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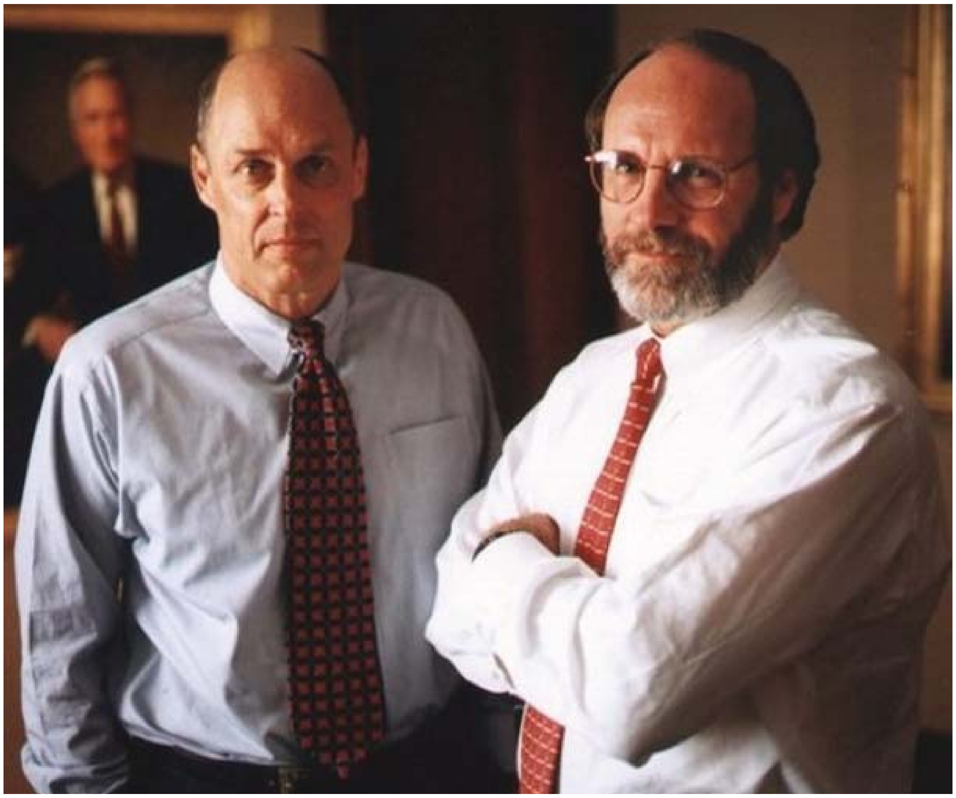
Foundation Watch

In Goldman Sachs We Trust:
How The Left's Favorite Bank Influences Public Policy

By Fred Lucas

***Summary**: In recent years the powerhouse bank Goldman Sachs has supplied Treasury secretaries to both Republican and Democratic administrations. A Goldman veteran serves as President Bush's chief of staff, while one runs the New York Stock Exchange and another lives in the New Jersey governor's mansion. Its politics skew left, and as the company's competitors on Wall Street go belly up, Goldman, a friend of Big Government, remains profitable and its influence grows.*



Goldman Sachs alumni hold sway at the highest levels of government: U.S. Treasury Secretary Henry Paulson (left) and New Jersey Governor Jon Corzine (right) are shown here in a 1998 photo. At the time, they were both co-chairmen of Goldman Sachs. Between the bank and the governorship, Corzine was a U.S. senator.

President George W. Bush claims to champion free markets, but he disappointed conservatives in July when he signed a massive housing bill to bail out Fannie Mae and Freddie Mac, the two government-sponsored enterprises (GSEs) that hold or guarantee almost half of the $12 trillion in outstanding U.S. mortgages. With the stroke of a pen, Bush made explicit an up-till-now implicit U.S. government promise to back the two stockholder-owned companies that have lost a combined $14.9 billion over the past four quarters. By September the Treasury Department had announced it was taking over Fannie and Freddie. Spearheading the administration's plan, which Standard & Poor's says could ultimately cost U.S. taxpayers $1 trillion, was Treasury Secretary Henry Paulson, a Wall Street veteran who had been chairman and CEO of the investment bank Goldman Sachs from 1999 until his cabinet appointment in late June 2006. "Hurricane Hank," as he was dubbed by the Washington Post (September 8), "swept through the nation's capital yesterday with gale-force regulatory winds and a tidal surge of federal cash."

Paulson's assurance that the federal government had no intention of actually using its takeover powers was reversed with remarkable speed. Wall Street and Congress have acquiesced to the Paulson seizure of the mortgage giants. They look to the next administration to reorganize Fannie and Freddie, either by privatizing them (Senator John McCain's solution) or by somehow regulating them in ways that let them generate profits sufficient to subsidize more low-income housing (the

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Democrats' view). Investors and lenders hope these actions will somehow "calm" the markets and restore "confidence." In a report submitted to Secretary Paulson, Goldman Sachs managing director (and former New York Federal Reserve president) E. Gerald Corrigan attributed the problem to "collective human behavior—unbridled optimism on the upside—and fear—bordering on panic—on the downside." (See New York Times, August 6). He said the financial community failed to take the necessary steps to manage its risk. Banks didn't understand their own complex portfolios, which led to a vicious circle of credit losses and write-downs. Now banks are growing risk-averse, afraid to lend money lest they throw good money after bad.

Now, at press time, Congress and the Bush administration are wrangling over another Paulson proposal that makes conservatives wince: in the third week of September Paulson proposed creating a $700 billion government fund to purchase banks' bad mortgage investments. "I hate the fact that we have to do this, but it is better than the alternative," Paulson said September 21. The Wall Street Journal reported that earlier in the week behind closed doors the Treasury Secretary sounded apocalyptic: "If it doesn't pass, then heaven help us all."

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One of President Bush's former aides, Dina Habib Powell, oversees Goldman Sachs's philanthropy. Powell previously directed the White House personnel office, and was assistant secretary of state for educational and cultural affairs.

The proposal, which Treasury officials call "balance sheet relief," is aimed at easing the credit squeeze. They say the bailout, along with the Federal Reserve Board's $85 billion lifeline to troubled insurance giant American International Group (announced September 16), is needed to prevent a full-scale economic meltdown.

The Goldman Touch

But unlike banks in the current financial climate, no one can accuse the institution over which Henry Paulson presided before taking over at Treasury of being risk-averse. Incorporated in 1869 and headquartered in New York City, Goldman Sachs is one of the largest corporations in the world. Fortune magazine's 2008 list of the "Global 500" largest corporations (by revenues) ranks it as #1 in the securities industry, #20 in the U.S. and #61 in the world. It is usually called an investment bank. However, the repeal of the separation between commercial and investment banking in the U.S., and the globalization and securitization of credit have created international financial services organizations that deploy capital around the world. Because of the credit crisis, the "value" of these firms is uncertain and their future earnings are hard to forecast. (The 52-week highs for shares of Fannie Mae and Freddie Mac were $68.60 and $65.88. In September you could buy a share of each for less than a dollar.) But most market analysts believe Goldman Sachs's financial condition is head-and-shoulders above its peers.

With assets valued at $1.19 trillion and annual earnings in the neighborhood of $90 billion in 2007, Goldman Sachs is the envy of the financial world. Its executives, dubbed "masters of the universe" by some pundits, are very highly compensated. CEO Lloyd Blankfein, who succeeded Paulson, received $67.9 million in 2007 ($26.8 million in cash and $41.1 million in stock options). Co-presidents Gary Cohn and John Winkelried each got stock options valued at $40.5 million, up from the $25.7 million they received the previous year. (Bloomberg News, December 21, 2007) The company, which has 25,000 employees, lists about 1,700 "managing directors" who have a base pay of about $200,000 annually and 300 "partner managing directors" who receive $600,000, according to Financial News Online. These figures do not include bonuses, which can soar into the millions. In 2007, Goldman set aside $20.2 billion for salaries and bonuses, a 23% increase over 2006.

Goldman has weathered the economic turmoil far better than most other major banks. Its writedowns and credit losses were less than $1 billion last quarter and $3.8 billion over the last four quarters (compared to Citigroup, which lost $11.7 billion and $54.5 billion, and Merrill Lynch, which lost $9 billion and $46.1 billion, respectively. (Under pressure from Paulson's Treasury Department, Merrill agreed to be purchased by Bank of America last month in order to stave off bankruptcy.) While Goldman's third-quarter profits of $845 million, reported September 16, were well below the $2.8 billion the company earned in the same period last year, Goldman beat analysts' expectations. The mergers and acquisitions business is off and its own clients' trading has surely fallen.

The fact that Goldman was able to turn a profit while competitors such as Bear Stearns were losing their shirts will likely help maintain the company's sterling brand name, but market watchers say Goldman isn't out of the woods yet. The fact that the price for Goldman Sachs and the only other remaining independent investment bank, Morgan Stanley, took a pounding during the stock market panic of mid-September means its days may be numbered, at least in its present form. "The market was signaling that the stand-alone investment banking model doesn't work," said Tad Rivelle, chief investment officer at Metropolitan West Asset Management. "We were on the verge of putting every Wall Street firm out of business." (Wall Street Journal, September 20)

From Goldman to Government

Henry Paulson's powerful influence in the Bush administration is a source of deep frustration to conservatives. It was Paulson who persuaded the president to drop his threat to veto the housing bill, which aims to reduce the risks of mortgage lending but provides no assurance that it will revive the housing and financial markets. He persuaded the president to sign the housing bill even though it contains nearly $5 billion for housing subsidies, financial counseling, and mortgage restructuring programs. These are likely to wind up funding various 501(c)(3) housing development corporations that contract with cities and states. Many are set up by political advocacy groups such as ACORN (Association of Community Organizations for Reform Now), the radical left-wing community organizers, and the National Council of La Raza, the liberal Hispanic advocacy group. President Bush's defenders say congressional Democrats forced the president to accept what Republican critics call a "slush fund" for radical nonprofits. It was their price for agreeing to the Paulson proposal. Just prior to handing the administration a blank check to prop up Fannie Mae and Freddie Mac, Congress also helpfully raised the national debt limit from $9.5 trillion to $10.6 trillion.

Paulson divested his financial interest in the firm before he was tapped by Bush to manage the country's fiscal policy. But, says Peter Flaherty, president of the watchdog National Legal and Policy Center (NLPC), "he doesn't stop being friends with his friends." In an interview, Flaherty said his group has filed shareholder complaints against Goldman Sachs. In October 2006 Goldman Sachs was named co-defendant in a lawsuit by Ohio Attorney General Jim Petro alleging that it helped Fannie Mae sell certain mortgage backed securities that pushed $107 million of Fannie Mae earnings into future years. The goal was to deceive investors so Fannie met its earnings targets, triggering a bigger payout to company executives. The alleged actions occurred in December 2001 and March 2003 while Paulson was Goldman's CEO. Goldman Sachs was dropped from the suit in February 2007 because of the statute of limitations. (Accounting Age, October 5, 2006)

Goldman Sachs vet Joshua Bolten (left), now White House Chief of Staff, leaves a meeting at the Pentagon with President Bush in November 2007.

"It's government by Goldman Sachs and for Goldman Sachs," Steve Milloy, portfolio manager for the Free Enterprise Action Fund, said in an interview. "He's a game player. Now he's cleaning up the mess he helped create. They advised Fannie Mae. They were the biggest firm to do this and they got out before it hit the fan."

Goldman Sachs's clout in government extends far beyond Paulson. Clinton Treasury Secretary Robert Rubin, the most important of Paulson's predecessors (he served before President Bush's first choices, the irascible Paul O'Neill and the negligible John Snow) was co-chairman of Goldman Sachs. The current White House chief of staff, Joshua Bolten, is a former Goldman Sachs director of legal affairs. In May, President Bush named Robert Zoellick, a Goldman Sachs vice chairman for international strategy, to be president of the World Bank. (Zoellick had worked as U.S. Trade Representative in the Bush administration before joining Goldman Sachs.) The President's second cousin, George Herbert Walker IV, currently global head of the investment management division at financially distressed Lehman Brothers, was previously a partner at Goldman Sachs Group Inc.

In October 2006 Paulson asked Goldman alumnus Robert Steel to become Treasury undersecretary of domestic finance, a position that made him Paulson's principal banking adviser. This July, the board of financially-tottering Wachovia asked Steel to become the company's CEO. As Steel was leaving Treasury, Ken Wilson, chairman of Goldman's Financial Institutions Group, joined the Department as a Paulson advisor for the administration's final six months. For this limited assignment he received the status of "special government employee," affording him a waiver from government divestment and disclosure rules. (Financial Times, July 31, 2008)

The Goldman-to-government revolving door doesn't stop at water's edge. Former Goldman executives occupy positions in the governments of Great Britain, Italy, China, and Australia. The Independent, a British newspaper, facetiously headlined a July 22 article, "How Goldman Sachs Took Over the World." But far from being the name of a shadowy cabal, Goldman Sachs makes no effort to hide its connections. Its networking strength is one of its major selling points.

"Almost whatever the country, you can find Goldman Sachs veterans in positions of pivotal power," the Independent observed. "Goldman hires former politicians and civil servants, as readily as it supplies them." One of President Bush's former aides, Dina Habib Powell, has overseen the company's philanthropy since last year. Powell previously directed the White House personnel office, and was also assistant secretary of state for educational and cultural affairs.

New Jersey's high tax Governor Jon Corzine is a former Goldman co-chairman who at one point served alongside then-Goldman co-chairman Paulson before a power struggle forced his departure. (The Independent, May 31, 2007) And look who's running the New York Stock Exchange (now called NYSE Euronext after an April 2007 merger)? Duncan Niederauer worked at Goldman Sachs for 22 years before becoming NYSE president in April 2007 and CEO in November. (New York Times, November 18, 2007) Another former co-chairman of Goldman Sachs, Stephen Friedman, is director of President Bush's National Economic Council.

In a profile of Goldman Sachs, the Washington Post noted (September 19) that in the nation's capital "such heavy reliance on the most prestigious Wall Street investment firm has become something of a bipartisan Washington tradition in recent years." It continued, "but if the Wall Street meltdown continues, the tradition may come under scrutiny, especially if Goldman eventually needs the kind of government assistance granted Bear Stearns or American International Group."

That's an understatement.

Goldman Sachs and Political Giving

"Over the past few years, people from Goldman Sachs have assumed control over large parts of the federal government. Over the next few, they might just take over the whole darn thing," wrote New York Times columnist David Brooks on July 1.

Paulson critic, Myron Ebell, director of energy and global warming policy at the Competitive Enterprise Institute

An innocent who observed the Paulson appointment, Goldman's salary structure and its core businesses might conclude that the political outlook of Goldman executives must be conservative and Republican. Wrong. With its worldwide contacts, Goldman executives enjoy many opportunities to contribute their names, money and expertise to the public's service. But they contribute little to Republican political candidates and even less to conservative advocacy groups. A Capital Research Center study of giving by America's top 100 corporate foundations showed that in 2004 the Goldman Sachs Foundation gave $35,525,000 to left-of-center non-profit groups, mostly to environmental organizations such as the Nature Conservancy and the Wildlife Conservation Society. There were no recorded contributions to conservative or free market public policy organizations. ("Funding Liberalism With Blue-Chip Profits: Fortune 100 Foundations Back Leftist Causes," by David Hogberg and Sarah Haney, *Foundation Watch*, August 2006.)

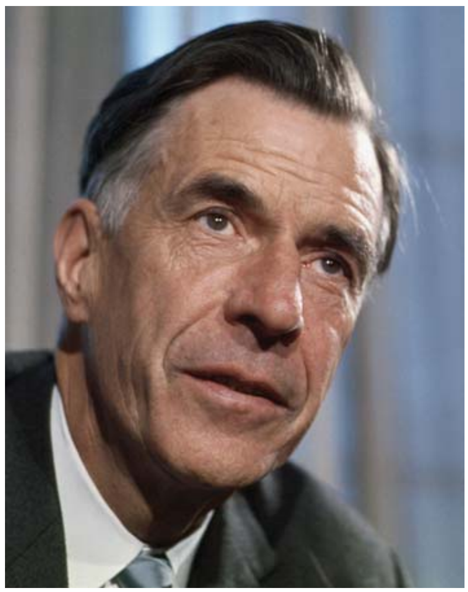
The online database of the Center for Responsive Politics (www.opensecrets.org) reports that Goldman Sachs employees contributed a total of $489,252 to Democratic presidential nominee Senator Barack Obama as of July 31 for both his primary and general election campaigns. That's more money than Obama got from any other company and more than two and a half times what Goldman employees contributed to Republican presidential nominee Senator John McCain, who received $177,070 from Goldman Sachs employees as of July 31 for both the primary and general election campaigns combined. Moreover, Goldman CEO Blankfein contributed the legal maximum of $4,600 to Senator Hillary Clinton's failed presidential campaign for the Democratic nomination, and even held a fundraiser for her at his New York apartment. (The Times of London, November 22, 2007)

The financial contributions of Goldman Sachs employees overwhelmingly favor Democratic presidential candidates, according to the Center. Employees gave $870,202 to the top three Democratic presidential contenders (Obama, Clinton, and John Edwards), and just $465,845 to the top four Republican candidates (McCain, Mitt Romney, Rudy Giuliani and Mike Huckabee).

Bankrolling the Left

The first page of the Goldman Sachs website (www2.goldmansachs.com) says nothing about capital investment. Instead it highlights the number of its employees—25,135—who volunteer for community service. Website visitors are invited to discover that Goldman Sachs people clean up public parks, help the elderly, and play soccer with poor kids. The Goldman Sachs Charitable Fund (2005 assets: $51 million) gives out college scholarships. The Goldman Sachs Foundation (2005 assets: $275 million) establishes libraries overseas, supports programs that teach kids about capital formation, and funded a $25,000 grant to the U.S. Term Limits Foundation. But there is nothing to indicate the extent of the company's involvement with tax-exempt political advocacy groups.

In March 2007, National Legal and Policy Center president Peter Flaherty went before shareholders at the annual meeting of Goldman Sachs to ask for their approval—he didn't get it—of a resolution requiring the company to explain the purpose of its philanthropic contributions. Flaherty wanted to know why Goldman Sachs contributed more than $100,000 to organizations run by Rev. Jesse Jackson. Goldman Sachs had been identified as a sponsor of the 2007 Wall Street Conference, a project of Jackson's Citizenship Education Fund. The Fund aims to increase minority business, hiring, and lending in the corporate world, and Jackson has used it to threaten boycotts and demand shakedowns from any company that fails to comply with his demands. Flaherty asked whether Goldman shareholders approved of management's decision to contribute to the Conference. He noted Jackson's record of support for dictators in Zambia and Liberia and reports that the 501(c)(3) Citizenship Education Fund had made payments to Jackson's mistress to buy a home and contributed to political campaigns in violation of Federal Election Commission rules. (Flaherty's March 27, 2007 remarks at the Goldman Sachs meeting are available at http://www.nlpc.org/view.asp?action=viewArticle&aid=1950.)



The late liberal icon John Kenneth Galbraith laid some of the blame for the Great Depression at the door of Goldman Sachs.

"Jesse Jackson is a demagogue and brings a list of things companies have done wrong," Flaherty asserted in an interview. "Paying off Jesse Jackson doesn't make Jesse Jackson go away." (Editor's Note: Flaherty previously chronicled a Jackson shakedown for Capital Research Center. The article is "Jesse Jackson Chases After NASCAR: NASCAR Gives Thousands to Jackson Nonprofits, by Peter Flaherty, *Organization Trends*, April 2003.)

Goldman Sachs is perhaps better known for its giving to conservation projects. Perhaps that's because at the time Paulson, an avid birdwatcher, was the investment bank's CEO, he was also chairman of The Nature Conservancy. But in 2004 the company came under attack from the extremist Rainforest Action Network (RAN). RAN demanded that the company repudiate "investments of mass destruction," which RAN defines on its website as "dirty coal plants, industrial agrifuels, destructive oil extraction and pipelines and unsustainable logging operations." Such investments, according to RAN, "all depend on one thing: the financial support of major banks." RAN proclaimed a "Goldman Sachs victory" in November 2005 when it announced that the company was the first global bank to adopt a comprehensive environmental policy. Goldman agreed to steer its investments away from the supposed causes of eco-system harm and to establish a Center for Environmental Markets. (For more on the group, see "The Rainforest Action Network: A tax exempt nonprofit shakes down corporations with intimidation and 'direct action,'" by David Hogberg, *Organization Trends*, May 2005.)

Not surprisingly, green groups like the Sierra Club give high marks to Goldman Sachs nowadays for its dedication. The company has endorsed mandatory government limits on carbon emissions, committed to invest $1 billion in clean and renewable energy, and promised to end investing in projects that would supposedly harm natural habitat. In 2007 Goldman helped broker a $45 billion private equity buyout of TXU, the largest power producer in Texas. It worked behind the scenes on an agreement under which the new owners would cut from 11 to three the number of coal-fueled power plants TXU planned to build. TXU also pledged to work with the groups Environmental Defense and the Natural Resources Defense Council to cut carbon emissions, invest $400 million in renewable energy initiatives, and advocate for cap-and-trade emissions control policies that would likely enrich Goldman Sachs.

It seems unlikely that Goldman Sachs executives are being strong-armed when they give contributions to environmental groups. More likely, the company is clever enough to understand the money-making opportunities in environmentalism. The cause is good public relations and potentially profitable. What's not to like?

Of course, not all liberals sing from the same sheet music. The economist John Kenneth Galbraith, a key figure in President John F. Kennedy's administration, famously blamed Goldman Sachs in his book, *The Great Crash, 1929*, for helping to set the stage for the Great Depression. Galbraith, who died in 2006, spent a whole chapter he titled "In Goldman, Sachs, We Trust," detailing the "large-scale corporate thimblerigging" that he argued Goldman and other investment firms practiced in the 1920s.

Cashing in on Green

In search of money-making ventures, former Goldman Sachs executives recently joined Generation Investment Management (GIM), a London-based "green" investment company founded by former Goldman Sachs executive David Blood and green guru Al Gore. GIM's founding members include Mark Ferguson, former co-head of pan-European research at Goldman Sachs Asset Management , and Peter Harris, former head of Goldman Sachs Assets Management international operations.

This year GIM formed a partnership with Kleiner Perkins Caufield & Byers, the highly-successful California venture capitalist firm that invests seed money into "green tech" start-up companies. When the startups go public or are bought out by a larger corporation, GIM and Kleiner Perkins expect to cash in.

The biggest area of money making potential is carbon trading. In September 2006, Goldman Sachs paid $23 million to buy a 10% interest in the Chicago Climate Exchange, the only U.S. exchange that conducts trading in so-called carbon offsets. If an individual or business creates high levels of carbon emissions, it can buy these "offsets," or credits, to fund renewable energy sources such as solar and wind power or to plant trees. According to its proponents, high energy users can consider themselves "carbon neutral" if they compensate for the amount of carbon dioxide they produce by funding eco-friendly projects to balance out their own emissions.

The Chicago Climate Exchange has 80 corporate members that have committed to voluntarily reduce their carbon emissions by the year 2010 to 6% below what they were in 2000. The members include such corporate

Ken Wilson, who was chairman of Goldman's Financial Institutions Group, joined the U.S. Treasury as a Paulson advisor for the administration's final six months.

giants as the Ford Motor Company, Amtrak, Dupont, Dow Corning, American Electric Power, International Paper, Motorola, Waste Management, and others. Illinois and New Mexico are members as are the cities of Aspen, Berkeley, Portland, and Chicago. (See "Al Gore's Carbon Crusade; The Money and Connections Behind It," by Deborah Corey Barnes, *Foundation Watch*, August 2007. See also "Al Gore's Carbon Empire: Cashing in on Climate Change," by Fred Lucas, *Foundation Watch*, August 2008.)

Of course, trading in carbon offsets is just another means of making voluntary contributions to reduce global warming—unless the federal government enacts cap-and-trade legislation that will mandate that corporations participate in the scheme. Then carbon trading becomes enormously profitable. Clearly, savvy Goldman Sachs traders aim to profit from stricter environmental regulation. They have good reason to be optimistic about their future prospects because cap-and-trade proposals have been endorsed by both Barack Obama and John McCain.

A Conflict of Interest?

In 2002, Goldman Sachs CEO Henry Paulson used at least $35 million in Goldman Sachs shareholder funds to purchase 680,000 acres of land in Tierra del Fuego, Chile. Frustrating developers who were forced to give up their purchase plans after years of delay, Goldman Sachs then transferred the acreage to the Wildlife Conservation Society (WCS), an "organizational partner" of the Nature Conservancy, where Paulson was a member of the board. Paulson's son, Merritt Paulson, was a board member of the Wildlife Conservation Society.

After the property transaction, the elder Paulson became chairman of the board of The Nature Conservancy. Steve Milloy, the executive director of the Free Enterprise Education Institute, noted in an op-ed that tax records show that Goldman Sachs paid the Nature Conservancy more than $144,000 in consulting fees related to the transaction. (Human Events, May 30, 2006)

For its part, Goldman Sachs treated the property transaction as a public relations coup. In a 2004 press release, the bank and WCS announced an "unprecedented partnership to protect in perpetuity a vast tract of wilderness at the southernmost edge of South America. …Together, Goldman Sachs and Wildlife Conservation Society are working with Chilean conservationists and other partners to establish the reserve, develop a sustainable use plan and preserve the region's unique ecological characteristics for future generations." Goldman helpfully pointed out that a National Geographic television special about this conservation effort was titled, "Eden at the End of the World."

Not everyone was as impressed.

Pete Flaherty's NLPC filed a shareholder's complaint at the 2006 Goldman Sachs Annual Meeting. "This is a gargantuan tract of land by anyone's standards, with untold natural resources. And it has just been put off limits to development by the people of Chile, most of whom are poor, by affluent, First World activists." (Flaherty's March 31, 2006 remarks at the Goldman Sachs meeting are available at http://www.nlpc.org/view.asp?action=view Article&aid=1338.) Flaherty further charged that Goldman Sachs's environmental policy, adopted in November 2005, suspiciously "mirrored" that of The Nature Conservancy on such issues as "global warming, logging, and the rights of indigenous peoples in the developing world."

Lloyd Blankfein, the current CEO of Goldman Sachs

"Goldman's Code of Business Conduct and Ethics generally prohibits personal interests, including those involving family members, from interfering with firm interests," Flaherty said in announcing the complaint. "Goldman's actions should instead rely on sound business, economic and scientific analyses, and not the personal, social and political interests of executives. Such conflicts of interest may reduce shareholder value." (NLPC press release, March 20, 2006)

At the annual meeting Flaherty said that by adopting The Nature Conservancy's version of environmentalism the company had chosen sides in a divisive and controversial debate. "The business rationale for this policy has not been explained. … Nor has it been explained why Goldman has inserted itself so aggressively into issues of public policy, issues which are more properly, and fairly, decided by our elected officials through the democratic process."

Under ordinary circumstances Flaherty's complaint would have gone nowhere. But it struck a chord with the news media because The Nature Conservancy's reputation had taken a beating. In 2003, the Washington Post published an extraordinary series of articles reporting that the green group had engaged in such practices as abetting faulty land appraisals, lending money to corporate insiders, drilling for oil on nature preserve land, and selling donated land to its own supporters and trustees. The Conservancy said its actions were rationally calculated decisions intended to limit development, but was hard pressed to explain why it allowed buyers to construct large homes with swimming pools and other amenities on what it said were environmentally sensitive sites. The controversy built a head of steam when the Bush administration announced Paulson's nomination to be Secretary of the Treasury.

"No conservative administration should consider appointing anyone who works for the Nature Conservancy to any position and certainly not to one carrying the high responsibilities of Treasury Secretary," said Myron Ebell, director of energy and global warming policy at the Competitive Enterprise Institute. "The Nature Conservancy has served as the agent for turning millions of acres of productive private land into federally-owned land and has made huge profits doing so. The question that needs to be asked is, what will Mr. Paulson be able to do as Treasury Secretary to benefit the Nature Conservancy and its big corporate partners?"

Ebell's warnings were not heeded. The Republican-controlled Senate easily confirmed President Bush's nominee in 2006. Since then President Bush, once a vocal skeptic of global warming alarms, has called for the U.S. to stop the increase of carbon emissions by 2025. He has called for new auto fuel efficiency regulations on automakers, government subsidies for new technologies and new international agreements on carbon emissions. "Taken together, these landmark actions will prevent billions of metric tons of greenhouse gas emissions from entering the atmosphere," Bush said April 16.

Flaherty believes Paulson has a lot to do with why the Bush administration jumped on the global warming bandwagon.

"Arguably, he can't serve two masters. Was he working for Goldman Sachs or the Nature Conservancy?" Flaherty said. "By supporting limits on emissions, he was harming shareholder investments. Now, is he serving the interests of the administration and the public or the interests of Goldman Sachs and its financial well being?"

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PhilanthropyNotes

Both major party candidates for president say they want to expand America's national-service programs. Democratic Senator **Barack Obama** said both government and charities have roles to play in solving the country's problems, while Republican Senator **John McCain** called **AmeriCorps**, the main federal national service program, "one of the astonishing successes." Obama wants to increase AmeriCorps slots from 75,000 to 250,000 and double Peace Corps slots to 16,000. McCain said he favors bipartisan legislation that would triple the number of national service participants and provide new money for nonprofit groups.

A Bangladesh charity that has awarded $5-billion in microloans to people in the developing world has won a $1.5-million prize from the **Conrad N. Hilton Foundation**. The 2008 Conrad N. Hilton Humanitarian Prize was given to BRAC, a charity created in 1972 that works to eliminate poverty in developing countries. BRAC's program provides small loans to enable people in the Third World to start or expand businesses.

The **Forest Stewardship Council-United States**, **Conservation Northwest**, and the **Center for Biological Diversity** are suing the federal government claiming it illegally gave $350 million from a lawsuit settlement paid by the Canadian government to forestry foundations. The U.S. Trade Representative selected timber groups to receive settlement funds from the money which was paid to settle a lumber trade dispute in 2006. The three plaintiff groups claim the way the money was allocated violated federal law because the funds were supposed to go directly to the federal Treasury. "In this new era of environmental responsibility, now is not the time to be breaking the law and diverting funds to timber industry-dominated forestry organizations," said **Corey Brinkema**, president of the Forest Stewardship Council-United States.

The **American Red Cross** wants $150 million in emergency funding from the U.S. government to shore up its disaster-relief reserves, after back-to-back Gulf Coast hurricanes have driven the charity into deep debt, the Washington Post reports. The Red Cross rarely seeks federal aid but it did in 2004 when four hurricanes struck Florida.

Theresa Pattara, a senior aide to Senator **Charles E. Grassley** (R-Iowa) said although the **Internal Revenue Service** already has authority to tighten the requirements on nonprofit hospitals for retaining their tax-exempt status, Grassley is considering legislation that would achieve that goal, the Chronicle of Philanthropy reports. Grassley, who is the ranking Republican on the Senate Finance Committee, is concerned that nonprofit hospitals are operating too much like for-profit entities and rejecting too many uninsured and under-insured patients.

Dana Gioia, the poet appointed by President **George W. Bush** who is currently chairman of the **National Endowment for the Arts**, said he plans to resign in January 2009 and wants to return to his "private life as an artist." It is unclear who will succeed Gioia at the endowment. Gioia said he will work part-time at the **Aspen Institute**, a think tank, and resume his literary career.

John Fund's new edition of *Stealing Elections*, which was published September 15, becomes the third book to cite **Capital Research Center**'s profile of Senator **Barack Obama**. The article cited, "Barack Obama: A Radical Leftist's Journey from Community Organizing to Politics," by **Elias Crim** and **Matthew Vadum**, ran in the June *Foundation Watch*, was also cited in *The Case Against Barack Obama: The Unlikely Rise and Unexamined Agenda of the Media's Favorite Candidate*, by **David Freddoso**, and in *The Audacity of Deceit* by **Brad O'Leary**.