Record inequality in the US: Billions for Wall Street bosses as workers' share of income shrinks

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Goldman Sachs, the most profitable US investment bank, will distribute a staggering $12.1 billion in bonuses this month, up from $9.9 billion last year. The company will pay $20.2 billion in all forms of compensation, up from $16.5 billion last year.

While the total compensation figure includes salaries and benefits for all 30,000 people employed at Goldman Sachs—leading to breathless media reports of an "average" compensation of $661,490 per employee—the lion's share will go to a few hundred top executives, managers and partners, who will receive tens of millions apiece.

Chairman and CEO Lloyd C. Blankfein will rake in about $70 million himself, up from $53.4 million last year, which at the time was the highest income ever reported by a bank CEO.

The bank reported Tuesday that its fourth-quarter profits rose 2.2 percent to $3.2 billion, $7.01 for each share of stock, well above the expectation of $6.61 a share set by stock analysts. Total profits for 2007 were $11.6 billion, up 22 percent over 2006, on total revenues of $88 billion.

Lehman Brothers, the fourth-biggest securities firm, announced last week a bonus pool of $5.7 billion and total compensation of $9.5 billion, with CEO Richard S. Fuld Jr. awarded a $35 million stock bonus, on top of his salary and benefits.

The vice-grip on Wall Street by a handful of big firms is underscored by the report that Goldman's bonus pool alone was bigger than the total market value of the fifth-largest investment bank, Bear Stearns.

Another yardstick of the influence of Goldman Sachs is that the company's bonus pool of $12.1 billion was greater than the $11 billion total increase in US government spending on all domestic social programs proposed by the congressional Democrats, and blocked last week by a White House veto threat.

A single Wall Street firm will distribute more than twice as much money to a few hundred executives as the US government spends on the State Children's Health Insurance Program serving millions of children of low-paid workers, and more than the federal government spent this year on Hurricane Katrina reconstruction and relief.

Goldman Sachs total annual compensation exceeds the budget of the federal departments of Treasury, Justice, Labor, Agriculture or Interior, the EPA or NASA.

Such figures demonstrate the grotesque distortions inflicted on American society by the domination of financial speculators whose activities create nothing of value and have, from the standpoint of material production, an entirely parasitic and destructive impact.

Much of Goldman's record profits this year come from its successful financial manipulations in the subprime mortgage market, where it essentially bet against its major Wall Street rivals, who plunged heavily into the business of repackaging home mortgages into ever-more-complex financial securities whose value is now problematic, even unknowable.

The company also raked in over $1 billion in profits in the fourth quarter alone from its private equity operations. Goldman-owned hedge funds serve the wealthiest one-tenth of one percent, those who can afford to bet tens of millions on financial manipulations that may return 20, 25, even 30 percent, far more than can be gained from investment in the development of the productive infrastructure of society.

One of the principal activities of hedge funds and other private equity firms is to buy up struggling companies, strip their assets, shut factories and offices, fire thousands of workers, and then refloat them on the stock exchange at a huge profit. Essentially, these firms coin the economic distress of laid-off workers and their families into gold.

Goldman Sachs reported its record bonus pool only a few days after a new report by the Congressional Budget Office that documented, from the standpoint of the US economy as a whole, the increasingly pernicious role of the super-rich.

The CBO report, made public Friday, found that the richest one percent of Americans saw a greater increase in their total income from 2003 to 2005 than the combined total income of the poorest 20 percent of the population. The income of the top one percent rose from under $1.3 trillion in 2003 to $1.8 trillion in 2005. The increase of $524.8 billion far exceeded the total income of the poorest fifth of Americans, $383.4 billion.

If the top one percent had simply been compelled to live in 2005 on the same exorbitant income they made in 2003, with the increase diverted to the poor, the incomes of the bottom 20 percent of the population could have been increased by 170 percent. In other words, the abolition of poverty in America would merely require stopping the superrich from grabbing an ever-greater share of the vast wealth produced by the labor of working people.

The CBO report provided other metrics for gauging the staggering growth of economic inequality. The total 2005 income of the top three million Americans was equivalent to the total income of the bottom 166 million.

The average household in the top one percent enjoyed an increase of $465,700 in annual income; the average household in the bottom 20 percent saw an increase of only $200, while those in the middle fifth saw a rise of just $2,400.

Further analysis of the CBO data by the Center on Budget and Policy Priorities and the Economic Policy Institute suggests the historic dimensions of the social polarization in the United States.

The wealthiest fifth of the population now collects 55 percent of total national income, considerably more than the total combined income of the bottom 80 percent, and the highest such figure ever recorded in the US.

The wealthiest one percent saw its share of national income double from 1979 and 2005, rising from 9 percent to 18 percent. During that quarter-century, the average income of this top layer more than tripled, rising 228 percent, from $319,000 to $1.1 million. During the same period, the average after-tax income of the poorest fifth grew only 6 percent, the average income of the middle fifth grew 21 percent, less than one percent a year.

The disparities between rich and poor, and between rich and the middle, ballooned accordingly. In 1979, the top 1 percent averaged 8 times more than middle-income families and 23 times more than the poorest 20 percent. By 2005, the top 1 percent had 21 times the income of middle-income families and 70 times the average income of the poorest 20 percent.

Jared Bernstein of EPI, summing up the record of the years 2003-2005, wrote, “Over those two years, the growth of inequality transferred $400 billion dollars from the bottom 95 percent to the top 5 percent.” He concluded, “Such concentration of income is unsustainable in a democratic society.”

Or to put it more bluntly: such a concentration of income is the driving force of the present assault on democratic rights, spearheaded by the Bush administration and supported by both big business parties, which defend the existing economic order.