

Gisela Schmalz

Clique Economy -

The power of networks: Goldman Sachs, the Church, Google, the Mafia...



Original Title: Cliqueswirtschaft

Original edition: Hardcover with jacket, 336 pages, 13.5 x 21.5 cm, 5.3 x 8.5 in.

ISBN: 978-3-466-34595-3, € 19.99 [D] | € 20.60 [A] | CHF 26.90.

Publishing House: Kösel; www.randomhouse.de. Date of publication: October 6, 2014.

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[http://www.randomhouse.de/book/Clique-Economy-The-power-of-networks-Goldman-Sachs-the-Church-Google-the-Mafia/Gisela-](http://www.randomhouse.de/book/Clique-Economy-The-power-of-networks-Goldman-Sachs-the-Church-Google-the-Mafia/Gisela-Schmalz/e447018.rhd?mid=10&serviceAvailable=true&frm=true#tabbox)

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Introduction

Social Capital Machine

My friends are my estate.

Emily Dickinson

Cliquishness is a challenging art. It can make people happy, rich and powerful. At the same time it is a tricky business that requires knowledge, manipulatory and strategic skills plus quite a bit of practice. Men well-equipped with cliquish aptitude formed the *Catholic Church*, the Sicilian Mafia organization *Cosa Nostra*, the investment bank *Goldman Sachs Group Inc.* and the tech giant *Google Inc.* into centers of influence and wealth. This book shows how cleverly the representatives of these four of the most powerful organizations in the world apply cliquishness to reach highly ambitious political and financial goals. *Clique Economy* explores an omnipresent, but so far insufficiently valued topic. It delineates the causes, reasons and dynamics of this phenomenon, which occurs among human beings as well as in the animal world. Only those who fully understand the motives and intentions of cliques are able to value or evaluate the sophistication of utilizing the technique of cliquishness.

Clique Economy will introduce the single instruments of successful cliquishness, not without casting a careful and critical eye on the results. It recommends those tools to everyone who was previously only timidly or not at all cliquishly active. Especially those who reject power cliques, crony capitalism and the like should be stimulated to use cliquishness in a constructive way. This social tool can be applied with negative or positive outcomes. Readers are invited to become familiar with cliquishness and to apply it - for a good cause. They also can use their new knowledge to lay bare existing forms of destructive cliques.

Gain due to Geniality

People flock together, if they enjoy each other's company. To achieve economic, political, social, humanistic, ecological, professional, private or other objectives they form groups. Aware of the fact, that individuals feel comfortable within groups, public officials encourage community building to trigger self-catering, production and capacity. Institutions such as city administrations, NGOs, the OECD or the World Bank rely on municipality or clustering for social and for economic reasons. Private enterprises especially tend to exploit positive group dynamics. Heads of Human Resources know that individuals work harder if they feel comfortable within a group of chummy colleagues. So they form teams and promote team spirit in order to achieve set economic goals. In providing after work group activities and a relaxed atmosphere in the Google offices around the world Google's HR leaders

endorse friendly relations among employees. With its comfortable seating corners, colourful walls and carpets, ping-pong tables and slides in exchange for stairs, Google workplaces look a lot like playgrounds. Employees are invited to feel like kids playing games. Teamwork at Google is supposed to be fun, because fun stimulates productivity. Investments in personnel and interpersonal factors pay off.

One may morally condemn the economic exploitation of the human need for closeness. One can criticize the fact, that people are made manipulable and serviceable via triggering feelings of social happiness. But those affected are usually satisfied with their experiences in groups and their own performances within highly motivated teams. Enthusiastic about their work in groups, employees feel comfortable where they spend most of their lifetime. Those who work within cordial social structures demonstrably change their jobs less frequently and fall ill less often.

Cliquishness is a social technique that helps to generate capital of all kinds via friendships and acquaintances. It contributes to achieving economic, political, social, symbolic, erotic or emotional capital. *Social Capital*, such as *Social bonding* and *Social Bridging* relationships are utilized for distinct purposes. Cliques of closely bonded friends provide support, trust and security. Keeping loose bridging contacts also has different benefits. Networking opens up new social circles that retain fresh and useful information. It offers unknown opportunities. Best buddies just know what I already know and do things that I am familiar with.

The pressure to perform within a globalized, digital and dynamic environment, in a world of ever-changing constellations and interactions, is high and ever increasing. Only those who are adaptive, fast, efficient, proficient, creative and well-connected, have a chance to prevail. A single person can do little, even a duo is ineffective. Crowds of people and vast networks in turn are cumbersome and slow; they are difficult to monitor and control. This book presents the *clique* as the ultimate organizational structure within a confusing world. In a complex world a unit with a manageable size of about 5 to 30 members is a force with the utmost impact. Within a clique, group, family, community, clan, squad, crew or team people succeed best. These "cells" allow their single constituents to act flexible, and, nevertheless, efficient, productive and in the long run successful. Within a clique of friends you learn, work and pursue goals - while having fun. It is important to like the mates you swap your ideas or do business with. Friends know and trust each other, keep close contact over short and long distances, inform each other mutually, provide each other warmth and security as well as support and protection. Cliquishness merges aspects of friendship and coterie in the most pleasant way. People, with whom one has been closely associated for years, are much more reliable than volatile network partners.

Anyhow - the clique also needs network contacts. Successful cliques are surrounded by larger networks of professional supporters like lawyers, accountants, business consultants, press consultants,

scientists, politicians, lobbyists and their sort. Supported by a gang of friends the individual is able to reach out to society as a whole and to put even the most spectacular plans into action. The clique is the bridge between the self and the world.

A Supreme Discipline called Cliquishness

People convert their friendships into influential cliques not always strategically, rather often instinctively. They take advantage of their circle of longstanding confidants for political, economical or other purposes. Larger organizations such as the Catholic Church, the Sicilian Mafia and companies like Goldman Sachs or Google exploit the potential of cliques in different ways. In embedding personnel in hierarchical structures and dividing them into project teams, they preserve the clique as a nucleus within a large institution. This may lead to a reciprocal motivation of members and to an internal competition, in which employees outbid each other for the benefit of the conglomerate. At the prestigious investment bank Goldman Sachs for example colleagues are encouraged to outdo each other. Skillful managers initiate cliques, competing cliques included, to get the best out of their employees. Moreover, they operate within their own cliques. Heads of transnational entities maintain amicable relations with politicians, legislators, competitors, lawyers, auditors, media people, representatives of associations, professional leaders and advisors for everything and nothing, to always fall back on their support, expertise or advice.

The leaders of the most influential transnational institutions as diverse as the Catholic Church, the Mafia, the investment bank Goldman Sachs Group and the technology company Google are masters of exploiting the potential of internal and external cliques and cliquishness. Essentially all four organizations strive towards power and possessions, which are closely linked.

They do not stagnate despite their attachment to tradition. They span global networks, permanently professionalize their strategies, venture into new dimensions, countries, target groups, markets and sectors. They don't adhere to the rules, are not pigeonholing or copying old patterns of behavior, but rather enjoy sharing ideas, plans and work with their like-minded companions. Based on their clique they span the most influential global networks. The leaders of the Church, Cosa Nostra, Goldman Sachs and Google inspire their members to full dedication and their external partners to play their game. They create an aura around themselves that captivates and involves third parties. In depth-analysis of the functioning of these global giants, reveals how established power is kept alive and propagated by cliquishness. This book shows how social capital generates financial capital.

1. Cliquishness everywhere

Find the others.

Timothy Leary

(...)

Whoever brings close social relationships into play, to enrich oneself and his sort, employs Cliquishness. Social skills, a lucid economic goal, discretion and an extra dose of cunning are the prerequisites to score in this discipline. You neither need a doctorate nor any certificate to build up profitable cliques. Less for professional but rather for social reasons, attending a renowned university has its advantages. Befriending potential power figures on campus often marks the beginning of a flourishing career. Fellow students can be converted into life long backers. Fraternities and alumni associations as well as career networks are supposed to be cannibalized for business, industry and trade. While putting up valuable connections amusement doesn't have to go short at all. Playing and fun is part of the game. Competition among friends, mutual manipulation and outfoxing one another can be practiced as team sports - with all the ups and downs.

Sharing extreme experiences superglues cliques together. Drinking games loosen frat boys' tongues. Intoxicated they babble their most intimate secrets and reveal themselves. During unforgettable bacchanalia and while practicing further extraordinary rituals, frats produce shared memories.

Creating new secrets links them together for life. As frat boys get older they stick together in their old boys networks. Far more than personal confessions, joint criminal acts boost a clique's cohesion. Mafia bosses force their members to commit crimes by groups to strengthen their loyalty to each other and to the clan. If devotion becomes dependency by means of promises, commitments, arrangements, rules or rites clique members coalesce into vigorous units.

(...)

Intelligence services also practice cliquishness. The National Security Agency (NSA), with its estimated 38,000 employees has agreements with equal authorities in other countries. Since 1968 the US-agencies have been collaborating with the German Federal Intelligence Service (BND). Their outfits exchange confidences depending on treaties and requirements. In June 2013 it was revealed to the public that the NSA runs two far-reaching spy programs named Boundless Informant and PRISM (Planning Tool for Resource Integration, Synchronization and Management). Shortly before an ex-freelancer for the technology consulting firm Booz Allen Hamilton, Edward Snowden, had informed journalists of the British newspaper The Guardian about the US's most clandestine operations.

(...)

The role of Edward Snowden's principal within the Prism game is unclear. Booz Allen Hamilton Inc. is one of the most important technology consulting companies of the US government. It employs

numerous former senior staff of the US intelligence service Central Intelligence Agency (CIA) and other US intelligence agencies. Half of the approximately 25,000 employees of Booz Allen in 2013 were persons cleared for access to secret information. Such a person was the IT technician Snowden. He worked on behalf of Booz Allen Hamilton from 2009 on in an NSA office in Hawaii.

For strategic reasons Booz Allen Hamilton Inc. had split into two parts in 2008. One of the newly created companies, Booz & Company, is dedicated to international business consulting for private firms and public institutions. The second new company, Booz Allen Hamilton, which went public in 2010, focuses primarily on its main customer, the US government. With a company share of 69 percent, the private equity firm The Carlyle Group is the majority owner of Booz Allen Hamilton since 2008. Booz & Company and Carlyle together define the corporate strategy. They also take the lion's share of the profits that the highly lucrative technology consulting assignments yield. Thanks largely to topsecret government contracts Edward Snowden's employer Booz Allen Hamilton achieved a turnover of about 5.8 billion US-Dollars in 2012. The Carlyle Group alone earned approximately 2 billion US-Dollars, reported Forbes magazine's Nathan Vardi in 2013. The Carlyle Group also owns shares in the company United Defense Industries, part of the British company BAE Systems and now one of the largest defense contractors in the world. Obviously the investment firm Carlyle Group generates profits from data transfers in cold and in hot wars.

(...)

The Carlyle network consists of internationally influential men from the political and the economic scene. The CIA director in the 1970s and former US President George H. W. Bush acted as senior adviser for Carlyle from 1998 to 2003. Former British Prime Minister John Major was Carlyle Europe's chief executive for three years, until 2004. Jerome H. Powell, lawyer, investment banker and former executive of the US Treasury Department during the George H. W. Bush administration, served as a partner of the Carlyle Group from 1997 to 2005. The former board of the US Securities and Exchange Commission (SEC), Arthur Levitt, acts as a Carlyle adviser since 2001. Carlyle also recruited former business leaders. Ex-Bundesbank President Karl Otto Pöhl was among them. Olivier Sarkozy, half-brother of the former French President, serves for Carlyle's international financial sector as Managing Director since 2008.

Additional American private companies, such as the Boeing subsidiary Narus, firms like CSC, Logicon or Palantir, supply the national intelligence services with technologies. Like Booz Allen Hamilton these companies also support the government spying actions and make a fortune with it. Palantir Technologies Inc. was cofounded in 2004 by early Facebook investor Peter Thiel. Thiel is also a cofounder of PayPal which makes him a member of the so called PayPal Mafia. This clique includes by now prominent and rich Silicon Valley business men such as Elon Musk (SpaceX, Tesla), Reid Hoffman (LinkedIn) or Max Levchin (Slide, Yelp).

Thiel's company Palantir develops security and financial software and distributes it to the authorities, to intelligence services or companies from the financial sector. Palantir Technologies is headquartered in Palo Alto, where Thiel's payment service PayPal was also founded. Palantir's division Palantir Government creates analysis tools for US authorities that deal with counter-terrorism. It develops so-called link analysis software that could also be interesting for the NSA.

(...)

On a road in Maryland, with much apropos called National Business Parkway, many technology, engineering and IT companies have settled close to the headquarters of the NSA - Booz Allen Hamilton, BAE Systems and the civil and military aircraft manufacturer The Boeing Company included. Those responsible in the US intelligence agencies, the US military and the US private sector are geographically and also personally close – thanks to revolving doors that are twirling and twirling. From 1992 to 1996 Admiral John Michael McConnell was Director of the NSA. During the administration of George W. Bush, son of the former US president and former Carlyle consultant George H. W. Bush, Admiral McConnell, was the Director of National Intelligence (DNI). From 2007 to 2009 he supervised all US intelligence agencies. In 2009, the admiral took a new job. He supervised the business section named "National Security" at Booz Allen Hamilton. The change of personnel between the public security and the military sector on the one hand and the private IT sector on the other hand brings forth a new remarkable concentration of power.

This concentration has its roots in cliquishness – which is the topic of this book.

Translated by © Gisela Schmalz, Berlin, 2015.

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Gisela Schmalz has been professor of strategic management and business ethics at "Rheinische Fachhochschule" in Cologne since 2006. Apart from her teaching activities, she set up a database of international media and tech companies: www.mediadb.eu for the "Institute for Media and Communications Policies", of which she is a fellow. She is a member of the scientific research group "Ethical and Ecological Rating" in Frankfurt/M.. She used to be a member of the Google Collaboratory OHU "Global Internet Governance", Berlin.

Her books include "Der Richtungsstreit in der frühen amerikanischen Wirtschaftslehre" (Marburg, 1997) which addresses the implementation of economics as a science in the US; "No Economy"

(Frankfurt/M., 2009) which argues for fair online content markets and "Cliqueswirtschaft" ("Clique Economy - The power of networks: Goldman Sachs, the Church, Google, the Mafia...", Munich, 2014) about the structural similarity of economically powerful organizations.

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