GOLDMAN SACHS, SELF-INTEREST, AND GREED

BY JAY W. RICHARDS, PH.D. AND ANNE BRADLEY, PH.D.

On March 14, Greg Smith, an Executive Director at Goldman Sachs, announced his resignation in the pages of *The New York Times*. His reasoning: the company's employees and culture have morphed into a gross entity that sidelines the interests of the client in favor of making a quick buck. By his account, Goldman Sachs culture has become "toxic and destructive." Mr. Smith no longer wants to be associated with the Wall Street giant. "People who care only about making money," he argues, "will not sustain this firm—or the trust of its clients—for very much longer."

Without taking sides, Mr. Smith's consternation gets to the important and often misunderstood difference between greed and legitimate self-interest.

From a Christian perspective, greed is *not* good. Jesus says, 'Beware and be on your guard against every form of greed; for not even when one has abundance does his life consist of his possessions.' (Luke 12:15)

Greed (corporate or not) has traditionally been counted as one of the "seven deadly sins," an excessive desire for possessions that allows us to hurt ourselves and others.

Self-interest is different. Every time you take a breath, eat a meal, or brush your teeth, you act in your self-interest. That's good, not bad.

Paradoxically, greed—because it's spiritually destructive—is contrary to your self-interest, while "self-denial," writes theologian Art Lindsley, "is in your self-interest."

In the Gospel of Mark (8:35-36), Jesus said: "For whoever wants to save their life will lose it, but whoever loses their life for me and for the gospel will save it. What good is it for someone to gain the whole world, yet forfeit their soul?" Our chief end is to know, glorify, and enjoy God. If we're selfishly fixated on ourselves, we miss what we are created for.

This paradoxical biblical principle, that self-denial is in our self-interest, is also an important economic principle. The greedy miser who hoards his wealth closes himself off to greater economic gains. And in a free market, the greedy merchant who swindles his customers is not likely to maintain profitability.

On the other hand, if we seek to meet the needs of others—whether we are hedge fund managers or plumbers—we are likely to reap personal benefit. Great entrepreneurs who risk their wealth, delay their gratification, and successfully *anticipate* the needs of others, can become fabulously successful as a result.

This is the beauty of the free market: it harnesses our narrower self-interest for the common good. Markets bring together the most willing suppliers with the most willing demanders and exchange takes place. You freely pay the grocer for groceries, he freely sells them, and you both end up better off than you were before.

Profits and losses are important feedback mechanisms within the market system. They act as signaling devices to let companies know whether they are meeting the needs of consumers. When a company starts to disregard its customers, it will eventually lose them, and lose profits as a result. At that point, it can do one of two things: alter its corporate behavior to try to gain those customers back or continue on the selfish path and eventually shut their doors.

In his "resignation op-ed" in *The New York Times*, Greg Smith seems to get this: "Make the client the focal point of your business again," he tells Goldman Sachs executives. "Without clients you will not make money. . . . Weed out the morally bankrupt people, no matter how much money they make for the firm." In business as in faith, in order to gain our life, we first must lose it.

Jay W. Richards Ph.D. is a Visiting Scholar and Anne Bradley, Ph.D. is Vice President for Economic Initiatives at the Institute for Faith, Work & Economics. Jay is the best-selling author of Indivisible, *and* Money, Greed, and God. For further information, visit www.tifwe.org.