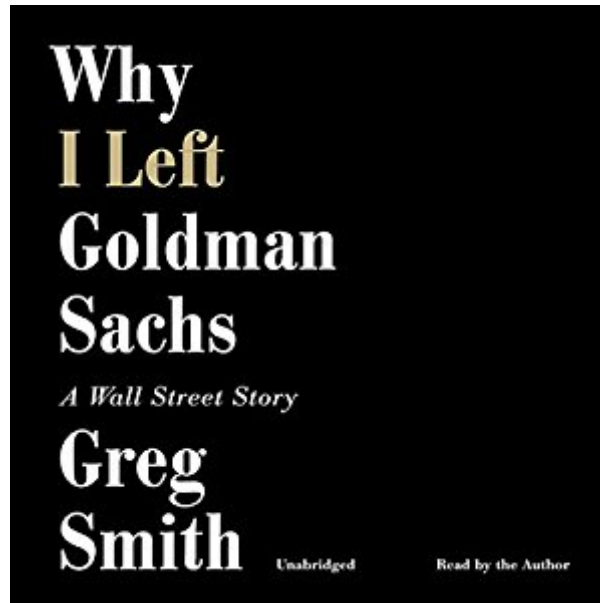


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# Why I Left Goldman Sachs: A Wall Street Story



## Synopsis

On March 14, 2012, more than three million people read Greg Smith's bombshell op-ed in the New York Times titled *Why I Am Leaving Goldman Sachs*. The column immediately went viral, became a worldwide trending topic on Twitter, and drew passionate responses from former Fed chairman Paul Volcker, legendary General Electric CEO Jack Welch, and New York City mayor Mike Bloomberg. Mostly, though, it hit a nerve among the general public who question the role of Wall Street in society - and the callous "take-the-money-and-run" mentality that brought the world economy to its knees a few short years ago. Smith now picks up where his op-ed left off. His story begins in the summer of 2000, when an idealistic 21-year-old arrives as an intern at Goldman Sachs and learns about the firm's Business Principle Number One: Our clients' interests always come first. This remains Smith's mantra as he rises from intern to analyst to sales trader, with clients controlling assets of more than a trillion dollars. From the shenanigans of his summer internship during the technology bubble to Las Vegas hot tubs and the excesses of the real estate boom; from the career lifeline he received from an NFL Hall of Famer during the bear market to the day Warren Buffett came to save Goldman Sachs from extinction - Smith will take the reader on his personal journey through the firm, and bring us inside the world's most powerful bank. Smith describes in page-turning detail how the most storied investment bank on Wall Street went from taking iconic companies like Ford, Sears, and Microsoft public to becoming a "vampire squid" that referred to its clients as "muppets" and paid the government a record half-billion dollars to settle SEC charges. He shows the evolution of Wall Street into an industry riddled with conflicts of interest and a profit-at-all-costs mentality: a perfectly rigged game at the expense of the economy and the society at large. After conversations with nine Goldman Sachs partners over a twelve-month period proved fruitless, Smith came to believe that the only way the system would ever change was for an insider to finally speak out publicly. He walked away from his career and took matters into his own hands. This is his story.

## Book Information

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## Customer Reviews

First, the book should have been titled "My career at Goldman Sachs before and after the financial crisis" since the author's reason for leaving the firm occupies only the last quarter of the book. Too much of the book is spent on personal anecdotes on individuals, client stories and parties. If the purpose was to open GS to outsiders who care about the personalities of VPs, MPs, Associates etc., then the book is highly informative. I had hoped that the book would also offer an insider's view of the big "financial crisis" issues: such as: \* Why was Goldman operated as a hedge fund with leverage levels that made it vulnerable to collapse? \* Why does the firm still have a net derivative exposure 7 times its risk-based capital, the highest among all federally chartered banks and seven times greater than Morgan Stanley? \* Why was it OK for the taxpayers to cover Goldman's counterparty risk with AIG derivatives? \* If Goldman and others are operating a rigged casino to fatten up partner and associate bonuses (total 2012 GS salary, bonus and perks spending was reported to be \$13 billion, or about \$400,000 per employee), then should the government ban proprietary trading? \* Have the hundreds of trillions of dollars in derivative products peddled by Goldman and others merely set the stage for a worldwide financial system meltdown when the Central Banks cannot stop future runs on the counterparties and banks? These and other issues related to conflicts of interest, sleazy ethics and non-fiduciary conduct are of greater importance for reforming the financial services industry.

The book almost could be titled, "Why I Left Government." It's about a career in big finance. After years working with elite financial professionals, Greg Smith's values came in conflict with the business. Customers and the public get disrespected because we're often gullible when it comes to financial instruments. Goldman Sachs (GS) had a storied and honorable tradition. Things changed during Smith's 12-year tenure. GS's corporate culture now reflects the corruption and cynicism of our society, only on a scale defying imagination. Be warned that the author, in my view, is not a natural storyteller. It's easier to stay with a story when the characters are brought to life. My review is based on the audible version which is unabridged and narrated by the author. I always appreciate

it when the author is the narrator. Smith's personal style is that he doesn't speak with a lot of passion. Smith started as a competitive academic high-performer when he was 21-years old in 2000. He describes the selection process as if coaching college students to make the cut with big-name firms. Candidates get subjected to extreme pressure and embarrassment. Smith later learned GS did this to assess candidates for integrity, as it's tempting to make stuff up under pressure in an effort to save face. Despite the state of the stock market at the time with the dot-com crash under way, those were idealistic and innocent times compared to now. In some respects, Smith's book is sincerely flattering to GS. I feel that Smith's turning point came when his best friend Lex asked one simple question. Lex was concerned about Congress passing TARP and bailing out Goldman Sachs along with other elite firms. Lex asked, "What about the other people whose 401Ks are getting decimated."

This book is a great portrayal of life in Wall Street. You'd think that Wall Street is so big and full of "smart" people that there would be more people like Greg Smith who come out in public and speak their conscience about how business is done. Not the case, Wall Street remains a very secretive place with a lot of deals done in a dark room with 5 or 6 guys shaking hands. I applaud this guy for doing it. Most of the big firms are far more concerned about reputation than the law (and rightfully so) and this makes the book even more significant. I found this book to be a very accurate portrayal of life in the street. Being in the financial services myself I was able to relate to a lot of the stories regarding training and being a young trader at GS. Also, it was easy to identify with stories about office politics and how business is done at GS. Anyone looking to buy this book should know that Greg is no Michael Lewis but this is probably a good thing. Some of the stories are a bit dry but at the same time accurate. I found Michael Lewis fun to read but some of the stories are highly exaggerated. But I digress.....My only complaint about the book is that it does not go far enough. Some of the anecdotal stories that Greg recounts regarding ridiculous behavior on the parts of the managers and partners are really standard practice in Wall Street. Anyone working in the financial services will quickly learn that there is an abundance of a holes and irresponsible behavior is often rewarded well. Also, the main point of the book that clients are viewed as the enemy is again standard practice in the street. This was more so the case before 2008 but even nowadays there have not been a lot of changes.

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