Wall Street's Great Heist of 2008

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The *Wall Street Journal* published a front-page article Friday reporting that the nine biggest US banks, which have received a combined $125 billion in taxpayer funds as part of the $700 billion bailout authored by Treasury Secretary Henry Paulson and passed by the Democratic Congress, owed their executives more than $40 billion for recent years' compensation and pensions as of the end of 2007.

This means that nearly a third of the public funds given to these banks will ultimately be used to increase the private fortunes of a handful of multimillionaire Wall Street executives.

This revelation, the result of an analysis of the banks' corporate reports by the American financial elite's own chief organ, provides a stark exposure of the social interests that are being served by the government bailout. More generally, it provides an instructive insight into class relations in America.

It has already been widely reported that the banks are refusing to use their government windfalls to resume lending to other banks, businesses and consumers—the ostensible purpose of the cash injections—and are, instead, hoarding the money for the purpose of acquiring smaller and weaker banks. The so-called economic rescue plan is, in fact, a plan to effect a rapid consolidation of the US banking system, resulting in the domination of the economy by a few mega-banks, which will be free to set interest rates and lending standards as they see fit.

Far from opposing this development, Treasury Secretary Paulson and the Federal Reserve Board are encouraging it. They deliberately designed the bailout to place no restrictions on how the banks use their taxpayer money and then enacted changes in the tax code to give banks acquiring other banks a huge tax break. (See: "The 'dirty little secret' of the US bank bailout")

As the *Journal* explains, the minimal restrictions on future executive compensation stipulated in the bailout bill do not affect deferred payments to executives accumulated over previous years. Since such deferred payment accounts are commonplace in the banking industry and are the preferred means by which top executives build up nest eggs in the hundreds of millions of dollars, those who are primarily responsible for the financial disaster and, in many cases, the ruin of their own companies, will emerge from the crisis richer than ever.

As the *Journal* puts it: "The deferred-compensation programs for executives are like 401(k) plans on steroids." At some of the banks that have received government handouts, the newspaper notes, the total amounts previously incurred and owed to their executives exceed what they owe in pensions to their entire work forces.

The newspaper notes that at Goldman Sachs, formerly headed by Paulson, "the $11.8 billion obligation primarily for deferred executive compensation dwarfed the liability for its broad-based pension plan for all employees. That was just $399 million."

Goldman received $10 billion of the $125 billion doled out to the biggest banks. JPMorgan Chase, which was granted $25 billion, owes its top officers $8.5 billion. Citigroup, another $25 billion recipient, owes $5 billion, and Morgan Stanley, which got $10 billion in taxpayer money, is in debt to its top executives to the tune of $10 to $12 billion.

A separate article in the same issue of the *Journal* amplifies this picture of parasitism and criminality.

Headlined “Securities Firms Tackle Pay Issue,” it deals with discussions among the top executives of Wall Street firms such as Goldman Sachs, Morgan Stanley and Merrill Lynch over the advisability of paring down their traditional multimillion-dollar year-end bonuses in the face of growing public outrage.

The article notes that since the start of 2002, Goldman Sachs, Morgan Stanley, Merrill Lynch, Lehman Brothers and Bear Stearns have paid a total of $312 billion in compensation and benefits. It estimates that these firms have also paid out $187 billion in bonuses, for a grand total of $499 billion. Much of this staggering sum—more than five-and-a-half times the total income of the firms—has gone to the top echelon of executives.

The latter three firms have either disappeared or are in the process of being taken over. Bear Stearns was bought out by JPMorgan Chase last March in a deal subsidized by the government in the amount of $29 billion; Lehman Brothers filed for bankruptcy in September, and Merrill Lynch has agreed to sell itself to Bank of America in a government-brokered agreement.

While the bank executives were awarding themselves tens of millions in salaries and bonuses, their companies were being run into the ground. Since the start of 2007, for example, Merrill Lynch has had net losses of nearly $20 billion, or virtually all of the profits it made from 2003 to 2006. CEO John Thain took in $83 million in 2007. Now, thousands of Merrill employees are being laid off to cut $7 billion in costs as part of the takeover by Bank of America.

The events of the past two months have brought into sharper focus the naked power exercised by the American financial aristocracy over society and the state. All of the various schemes devised in response to the near-collapse of the financial system have had one thing in common: they proceed from the need to uphold the interests of the most powerful banks and the richest of the rich.

The combination of impotence, servility and duplicity of Congress and its Democratic leadership is being mercilessly exposed. Charles Schumer, the Democratic chairman of the Joint Economic Committee, said this week in regard to the banks’ refusal to use the government money to extend new loans, “There’s not much we can do other than jawbone.”

Christopher Dodd, the Democratic chairman of the Senate Banking Committee, blustered, “The intent here certainly wasn’t for healthy banks to buy healthy banks—it’s infuriating.”

Dodd, it would seem, is shocked to learn that the bailout plan he adamantly supported is being used to serve the narrow self-interest of the bankers. Even if one makes the implausible assumption that this veteran of Washington politics and favorite of Wall Street is not being disingenuous, that does not alter the fact of his utter prostration before the real power brokers in America.

Nothing is permissible that impinges on the basic prerogatives of the financial oligarchy, no matter the cost to the American people. On critical matters regarding the class interests of the ruling elite, the people have no say.

There is a ruling class in America. The administration, Congress, the courts—all of the agencies of the state—are, behind the trappings of democracy, instruments of its domination.

Barry Grey