

The American ruling class

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On Wednesday President Barack Obama announced measures that purport to restrict executive compensation to \$500,000 at financial institutions receiving billions in government assistance. The figure does not include stock options, which could be redeemed after financial firms pay back loans from the federal government. Nor does it apply to the original recipients of tens of billions in TARP (Troubled Asset Relief Program) money.

The measures are essentially a public relations exercise. Their aim is to provide political cover for a new and even larger Wall Street bailout, which Treasury Secretary Timothy Geithner will unveil next week.

Yet the discussion that has emerged in the wake of Obama's announcement sheds light on the domination of government by a tiny financial elite and the increasingly threadbare pretense of democracy in the US. This financial aristocracy, the episode reveals, is a power to be approached on bended knee.

The media have responded to Obama's proposal of a \$500,000 limit on executive compensation, which would affect only a handful of firms, as though this were a severe and astonishing punishment. Yet the figure represents approximately 12 times the annual salary of the typical worker. To the majority of the population, a salary of a half million dollars is a staggering amount of money.

Obama's servility before the financial aristocracy was summed up by the reassurances he gave it in announcing his limits on executive pay. "This is America," Obama said. "We don't disparage wealth. We don't begrudge anybody for achieving success."

Such a vision of America is at odds with both its present circumstances and its history, which has been characterized by deep democratic and egalitarian traditions that date back to before the Jeffersonian democracy of the early Republic. And while liberals are busy attempting to equate Obama to Franklin Roosevelt, the latter, in the midst of the Great Depression, attempted to capitalize on the tremendous contempt for the rich in the population at large by regularly issuing bromides against the "money changers."

Indeed, Obama's obsequiousness stands in sharp contrast to the anger of the working masses, who find it incomprehensible that the same executives who are responsible for ruining the economy and squandering trillions in taxpayer money are now presented with pay "limits" of a half million dollars. Workers are wondering why there haven't been criminal indictments and television scenes of handcuffed executives frog-marched from their offices.

But on Wall Street, \$500,000 is considered a pittance. The *New York Times* reports that executives felt cheated by taking home

"only" \$18 billion in collective bonuses in 2009. "I feel like I got a doorman's tip, compared to what I got in previous years," an investment banker with Citigroup told the *Times*.

The *Financial Times* reported on Wall Street's opposition to the largely token measures. "Senior bankers were quick to warn the plans would cause a 'brain drain' from the profession as top executives seek more rewarding jobs out of the public eye," it wrote. "Unlike other careers where job satisfaction and other considerations play a part, finance tends to attract people whose main motivation is money."

"The cap is a lousy idea," complained one top Wall Street executive. "If there is no monetary upside, who would want to do these jobs?"

Andrew Ward, a University of Georgia professor and specialist on corporate boards and management, told the *Financial Times* that executives could respond to Obama's measure by calling his bluff—refusing to allow their firms to accept a bailout that would in any way limit their personal enrichment. "One of the potentially unintended consequences is that executives might try and hold off asking for government assistance until it is too late," Ward said.

Media and academic figures who have tried to argue that the massive pay packages of the Wall Street executives are somehow legitimate, or even rational, succeed only in revealing the rot that characterizes intellectual life in the US. Their central argument—that the same CEOs who have driven their companies and the economy as whole into the ground are worthy of remuneration in the tens of millions—is so absurd it is almost an embarrassment to answer.

The immense power of the financial elite is revealed by the case of Bernard Madoff, the investor who squandered more than \$50 billion in wealth in a giant Ponzi scheme. While working class Americans are arrested and spend years in prison for far lesser offenses, Madoff remains ensconced in his Manhattan penthouse.

For nearly a decade, a whistleblower named Harry Markopolos, who had uncovered Madoff's scheme, attempted to draw the attention of the Securities and Exchange Commission (SEC), the federal regulatory agency ostensibly tasked with policing the securities and stock industries. Instead, the SEC ran interference for Madoff. Rather than being applauded for his efforts, Markopolos feared for his safety. "We knew that he was one of the most powerful men on Wall Street and in a position to easily end our careers or worse," he said.

The social psychology and physiognomy of the financial elite—with its wealth, special privileges and its control over the organs of public opinion—resembles nothing so much as a modern aristocracy.

Any discussion of a rational attempt to find a solution to the economic crisis runs immediately into the ferocious opposition of this elite. Similarly, in the 18th century the aristocracy of the French ancien regime precipitated a financial crisis through its avarice and wars. When the aristocracy convened the Estates General in 1789, it was to demand that the Third Estate, the commoners, bail the aristocracy out of the crisis of its own making. But the monarchy and nobility refused to cede a bit of its power and privileges. This set the stage for the great French Revolution.

The odious subjective characteristics of the US financial aristocracy—its greed, arrogance, stupidity and decadence—are themselves deeply rooted in objective historical developments, the social expression of an underlying economic process. The rise of this narrow social layer with its obscene levels of accumulation is inextricably bound up with the decline of American capitalism in the world market and the gutting of its domestic industrial base. Indeed, what makes the whole process so filthy, what imparts to it such a decadent and repulsive character, is the degree to which this wealth is unconnected to any progressive economic process. It is in every sense destructive and reactionary.

In an earlier period of history the US had its “robber barons,” such as Cornelius Vanderbilt, Andrew Carnegie and John D. Rockefeller. As brutal and greedy as these men were, their wealth was bound up with the creation of enormous industrial empires. The latter-day robber barons of Wall Street, on the other hand, have made their billions from the destruction of the industry and productive capacity built up over decades.

The staggering wealth accumulated in the top one percent of American society over last 25 years is directly bound up with the deterioration of the economy, the decline of industry and the impoverishment of the working class. The enormous personal fortunes of the elite have been built up on hedge funds, the leveraging of debt and other forms of financial speculation. This has entailed an enormous transfer of resources out of manufacturing and into finance, and out of the working class and into the pockets of those who have played the critical role not only in destroying living standards, but in setting the stage for the present disaster.

The fortunes that grew on this basis at a certain point assumed a dynamic of their own. Their sheer scale assumes a malignant character that becomes an insurmountable obstacle to any rational policy coming from within the confines of bourgeois politics.

It follows that there is no solution to the crisis without a direct and massive assault on social inequality, and thus the wealth and privileges of the financial and business aristocracy. This cannot be carried out by pressuring the Democratic Party. The Obama administration’s meager rules on executive pay shows that it will not consider any policies that even hint at the redistribution of wealth.

The American political elite, Obama included, is tied by a thousand strings to the financial aristocracy. The Obama administration is populated by individuals who have parlayed their political positions into lucrative positions in finance. Virtually the entire cabinet fits this billing—not only Tom Daschle, the former senator who withdrew his nomination for the Secretary of Health

and Human Services amidst revelations that he had withheld tens of thousands in taxes owed on payments he received from his corporate sponsors.

Yesterday it came to light that Leon Panetta, Obama’s nominee for chief of the Central Intelligence Agency, took home more than \$1 million last year through payments from corporations for consulting, speaking appearances and through his membership on corporate boards. He was paid handsomely for speeches by financial firms that have since collapsed, including \$56,000 by Merrill Lynch and \$28,000 by Wachovia. Chief of Staff Rahm Emanuel and Secretary of State Hillary Clinton have also used their political connections to make millions from the same financial elite that would ostensibly be targeted by Obama’s rules on executive pay.

Obama knows very well that when he leaves office he will be able to make millions of dollars, as Bill Clinton, the last Democratic president, and countless other leading politicians have done. Nor would this be a departure for Obama, whose career was taken into hand early on by leading financial and political figures in Chicago.

The subordination of the whole of society to the financial aristocracy is most clearly expressed in the massive bailout of Wall Street. Its political representatives, Democrats and Republican alike, hand over trillions to the biggest banks, while providing no provisions for the masses of people who have lost their jobs and homes.

Millions of workers who voted for Obama are now coming face to face with the fact that his administration will defend the interests of the financial elite every bit as ruthlessly, if with a slightly different presentation, as the Bush administration.

The solution to the economic crisis is not a technical question but a social, political and revolutionary settling of accounts, and a historical necessity. At a certain point in the late 18th century, it became necessary for the oppressed classes of France to rise up and destroy the power and privileges of the nobility. In the America of the 1860s, the only resolution to the “irrepressible conflict” was the destruction of the “slave power” in the South.

At this point it is necessary to destroy the political and economic power of the financial aristocracy. A resolution to the economic crisis can only begin with an independent mass movement of the working class that aims to break the political stranglehold of the financial elite over society; the development, to be blunt, of a revolutionary movement.

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