

A Conspiracy of Folly

Goldman Sachs may seem to be running the world, but being lead bank in a global blowout has its disadvantages.

The announcement this month that Canadian Prime Minister Stephen Harper had selected former Goldman Sachs banker Mark Carney to become the next governor of the Bank of Canada, represents the latest in a string of appointments of former Goldman Sachs bankers to key posts in the financial policy and supervisory apparatus. Everywhere one turns, it seems, there is a former Goldman banker running the show.

The list is impressive, and begins at the White House, where former Goldman banker Joshua Bolten is Chief of Staff to President George W. Bush. At Treasury, Secretary Henry Paulson and Under Secretary for Domestic Finance Robert Steel are both Goldman men, Paulson a former CEO and co-chairman, and Steel a former vice-chairman. Paulson and Steel are key figures in the President's Working Group on Financial Markets, a.k.a. the Plunge Protection Team, and have reactivated the financial crisis command center at Treasury.

To improve coordination with the Fed, former Goldman economist William Dudley was installed as chief of markets at the New York Fed, which handles market operations for the Federal Reserve System. Former Goldman managing partner Reuben Jeffrey, III, who sat on the Plunge team while chairman of the Commodity Futures Trading Commission, is now Under Secretary of State for Economic, Energy and Agricultural Affairs, the top economic post at the State Department, and former Goldman security director Randall Fort is Assistant Secretary of State for Intelligence and Research, and heads State's intelli-

gence operations. Former Goldman co-chairman Stephen Friedman was appointed in 2005 as chairman of the President's Foreign Intelligence Advisory Board.

New York Stock Exchange chairman John Thain is a former president of Goldman Sachs, while former Goldman electronic trading specialist Duncan Niederauer is president of the NYSE. Last year, the NYSE went public after buying the Archipelago electronic stock exchange, which was partly owned by Goldman Sachs. Not surprisingly, the NYSE is moving toward an electronic trading model. Thain also served as co-chairman of the 2005 World Economic Forum.

Goldman Sachs is also well-represented on the international scene, where former Goldman banker Mario Draghi not only heads the Bank of Italy, but also sits on the boards of the Bank for International Settlements, the European Central Bank (BIS), the International Bank for Reconstruction and Development, and the Asian Development Bank. Draghi also chairs the Financial Stability Forum, a global plunge protection apparatus created after the near-collapse of the financial system in September 1998. Italian Premier Romano Prodi and Italian deputy treasury chief Massimo Tononi are also Goldman alumni.

The Goldman gang is well represented at the World Bank as well. There, Robert Zoellick recently replaced ousted neo-con Paul Wolfowitz, and George Richardson is the principal financial officer.

In addition, both Draghi and for-

mer New York Fed president E. Gerald Corrigan, now with Goldman Sachs, are members of the Group of Thirty, a collection of alleged "wise men" who help steer the global financial system. The G-30 also includes former Fed chairman Paul Volcker and former Bank of England official and BIS general manager Sir Andrew Crockett, among others.

On top of all of this, Goldman Sachs is by far the most profitable investment bank on Wall Street, and the largest hedge fund manager in the world, with the sometime exception of J.P. Morgan Chase. Goldman alumni run some of the larger of the free-standing hedge funds, such as Fortress Investment, J.C. Flowers, Omega, ESL, Perry Capital, Och-Ziff, Farallon, and others. Former Treasury Secretary Robert Rubin, a former Goldman co-chairman, is chairman of the executive committee at Citigroup, the largest U.S. bank, while Goldman's London chief, former WTO chief Peter Sutherland, sits on the board of the powerful Royal Bank of Scotland. Jim Cramer, founder of TheStreet and CNBC screaming head, is also a former Goldman banker.

By all appearances, Goldman Sachs sits at the top of the world, unmatched in financial and political power. But appearances are often deceiving. It is clear that this Goldman Sachs network has been designated the command center for managing the global financial collapse, but that position is akin to moving a load of highly unstable explosives over rough terrain. History has not been kind to the "lead ducks" of the financial bubble, as the case of J.P. Morgan, Goldman's predecessor as a workout bank, indicates. Morgan blew up, and was taken over by rival Chase Manhattan. According to Lyndon LaRouche, "Goldman Sucks" is being played by the Brits, and will go down with the system it ostensibly runs.