For Goldman Sachs, the Greece Fleece Is Another Ripoff

When Goldman Sachs was implicated in helping Greece deceive the European Union and its own citizens about the extent of its debt and deficits, it was another stone in the growing pile of evidence illustrating the incestuous relationship between governments and central banks.

In order to conform with Eurozone rules, Greece must limit its annual deficit to less than three percent of its GDP, and its total outstanding debt to no more than 60 percent of its GDP. Now that it's clear that Greece has been in significant violation of both of those rules for several years, experts have discovered that efforts were made to hide those violations through the use of "obscure derivatives provided by [Goldman Sachs and] other U.S. banks to delay payment on obligations, borrow even more money and to keep the true figures off the official books."

Bill Bonner emphasized the influence of Goldman in helping Greece hide these violations: "Goldman Sachs, the most cunning of Wall Street's financiers, is fundamentally a debt monger. Like a liquor store owner or a drug dealer, it earns money to the extent it is able to move its merchandise. The more the customer wants, the more Goldman earns. Whether the purchase is good for the customer or not is not Goldman's concern. The money monger seeks neither the ruin of his customer, nor his reformation." Goldman earned $300 million in "helping" the Greek government put off its day of reckoning.

Rocky Vega called the process fraudulent, but added that it's not likely that anything will be done as "there's little of the backbone needed, in the US or abroad, to explore what could essentially be economic foul play." Yannos Papantoniou, who was the Greek Minister of National Economy and Finance at the time, claimed, "This was just an ordinary swap. It was simply to even out the servicing of our debt so as to avoid any jump in debt burden as a result of currency movements." As Tevye said in *Fiddler on the Roof*, there's enough doubletalk in that statement "to cross a Rabbi's eyes." But there's enough there to prompt criticism of Goldman Sachs, claiming the bank was using Greece's debt troubles for its own advantage.

The writer for *Spiegel* called the action "blatant balance sheet cosmetics." It involved fictional exchange rates, and allowed the government to report lower debt and deficit numbers while simultaneously obtaining additional financing. In the short run, Goldman "could easily be blacklisted and banned in Europe for its role in helping Greece hide its debt," according to MIT economist Simon Johnson, who also expects the EU to do a full audit of the company. If Goldman is "allowed back into this arena, it will have to address the inherent conflicts of interest between advising a government on how to 'put lipstick on a pig' and [then] cajoling investors into buying [that] livestock at inflated prices."

Goldman's behavior as a debt monger also came to light in the case exposed by the*Los Angeles Times* in a 2008 article criticizing the company for urging "some of its big clients to place investment bets against California bonds … despite having collected millions of dollars in fees to help the state sell some of those same bonds." Geoffrey Heal, professor at Columbia University was acidic: "That's not a good way to do business. They've got a conflict of interest and they're acting against the interest of their customers. You act in the interest of your clients. You don't screw them, to put it bluntly."

In 2008, Goldman Sachs also came under criticism for an apparent "revolving-door relationship in which its employees and consultants have moved in and out of high level US Government positions, where there may exist the potential for a conflict of interest." This conflict has been explored before on this website and was reinforced in a *New York Times* article in November of that year in which "Goldman's presence in the [Treasury] department and around the federal response to the financial crisis is so ubiquitous that other bankers and competitors have given the … firm a new nickname: "Government Sachs." The article raises questions such as, "Why Goldman, which with other firms … helped fuel the financial crisis through the use of exotic securities, has such a strong hand in trying to resolve the problem. [And why] Henry Paulson hasn't hired more individuals from other banks [in order] to limit the appearance that the Treasury Department has become a de facto Goldman division." As William K. Black, associate professor of law and economics at the University of Missouri, said, "He's brought on people who have the same life experiences and ideologies as he does. These people were trained by Paulson, evaluated by Paulson so their mind-set is not just shaped in generalized group think — it's specific Paulson group think."

This incestuous relationship is worse than many knowledgeable people know. When Ed Hiserodt reviewed the book *Obamanomics* for *The New American* magazine, he said, "Most Americans (including your reviewer before reading [it]) have no idea how totally corrupt our federal government has become." In the current situation "the government and the special interests [such as Goldman] are not adversarial, but work together to fleece taxpayers."

In *Rolling Stone* magazine's in-depth article to appear in the March 4th edition entitled "Wall Street's Bailout Hustle", Matt Taibbi uses rough language to look into and examine a series of self-serving actions that resulted in the extraordinary profits Goldman Sachs generated just a year after they were bailed out by the government. Taibbi is explicit about how Goldman did it: "They raped the taxpayer, and they raped their clients." Taibbi reviews the various "cons" employed by Goldman to take advantage of its incestuous relationship and securing its place as a "debt monger" of the first order: #1: The Swoop and Squat; #2: The Dollar Store; #3: The Pig in the Poke; #4: The Rumanian Box; #5: The Big Mitt; #6: The Wire; and #7: The Reload. He concludes his nearly obscene tirade with this warning: "It doesn't matter what regulations are in place if the people running the economy are rip-off artists. The system assumes a certain minimum level of ethical behavior and civic instinct over and above what is spelled out in the regulations. If those ethics are absent — well, this thing isn't going to work, no matter what we do. Sure, mugging old ladies is against the law, but it's also easy. To prevent it, we depend, for the most part, not on cops but on people making the conscious decision not to do it."

Bonner said, "But what's new? Governments always turn to rich, well-connected moneymen for finance."

> The Rothschilds largely financed Britain's continental allies in its war against Napoleon in the early 19th century. Then, in the early 20th century, JP Morgan financed the British in WWI. In both cases, the lenders found innovative and often complex ways to keep the money flowing. Now,

> we are in the early 21st century and Goldman is providing the money.

Ron Paul suspects that the American taxpayer is being fleeced by the bailout in the works for Greece, but because of the opacity of the Fed, no one knows. He says:

> No one has a more vested interest in keeping this system cobbled together than our own government and the Federal Reserve. The agreements that Iceland and Dubai and Greece have negotiated can amount to little more than kicking the can down the road, as their overall spending habits remain largely intact, fiat currencies are still legal tender and more debt is issued on top of unsustainable debt.

The American people have the right to know if they are going to be the ones holding the bag in the end because the Federal Reserve secretly put them on the hook for it. This knowledge would be a key factor in peacefully dismantling this immoral and unconstitutional system.