

Bring Down Goldman Sachs and Expose the Financial Coup

The Role of the SEC and the US Congress

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Not only did Goldman Sachs profit on betting against CDOs they designed to fail; more importantly, they insured them through AIG which led to a \$182 billion taxpayer bailout.

Have you heard the news? It's everywhere! The SEC and Congress have all of a sudden sprung to life and are now "getting tough" on Goldman Sachs. Is this all the first phase of a long-awaited investigation that will reveal the causes of our current economic crisis, or is this just more show trials and [psychological operations](#) designed to manipulate public opinion and make the American people feel that our elected officials are finally standing up to their campaign funders on Wall Street?

First off, let's address these SEC charges against Goldman Sachs. At first glance you might think, oh big deal, this is just a minor civil suit that only indicts a low-level Goldman employee. Goldman will just throw some money at it and it will most likely go away. After all, Wall Street firms have already thrown over [\\$430 billion out](#) to derail 1500 cases against them, so what will make this any different?

We are also left wondering, if the SEC was serious about this case, why aren't they investigating and prosecuting John Paulson and top Goldman executives under the federal Racketeer Influenced and Corrupt Organizations Act (RICO) statutes? Even the [NY Times reported](#) that top executives were involved in the process. If you think Lloyd Blankfein wasn't fully aware of this billion dollar deal involving John Paulson, you're delusional. Blankfein became CEO of Goldman due to his outstanding expertise in this particular area, serving as Goldman's head of the Fixed Income, Currency and Commodities Division (FICC) since its [formation in 1997](#).

So unless this is just the first of many moves on the part of the SEC, this whole case amounts to a psychological operation designed to [once again](#) quell popular outrage. These indications lead me to believe that this is a classic "limited hang-out." As Wikipedia explains it:

"A limited hangout is a form of deception, misdirection, or coverup often associated with intelligence agencies involving a release or 'mea culpa' type of confession of only part of a set of previously hidden sensitive information, that establishes credibility for the one releasing the information who by the very act of confession appears to be 'coming clean' and acting with integrity; but in actuality by withholding key facts is protecting a deeper crime and those who could be exposed if the whole truth came out. In effect, if an array of offenses or misdeeds is suspected, this confession admits to a lesser offense while

covering up the greater ones.”

However, on the other hand, if you take a close look at this case, it shows you that the SEC and the recent Senate probe are on exactly the right trail to not only bring down Goldman and the major players who caused the economic crisis, but also to target the key aspects of the much bigger crime, or as I call it the [financial coup](#) that led to trillions of our tax dollars being handed over to the very people who caused the crisis.

So let’s look again at the specifics of the SEC case from this angle.

Congress and the SEC are making the case that Goldman Sachs and John Paulson put together CDOs that they knew would fail and then made huge profits shorting (betting against) them.

Although the SEC and Congress are focusing on Goldman Sachs and John Paulson shorting these CDOs they knew would fail, these CDOs are at the heart of the case I presented in my [Financial Coup report](#). Not only did they create CDOs they knew would fail and bet against them, but they also, more importantly, insured these CDOs through AIG. This is the key point and exactly what led to US taxpayers being forced to bail AIG out at the extraordinary expense of \$182 billion.

Hank Paulson’s Role

Here’s how a report on [Zero Hedge put it](#): “They [Goldman] fabricated synthetic CDOs, such as Abacus 2007 AC-1. These toxic assets, invented out of thin air, made the meltdown worse than it otherwise would have been. How much worse? Consider the numbers: According to the New York Fed, about \$1.275 trillion in subprime mortgage-backed bonds were issued between 2004 and 2006.”

Now, the quote above references some of the CDO time bombs that were created in the market that eventually blew up. Also, notice when the bulk of these CDOs were created – during Hank Paulson’s reign as CEO of Goldman. As [I wrote](#) in early February, “Paulson knew these CDOs would go bust because they were based on [fraudulent activities](#).... So Paulson and Goldman Sachs covered their risk by [insuring them through AIG](#), making it pivotal to save AIG....”

So after Hank Paulson and Goldman Sachs created a ticking time bomb in CDOs — Paulson personally made \$700 million on these shady activities — they then insured them through AIG. Paulson then moved to the US Treasury where he was calling the shots once his time bomb went off. And once it went off, Paulson quickly made the decision that AIG was “too big too fail” and must be saved at all costs.

As bad as that sounds, this is just part of the story. Enter Edward Liddy, as [I wrote](#):

“Another egregious unilateral move by Paulson was [installing Edward Liddy](#), one of his former board members at Goldman Sachs, as [CEO of AIG](#). Liddy was the Chairman of Goldman’s Audit Committee, making him the most knowledgeable person regarding Goldman’s [collateralized debt obligations](#) (CDOs)... making it pivotal to... have one of Paulson’s most trusted allies run the company. With Liddy in place, billions of taxpayer dollars were secretly funneled by the [Geithner-led NY Federal Reserve through AIG](#) to Goldman

Sachs and several other Wall Street elite counterparties.”

Without the AIG bailout, Goldman Sachs would have collapsed as a result of its own scam. So Hank Paulson, not John Paulson, should be the ultimate target of this investigation.

Credit Ratings Agencies and Other Firms

Other key players in this scam/coup were the credit ratings agencies. Congress is pounding away on [this front](#) now as well. Goldman Sachs either duped the major ratings agencies or got them to play along – getting them to give fraudulent AAA ratings to the CDOs that were designed to fail, thus leading investors to believe that they were safe investments.

Now, to be clear, Goldman Sachs wasn’t the only firm to create these CDO bombs, as [Pro Publica reported](#):

“Investment banks including JPMorgan Chase, Merrill Lynch (now part of Bank of America), Citigroup, Deutsche Bank and UBS also created CDOs that a hedge fund named Magnetar was both helping create and betting would fail. Those investment banks marketed and sold the CDOs to investors without disclosing Magnetar’s role or the hedge fund’s interests.

Here is a list of the banks that were involved in Magnetar deals, along with links to many of the prospectuses on the deals, which skip over Magnetar’s role. In all, investment banks created at least 30 CDOs with Magnetar, worth roughly \$40 billion overall. Goldman’s 25 Abacus CDOs—one of which is the basis of the SEC’s lawsuit—amounted to \$10.9 billion.”

The Federal Reserve’s Role

The investigations also need to target the fact that Hank Paulson and Ben Bernanke turned Goldman Sachs into a bank holding company overnight, which gave Goldman and a handful of other firms, chosen by Paulson and Bernanke, access to trillions in taxpayer backed zero interest loans. This allowed them to buy up assets and manipulate the market at a time when other firms, not blessed by the Fed, couldn’t compete. This is why we now see Goldman racking in record breaking profits. Even to this day, the Fed is fighting disclosure of information on these scandalous loans estimated to be worth a [stunning \\$2 trillion](#). The Fed’s desire to conceal information regarding \$2 trillion in taxpayer backed loans demonstrates a complete disregard for the American people.

And while Congress is at it, they need to hold accountable the people involved in the [Maiden Lane II and III](#) taxpayer money giveaways. In these deals, the Fed moved tens of billions of taxpayer dollars without Congressional approval prior to TARP and the bailout. This is a direct [violation of the Constitution](#), not to mention completely illegal. The Fed cannot move a single tax dollar without Congressional approval, let alone tens of billions.

Yet another focus of the investigation needs to be the outright fraudulent accounting scams that were exposed in the Lehman Brothers bankruptcy report and have since been proven to be [standard procedure](#) among the 18 largest politically-connected firms. As Jennifer S. Taub revealed on [Baseline Scenario](#): “...based on data from the Federal Reserve Bank of New York, eighteen banks ‘understated the debt levels used to fund securities trades by lowering them an average of 42% at the end of each of the past five quarterly periods.’

These banks include Goldman Sachs, Morgan Stanley, JP Morgan Chase, Bank of America and Citigroup.”

Once again, the Federal Reserve played a significant role in aiding and abetting these illegal accounting scams, which of course led to record breaking bonuses that are handed out based on false profits.

This is why we must aggressively pursue RICO charges, this is an organized criminal operation of the highest degree.

The bottom line is, these are the illegal activities that led to our current crisis and what amounts to trillions of dollars lost to theft and outright fraud.

There is no question that Congress and the SEC have been derelict in their duties thus far, and possibly criminally negligent, and this all could very well just be more show trials that are psychological operations to make the US public think that there is actually accountability and a rule of law. However, if Congress and the SEC can stay the course and follow this investigation through, it will lead them right into the heart of an intelligence operation designed to take down the US [working class taxpayer](#) and [enrich the wealthiest](#) people on the planet.

A bold claim, but if Congress and the SEC are actually concerned about the interests of [99% of the US population](#), their investigation will lead them down this path, which will eventually bring down Goldman Sachs and expose the Financial Coup.

The American public must demand that this investigation proceed along these lines. We are literally confronted with the [greatest theft of wealth in history](#) and the consequences of this are only [just beginning to reap their toll](#).

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