

Wall Street hysterics over the AIG bonus bill

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If there is a positive element to be found in the bonuses recently handed out to American International Group (AIG) executives, it is in further lifting the veil on the character of American society and the ruling class.

AIG is an important factor in the financial crisis that has gripped the American and world economy. The company was one of the principal sellers of credit default swaps—instruments used by banks and investment firms to hedge their mortgage-backed securities and other speculative investments.

With the bursting of the housing and debt bubbles, AIG was unable to make good on its obligations, threatening the solvency of hundreds of counterparties and the multi-trillion-dollar edifice of financial derivatives. The US government intervened to prevent its collapse, handing it some \$173 billion in bailout loans and cash, much of which has found its way onto the balance sheets of major banks in the US and internationally.

Earlier this month, the company handed out \$165 million in bonuses, including large sums to individuals who themselves helped create the current financial disaster. The House of Representatives, fearful that public anger could make passage of the next stage in the Obama administration's Wall Street bailout more difficult, moved quickly to pass legislation that would impose a 90 percent tax on bonuses to some executives and traders at companies receiving more than \$5 billion in government handouts, including AIG. The Senate may consider a similar measure as early as this week.

The bill is limited, applying only to a small group of companies. However, even this measure has evoked a furious response from Wall Street. For the financial elite, there is a fundamental principle at stake, a principle that can brook no violation: its right to the unrestrained accumulation of personal wealth.

The *Financial Times* reported on Saturday a semi-

hysterical environment among the multi-millionaire executives. It quoted the fulminations of unidentified bankers in the US and Europe, including one who declared that the bill is "the most profoundly anti-American thing I've ever seen." One executive insisted that the new tax measure would "send [the US] back to the stone age." It is, presumably, the ability of the financial elite to accumulate vast fortunes while millions of people lose their jobs that chiefly characterizes humanity's advance since the invention of metal tools.

The *New York Times* cited an AIG executive as insisting that the situation is "as bad if not worse than McCarthyism."

The charge of McCarthyism is both absurd and odious. The McCarthyism of the 1950s was a campaign by the American ruling class to demonize all socialist and left-wing thought. It was based on a lie—that socialists were criminals. The campaign destroyed the lives of many workers and intellectuals in the drive to fully subordinate the institutions of American society—the unions, the media, the universities—to the capitalist system and the global aims of US imperialism.

The popular outrage against bonuses for financial executives is, on the contrary, entirely justified. These are individuals who amassed their wealth on the basis of parasitism and speculation. Now that the financial house of cards has come crashing down they are demanding that the public treasury foot the bill, while insisting that there be no consequences for their own standard of living.

Responding to the outrage from the bankers, the Obama administration is working to water down or block the bonus legislation. As public anger mounted last week, the administration adopted the mode of hypocritical posturing. The president insisted on his "outrage" over the bonuses, even though he had earlier

campaigned against restrictions on executive pay as part of the bank bailout measures and the stimulus plan passed by Congress. Administration officials insisted they would seek to recover the AIG bonuses.

By last weekend however, the administration was shifting gears. Jared Bernstein, economic adviser for Vice President Joe Biden, said on Sunday that the House bill may "go too far." The *Wall Street Journal* reported on Saturday that the administration was campaigning in the Senate to "soften" the legislation.

In an interview aired on the CBS television program "60 Minutes" Sunday evening, Obama made clear that he did not support the House bill.

The fallout from the AIG bonuses has also exposed the role of the American media as attorney for the financial elite. As the *World Socialist Web Site* has reported, the media has responded with a torrent of columns attacking popular anger over the bonuses. While the arguments vary, they all come down to one basic point: The wealth of these individuals cannot be touched.

Among the more cynical arguments is the claim, asserted in an article in the *New York Times* "Week in Review" section on Sunday that the issue of bonuses is a "political distraction." With barely disguised contempt for the American people, the *Times*' Sheryl Gay Stolberg insists that the issue of bonuses is merely a "simple and clear narrative" with "shock appeal." Compared to the multi-trillion-dollar price tag on government programs, \$165 million in bonuses for AIG executives is simply "small change."

What the AIG bonuses exemplify, however, is a fundamental aspect of American society that is central to the present crisis—the looting of the economy by the financial elite. Over the past three decades social inequality has grown enormously. A financial aristocracy, basing itself increasingly on speculation and fraud, has built up its wealth by dismantling the productive foundations of the economy and attacking the living standards of the working class.

The sums accumulated in this process are hardly small change. The collective net worth of the world's billionaires is \$2.4 trillion—more than one fifth of the gross domestic product of the United States—and this is after a drop of \$2 trillion from 2008. In the United States, the wealth of the top one percent exceeds that of

the bottom 90 percent of the population.

The stranglehold of the financial aristocracy over all the major levers of economic and political life is the principal obstacle to any rational solution to the economic crisis. The financial elite would rather bankrupt the economy than tolerate any impingement on its personal wealth.

Social being determines social consciousness. The social character of the American ruling class has generated a corresponding social psychology—one that is profoundly anti-democratic. It is typical of an aristocratic social layer to view the society upon which it parasitically feeds with a mixture of fear and hostility. It views democratic institutions—even in the thoroughly eroded form that they take in the American political system—with contempt, as unnecessary constraints on its personal prerogatives.

In the end, what Wall Street fears is not the pathetic posturing of its own paid representatives in Washington, but the popular anger, as yet not consciously articulated in the form of an independent working class program, building up in American society.

The political alternatives are posed directly: The continued domination of the financial elite and the impoverishment of the people or the expropriation of the financial aristocracy's wealth and the conquest of political power by the working class. The transformation of the major banks and corporations into publicly-owned utilities under the democratic control of the working class, and the socialist reconstruction of world economy, presents itself as a practical necessity.

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