Wall Street grabs $21.5 billion in bonuses

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In what amounts to a massive misappropriation of social wealth, Wall Street's major investment banks and trading firms are handing out $21.5 billion in year-end bonuses for 2005.

According to a report issued Wednesday by New York State Comptroller Alan G. Hevesi, the average bonus paid out for last year is $125,000, with thousands of top executives, stock brokers and bond traders pulling in $1 million or more. While the amounts were announced by the individual firms in December, the checks will be going out at the end of this month and next.

Among the top beneficiaries is Goldman Sachs chief executive Henry Paulson Jr., who ended up with a $38 million compensation package for 2005. Other top earners include Lehman Brothers CEO Richard S. Fuld Jr., with $14.9 million, and Morgan Stanley chief John Mack, who is being paid $11.5 million for the six months of work he performed since taking over the company last summer.

According to some published reports, traders in their 30s are receiving as much as half a million, while 21-year-old "analysts" hired straight out of college are taking home bonuses worth $75,000.

As the *New York Times* reported Thursday, much of this money is already spent. "Multimillion-dollar estates, rare art, luxury cars and fractional shares of private jets are among the more popular items coveted by Wall Street's masters of the universe," the *Times* noted. Ferrari, BMW and Mercedes dealers in the New York area as well as high-end jewelers are expected to see record sales.

The total amount being paid out in bonuses adds up to more money than was appropriated for US foreign aid to the entire planet in 2005. It is equal to the amounts in annual spending that, according to some estimates, would suffice to shelter all of the world's homeless or wipe out starvation and malnutrition across the globe.

The average Wall Street bonuses are today worth nearly 10 times more than they were 20 years ago. Over the same 20-year period, working people in New York City and across the country have seen their real wages stagnate and even decline. The median hourly wage for workers in New York City has actually fallen by nearly 5 percent over the last five years.

These opposing trends have created one of the most socially unequal cities on the face of the earth, where the income of the wealthiest fifth of the population is 52 times greater than that of the poorest fifth.

The news of the gargantuan payouts on Wall Street aroused little interest from the mass media. The *Times*, like New York City's tabloids, relegated the story to its business pages.

What a contrast to their reaction to last month's New York City transit strike, when 33,000 workers making an average salary of $50,000 dared to walk out in opposition to management's demands for concessions!

For three days, Rupert Murdoch's *New York Post* and other sections of the mass media could not contain their anger. They denounced the workers as "rats," calling them "overpaid" and "greedy," and demanding that they be fired and their leaders thrown in jail. Meanwhile, the media shed crocodile tears for lower-paid workers, portraying them as the real victims of the strike.

It should be pointed out that the bonuses paid out by Wall Street for 2005 alone would be enough to cover the wages of every New York City transit worker—at the highest scale and with overtime—for at least 10 years.

Where is Murdoch's outrage and that of rest of the city's media now? None of them are calling Paulson, Fuld and Mack "greedy rats" for taking in tens of millions, while 20 percent of New York City's population is attempting to survive on annual incomes of $7,000 or less.

On the contrary, the same edition of the *New York Post* that reported on the bonuses carried an editorial warning darkly that the “death tax”—the tax that in a previous period was applied to the estates of the super-rich—could be revived unless the New York state legislature took prompt action. The editorial warned that unless such action was taken, New York could face an exodus of multi-millionaires.

Where is Mayor Michael Bloomberg, who called the transit workers “thugs” and “selfish” for trying to defend their basic right to decent wages, health care and pensions? The real thugs on Wall Street are, in fact, his lifelong associates. He is himself the product of the same kind of lavish compensation, amassing a fortune of over $4 billion from his financial information firm—money that allowed him to buy his way into City Hall.

Nor was Comptroller Hevesi, the prominent New York State Democrat who released the report, critical of the economic plundering and grotesque inequality expressed in the bonus figures. He issued a perfunctory statement declaring, “The securities industry had a very good year during 2005. The industry paid record bonuses based on exceptional revenue growth and solid profits.”

All of the media and the politicians of both big business parties are in fundamental agreement that the ideal of equality is outmoded and downright dangerous, and that the subordination of all of society to the accumulation of wealth by a financial aristocracy is the natural order of things.

The principal basis for the “very good year” and “exceptional revenue growth” that supposedly justified the huge bonuses was a bumper crop of mergers and acquisitions—multi-billion-dollar deals involving the buying out of one corporation by another. While such deals yield immense profits for the Wall Street financiers who arrange them, their impact upon working people is felt in mass layoffs. Over the past year hundreds of thousands of jobs have been destroyed as combined companies rationalized their operations to further reduce labor costs.

These operations have contributed to the severe erosion of social conditions for millions and the destruction of productive capacity within the US economy. They are compounded by the obscene payouts now taking place on Wall Street.

The bonus money being used by wealthy financiers and traders to buy estates, art, yachts and sports cars is wealth that is diverted from socially useful production. This process has real and devastating consequences for the vast majority of the world’s population, while it facilitates an unprecedented redistribution of wealth into the hands of a tiny financial oligarchy.

The parasitism, plundering and unprecedented social inequality summed up in Wall Street’s bonus bonanza are not incidental to the workings of the capitalist market. They are inevitable and essential expressions of the profit system.