America's Ten Most Corrupt Capitalists

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The financial crisis has unveiled a new set of public villains—corrupt corporate capitalists who leveraged their connections in government for their own personal profit. During the Clinton and Bush administrations, many of these schemers were worshiped as geniuses, heroes or icons of American progress. But today we know these opportunists for what they are: Deregulatory hacks hellbent on making a profit at any cost. Without further ado, here are the 10 most corrupt capitalists in the U.S. economy.

1. Robert Rubin

Where to start with a man like Robert Rubin? A Goldman Sachs chairman who wormed his way into the Treasury Secretary post under President Bill Clinton, Rubin presided over one of the most radical deregulatory eras in the history of finance. Rubin's influence within the Democratic Party marked the final stage in the Democrats' transformation from the concerned citizens who fought Wall Street and won during the 1930s to a coalition of Republican-lite financial elites.

Rubin's most stunning deregulatory accomplishment in office was also his greatest act of corruption. Rubin helped repeal Glass-Steagall, the Depression-era law that banned economically essential banks from gambling with taxpayer money in the securities markets. In 1998, Citibank inked a merger with the Travelers Insurance group. The deal was illegal under Glass-Steagall, but with Rubin's help, the law was repealed in 1999, and the Citi-Travelers merger approved, creating too-big-to-fail behemoth Citigroup.

That same year, Rubin left the government to work for Citi, where he made $120 million as the company piled up risk after crazy risk. In 2008, the company collapsed spectacularly, necessitating a $45 billion direct government bailout, and hundreds of billions more in other government guarantees. Rubin is now attempting to rebuild his disgraced public image by warning about the dangers of government spending and Social Security. Bob, if you're worried about the deficit, the problem isn't old people trying to get by, it's corrupt bankers running amok.

2. Alan Greenspan

The officially apolitical, independent Federal Reserve chairman backed all of Rubin's favorite deregulatory plans, and helped crush an effort by Brooksley Born to regulate derivatives in 1998, after the hedge fund Long-Term Capital Management went bust. By the time Greenspan left office in 2006, the derivatives market had ballooned into a multi-trillion dollar casino, and Greenspan wanted his cut. He took a job with bond kings PIMCO and then with the hedge fund Paulson & Co.—yeah, *that* Paulson and Co., the one that colluded with Goldman Sachs to sabotage the company's own clients with unregulated derivatives.

Incidentally, this isn't the first time Greenspan has been a close associate of alleged fraudsters. Back in the 1980s, Greenspan went to bat for politically connected Savings & Loan titan Charles Keating, urging regulators to exempt his bank from a key rule. Keating later went to jail for fraud, after, among other things, putting out a hit on regulator William Black. ("Get Black – kill him dead.") Nice friends you've got, Alan.

3. Larry Summers

During the 1990s, Larry Summers was a top Treasury official tasked with overseeing the economic rehabilitation of Russia after the fall of the Soviet Union. This project, was, of course, a complete disaster that resulted in decades of horrific poverty. But that didn't stop top advisers to the program, notably Harvard economist Andrei Shleifer, from getting massively rich by investing his own money in Russian projects while advising both the Treasury and the Russian government. This is called "fraud," and a federal judge slapped both Shleifer and Harvard itself with hefty fines for their looting of the Russian economy. But somehow, after defrauding two governments while working for Summers, Shleifer managed to keep his job at Harvard, even after courts ruled against him.

That's because after the Clinton administration, Summers became president of Harvard, where he protected Shleifer. This wasn't the only crazy thing Summers did at Harvard—he also ran the school like a giant hedge fund, which went very well until markets crashed in 2008. By then, of course, Summers had left Harvard for a *real* hedge fund, D.E. Shaw, where he raked in $5.2 million working part-time. The next year, he joined the the Obama administration as the president's top economic adviser. Interestingly, the Wall Street reform bill currently circulating through Congress essentially leaves hedge funds untouched.

4. Phil and Wendy Gramm

Summers, Rubin and Greenspan weren't the only people who thought it was a good idea to let banks gamble in the derivatives casinos. In 2000, Republican Senator from Texas Phil Gramm pushed through the Commodity Futures Modernization Act, which not only banned federal regulation of these toxic poker chips, it also banned states from enforcing anti-gambling laws against derivatives trading. The bill was lobbied for heavily by energy/finance hybrid Enron, which would later implode under fraudulent derivatives trades. In 2000, when Phil Gramm pushed the bill through, his wife Wendy Gramm was serving on Enron's board of directors, where she made millions before the company went belly-up.

When Phil Gramm left the Senate, he took a job peddling political influence at Swiss banking giant UBS as vice chairman. Since Gramm's arrival, UBS has been embroiled in just about every scandal you can think of, from securities fraud to tax fraud to diamond smuggling. Interestingly, both UBS shareholders and their executives have gotten off rather lightly for these acts. The only person jailed thus far has been the tax fraud whistleblower. Looks like Phil's earning his keep.

5. Jamie Dimon

J.P. Morgan Chase CEO Jamie Dimon has done a lot of scummy things as head of one of the world's most powerful banks, but his most grotesque act of corruption actually took place at the Federal Reserve. At each of the Fed's 12 regional offices, the board of directors is staffed by officials from the region's top banks. So while it's certainly galling that the CEO of J.P. Morgan would be on the board of the New York Fed, one of J.P. Morgan's regulators, it's not all that uncommon.

But it *is* quite uncommon for a banker to be negotiating a *bailout package* for his bank with the New York Fed, while simultaneously serving on the New York Fed board. That's what happened in March 2008, when J.P. Morgan agreed to buy up Bear Stearns, on the condition that the Fed kick in $29 billion to cushion the company from any losses. Dimon-- CEO of J.P. Morgan and board member of the New York Fed-- was negotiating with Timothy Geithner, who was president of the New York Fed-- about how much money the New York Fed was going to give J.P. Morgan. On Wall Street, that's called being a savvy businessman. Everywhere else, it's called a conflict of interest.

6. Stephen Friedman

The New York Fed is just full of corruption. Consider the case of Stephen Friedman (expertly presented by Greg Kaufmann for the *Nation)*. As the financial crisis exploded in the fall of 2008, Friedman was serving both as chairman of the New York Fed and on the board of directors at Goldman Sachs. The Fed stepped in to prevent AIG from collapsing in September 2008, and by November, the New York Fed had decided to pay all of AIG's counterparties 100 cents on the dollar for AIG's bets—even though these companies would have taken dramatic losses in bankruptcy. The public wouldn't learn which banks received this money until March 2009, but Friedman bought 52,600 shares of Goldman stock in December 2008 and January 2009, more than doubling his holdings.

As it turns out, Goldman was the top beneficiary of the AIG bailout, to the tune of $12.9 billion. Friedman made millions on the Goldman stock purchase, and is yet to disclose what he knew about where the AIG money was going, or when he knew it. Either way, it's pretty bad—if he knew Goldman benefited from the bailout, then he belongs in jail. If he didn't know, then what exactly was he doing as chairman of the New York Fed, or on Goldman's board?

7. Robert Steel

Like better-known corruptocrats Robert Rubin and Henry Paulson, Steel joined the Treasury after spending several years as a top executive with Goldman Sachs. Steel joined the Treasury in 2006 as Under Secretary for Domestic Finance, and proceeded to do, well, nothing much until financial markets went into free-fall in 2008. When Wachovia ousted CEO Ken Thompson, the company named Steel as its new CEO. Steel promptly bought one million Wachovia shares to demonstrate his commitment to the firm, but by September, Wachovia was in dire straits. The FDIC wanted to put the company through receivership—shutting it down and wiping out its shareholders.

But Steel's buddies at Treasury and the Fed intervened, and instead of closing Wachovia, they arranged a merger with Wells Fargo at $7 a share—saving Steel himself $7 million. He now serves on Wells Fargo's board of directors.

8. Henry Paulson

His time at Goldman Sachs made Henry Paulson one of the richest men in the world. Under Paulson's leadership, Goldman transformed from a private company ruled by client relationships into a public company operating as a giant global casino. As Treasury Secretary during the height of the financial crisis, Paulson personally approved a direct $10 billion capital injection into his former firm.

But even before that bailout, Paulson had been playing fast and loose with ethics rules. In June 2008, Paulson held a secret meeting in Moscow with Goldman's board of directors, where they discussed economic prognostications, market conditions and Treasury rescue plans. Not okay, Hank.

9. Warren Buffett

Warren Buffett used to be a reasonable guy, blasting the rich for waging "class warfare" against the rest of us and deriding derivatives as "financial weapons of mass destruction." These days, he's just another financier crony, lobbying Congress against Wall Street reform, and demanding a light touch on—get this—*derivatives*! Buffet even went so far as to buy the support of Sen. Ben Nelson, D-Nebraska, for a filibuster on reform. Buffett has also been an outspoken defender of Goldman Sachs against the recent SEC fraud allegations, allegations that stem from fancy products called "synthetic collateralized debt obligations"—the financial weapons of mass destruction Buffett once criticized.

See, it just so happens that both Buffet's reputation and his bottom line are tied to an investment he made in Goldman Sachs in 2008, when he put $10 billion of his money into the bank. Buffett has acknowledged that he only made the deal because he believed Goldman would be bailed out by the U.S. government. Which, in fact, turned out to be the case, multiple times. When the government rescued AIG, the $12.9 billion it funneled to Goldman was to cover *derivatives* bets Goldman had placed with the mega-insurer. Buffett was right about derivatives—they *are* WMD so far as the real economy is concerned. But they've enabled Warren Buffett to get even richer with taxpayer help, and now he's fighting to make sure we don't shut down his own casino.

10. Goldman Sachs

No company exemplifies the revolving door between Wall Street and Washington more than Goldman Sachs. The four people on this list are some of the worst offenders, but Goldman's D.C. army has includes many other top officials in this administration and the last.

White House:

Joshua Bolton, chief of staff for George W. Bush, was a Goldman man

Regulators:

Current New York Fed President William Dudley is a Goldman man

Current Commodity Futures Trading Commission Chairman Gary Gensler has been a responsible regulator under Obama, but he was a deregulatory hawk during the Clinton years, and worked at Goldman for nearly two decades before that.

A top aide to Timothy Geithner, Gene Sperling, is a Goldman man

Current Treasury Undersecretary Robert Hormats is a Goldman man

Current Treasury Chief of Staff Mark Patterson is a former Goldman lobbyist

Former SEC Chairman Arthur Levitt is now a Goldman adviser

Neel Kashkari, Henry Paulson's deputy on TARP, was a Goldman man

COO of the SEC Enforcement Division Adam Storch is a Goldman man

Congress:

Former Sen. John Corzine, D-N.J., was Goldman's CEO before Henry Paulson

Rep. Jim Himes, D-Conn., was a Goldman Vice President before he ran for Congress

Former House Minority Leader Dick Gephardt, D-Mo., now lobbies for Goldman

And the list goes on.

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