

Money and Power- How Goldman Sachs Came to Rule the World
William D. Cohan

An evenhanded history, with insight into the unseen hand that drives the Masters of the universe

The book is organized as a history, beginning with Marcus Goldman's arrival in Philadelphia and move to New York. Cohan offers a convincing description of business in the era of the robber barons. Goldman of course was no robber baron – he was just a clever Jewish guy good at being the middleman – but his shrewdness in buying and selling commercial paper made him a wealthy man. The business also exposed him to the same kinds of moral dilemmas which face the business today. As an agent, did he have any responsibility for bogus promissory notes that he had brokered? It is similar to Goldman's much more recent problems with the ABACUS transactions in the housing meltdown.

The history of Goldman Sachs is a history of strong personalities and extraordinary ability. The story that the author conveys is that Goldman's uniqueness is in its ability to raise up incredibly capable people and to bind them to the company with an unusual degree of loyalty. It has done this by establishing ethical principles – sometimes honored in the breach, a very elaborate hiring process and a similarly rigorous system for pushing deadwood aside, partners included, and a system for providing outsized rewards.

Although Goldman and Sachs were Jewish, the firm was headed by ambitious Gentiles as early as the 1920s. The author speaks of the firm's DNA, which would seem to reflect Jewish cultural values, but it is clear that the firm is quick to recognize those values in people regardless of background. Recent presidents Jon Corzine and Hank Paulson were Gentiles from the middle West; Bob Rubin and Lloyd Blankfein happen to be Jewish. Blankfein is an archetype – a kid from a hardscrabble background who found his way into Goldman via the back door, but his talent could not be denied.

The book analyzes the tensions and moral issues facing Goldman itself and any Goldman employee. People are attracted to the firm by ego and ambition – it is known to be a place where you can make a great deal of money quickly. It is a crab pot of alpha males, ego confronting ego on a daily basis. The money becomes a marker, and this is the problem. Once one achieves a certain level of success, enough money to live well is no longer an issue. It is generally a competition in acquiring the trappings of great wealth, though there are exceptions. According to Cohan, Hank Paulson is one of those exceptions, and he spends a lot of effort analyzing Paulson's motivations, especially in contrast with John Thane and John Thornton.

In this era of Occupy Wall Street and other similar movements, this book should be a valuable background. The key players that Goldman are not born evil, but rather prisoners of the system, or you might even stretch to say victims of the system. There is no doubt that much of what they did is morally questionable, and certainly damaging to the economy. In writing legislation to attempt to right the situation one should understand the motivations of the players. Cohan analyzes them very well.