

A Brief History of Goldman Sachs

From 1869 to 2020

In 1869, a German immigrant named Marcus Goldman moved to New York City with his family and opened a one-room basement office next to a coal chute at 30 Pine Street in Lower Manhattan. During a period of tight and expensive bank credit, Goldman offered the local merchants an alternative. He would purchase their promissory notes and then sell the notes to New York's commercial banks, becoming a pioneer in what became known as the commercial paper business. With the addition of his son-in-law, Samuel Sachs, in 1882, and his son, Henry Goldman, in 1885, Marcus Goldman's enterprise became a partnership with a new name: Goldman, Sachs & Co. By the time the firm joined the New York Stock Exchange in 1896, Goldman Sachs was a leader in commercial paper sales. As the firm's clients grew in number, it opened offices in Boston and Chicago (1900), San Francisco (1918), and Philadelphia and St. Louis (1920), becoming a national firm.

In 1897, Goldman Sachs established relationships with financial firms in major European capitals, providing an array of services that included foreign exchange, letters of credit, gold shipments and arbitrage. In the early 1900s, as clients increasingly needed larger amounts of long-term capital, the firm began to establish its investment banking business. In two of the firm's first public transactions—initial stock offerings for General Cigar and Sears Roebuck, both in 1906—Goldman Sachs broke new ground in making equity and debt securities more attractive to investors. The firm took a unique approach by introducing the concept of valuing issues on the basis of a company's earning power and goodwill instead of solely on its physical assets. This approach opened up a vast new source of capital, particularly for retailers and other companies with few hard assets. The Price to Earnings ratio would become an industry standard and established Goldman Sachs as a financial innovator. The firm's underwriting activities expanded quickly to include such early clients as F. W. Woolworth (1912), Merck (1919) and General Foods (1922).

In 1930, Sidney J. Weinberg was named senior partner. Weinberg, considered the father of the modern-day Goldman Sachs, would serve as senior partner for nearly 40 years. His early years at the helm of the firm were difficult ones, as he guided Goldman Sachs through the financial turbulence of the Great Depression and the aftermath of the collapse of the Goldman Sachs Trading Corporation, an investment trust. But the end of World War II saw the resurgence of both Goldman Sachs and the US economy itself.

Over the next quarter century, Goldman Sachs evolved into one of the leading full-service investment banks in the United States. Sidney Weinberg, known as “Mr. Wall Street,” concentrated on the financing side of the business while Gus Levy, who joined the firm in 1933 and was named partner in 1945, built the most formidable equity sales and trading capabilities in the industry, pioneering the practice of block trading in the process. In the 1950s, Goldman Sachs formed the New Business Department to market the services of its corporate finance specialists and to assure the continuity of client relationships.

The firm demonstrated its strengths in the areas of underwriting and sales and trading, acting as a managing underwriter of the largest common stock and industrial bond issues of the era: a \$657 million initial public offering for Ford Motor Company (1956)—more than \$6.3 billion in 2020 dollars—and a \$350 million debenture offering for Sears Roebuck (1958)—\$3.1 billion in 2020 dollars.

From the late 1950s to the early 1960s, Goldman Sachs employed more than 500 people to serve its clients. The firm, now a leader in private finance, was building a similar position in municipal finance. It also set another industry standard by establishing one of Wall Street's first mergers and acquisitions departments. The celebration of Goldman Sachs' centennial year was also marked by sadness at the passing of Sidney Weinberg. Gus Levy succeeded him as senior partner.

The Real Estate Department was created in 1969, setting the stage for the firm's leadership in the sales and financing of major commercial properties. As global capital markets grew and integrated, the businesses and financial needs of Goldman Sachs' clients were becoming more international. The firm met this challenge by expanding its operations on an unprecedented scale. It opened its first overseas office in London in 1970, followed by offices in Tokyo and Zurich in 1974. With the formation of the Fixed Income Department in 1972, Goldman Sachs quickly gained prominence in underwriting and trading across a wide range of government and corporate debt markets.

Following Gus Levy's death in 1976, John L. Weinberg—Sidney Weinberg's son—and John C. Whitehead became co-senior partners and co-chairmen of the Management Committee. Their joint leadership embodied the enduring spirit of teamwork that had become one of the firm's most important values. During the tenure of “the two Johns,” managing financial risk became increasingly important to successfully navigating complex markets. Again, Goldman Sachs proved an industry leader, developing successful strategies that featured innovative products including futures, options and swaps. In 1979, John Whitehead drafted a set of 14 Business Principles defining Goldman Sachs and what it stands for to serve as a cultural touchstone for the rapidly expanding firm's people. The 1981 acquisition of J. Aron & Company, a commodities trading firm, strengthened the firm's preeminence in this field. As a division of Goldman Sachs, J. Aron became a world leader in trading and hedging in foreign exchange, crude oil, petroleum products and precious metals. In the 1980s and early 1990s, the firm also increased its commitment to complementary businesses, creating Goldman Sachs Asset Management (GSAM) in 1988 and the Principal Investment Area in 1991, and reorganizing the Equities Division in 1990 to strengthen the firm's global equity services.

As Goldman Sachs broadened the scope of its activities, it continued to extend its global reach. Equities trading in Tokyo began in 1984, allowing Goldman Sachs to provide around-the-clock coverage of major capital markets. Soon after, in 1985, the firm was selected as one of the first six non-Japanese firms to join the Tokyo Stock Exchange. In 1991, Goldman Sachs became the first international securities company permitted to open a banking subsidiary in Japan. At the same time, the firm continued expanding its operations in Europe as the countries of Western Europe moved toward a single market. The London office grew to more than 1,000 people, becoming the firm's largest operation after New York and a major player in the area of international mergers and equity issues.

The 1980s and 1990s were years of challenge and growth for the firm as it consolidated its preeminent position in the global financial services industry. These years were also a period of leadership change. At the end of 1984, John Whitehead retired as co-senior partner and was later named US President Ronald Reagan's Deputy Secretary of State. John Weinberg became sole senior partner and chairman of the Management Committee, stepping down six years later to become senior chairman of the firm. With Weinberg's departure, Robert Rubin and Stephen Friedman, previously co-chief operating officers, became co-senior partners and co-chairmen of the Management Committee. Stephen Friedman became sole senior partner of the firm in late 1992 when Robert Rubin left Wall Street to serve as special assistant to US President Bill Clinton on economic affairs and director of the newly created National Economic Council, and, in 1995, as Secretary of the Treasury.

Stephen Friedman retired as senior partner at the end of 1994, becoming a limited partner and senior chairman of Goldman Sachs. Upon Friedman's retirement, Jon Corzine became senior partner and chairman, and Henry "Hank" Paulson, Jr., became vice chairman and chief operating officer. In 1997, the firm's shift to a limited liability structure changed Corzine's title to chairman and chief executive officer and Paulson's to president and chief operating officer. In 1998, Paulson and Corzine were named co-chairmen and co-chief executive officers.

In 1998, in a historic vote, the partners decided to take Goldman Sachs public. The decision, made after extensive debate within the partnership, gave Goldman Sachs the capital and organizational flexibility it would need to provide its clients world-class service into the next century. Hank Paulson was named sole chairman and chief executive officer in January 1999. On May 4, 1999, the firm's stock began trading on the New York Stock Exchange under the ticker GS.

In the years that followed, the Goldman Sachs franchise's leadership position in the United States, Europe and Asia allowed it to operate at the center of the global economy and to participate in the growth of key developing markets around the world. In 2004, Lloyd Blankfein assumed the role of president and chief operating officer. In 2006, Hank Paulson left the firm to become Secretary of the Treasury under US President George W. Bush, and Blankfein became the firm's chairman and CEO.

The first decade of the twenty-first century was a turbulent one, as financial markets adjusted to the collapse of the high-tech bubble, the loss of investor confidence following several highly visible corporate scandals and the 2008 financial crisis, which deeply impacted thousands of businesses and millions of people around the world. During this time, the financial services industry—and Goldman Sachs in particular—came under considerable scrutiny. Against this backdrop, the firm recommitted itself to the core values articulated in its 14 Business Principles and in 2010 created the Business Standards Committee (BSC), a senior-level body tasked with conducting a comprehensive review of the firm's business activities against industry best practices and the firm's own standards for excellence. Amidst the sweeping changes prompted by globalization, consolidation, technological transformation and increased regulatory scrutiny in the years that followed, Goldman Sachs was again able to distinguish itself as an industry leader.

This period also marked a new era of strategic growth as well as expanded philanthropy for the firm. In the wake of the rapid changes facing global financial markets in 2008, Goldman Sachs converted to a bank holding company, which laid the groundwork for further diversifying and growing its franchise. Between 2005 and 2012, the firm extended its reach into international markets with new offices in Mumbai, Sao Paulo, Dubai, Doha, Tel Aviv, Riyadh, Warsaw and Amsterdam. In 2009, Goldman Sachs reiterated its century-old commitment to Lower Manhattan with a move to its new, environmentally sophisticated, LEED-certified global headquarters at 200 West Street. In 2008 and 2009, the firm launched two landmark philanthropic initiatives—*10,000 Women* and *10,000 Small Businesses*—aimed at increasing economic opportunity around the world by providing women and small business owners with access to business education, mentorship and financial capital.

In 2014, Goldman Sachs heightened its focus on and investment in technology, launching leading-edge platforms like *Marquee* to advance trading, data security, big-data management and the ability to assess a broad spectrum of risks. 2016 saw the launch of *Marcus by Goldman Sachs*, a platform designed to help people better manage their debt by providing fixed-rate, no-fee personal loans. In 2017, the firm integrated a consumer online deposit platform into *Marcus*. As the firm's first significant move into the mainstream market, *Marcus* exemplified Goldman Sachs' ability to remain nimble and seize new opportunities. This new strategic focus on the mainstream consumer market was followed by another initiative announced in 2019: a partnership with Apple to launch Apple Card, through which Goldman Sachs helped to create a different credit card experience centered around the customer, with simplicity, transparency and privacy at the core of its product development philosophy.

In 2018, Lloyd Blankfein announced his intention to retire; he stepped down as CEO in September of that year and as chairman in December. David Solomon, who had previously served as president and chief operating officer, succeeded Blankfein in both roles. Solomon marked the beginning of his leadership with a focus on expanding the firm's product offering, improving its diversity profile and positioning the firm to build on its 150-year legacy. In his first year, the firm announced *Launch With GS*, making a \$500 million commitment to businesses founded and led by women, Black, Latinx and other entrepreneurs who have been historically underserved by the funding ecosystem. In 2019, the firm formed the Sustainable Finance Group to drive innovation and capture new opportunities by providing clients with comprehensive sustainability expertise across financing, advisory, risk management, and asset management. The firm's sustainability initiatives included a \$750 billion target across nine areas of sustainable development in climate transition and inclusive growth finance by 2030, deepening a longstanding commitment to these efforts. In 2020, Solomon articulated his strategic direction for the firm as a part of its first-ever Investor Day. Speaking before an audience including shareholders, financial analysts, regulators and the media, he outlined a series of growth initiatives which included efforts to enhance market-leading positions in existing businesses while building out new franchises in areas such as transaction banking. He also articulated the firm's statement of purpose and core values, pledging greater transparency and accountability to the firm's stakeholders.

As of this writing in the spring of 2020, the world continues to grapple with the COVID-19 pandemic, which is putting immense pressure on all aspects of society and the most basic of human needs. Goldman Sachs has enacted business continuity plans aimed at protecting the firm's people while continuing to assist clients in navigating a highly dynamic and challenging business and market environment. The firm will continue to evolve its response as the crisis unfolds, always supporting its people, clients and communities.

At one level, Goldman Sachs has changed almost beyond recognition since its beginnings in 1869. What started as a one-person operation in Lower Manhattan has evolved into one of the most influential financial services firms in the world, with professionals representing a diverse range of backgrounds and experiences positioning the firm to execute on its future vision globally. But at another level, the spirit of Marcus Goldman's family business lives on through the firm's core values of client service, excellence, integrity and partnership. These values, in tandem with the firm's culture of teamwork, continue to differentiate Goldman Sachs and remain the foundation of its success.