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Master of risk who did God's work for Goldman Sachs but won it little love

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Under other circumstances, this would have been a year to savour in the long, rapid ascent of Lloyd Blankfein. **Goldman Sachs**, the investment bank he has led for three years, not only navigated the 2008 global financial crisis better than others on Wall Street but is set to **make record profits**, and pay up to $23bn (€16bn, £14bn) in bonuses to its 31,700 staff.

For Mr Blankfein, a scholarship boy from the Bronx whose first financial job at Goldman was selling gold coins in its commodities trading arm, has prospered to an extent that was implausible even 10 years ago, when it became a public company. Its influence has spread throughout the world, from New York and London to Shanghai and São Paulo.

A good slice of its success is attributable to Mr Blankfein, a tough, bright, funny (everyone remarks upon his unpretentious, wisecracking manner) financier who reoriented Goldman. Under his leadership, trading and risk-taking have pushed to the fore, reducing the influence of its investment banking advisers.

In 2009, however, Wall Street faced a **wave of public anger** at how banks that survived only with the assistance of taxpayers seemed unchanged and unrepentant. Goldman's profitability, and suspicions that its deep links with governments around the world give it unfair advantages, made it a symbol of Wall Street greed and excess. It was described by the Rolling Stone writer Matt Taibbi as "a great vampire squid wrapped around the face of humanity".

Mr Blankfein has struggled to rebut the criticism effectively, shifting from insisting that it would probably have survived the crisis without help from the US Treasury, to apologising for its conduct, and finally (in a typically jaunty line at the end of an **interview with the Sunday Times**) asserting that it was "doing God's work".

Yet he has also steered Goldman adeptly through the crisis, betting correctly that the global investment banks would survive the turmoil (with government help) and not be dismantled by regulators. Instead, his bank has stuck to its strengths, unashamedly taken advantage of the low interest rates and diminished competition resulting from the crisis to make **big trading profits**.

For all of these reasons, both positive and negative, the Financial Times has chosen Lloyd Blankfein as its Person of the Year. His job and his personality have made him the public face of Wall Street during its most testing period since the 1930s.

This is not an unalloyed endorsement of either Mr Blankfein or Goldman, which the FT has sometimes **criticised** in the past year. Instead, it is a recognition that Mr Blankfein and his bank have taken the leading place in the world of finance, while others have fallen by the wayside.

Mr Blankfein, who declined to be interviewed for this article, is the antithesis of the boring banker. He prides himself on repartee and colleagues say the easiest way to pique him is to tell him someone else is the funniest person at Goldman.

"Lloyd is smart, really engaged, high-energy, funny and quick – very quick," says John Mack, chairman of **Morgan Stanley**, Goldman's closest rival. "He is highly analytical and he can make a decision."

Mr Blankfein's most valuable trait is his adaptability, which enabled him to rise rapidly within the bank. It also helped Goldman before the crisis, when it spotted that subprime securities were souring and cut its positions, while others told themselves that markets were wrong.

"Lloyd is an extremely rapid learner and exceptionally adaptable. He pretty much sees the world as it is, rather than as he'd like it to be," says Stephen Schwarzman, chief executive of Blackstone, the private equity group. "That comes from his personal background, I think."

Mr Blankfein was born in 1954 to Seymour Blankfein, a postal clerk in the Bronx. The Blankfein family had emigrated to the US from eastern Europe during the 1880s and had at first prospered in the New York garment industry, but then suffered during the Great Depression.

His parents moved to East New York, now a bleak and run-down area of Brooklyn, and lived in the Linden Houses, a public housing project. Mr Blankfein attended schools including the Thomas Jefferson High School, where he gained entry to – and financial aid from – Harvard.

One formative experience was his discovery that, when his father retired from the US Postal Service to Florida, his place was taken by a sorting machine. Mr Blankfein was afterwards haunted by the image of his father working hard at a job that had already become redundant.

His background was not wholly unusual at Goldman. It was founded by Marcus Goldman in 1869 as a commercial paper dealer, and Charles Ellis records in *The Partnership*, a history of Goldman, that Sidney Weinberg, its most influential early partner, rode the New York subway and used to say proudly: "I'm just a Brooklyn boy from [Public School] 13."

After attending Harvard and Harvard Law School, Mr Blankfein got his first job at Donovan, Leisure, Newton & Irvine, a law firm founded by an Anglophile who instituted a tradition of serving tea and biscuits every afternoon. After a four-year spell there (including two years in Los Angeles advising Hollywood companies on tax) he grew interested in finance.

Goldman and Morgan Stanley turned him down when he applied to become an investment banker but he found a way in through the back door when he was instead recruited by J. Aron, a commodities trading firm. By the time he joined in 1982, Goldman had acquired J. Aron.

Mr Blankfein ascended the trading side of Goldman as it contributed an ever greater share of revenues, becoming chief executive in 2006, when Hank Paulson was appointed Treasury secretary. By then, Mr Blankfein was arguing for Goldman blurring the boundaries between its investing, advising and trading sides.

The bank went in the direction that he wanted and profited hugely from it: by 2007, Goldman's net revenues had reached $46bn, of which $31bn came from trading and investing its own capital, and Mr Blankfein's compensation was $54m. Becoming a Goldman "partner" – one of its 400 senior managing directors – had become the most reliable route to great wealth on Wall Street.

Mr Blankfein is not known for obvious extravagance. Most of his wealth is tied up in Goldman shares – his holding is currently worth about $615m – although he lives in a $26m apartment in 15 Central Park West, an apartment building favoured by Wall Street figures. He also owns a house in Sagaponack in the Hamptons, which he bought in 1995.

He has few outside interests, but he reads a lot – he majored in history at Harvard and remains a history buff – and is a keen judge for the Financial Times and Goldman Sachs Business Book of the Year Award. He swims and runs to keep in shape, although his weight fluctuates.

He devotes some time to philanthropy, including chairing a taskforce at Harvard on financial aid. "He has been an insightful voice on what financial aid means. His education was significant in his life," says Drew Gilpin Faust, Harvard's president.

Most of Mr Blankfein's energy and intellect, however, are poured into his job. "He feels, as anyone would, a huge responsibility as the steward of Goldman," says Mr Mack.

Even before the crisis, Goldman's emphasis on trading had started to cause disquiet. Gary Cohn, now Goldman's sole president, also worked at J. Aron, so the balance between banking and trading – exemplified by Stephen Friedman and Robert Rubin leading Goldman together in the early 1990s – has been diminished.

The crisis – particularly Mr Paulson's decision to settle billions in credit default swaps held by Goldman and others with AIG, the insurer, without imposing any losses – fanned those doubts into public outrage. The fact that many Goldman partners, including Mr Paulson and Mr Rubin, have entered government after leaving the bank exacerbated suspicions that it has crony-like links with politicians.

Mr Blankfein seems to retain the support of his senior cadre. Its record profits this year have helped, although the results were tilted: in the first nine months, it gained $23.8bn in net revenues from trading and principal investments and only $3.2bn from investment banking.

Roy Smith, a former Goldman partner who is now a professor at New York University, says Mr Blankfein gained the trust of many former partners by reacting calmly to the financial crisis. He recalls Mr Blankfein's remarks at a meeting with a group in New York a year ago.

"He said it had been a horrendous period but the firm still had a lot of smart, dedicated people and all the capital it needed. It might have to adapt in various ways, but it had done so before. That met with a lot of approval from the institution's old ghosts," says Prof Smith.

The question is where he takes Goldman from here. In 2009, **he expressed contrition for the past** – in a speech in November, he said: "We participated in things that were clearly wrong and have reason to regret. We apologise." He responded to outrage over pay by changing the bonus structure for Goldman's senior executives so they are awarded in shares that cannot be sold for five years.

So far, however, he shows little sign of altering Goldman's essential strategy (or wanting to pay its employees less). Regulatory changes in Congress – and from international bank regulators in Basel – could impose higher capital standards on those banks judged "too big to fail" and make that tougher. "Goldman might have to do some classic adapting and split some things off rather than keeping everything under one restricted balance sheet," says Prof Smith.

Mr Blankfein knows about adapting to altered circumstance better than anyone. His father's former job was taken by a machine; his old high school in East New York was shut for poor performance in 2007; his former Manhattan law firm, unable to compete with rivals, dissolved in 1998. Nothing endures that cannot change, not even Goldman Sachs.