

Obama's calculated anger over Wall Street bonuses

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On Thursday, President Obama publicly criticized Wall Street bankers who awarded themselves more than \$18 billion in annual bonuses even as their banks collapsed, driving the US and world economy into the greatest economic crisis since the Great Depression.

Obama called the bonuses, which came to light in a Wednesday *New York Times* article, "shameful." Though there was a sharp decline in the bonuses from the last three years, when year-end bonuses ranged between \$28 billion and \$37 billion, this year's haul was still the sixth-largest on record.

Obama's remarks were a carefully calculated and scripted affair. In the course of his remarks, delivered from the White House Oval Office with Treasury Secretary Timothy Geithner at his side, Obama made clear his primary concern: that the behavior of the top financial executives might provoke a backlash against the new handouts his administration is preparing for the finance industry. According to media reports, the administration is planning on announcing a "big bang" financial bailout program next week.

Obama noted that the bonuses came after a year "when most of these institutions are teetering on collapse and they are asking for taxpayers to sustain them." This, he said, is "the height of irresponsibility."

"The American people understand that we've got a big hole we've got to dig ourselves out of. They don't like people digging a bigger hole even as they're being asked to fill it up," Obama said.

Even the mainstream press noted the cynical character of Obama's comments—which were delivered without a trace of sincerity—and their transparent relationship to a new bailout being prepared for Wall Street that will dwarf the infamous Troubled Asset Relief Program (TARP).

New York Times commented, "He stiffed his populist tone as he confronted the possibility of having to ask Congress for additional large sums of money, beyond the \$700 billion already authorized, to prop up the financial system."

The *Wall Street Journal* noted that Obama's criticism of the financial executives "had a political purpose: eliciting support for an expensive and unpopular bailout program that will likely require more cash from Congress."

In other words, Obama is asking the financial elite to show a bit of decorum while his administration prepares to hand it hundreds of billions, or perhaps trillions, more. "There will be time for them to make profits, and there will be time for them to get bonuses," Obama said. "Now is not that time."

Media accounts of the new Wall Street bailout have begun to bring the massive operation into focus. It appears that it will cost between \$2 and \$4 trillion dollars—larger than Obama's "stimulus" and the initial TARP plan combined—and may involve the formation of a taxpayer-owned "bad bank" that would buy up worthless assets from banks. It will likely also involve government guarantees of future bank losses as well as new cash infusions. According to a report in the *Financial Times*, there will likely be some form of nominal cap on executive compensation as part of the deal—to make the whole program easier to sell to the public.

Obama's calculated anger against Wall Street bonuses is hypocritical, to say the least. Obama played a critical role in passage of the TARP program in October in the weeks before he was elected president. At the time, Obama insisted that to avoid a meltdown of the US economy it was urgent to award \$700 billion to the biggest banks. There was no time to discuss restrictions

on the way the money would be used. The money, he insisted, would cause the financial institutions to resume lending, which would in turn create jobs.

Just the opposite has happened. While layoffs pile up by the hundreds of thousands, the financial institutions have hoarded the TARP cash, used it to buy up other banks, and handed the money out to the members of the financial elite, as the revelations about the \$18 billion in Wall Street bonuses suggest.

Obama's rush in October to bail out Wall Street with no limits on executive pay stood in stark contrast to his approach to the incomparably smaller bailout of the auto industry in November. When it came to the paychecks of the autoworkers, who earn a tiny fraction compared to the compensation of the finance CEOs, Obama lined up with the political and media elite in insisting that any loan had to be predicated on massive concessions in pay and working conditions. (See: *A tale of two bailouts*)

Then in January, even prior to taking the oath of office, Obama took as his first order of business securing Congressional approval for the allocation of the second \$350 billion installment of the TARP money—even though the failure of the first installment was already patently apparent.

In his remarks, Obama returned once more to what has become a theme of the early days of his administration: "responsibility." "One point I want to make," he said, "all of us are going to have responsibilities to get this economy moving again." The "responsibilities" Obama assigns to the working class and to the financial aristocracy, however, are two different things.

It is noteworthy that in his supposedly "angry" criticisms of Wall Street bonuses, Obama made no demand that the money be returned. Obama's overriding concern is that the financial aristocracy not endanger its own enrichment through provocative actions, emphasizing that he is "asking for help" from the financial elite, "to show some restraint, show some discipline, and to show some sense of responsibility".

But for the working class, there are no limits to the demands Obama is prepared to make. Among the "tough choices" he envisions are the gutting of the entitlement programs Social Security and Medicare. Workers must accept, furthermore, a drastic decline in their social positions, and content themselves with an

economic order with endemic unemployment, declining wages, and poverty.

The Obama administration, like its predecessor, is determined that any measures adopted in response to the economic crisis be based on defending and advancing the interests of the financial elite—the same individuals who are responsible for the crisis.

Geithner, speaking at a Capitol Hill meeting on the TARP the same day as Obama made his criticisms of executive bonuses, was at pains to stress this point: "We have a financial system that is run by private shareholders, managed by private institutions, and we'd like to do our best to preserve that system," the newly appointed treasury secretary said.

A resolution to the looming depression, which threatens the livelihood of billions of people around the world, is fundamentally a class question. It is a question of who owns the giant banks and corporations, and in whose interests they are operated. The working class must settle accounts with the financial aristocracy, which bears responsibility for the catastrophe.

What is required is the expropriation of all the ill-gotten gains of the CEOs and financiers, without compensation. These funds—which add up to hundreds of billions, if not trillions of dollars, should be used to meet the basic needs of working people for jobs and housing. The books and business dealings of the big banks must be opened to public scrutiny, with criminal investigations into illegal practices.

Above all, the financial industry and giant corporations must be nationalized and placed under the democratic control of the working class. It is a question not of "preserving" the private profit system, but of eliminating it, replacing it with the socialist organization of economic life.



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