

Wall Street demands lifting of pay limits

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A provision restricting executive compensation that was inserted into the \$787 billion economic stimulus bill prior to its passage by the US Congress has provoked howls of protest from the Wall Street elite and sent the Obama administration scrambling to emasculate it.

The measure was authored by Democratic Senator Christopher Dodd, the chairman of the Senate Banking Committee, over the objections of Obama and his top economic advisers. Dodd argued that the measure was necessary to assuage public outrage against bank executives who have continued to reward themselves with multimillion-dollar bonuses after their banks received billions of dollars in taxpayer funds. He said such action was needed to make it politically possible for Congress to allocate hundreds of billions more to bail out the banks.

The provision goes somewhat further than the token pay restrictions announced February 4 by Obama's treasury secretary, Timothy Geithner, which set a base pay limit of \$500,000 only on the top executives of banks receiving "exceptional assistance" and did not apply retroactively to banks that previously received money under the \$700 billion Troubled Asset Relief Program (TARP). Dodd's measure applies retroactively to all banks that have received TARP funds. It sets no limit on salaries, but restricts bonuses to one-third of total compensation. It does not apply to deferred compensation or pensions, and evidently places no limits on stock options.

Since the vast bulk of the stratospheric annual compensation of Wall Street tycoons comes in the form of bonuses, stock options and other perks rather than base pay, the measure, if enforced, could reduce their yearly take to the millions, rather than the double-digit millions to which they have become accustomed. The *Wall Street Journal* on Saturday estimated that under the new provision, Bank of America CEO Kenneth Lewis's compensation would fall from \$16.4 million in 2007 to a "mere" \$2.25 million.

Such a fate, the prospect of which sent Wall Street lobbyists descending on Capitol Hill and the White

House, would reduce Lewis's income to a sum more than 56 times that of an ordinary American—that is, he would be forced to survive on substantially more per week than the median worker earns in a year.

The outrage of the Wall Street billionaires was immediately translated into front-page headlines in the major US newspapers. The *New York Times*, the *Wall Street Journal* and the *Washington Post* all ran lead stories Saturday on the issue. The *Post*, the main newspaper in the nation's capital, ran a front-page follow-up on Sunday, bearing the subtitle "Compensation Limits May Backfire."

Only weeks ago, it should be recalled, Congress was railing against autoworkers who make less than \$60,000 a year. Obama supported the imposition of drastic wage and benefit cuts, along with mass layoffs, as a condition for emergency loans to prevent the collapse of General Motors and Chrysler.

Judging from the Sunday morning news and interview programs, there was some doubt as to whether Obama would go ahead with his plans to sign his "stimulus and recovery" bill on Tuesday, as scheduled. His representatives felt obliged to affirm that he would sign the bill, but hastened to add that the White House would demand changes in its executive compensation provisions even after it became law.

Senior adviser David Axelrod said on "Fox News Sunday" that the White House would work with Congress to "do something that's workable" about the issue. Obama's press secretary, Robert Gibbs, appearing on CBS's "Face the Nation," said the administration would seek to "strike the right balance" by discussing changes with House and Senate members.

It is an extraordinary commentary on the reality of class relations and political power in the United States that this issue should figure so prominently in the discussion of what is billed as a plan to rescue the nation from, in Obama's words, a "catastrophe." The narrow and selfish interests of a miniscule fraction of the population weigh infinitely more on the scales of government policy than

the needs of tens of millions of people who are being hurled into unemployment and poverty. This financial aristocracy exercises an effective veto power over state policy—exposing the class dictatorship that underlies the increasingly threadbare trappings of democracy.

The real question in the minds of most Americans is why the bank executives who bear direct responsibility for the collapse of their own firms and the economy as a whole—not only in the United States but internationally—are still in their posts. They want to know why there are no serious investigations or criminal prosecutions.

The furor over the bankers' pay also sheds light on the nature of the stimulus package itself. It is a hodgepodge of tax cuts—including tens of billions for big business and the wealthy—and government outlays that will do nothing to solve the economic crisis and little to relieve the mounting suffering of the people.

Moreover, as Obama indicated in his Saturday radio-video address, it is a prelude to another massive taxpayer bailout of Wall Street that will reach into the trillions of dollars, to be followed by draconian austerity measures targeting basic social programs such as Social Security and Medicare.

The stimulus plan purports to address the deepest economic crisis since the Great Depression without examining its underlying causes or the social interests that underlie the crisis. This is no accident, since the fundamental premise of all of the measures taken in response to the crisis, by Obama no less than Bush, is the defense of the interests of the financial elite.

The response of the Wall Street elite to the executive pay provision exposes the cynicism of Obama's talk of collective "responsibility" for the crisis and his calls for "national sacrifice." For their part, the plutocrats have no intention of ceding an inch of their wealth or power, whatever the cost to society.

They have made it clear that if the Dodd provision stands, they will drain their reserves to pay back the government as soon as possible in order to remove themselves from its compensation limits, further undermining the viability of their own firms and threatening an even greater economic disaster for the US and the world. And, as many commentators have suggested, they will evade the restrictions on bonuses by jacking up their salaries. As Nell Minow of the Corporate Library told the *Washington Post*, "The people who work on Wall Street are motivated by money."

All of the measures proposed to rein in the bankers are

utterly inadequate. Over the past decade, they have pocketed—in salaries, bonuses, stock options, golden parachutes, pensions, private jets, limos and other perks—trillions of dollars. Their extravagance has involved a massive transfer of wealth from the working class and played no small part in bringing the US and global economy to the point of collapse.

Their finances should be audited and they should be forced to make restitution. The wealth they have drained from society should be recaptured, transferred to the public treasury and used to finance public works programs to provide millions of jobs rebuilding the schools, hospitals and basic infrastructure.

A rational solution to the crisis is not a technical issue. It is a fundamental class question, and therefore a political and revolutionary question. There is a direct relationship between the forms of the crisis—the parasitism of the ruling elite, the vast growth of social inequality—and the mode of production and appropriation under capitalism, which subordinates all social needs to the accumulation of personal wealth by those who own and control the means of production and the levers of finance.

Their stranglehold must be broken through a mass, independent social and political movement of the working class. The aim of this movement must be the establishment of a workers' government to carry out socialist policies.

The demand must be raised to open the books of the banks and conduct a careful, public examination to reveal how trillions of dollars were squandered and the economy bankrupted. Those responsible must be held accountable, including by means of criminal prosecution.

The banks and major financial institutions must be nationalized and transformed into public utilities under the democratic control of the working people. Only on this basis can the wealth produced by the working class be utilized and developed to meet the needs of the people.

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