Media Raising Concerns Over Goldman Sachs' Gov't Influence

Even the mass media is starting to take notice of the longtime cozy relationship that both the U.S. Treasury Department and the Federal Reserve Bank have with Goldman Sachs, a major Wall Street bank holding company and Democratic Party donor.

The most notable example of this mainstream attention to Goldman Sachs is a must-read exposé in this month's *Rolling Stone* magazine by reporter Matt Taibbi.

Taibbi describes in "The Great American Bubble Machine" how Goldman Sachs serves as a "a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money," which has been at the center of many government-created bubbles (and bailouts) that are the antithesis of free enterprise. The latest bubble/scam Goldman Sachs is working on, Taibbi stresses, is the "carbon credit" commodity that is working its way through Congress through the slogan "cap-and-trade."

"They've been pulling this same stunt over and over since the 1920s — and now they're preparing to do it again, creating what may be the biggest and most audacious bubble yet," Taibbi says of Goldman, explaining that "cap-and-trade, as envisioned by Goldman, is really just a carbon tax structured so that private interests collect the revenues. Instead of simply imposing a fixed government levy on carbon pollution and forcing unclean energy producers to pay for the mess they make, cap-and-trade will allow a small tribe of greedy-as-hell Wall Street swine to turn yet another commodities market into a private tax-collection scheme. This is worse than the bailout: It allows the bank to seize taxpayer money *before it's even collected*." (Emphasis is in original.)

Goldman Sachs has long been political gold for its leaders, which have dominated the U.S Treasury and Federal Reserve banks over the past two decades. Former Goldman CEO Henry Paulson became George W. Bush's Treasury Secretary, just as former Goldman CEO Robert Rubin served as Bill Clinton's Treasury Secretary before that. New Jersey Governor Jon Corzine of New Jersey ran Goldman from 1994 to 1999. Current Federal Reserve Bank of New York Chairman William C. Dudley also has a longtime Goldman pedigree, as did his predecessor.

Of Dudley, the *Washington Post* reported July 20: "It is his résumé that alarms some critics, who see an example of a too-cozy relationship between financial firms and their lead regulator. One of several bank officials who have worked in the private sector, Dudley was at Goldman Sachs for two decades, including 10 years as chief economist, before joining the New York Fed in 2007."

Goldman's domination of the New York Fed may have been part of the firm's plan for its conversion from an investment bank to a bank holding company last year. In addition to being able to get its hands on more taxpayer funds more easily through various bailout funds, Taibbi notes, "converting to a bank-holding company has other benefits as well: Goldman's primary supervisor is now the New York Fed, whose chairman at the time of its announcement was Stephen Friedman, a former co-chairman of Goldman Sachs. Friedman was technically in violation of Federal Reserve policy by remaining on the board of Goldman even as he was supposedly regulating the bank; in order to rectify the problem, he applied for, and got, a conflict-of-interest waiver from the government. Friedman was also supposed to divest himself of his Goldman stock after Goldman became a bankholding company, but thanks to the waiver, he was allowed to go out and buy 52,000 additional shares in his old bank, leaving him $3 million richer. Friedman stepped down in May, but the man now in charge of supervising Goldman — New York Fed president William Dudley — is yet another former Goldmanite."

The *Washington Post* noted that the NY Fed is dominated by Wall Street insiders, reporting, "The bank's board of directors, which selected Dudley, includes such corporate titans as Jamie Dimon, the head of J.P. Morgan Chase, and Jeffrey Immelt, General Electric's chief. Richard Fuld, then the chief executive of Lehman Brothers, resigned from the Fed just days before his firm went under. Stephen Friedman, who sat on Goldman's board, resigned as chairman of the New York Fed board earlier this year after controversy arose over his purchase of Goldman stock while at the Fed."

Taibbi concludes:

> "The collective message of all this — the AIG bailout, the swift approval for its bankholding conversion, the TARP funds — is that when it comes to Goldman Sachs, there isn't a free market at all. The government might let other players on the market die, but it simply will not allow Goldman to fail under any circumstances.... This is the world we live in now. And in this world, some of us have to play by the rules, while others get a note from the principal excusing them from homework till the end of time, plus 10 billion free dollars in a paper bag to buy lunch. It's a gangster state, running on gangster economics, and even prices can't be trusted anymore; there are hidden taxes in every buck you pay. And maybe we can't stop it, but we should at least know where it's all going."

But how, one might ask Taibbi, could the American people find out where the money is all going? Taibbi has an answer of sorts: "By the end of March, the Fed will have lent or guaranteed at least $8.7 trillion under a series of new bailout programs — and thanks to an obscure law allowing the Fed to block most congressional audits, both the amounts and the recipients of the monies remain almost entirely secret."

That's an oblique reference to Congressman Ron Paul's legislative proposal to audit the Federal Reserve, H.R. 1207/S.604. Passage of Dr. Paul's legislation may help to bring wider exposure to how a few insider Wall Street firms are able to use the raw force of government to profit privately, and then socialize the losses using taxpayer dollars.