

Goldman's mea culpa

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Goldman Sachs' CEO Lloyd Blankfein said Tuesday that his firm did things that were "clearly wrong" and has "reason to apologize for." His *mea culpa*, in response to growing public anger over the government-subsidized firm's soaring profits, was issued in advance of next month's announcement of record bonuses for Goldman executives and traders.

Blankfein's statement was followed Wednesday by a pledge by the investment bank, together with multi-billionaire Warren Buffett, one of the bank's largest shareholders, to commit \$500 million over the next five years to aid small business owners.

Blankfein's comment came at a meeting in New York of the Directorship Forum, sponsored by the business magazine of the same name. The meeting was held to present Blankfein with an award as "CEO of the year" for 2009. He made the comment in response to a question from the floor about the negative publicity generated by his firm's activities.

"Are you worried about your image and reputation?" asked one attendee. "We participated in things that were clearly wrong and have reasons to regret and apologize for," Blankfein responded.

Blankfein was seeking, in particular, to quell negative publicity provoked by a statement he made earlier this month, when, in the course of defending Goldman's multi-million-dollar pay packages, he said he and his firm were doing "God's work."

Whether or not this quip was intended as a joke, it reflects the attitude of the masters of finance who bestride the American economic and political system. Blankfein himself netted \$67.9 million in compensation in 2007. His firm has thus far set aside \$16.71 billion for compensation this year. The company's total compensation expenses in 2009 could reach \$21.8 billion, according to Brad Hintz, an analyst at Alliance Bernstein.

At no point in the hour-long question-and-answer period was Blankfein asked about the social crisis, unemployment or falling wages. He made a point, however, of noting the long line of Goldman executives who have obtained high-level government posts.

The *Financial Times* noted of the firm's commitment of \$500 million to assist small businesses, "The yearly amount of about \$100 million to be spent on the initiative ... is equivalent to a good trading day at Goldman." It added, "In the third quarter, the bank had 36 days in which traders made more than \$100 million." The amount the bank pledged comes to about 2.3 percent of its estimated compensation pool in 2009.

The *Wall Street Journal* commented that the move "is so sequenced and packaged that it's bound to come across as disingenuous, even deeply cynical."

Goldman's ties to the government were treated at the ceremony alternately with pride and smug humor. The moderator described a process in which Goldman staff advance through the company ranks before taking up posts in the government. Blankfein's predecessor, Henry Paulson, was Treasury secretary under George W. Bush and played a key role in engineering the multi-trillion-dollar bailout of Goldman and other major Wall Street firms.

Treasury Chief of Staff Mark Patterson, Commodity Futures Trading Commission head Gary Gensler and many other leading figures in the Obama administration are alumni of the bank.

On Monday, Neil Barofsky, special inspector general for the Troubled Asset Relief Program, the government bank bailout program, issued a report criticizing the government's handling of the bailout of insurance giant American International Group (AIG). Barofsky said that the government "refused to use its considerable leverage" to extract concessions from AIG's bank creditors, instead agreeing to issue them dollar-for-dollar compensation on their holdings. These actions

constituted a “backdoor bailout,” which transferred taxpayer funds directly into the coffers of major banks—above all Goldman Sachs, whose \$12.6 billion in AIG-linked assets were covered in full.

Meanwhile, Goldman and the other major banks have refused to use their government subsidies to increase lending to businesses and consumers. On Monday, the Treasury Department reported that lending by the big banks continues to contract. Goldman has made huge profits this year by increasing its speculative trading activities in stocks, bonds, currencies and commodities.

The bank has profited, in particular, from decisions by the government to allow the collapse or takeover of major investment bank competitors, including Bear Stearns, Lehman Brothers and Merrill Lynch. As a result, Goldman’s control over financial markets has increased and its borrowing costs have fallen.

Blankfein can issue a perfunctory apology for predatory lending and investment policies that contributed to the deepest recession since the 1930s, knowing that it will have no consequences. Neither he nor any of his peers will be held to account for their roles in precipitating an economic crisis that is imposing untold suffering on millions of working people in the US and around the world. On the contrary, he continues to participate in policy discussions within the Obama administration and Congress over how best to utilize near-record levels of unemployment to maximize Wall Street profits and permanently slash the wages and living standards of American workers.



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