America’s super-rich look forward to a merry Christmas

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America’s corporate elite is preparing to reward itself with another round of massive end-of-year bonuses. For the ultra-wealthy, these multimillion-dollar payouts are considered an appropriate and well deserved reward for another profitable year of operations.

A report in the *New York Times* on Monday noted that the Christmas bonuses for Wall Street’s executives, bankers and traders are expected to be 10 to 15 percent higher than those of last year. These bonuses now typically constitute the bulk of a Wall Street professional’s earnings.

“In 2003, Lloyd S. Blankfein, the president and chief operating officer of Goldman Sachs made $20.1 million; only $600,000 of that was salary,” the *Times* explained. “Similarly, E. Stanley O’Neal, the chief executive of Merrill Lynch, made $500,000 in salary, but received a bonus of $13.5 million and restricted stock worth $11.2 million more.”

So-called “superstar” traders and investment bankers are also in line for lucrative bonuses. These are individuals who have generated revenue for their firms of more than $25 million this year, through the trading of stocks, commodities and bonds. Wall Street’s “superstars” can expect to receive bonuses of $5-15 million.

These payments underscore the extent to which the fortunes of the upper echelon of the corporate world have become divorced from the trajectory of the real economy. The process of determining bonuses, the *Times* noted, is “harrowingly subjective” and “highly political.” “It’s campaign season on Wall Street,” an unnamed top executive told the newspaper.

Bankers and traders are now engaged in furtive efforts to secure the largest possible bonuses. They tell their employers that other companies have been offering them huge salaries if they switch sides, and offer exaggerated accounts of the lucrative deals and trades they have cut for their companies over the past 12 months. (“When you add everyone’s numbers, you have more revenues than the entire investment bank,” a global head of trading at a major Wall Street firm declared.)

One cannot help but be disgusted by this squalid spectacle. For these individuals, already multimillionaires, the scramble to maximize their payout is largely driven by the concern for status and prestige within a milieu that exalts wealth and excess above all else.

Meanwhile, millions of ordinary American families will struggle to even afford a decent Christmas dinner. Hundreds of thousands of people have lost their jobs this year, and millions more live under the threat of unemployment. Even for those with jobs, rising fuel and food prices have made it increasingly difficult to get by.

An examination of executive bonuses highlights the inefficiency and irrationality of contemporary corporate America. Not only are hundreds of millions of dollars skimmed off companies’ revenues to further enrich a tiny elite, but countless hours are also spent calculating exactly how this misdirection of assets should be carried out. The *Times* noted that it is not unusual for a chief executive officer to devote six hours a day to compensation and bonus issues.

The incredible waste created through the anarchy of the profit system was also demonstrated this week in the case of the crisis-ridden pharmaceutical company, Merck. In an extraordinary decision, the company’s board decided that its top 230 executives and managers will be entitled to huge payouts if another corporation takes over Merck, or even buys 20 percent of its shares.

Any manager who is retrenched or resigns within two years of a takeover or a 20 percent buyout will receive a payment equivalent to three years of salary and bonuses. Executives will also be able to immediately exercise their stock options and restricted stock grants.

Raymond V. Gilmartin, Merck's chairman, president and chief executive officer, received almost $20 million in compensation in 2003. He also has unexercised stock options from previous years valued at more than $47 million.

Merck has been in crisis ever since the withdrawal of its arthritis treatment, Vioxx, from the market on September 30. The recall was instigated after conclusive evidence emerged that the drug greatly increased the risk of heart attacks and strokes. The withdrawal began only after some 80 million prescriptions were filled around the world.

Shareholders have seen the value of their stock fall by 40 percent since the withdrawal of Vioxx. The latest crisis has only compounded the company's longstanding problems, which have resulted in its share price declining by a total of 70 percent over the past four years.

The company also faces the threat of federal investigation and thousands of potentially crippling civil suits. There is significant evidence suggesting that Merck knew about the dangers of Vioxx years before its withdrawal from the market. Dr. David Graham, associate director for science and medicine with the Food and Drug Administration, recently told the Senate that the drug has probably caused between 88,000 and 139,000 heart attacks, of which up to 40 percent were fatal.

The weakened state of the company has left it vulnerable to takeover. The falling value of the US dollar relative to the euro has further increased the likelihood of a bid from a European drug company, such as GlaxoSmithKline or Novartis.

None of Merck's executives have been or will be held responsible for their disastrous tenure. Faced with the threat of being retrenched in the event of a takeover, they have simply changed the rules to ensure that any corporate buyout will actually work in their favor. Ordinary workers at Merck, who earn a tiny fraction of what the company's senior executives earn, will receive no benefits should they lose their jobs.

The Merck case demonstrates that the corporate world has largely abandoned any conception that the remuneration of senior executives should be tied to the performance of their companies. The Enron and WorldCom scandals were less aberrations than they were case studies in how America's largest companies are increasingly used as little more than slush funds by the corporate elite.

A tiny layer has amassed wealth at a rate unprecedented in modern American history, and as a result, the level of social inequality has developed to a critical and unsustainable level. The gulf that now separates the mass of working people from the ruling elite is the objective basis upon which standard democratic norms are rapidly breaking down.