

Banking CEOs testify

Congress on bended knee before Wall Street executives

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12 February 2009

Chief executive officers from the eight largest banks in the US, which have collectively received \$125 billion in bailout money, appeared before the House Financial Services Committee Tuesday. The hearing was a demonstration of the utter prostration of both the Democratic and Republican politicians before America's financial elite.

Appearing before the congressional committee were Lloyd Blankfein (Goldman Sachs); James Dimon (JPMorgan Chase); Robert Kelly (Bank of New York Mellon);

Ken Lewis (Bank of America); Ronald Logue (State Street Corporation); John Mack (Morgan Stanley); Vikram Pandit (Citigroup) and John Stumpf (Wells Fargo). Collectively they have received hundreds of millions in individual compensation over the last few years, while their institutions precipitated the worst financial meltdown since the Great Depression.

Far from conducting a serious investigation into these activities, the congressmen treated the executives with deference. They stressed that there would be no recriminations, but Congress would work with the bankers to restore confidence in the financial system. The witnesses were not put under oath or compelled to reveal any damaging or incriminating evidence. Instead, for the most part they were asked politely if they had learned their lessons and were ready to act more prudently.

This obeisance to the financial aristocracy was summed up in the opening remarks of committee chairman Barney Frank. The Massachusetts Democrat, himself a recipient of millions in campaign funds from Wall Street, acknowledged that there was widespread public anger against the banks and acknowledged that the overwhelming majority of the people wanted to "junk" the

present financial system and build a new one. However, the "time and effort" made such a proposal "impractical," Frank insisted.

In order to get the financial system working again, he said, "we are going to have to work within the 'existing institutions.'" He made it clear that there would be no substantive change in the operations or leading personnel of the tattered financial institutions, let alone any challenge to the wealth and prerogatives of those responsible for the worst crisis in 70 years.

Frank then hit at the political "dilemma" that he said the government faced. By funneling more public money into the banking system, he said, the same banking executives responsible for the crisis would be seen as the beneficiaries. This would only generate more public opposition, not only to Wall Street but to the government itself.

Indeed, the insistence of the financial elite in looting the public treasury, even if it means the bankruptcy of the country, has put the government in an extremely difficult position. However, given the complete subservience of the government to the financial aristocracy, and its unquestionable defense of the capitalist system, the politicians were reduced to begging the bankers to clean up their acts and do the public relations work necessary to get through the next installment of public money.

"I urge you going forward to be ungrudgingly cooperative," Frank pleaded. "There has to be a sense of the American people that you understand their anger...and that you're willing to make some sacrifices to get this working."

What followed was political theater in which the executives explained that they weren't really withholding credit but had issued billions in new loans to consumers, students and small businesses. They made these claims

even as report after report has documented the virtual drying up of credit. The banks have used public assets to pay out dividends to wealthy bondholders and finance multi-billion dollar mergers that have resulted in the destruction of thousands of jobs.

The executives issued obligatory apologies for past "mistakes" and "errors," pledged greater "accountability" and "transparency" and even said they would institute a three-week moratorium on foreclosures until the Treasury Department's new bailout kicked in. Announcing that he would work without bonuses, John Mack, the CEO of Morgan Stanley, declared, "I know that American people are outraged about compensation packages," although he did not offer to give back any of the \$56 million he pocketed over the last five years.

A few Democrats on the finance committee joined the act, railing against excess bonuses, taxpayer-funded travel junkets, private jets and the millions of dollars in fees charged by the banks to process their own bailout money. The posturing was aimed at deflecting criticism from the Democrats who, like the Republicans, are widely perceived as shills for the Wall Street banks. As one Democratic congressman complained to the bankers, "your industry and ours are suffering from a credibility gap with the American people."

In the course of the hearing it was revealed that Merrill Lynch, with the complicity of its new owner, Bank of America, had used accounting tricks to issue \$3.6 billion in executive bonuses even as the bank was receiving taxpayer money. Bank of America's executive quickly dodged any responsibility and the matter was dropped.

Another Democratic congressman complained that the American people had been "screwed out of \$78 billion," citing a report issued last Friday by the congressional panel set up to oversee the first \$700 billion bailout. The report revealed that Bush administration officials overpaid for banks' "troubled assets." The congressman lamely asked, "Will you recommend to your boards that additional shares be given to the government?" The bankers met the question with silence.

Constantly in the background of the hearing was a fear that the banks and government were inciting a potential explosion as millions of working people were losing their jobs and homes, taking pay cuts and facing the prospect of destitution, while the financial elite on Wall Street is looting the US Treasury.

Several congressmen read letters from their constituents. One expressed what millions think of the banking executives: "Put them all in jail, which is where I

would be if I robbed a financial institution."

Despite their vocal contrition, the Wall Street executives were intransigent on their demands for more bailout money. On the most important issue—the sale of the trillions of dollars in virtually worthless mortgage-backed assets held by these institutions—the banking executives made it absolutely clear they would not sell them at the current market prices and were waiting for the Obama administration's new bailout to make any sale far more lucrative.

Abandoning their supposed commitment to the "free market," the executives insisted the value of their assets should be pegged, not at the market value, but at some supposedly "fair value" that was far above their present price. In an attempt to justify this position, Citigroup's Vikram Pandit declared, "We have a duty to our shareholders; if [the assets] are marked so far below the lifetime value we can't do it." However, if you get the funding flowing, he said, "then you will get a real bid."

Wall Street reacted with disappointment to US Treasury Secretary Timothy Geithner's unveiling of the Obama administration's new bailout proposals on Tuesday. Behind this reaction was disquiet that the proposals—though entirely geared to the interests of Wall Street—did not include a more explicit plan for the purchasing of these "toxic" assets. The details of this new transfer of wealth to the Wall Street banks are currently being worked out behind the scenes.

America's financial elite is holding the entire country for ransom in order to extract every penny from the national treasury. The only way to solve the crisis in a rational and socially beneficial manner is to break the grip of the financial aristocracy by transforming the banks into public utilities under the democratic control of working people.



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