

Corporate Cabinet Profile Series



Name: Gary Cohn

Cabinet Title: Director of National Economic Council

Goldman Sachs Chief Operating Officer (COO) Gary Cohn (2006-2016)

Corporate Connection: Goldman Sachs

Gary Cohn was chief operating officer of Goldman Sachs from 2006 to 2016, steering the investment bank's daily activities. Under Cohn's leadership, Goldman Sachs profited off the housing market collapse in part by misleading its own clients. Goldman sold ticking time bomb financial instruments to its clients, often overcharging them, misrepresenting the risk involved and failing to mention that Goldman itself was sometimes betting the products would fail.[1] Much of Goldman's most troubling pre-crash behavior occurred in 2007, when Cohn was awarded \$67.5 million in compensation. Goldman has paid billions in fines for its actions under Cohn's leadership. He has pushed strategies of outsourcing jobs and saving money by cutting employee compensation. Cohn will leave Goldman with "\$266 million of stock and awards,"[2] including as much as \$58.5 million in stock awards from Goldman Sachs for taking a position in the Trump administration.

- Cohn was at the center of the most recent financial crisis as chief operating officer of Goldman Sachs when the firm sold its own customers and investors products Goldman itself was sometimes betting would decline in value.[7]
- According to the U.S. Senate Permanent Subcommittee on Investigations, under Cohn's leadership, Goldman Sachs "used net short positions to benefit from the downturn in the mortgage market, and designed, marketed, and sold CDOs in ways that created conflicts of interest with the firm's clients and at times led to the bank's profiting from the same products that caused substantial losses for its clients." [8] In other words, in what can only be described as a massive conflict of interest, often when Goldman's clients lost, Goldman won – making billions. Internally, Goldman knew it was setting many of its clients up for failure, as the Senate investigation caught Goldman employees describing a product they were actively selling to clients as a "shitty deal." [9] After being sued by the client who received the "shitty deal," Goldman eventually settled. [10]
- Under Cohn's leadership, Goldman pushed "hard sell' tactics, repeatedly urging its sales force to sell" the products it knew would decline in value (CDO securities) and to "target clients with limited CDO familiarity." [11]
- In 2007 Cohn made \$67.5 million. [12] The same year, Goldman generated billions from its bet that the subprime mortgage market would drop, all while it "sold off the bulk of its subprime mortgage assets earlier and at higher prices than many other banks." [13] The Senate report described Goldman's actions accordingly: "All of these explanations point to actions taken by Goldman to transfer the risks of its own subprime mortgage inventory to others, including many of its own customers, before they became fully aware of the risks entailed in the products Goldman was marketing to them." [14]
- Goldman Sachs paid billions in fines for its actions under Cohn's leadership. [15]

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- Cohn helped push Goldman Sachs' "high value location strategy"[3] of moving "jobs to lower-cost centers." [4] Employees at high value locations "tend to cost 40-75% less on average," according to Cohn. [5] According to reports, the strategy includes outsourcing jobs to countries with much lower wages like India and cutting employee compensation. As Reuters pointed out, "with fewer dollars going into employees' pockets, more money goes to the bottom line." [6]
- Cohn will leave Goldman with "\$266 million of stock and awards," [16] which includes as much as \$58.5 in stocks awards as a bonus for leaving for government service. [17]

[1] http://www.hsgac.senate.gov/imo/media/doc/Financial_Crisis/FinancialCrisisReport.pdf Page 402

[2] <https://www.bloomberg.com/news/articles/2016-12-09/team-trump-s-wealth-soars-past-12-billion-as-cohn-to-be-tapped>

[3] <http://www.goldmansachs.com/investor-relations/presentations/archived/bernstein-presentation-remarks-2012.pdf>

[4] <http://www.reuters.com/article/us-goldman-compensation-insight-idUSBREA0G07M20140117>

[5] <http://www.goldmansachs.com/investor-relations/presentations/archived/bernstein-presentation-remarks-2012.pdf>

[6] <http://www.reuters.com/article/us-goldman-compensation-insight-idUSBREA0G07M20140117>

[7] http://www.hsgac.senate.gov/imo/media/doc/Financial_Crisis/FinancialCrisisReport.pdf

[8] http://www.hsgac.senate.gov/imo/media/doc/Financial_Crisis/FinancialCrisisReport.pdf Page 15

[9] http://www.hsgac.senate.gov/imo/media/doc/Financial_Crisis/FinancialCrisisReport.pdf Page 402

[10] <https://www.bloomberg.com/news/articles/2016-06-14/goldman-sachs-agrees-to-end-1-billion-lawsuit-over-cdos>

[11] http://www.hsgac.senate.gov/imo/media/doc/Financial_Crisis/FinancialCrisisReport.pdf Page 390

[12] <http://www.vanityfair.com/news/2010/01/goldman-sachs-200101>

[13] http://www.hsgac.senate.gov/imo/media/doc/Financial_Crisis/FinancialCrisisReport.pdf Page 472

[14] http://www.hsgac.senate.gov/imo/media/doc/Financial_Crisis/FinancialCrisisReport.pdf Page 472

[15] <https://www.justice.gov/opa/pr/goldman-sachs-agrees-pay-more-5-billion-connection-its-sale-residential-mortgage-backed>

[16] <https://www.bloomberg.com/news/articles/2016-12-09/team-trump-s-wealth-soars-past-12-billion-as-cohn-to-be-tapped>

[17] <https://www.bloomberg.com/news/articles/2016-12-09/team-trump-s-wealth-soars-past-12-billion-as-cohn-to-be-tapped>

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