for reform.” It’s still not ready and may never be.

Neither is political Washington, Goldman, other Wall Street crooks, or their counterparts throughout corporate America.

They connive, cheat, profiteer from wars, drain trillions from households and the national treasury, wage war on labor, sell dangerous products, destroy the environment, and do whatever they damn please complicit with corrupt politicians who let them.

Goldman and other Wall Street giants are the worst of the lot. Standing armies pale by comparison. Michael Hudson calls finance warfare by other means. Generalissimo bankers run everything.

Their job is pillaging households, investors, communities, and countries for profit. Doing so holds humanity hostage. They'll lose everything unless stopped. Job one's assuring that's done. The stakes are too high for failure. It's up to public rage to change things.

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