

The Partnership: The Making of Goldman Sachs

By Charles D. Ellis

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The inside story of one of the world?s most powerful financial Institutions

Now with a new foreword and final chapter, *The Partnership* chronicles the most important periods in Goldman Sachs?s history and the individuals who built one of the world?s largest investment banks. Charles D. Ellis, who worked as a strategy consultant to Goldman Sachs for more than thirty years, reveals the secrets behind the firm?s continued success through many life-threatening changes. Disgraced and nearly destroyed in 1929, Goldman Sachs limped along as a break-even operation through the Depression and WWII. But with only one special service and one improbable banker, it began the stage-by-stage rise that took the firm to global leadership, even in the face of the world-wide credit crisis.

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The Partnership: The Making of Goldman Sachs By Charles D. Ellis Bibliography

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Editorial Review

From Publishers Weekly
In this history of investment bank Goldman Sachs, Ellis (*Winning the Loser's Game*) covers the same ground as Lisa Endlich's *Goldman Sachs: The Culture of Success*—with notable stylistic differences. From Marcus Goldman's purchase of his first commercial paper in 1869 to the firm's current success, Ellis's account is lively and engaging where Endlich's is accurate but dry. Ellis sheds light on events through dialogue and detailed descriptions of people's thoughts and feelings, embellishments that the author terms recreations in his epilogue. The effect of infusing such narrative techniques into the history of Goldman Sachs is entertaining, but it pushes the envelope of nonfiction, especially since the author appears to have interviewed only former partners of the firm. More damagingly, Ellis fails to report much about actual business, and attempts to do so—such as a chapter on Rockefeller Center financing—require lengthy digressions and are incomprehensible due to the complexities of the transactions. Without links to business, boardroom conflicts take on the air of petty squabbles. More a composite memoir of senior Goldman partners than a traditional history, this book will satisfy readers curious about the philosophies and personalities of the firm. *(Oct.)*
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From Booklist
Ellis, the author of 14 books and managing partner of Greenwich Associates, a strategy-consulting firm, here provides a history of Goldman Sachs, which is arguably the most profitable and powerful investment bank in the world today. The firm began in 1885 as the partnership of two intermarrying families, but there was a rift early on; to this day, the two families are not on speaking terms. Nevertheless, through the expertise of the many partners through the years, the firm has pioneered virtually every area of finance: early in the twentieth century, they underwrote the initial stock offerings of companies such as Sears and Ford; they dominated institutional block trading in the 1970s, bonds and leveraged buyouts in the 1980s, and global finance in the 1990s. The book also chronicles the tough times the company has weathered, including the Great Depression, various market meltdowns, and insider trading scandals. Ellis touches on the mortgage crisis, which Goldman Sachs recognized early on and deftly avoided (unlike rivals such as Bear Stearns). Ellis has done a thorough job of researching the prestigious organization, providing a look at the many personalities that have made the famous name into what it is today. --David Siegfried

Review
aJust 10 days ago, Goldman Sachs chief executive Lloyd Blankfein made the stunning announcement -- during this season of jaw-dropping developments on Wall Street -- that the renowned investment-banking firm would morph into a traditional bank holding company, accepting onerous regulation in exchange for much-needed access to cash reserves. How could this happen to the country's most powerful investment bank? Charles D. Ellis's engaging history of the company, ""The Partnership,"" provides some clues -- about Goldman Sachs and about Wall Street writ large.
""The Partnership"" follows the firm from its beginnings as a commercial- paper dealer in 1869 (essentially recruiting investors to extend lines of credit to companies) to its emergence as the world's pre-eminent financial- services firm. A much-debated decision to sell Goldman shares to the public in 1999 was a watershed event, perhaps encouraging riskier behavior than would have been tolerated by partners with their own capital at stake. Similarly, the explosion in proprietary trading profits in recent years -- from trades using the bank's own money -- propelled overconfident Goldman bankers to up their bets.
Obviously, Mr. Ellis, a longtime consultant at Goldman, finished his chronicle before the big storm hit Wall Street. Still, his reporting suggests a company that, through well more than a century of investing and trading, has repeatedly found ways of reinventing itself, by exploiting the weakness of its rivals and by

mastering new financial specialities -- e.g., block trading, corporate underwriting, commodities trading and arbitrage. Though recently transformed, Goldman is unlikely to slink away.

Goldman's longascent to Wall Street's first ranks began a century ago when Henry Goldman undertook to raise money for industrial enterprises, many of which were regarded as "Jewish" companies and shunned by the established Wall Street firms. Struggling to find investors for companies light on assets, Goldman hit on a novel concept for determining market value: earning power. In partnership with the well-capitalized Lehman Brothers, Goldman floated financing for companies that included United Cigar, Worthington Pump and Sears, Roebuck & Co.

In an eerie forerunner of today's disasters, Waddill Catchings, Henry Goldman's successor, would very nearly destroy the firm in the 1920s by placing much of the partners' capital behind Goldman Sachs Trading Corp. This "investment trust" was an excessively leveraged and complex structure that collapsed when one of the subsidiary organizations was suddenly unable to pay a dividend. As Mr. Ellis writes: "Goldman Sachs Trading . . . became one of the largest, swiftest, and most complete investment disasters of the twentieth century."

Out of the rubble emerged Sidney Weinberg, a street-smart kid from Brooklyn, who rebuilt Goldman's reputation and kept the company afloat through the largely unprofitable years from 1929 to the end of World War II. Taking advantage of Weinberg's dozens of powerful corporate directorships, Goldman became an underwriting powerhouse.

From 1930 to 1969, Weinberg ruled the roost; his aversion to publicity became part of Goldman orthodoxy. He also had a healthy disdain for arrogance. As related by John Whitehead -- who worked at Goldman for more than three decades and eventually became co-chairman in the 1970s -- Weinberg boughtup Phi Beta Kappa keys from pawnshops all over Brooklyn. "If he had a stuffed shirt going on and on for too long about something," Weinberg "would pull the wire full of PBK keys out of his drawer and say admiringly, 'Gee, you're so awfully smart, you should have one of these.' "

Weinberg was followed by Gus Levy, a "shirtsleeves, no-frills guy" who pushed Goldman into the block trading of large groups of stocks or bonds. His strong work ethic and his belief in teamwork became a signature of Goldman's much- vaunted culture. During Levy's leadership, Goldman was nearly driven out of business a second time, when the Penn Central railroad went bankrupt in 1970. Because it was Penn Central's commercial-paper dealer, Goldman was sued not only for losing investors' money but also for not informing clients that its privileged information had caused the firm itself to dump Penn Central's paper. Goldman was censured by the Securities and Exchange Commission and lost tens of millions of dollars in the aftermath.

The firm had righted itself by the mid-1970s and for the next decade flourished under Mr. Whitehead and his co-chairman, John Weinberg (Sidney's son). Lloyd Blankfein, Goldman's current chief executive, rose at the firm because of his sponsorship of principal "risk-embracing" investing -- in other words, putting the firm itself in the position of directly buying and selling securities. The last chapter of "The Partnership" is titled "Lloyd Blankfein: Risk Manager." Whether Mr. Blankfein has appropriately responded to the unprecedented challenges in today's markets a or indeed whether he precipitated some of the problems through his enthusiasm for principal trading a is an openquestion.

It might be just as well that ""The Partnership"" ends before Goldman's recent convulsions -- Mr. Ellis is not the ideal candidate to dig up the story of what went wrong. In his afterword, he says that his consultancy, Greenwich Associates, has worked with Goldman for more than three decades. His many friendships brought him unparalleled access to the notoriously publicity-shy firm, but his closeness also results in a book that at times sounds like an authorized corporate history. Statements such as "philanthropy and public service are more important to Goldman Sachs people . . . than to any other comparable group" will have rivals grinding their teeth. He also tends to tread carefully when discussing the firm's past problems -- an irksome quality, yes, but a tolerable one, given the attractions of an inside view of what was once a Wall Street titan and -- who knows? -- may be again.a

aLiz Peek, "The Wall Street Journal"

aAs Goldman Sachs faces its greatest challenge, an important new history shows that the American investment bank is no stranger to adversity.

When Marcus Goldman, a Jewish immigrant from Bavaria, founded a small commercial-paper dealer in New York in 1869, he hardly could have imagined it would one day become the worldas most envied and profitable investment bank. Equally shocking to him would have been the hurricane that has descended on markets this year, wrecking the investment-bank business model, which relies on fickle short-term funding, and laying low entire institutions. Three of Americaas five independent investment banks have been swallowed by rivals or the abyss. The two that remain, Goldman Sachs and Morgan Stanley, have opted under intense pressure from market forces to become bank holding companies, a move that will subject them to tougher capital requirements and supervision.

A year that has seen the emasculation of Americaas brokerages may not seem the ideal time to reflect on what made the erstwhile industry leader great. But, amid the torrent of negative news, Charles Ellisas exhaustively researched history of Goldman Sachs paints a convincing picture of an institution that has got most of the important things right. It is an organisation America can be proud of, even as it is forced to reinvent itself to survive.

Mr Ellis, a consultant who has worked with the bank for more than 30 years, sees strengths aplenty. Goldman attracts the best and, with a recruitment process that redefines rigorous, hires the very best. The accent has always been on regeneration: partners are encouraged to move on to allow fresh blood to come through; many go on to public service. Hank Paulson, Americaas treasury secretary and the architect of the restructuring of the banking system, and Bob Zoellick, head of the World Bank, are two examples.

The dedication of employees is legendary. Lloyd Blankfein, the chief executive, describes the culture as a blend of confidence and aan inbred insecurity that drives people to keep working and producing long after they need to. We cringe at the prospect of not being liked by a client.a Even before the crisis, when Goldman was earning profits to make Croesus blush (it is still profitable), Mr Blankfein seemed more anxious than arrogant. Yet loyalty sometimes spills over into inexcusable behaviour, as when a female job candidate was asked if she would have an abortion rather than lose the chance to work on a big deal.

Much of the success comes from daring to think big. When Goldman said it wanted to break Deutsche Bankas stranglehold on Germanyas biggest corporations, local staff laughed. But after years of persistence it managed to do just that, prompting Deutscheas then boss, Hilmar Kopper, to declare: aNobody irritates me like Goldman Sachs. You get mandates we have not expected you to be even considered for!a

But in fighting for business, Goldman never reached the lows of brazenness of, say, Salomon Brothers in the 1980s. Indeed, its bankers were once dubbed abillionaire boy scoutsa, due to their talent for making lots of money while keeping their noses clean. It is, as one partner put it, along-term greedya. Better to forgo profit today than take it and alienate a client that might produce a lot more business over the long haul. Goldman refused to advise on hostile takeovers until the late 1990s.

It has also trodden gingerly when it comes to grand strategic moves, avoiding the headline-grabbing mergers embraced by so many of its rivals. When he ran the firm, Mr. Paulson nearly tied the knot with JPMorgan (now JPMorgan Chase) but balked at the last moment, fearing the deal would dilute Goldmanas close-knit culture. One of the firmas 14 guiding aPrinciplesa is that it should be big enough to serve any client, but small enough to maintain its esprit de corps.

aThe book is rich with insider lore as well as the closed-door dramas of partnership clashes. [Ellisas] experience graced him with a sure hand in writing about the world of traders, analysts and deal makers.a
a"New York Times Book Review"

aAt a time of economic uncertainty, Charles Ellis's banking history "The Partnership" may offer a kind of cathartic glance backward.a
a"The New York Sun"

aLively and engaginga]Ellis sheds light on events through dialogue and descriptions of peopleas thoughts and feelingsa

a"Publishers Weekly"
aEllis, the author of 14 books and managing partner of Greenwich Associates, a strategy-consulting firm, here provides a history of Goldman Sachs, which is arguably the most profitable and powerful investment bank in the world todaya]Ellis has done a thorough job of researching the prestigious organization, providing a look at the many personalities that have made the famous name what it is today.a
a"Booklist"
ailluminatinga][Ellis] explicates with clarity and vervea]He provides intriguing, specific descriptions of notable eventsa]He offers astute character sketches of the principal playersa]Mapping the firmas tangled loyalties and fiefdoms, Ellis paints a Darwinian portrait of fierce competitors who played people along with the markets.a a"Kirkus Reviews"
aIn tracing its more than 100 years of history, Ellis follows a constant roller- coaster ride from life-threatening disasters to glorious triumphs and back again, showing all the while how an ever- growing penchant for risk propelled the firm into the new world of complex derivativesa]At this moment, "The Partnership" is a must-read.a
a"Barronas"

" Rich with insider lore as well as the closed-door dramas of partnership clashes."
-"The New York Times Book Review"

"Exhaustively researched . . . paints a convincing picture of an institution that has got most of the important things right."
-"The Economist"

Users Review

From reader reviews:

Cora Gallien:

Book is to be different for every single grade. Book for children right up until adult are different content. As we know that book is very important for all of us. The book The Partnership: The Making of Goldman Sachs ended up being making you to know about other understanding and of course you can take more information. It is quite advantages for you. The publication The Partnership: The Making of Goldman Sachs is not only giving you far more new information but also to become your friend when you sense bored. You can spend your current spend time to read your book. Try to make relationship with all the book The Partnership: The Making of Goldman Sachs. You never feel lose out for everything in case you read some books.

Sharon Chacko:

Reading a publication tends to be new life style on this era globalization. With reading you can get a lot of information that could give you benefit in your life. Along with book everyone in this world can certainly share their idea. Textbooks can also inspire a lot of people. Plenty of author can inspire their particular reader with their story or perhaps their experience. Not only the storyplot that share in the publications. But also they write about the data about something that you need example of this. How to get the good score toefl, or how to teach your young ones, there are many kinds of book that you can get now. The authors these days always try to improve their talent in writing, they also doing some investigation before they write for their book. One of them is this The Partnership: The Making of Goldman Sachs.

Eric Ballentine:

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