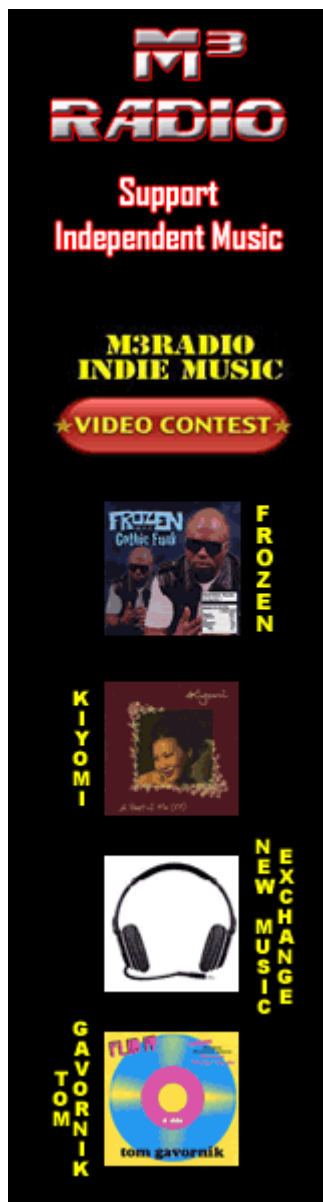


NEW YORK POST

GOOD FOR GOLDMAN, BAD FOR AMERICA

By TERRY KEENAN



July 19, 2009 --

CALL it the Goldman rally.

From the moment ace banking analyst **Meredith Whitney** turned bullish on the venerable firm Monday morning, through the after-glow of its blow-out profit report the next day, stocks were off to the races.

The Dow and S&P 500 put in their best winning streak since May, as pundits proclaimed that Goldman's record quarter on Wall Street meant that all is right again on Main Street.

Sadly, just the opposite is the case. In fact, to turn a famous phrase on its head, what's bad for America is good for Goldman Sachs.

How so? Well, a look at how Goldman makes its money tells the story. Although the firm morphed into a commercial bank to take advantage of a whole host of government handouts, Goldman is truly a trading machine, a hedge fund on steroids, with trading revenue accounting for 69 percent of gross revenue in the first quarter, according to an analysis by credit maven **James Bianco**.

Goldman gets the most attention for its deft handling of its own account, but a big chunk of its trading pie also involves the selling and trading of US government debt -- federal, state and local. Indeed, as one of the biggest primary dealers of US Treasuries, Goldman Sachs has a huge vested interest in the United States digging a deeper and deeper hole.

These days, trading Uncle Sam's IOUs is big business. It's also one of the few growth markets on Wall Street. The IPO business, private equity and mergers and acquisitions have yet to recover from the credit crash.

By Goldman's own estimates, the US will borrow a record \$3.25 trillion in the current fiscal year -- almost four times as much as in 2008.

With its biggest competitors in this market (Lehman Brothers and Bear Stearns) out of business, Goldman is a major toll collector on Washington's red-ink railroad. Whitney labels it a "debt tsunami" that will lift Goldman's

fortunes going forward.

To put it bluntly, Goldman Sachs is a play on the bankrupting of America -- the more we borrow, the more they make.

That's their business and it's all perfectly legal, but the American public should know this side of the Goldman profit miracle.

The ability of **Lloyd Blankfein**, the Goldman CEO, to show profits of \$3.44 billion in the latest quarter, while the company has set aside \$11.4 billion this year to compensate its employees is truly remarkable. The firm did it through savvy trading and management, but also while competing on a playing field that has been cleared of many of its top competitors and so soon after Uncle Sam bailed them out with \$10

billion of TARP money -- and millions more through AIG, all paid for by taxpayers.

It also did so by benefiting nicely from the Washington borrowing binge that was triggered in part by the banking crisis that started in Wall Street's own backyard.

Sure, someone has to trade and sell all that government wampum, and Goldman is as good a firm to do it as any. But come on guys, it isn't brain surgery.

The average American might not be getting a \$10 million bonus this year, but he is smart enough to figure *that* out.

TERRY KEENAN is anchor of *Cashin' In*, an investing program that appears on Fox News Channel on Saturday mornings at 11:30. E-mail terry.keenan@foxnews.com.

[Home](#)

NEW YORK POST is a registered trademark of NYP Holdings, Inc. NYPOST.COM, NYPOSTONLINE.COM, and NEWYORKPOST.COM are trademarks of NYP Holdings, Inc.
Copyright 2009 NYP Holdings, Inc. All rights reserved.