



## THE INDEPENDENT

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# How Goldman Sachs took over the world

By Stephen Foley

*Whether it's a credit crunch to fix or an Olympics to plan, the list of Goldman Sachs alumni is sure to have a candidate*

If there's something weird in the financial world, who you gonna call? Goldman Sachs.

The US government, involved in a firefight against the conflagration in the credit markets, is calling in another crisis-buster from the illustrious investment bank, this time Goldman's most senior banker to finance industry clients, Ken Wilson.

And so with this appointment, the Goldman Sachs diaspora grows a little bit more influential. It is an old-boy network that has created a revolving door between the firm and public office, greased by the mountains of money the company is generating even today, as its peers buckle and fall.

Almost whatever the country, you can find Goldman Sachs veterans in positions of pivotal power.

The 61-year-old Mr Wilson has already proved influential in deals to recapitalise and reorganise some of America's listing banks. At the Treasury he will advise on what the federal government must do help the process, but he will face scrutiny from those concerned about the tentacles wrapping lightly around government from Wall Street's mightiest bank. For the time being, bailing out Wall Street looks to be the same as bailing out the economy, but if those diverge there could be more questions asked about the influence of Goldman Sachs alumni on public policy.

George Bush picked up the phone this month, partly at the instigation of another Goldman Sachs alumnus, his Treasury secretary, Hank Paulson. Together with Mr Bush's chief of staff, Joshua Bolten, there will be three Goldman Sachs old boys in major positions of influence in the White House - but the US government is hardly alone in finding the bank's executives to be attractive hires.

They are well-credentialed, partly by design. From its beginning when the German immigrant Marcus Goldman began discounting IOUs among the diamond merchants of New York in the 1870s, Goldman Sachs has always known about the power of the network of influence. Goldman hires former politicians and civil servants, as readily as it supplies them.

And then there is simply the intellectual quality of the employees, many hired as much youngster men via a gruelling interview process, and then forged in the fire of 17-hour work days.

With Goldman Sachs at the heart of Wall Street, and Wall Street at the heart of the US economy, few expects its power to wane. Indeed, The New York Times columnist David Brooks noted that Goldman Sachs employees have given more money to Barack Obama's campaign for president than workers of any other employer in the US. "Over the past few years, people from Goldman Sachs have assumed

control over large parts of the federal government," Brooks noted grimly. "Over the next few they might just take over the whole darn thing."

### **John Thornton**

From his post as professor and director of global leadership at Tsinghua University in Beijing, the former Goldman Sachs co-chief operating officer John Thornton has become a highly-influential figure in the developing business and political inter-relationships between the US and China. He was Goldman's boss in Asia in the mid-Nineties and remains well connected in the East and the West.

### **Duncan Niederauer**

Wall Streeters joked about a Goldman Sachs "takeover" of the New York Stock Exchange. Hank Paulson, the Goldman boss on the NYSE board, moved to oust the chairman, Dick Grasso, and recommended the then chief operating officer of Goldman, John Thain, as Mr Grasso's replacement. Mr Thain modernised the exchange as demanded by Goldman, and Mr Thain's old Goldman deputy, Duncan Niederauer, is in charge.

### **Jon Corzine**

The former co-chief executive of Goldman went into full-time politics in 1999, having lost the internal power struggle that preceded the company's stock-market flotation in 1999. He has been governor of New Jersey since 2006, having spent the previous six years in the US Senate. His 2000 Senate election campaign was then the most expensive ever in the US, and Corzine spent \$62m of his own money.

### **Joshua Bolten**

For five years until 1999, Mr Bolten served as director of legal affairs for Goldman based in London, effectively making him the bank's chief lobbyist to the EU. The Republican lawyer aided George Bush's 2000 election campaign, helped co-ordinate policy in the White House and has been the President's chief of staff since 2006.

### **Paul Deighton**

The man heading London's planning for the 2012 Olympic Games, Paul Deighton amassed a fortune estimated at over £100m during his two decades at Goldman Sachs, where he had been one of its most powerful investment bankers.

### **Robert Rubin**

A US Treasury secretary under Bill Clinton, Mr Rubin could once again emerge as a powerful figure in Washington if Barack Obama wins the presidency, since he has maintained his influence on Democrat politics. Mr Rubin reached the second-highest rung at Goldman, becoming co-chief operating officer before joining the US government in 1993.

### **Gavyn Davies**

The ex-chairman of the BBC still has the ear of Gordon Brown, to whom he has been a good friend and informal adviser. He is married to the Prime Minister's aide Sue Nye. Mr Davies spent 15 years as an economist at Goldman. He was commissioned to report on the future funding of the BBC by Mr Brown in 1999. Two years later, he was poached to chair it.

### **Jim Cramer**

This former Goldman trader is, without question, the most influential stock pundit in the US. Hectoring and shouting his investment advice nightly on his CNBC show, Mad Money, he routinely moves share prices. His primal scream against the Federal Reserve ("They know nothing") was a YouTube sensation last year, as the central bank refused to lower interest rates to ease the pain of the credit crisis on Wall Street.

### **Robert Zoellick**

Goldman provided a lucrative home to Robert Zoellick, the neo-conservative Republican, between the time he quit as Condoleezza Rice's deputy at the State Department in 2006 (having not secured the job

he coveted as Treasury Secretary, when it went to Hank Paulson) and his appointment last year as head of the World Bank. At Goldman he had acted as head of international affairs, a kind of global ambassador and networker-in-chief.

### **Mario Draghi**

The head of the Italian central bank is another example of the revolving door between Goldman and public service. Mr Draghi had been an academic economist, an executive at the World Bank and a director-general of the Italian treasury before joining Goldman as a partner in 2002. He is becoming a significant figure in the response to the credit crisis, chairing the financial stability forum of central banks, finance ministries and regulators.

### **Malcolm Turnbull**

Treasurer for the opposition Liberal Party, Mr Turnbull is one of the fastest-rising politicians in Australia. He was the aggressive advocate who took on and beat the British Government in the Spycatcher trial of the former MI5 agent Peter Walker, but he then pursued a career in business and ran Goldman Australia from 1997 to 2001, before jumping in to politics to serve as environment minister under John Howard.

### **Hank Paulson**

Cometh the hour, cometh the man. President George Bush must be delighted he lured a reluctant Hank Paulson away from his \$38m-a-year job as Goldman Sachs chief executive in 2006, just in time to deal with the Wall Street crisis that has engulfed the entire US economy. The bird-watching enthusiast had been a surprising choice as Treasury secretary, since his environmentalism was at odds with much of Bush's policy.

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