Record Christmas bonuses on Wall Street

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As millions of US households struggle with unmanageable mortgage payments, falling home values and foreclosure, Wall Street executives are awarding themselves record year-end bonuses.

Major US banks are reporting billions of dollars in write-offs from bad investments and double-digit losses in stock value. Nevertheless, among the four largest investment firms—Goldman Sachs, Morgan Stanley, Lehman Brothers and Bear Stearns—bonuses amount to nearly $30 billion.

Year-end payouts on Wall Street are 14 percent higher this year than last, bringing total compensation at the four firms to nearly $50 billion for 2007. Bonuses have increased at double-digit rates year after year on debt speculation and spiking energy and home costs, which have hurt working class families.

To put these compensation packages in perspective, the entire budget for New York City, employing a quarter of a million people, is $59 billion in fiscal year 2008.

The Wall Street bonuses alone far surpass the combined funds for the city's fire and sanitation departments, all of the city's health, hospital, welfare, homeless, children's and social services, and the municipal funding of the education department and the university system of New York City.

The bonuses are more than the federal government's discretionary budget for Housing and Urban Development, and more than the combined discretionary budgets of the Environmental Protection Agency, NASA and the National Science Foundation.

Investment bank Goldman Sachs—which pulled in profits of $11.6 billion, 22 percent higher than 2006, by positioning itself against other major firms which were entangled in the sub-prime mortgage crisis—is distributing a massive $12.1 billion in bonuses. Including compensation, Goldman Sachs will hand out $20.2 billion for the year, up from $16.5 billion in 2006.

Goldman Chairman and CEO Lloyd Blankfein claimed a record bonus totaling nearly $68 million, including $26.8 million in cash and $41.1 million in stock and options. Blankfein raked in the previous record, $54 million, last year. Goldman co-presidents Gary Cohn and Jon Winkelried were each given bonuses worth $40.5 million, up from $26 million apiece in 2006.

Investment firm Lehman Brothers reported total compensation of $9.5 billion, a 9.5 percent increase over last year, and bonuses of $5.7 billion. CEO Richard Fuld Jr. received a $35 million stock bonus. According to *Forbes*, Fuld's five-year compensation total, excluding this latest bonus, is nearly $312 million.

The media has made much of the announcements from Morgan Stanley and Bear Stearns that their chief executives will not be given bonuses due to their dismal earnings reports and falling share values. Reuters commented December 20 that "even top performers at some firms are getting pinched" by the collapse of the sub-prime and credit markets. "It's a bloodbath on the credit side," capital markets analyst John Kim told the news agency. "It's going to be brutal. The bonus pool is shrinking."

Yet Morgan Stanley, the second largest securities firm, reported a decline in earnings of 60 percent over the year and a $9.4 billion write-down in debt securities holdings for the fourth quarter at the same time as it announced an 18 percent rise in compensation packages, to $16.6 billion.

Securities firm Bear Stearns posted its first-ever quarterly loss and reduced earnings estimates by nearly $2 billion. The company reported reduced compensation packages of $3.4 billion, down from $4.3 billion in 2006.

These figures are certainly not making top Morgan

Stanley and Bear Stearns executives uncomfortable in their featherbeds. While Morgan Stanley CEO John Mack forgoes a bonus this year, last year he was given $40 million in compensation. *Forbes* puts Mack's annual compensation, excluding bonuses, at $7.46 million, and his stock ownership at more than $220 million.

Bear Stearns CEO James Cayne is estimated to hold more than $1.3 billion. Last year Cayne was paid $38 million in cash and held $59 million in stock options. As the company reported that two of its hedge funds had collapsed, the *Wall Street Journal* reported that Caynes spent his days chartering cross-country flights to attend bridge tournaments and play golf.

Even CEOs who resigned or were removed from their positions because of disastrous write-downs continue to reap windfalls. Stanley O'Neal, CEO of Merrill Lynch until being removed in October, is not receiving his bonus this year, but has been awarded more than $161 million in securities and retirement package.

Citigroup CEO Charles Prince resigned in November after forecasting $11 billion in sub-prime mortgage investment losses on top of $6.5 billion already written down. He was handed an exit package of $95 million, including $30 million in stocks and options, and will continue to get a bonus based on Citigroup's share price.

Noting the enormous growth in award amounts, executive recruiting firm Boyden World Corp. director Jeanne Branthover told *Bloomberg* news on December 24, "What you're seeing is historic. It's going to set a pattern in the future for how people and firms differentiate themselves in extraordinary times."

Indeed, these are extraordinary times. Such figures epitomize the deepening social divide between the parasitic upper crust and the mass of the US population. Inequality has grown sharply in recent years on tax cuts, speculation and outright fraud, at the expense of general living standards and the productive base of society.

The federal Congressional Budget Office reported earlier this month that between 2003 and 2005, the income of the richest one percent of the population rose more than the combined total income of the poorest 20 percent of Americans. The richest 3 million people saw their income increase from $1.3 trillion to $1.8 trillion, equal to the combined total income of the bottom 166 million Americans.

This grotesque concentration of wealth has real consequences for the dynamics of economic life. As Wall Street executives claw up tens of millions, on New York City on any given night thousands of people seek emergency assistance from city shelters. The city's Department of Homeless Services census count for December 21 put the total shelter occupancy at 35,419, including more than 15,000 children.

Nationwide, millions of working class households contend with exorbitant housing, heating and debt payments, largely the byproduct of investment firm profits. Home foreclosures continue to surge throughout the country as prices decline and sub-prime mortgage interest rates reset. More than 36.5 million people live below the artificially suppressed official poverty line. The rising cost of housing, energy, basic foods and gasoline have pushed the poorest families into desperate situations, strained emergency food banks and charities, and compounded the trend toward recession.

Meanwhile, *Elite Traveler* magazine reports that households worth at least $10 million are spending 67 percent more on the holidays this year. In addition to the usual jewelry, electronics, cars, yachts, and vacation homes, the super-rich are also splurging on private islands and private charter jet flights.

One of the most popular gift items this year, according to the magazine, is a $40,000 gift card redeemable for ten hours of luxury flying. The Lufthansa private jet service, the magazine says, "offers personal assistants, a cigar lounge, luxury bathrooms and integrated passport control and security checkpoints. Cuisine features a daily assortment of sushi as well as some 43 vintage Armagnac brandies." From the lounge, "A chauffeured Mercedes S-class or Porsche Cayenne whisks travelers directly to their awaiting jet."