

Record pay and profits at Goldman Sachs

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Goldman Sachs, which received \$10 billion in government bailout cash, reported record revenues and earnings for the second quarter of 2009 on Tuesday. The Wall Street bank set aside \$6.6 billion, nearly half of its quarterly revenue, for compensation, a 41 percent increase from the first three months of the year. It has earmarked \$11.3 billion for salaries and bonuses for the first six months of 2009.

If Goldman's earnings for the second half of 2009 continue at their current level, the firm will pay a total of more than \$22 billion in salaries and bonuses to its 29,400 employees. Average compensation will hit \$772,857, an all-time record. In 2006, before the financial crisis erupted, the company paid out \$661,490 per employee.

These are average figures. The top executives and traders will get a disproportionate share of the payouts, receiving compensation packages in the millions and tens of millions of dollars.

Goldman's profits nearly doubled, reaching \$3.44 billion compared to \$1.8 billion in the first quarter and \$2 billion a year ago. This was 35 percent higher than a survey of economists conducted by *Bloomberg News* had predicted. Goldman's net revenue reached \$13.8 billion in the second quarter, up 46 percent from the same quarter of 2008.

Later this week, many of Goldman's rivals, including JPMorgan Chase, Citigroup and Bank of America, will release their quarterly earnings reports and are expected to report major gains in revenues and profits.

Wall Street's profit bonanza comes amid reports of soaring bonuses for top traders and executives at most of the banks and financial firms that have been bailed out at taxpayer expense. Last week, American International Group (AIG), the insurance giant which has received over \$160 billion in government handouts, requested approval for \$235 million in bonuses for its top employees.

In June, it was reported that Goldman executives had been told they could expect to receive record bonuses, while other banks, including Citigroup, Bank of America and Morgan Stanley, had sharply increased compensation for their top traders.

Citigroup and Bank of America have each received \$45 billion in government cash under the \$700 billion Troubled Asset Relief Program (TARP) as well as guarantees on more than \$300 billion of their assets. The US government presently owns 34 percent of Citigroup's common stock.

These staggering figures demonstrate that the giant banks and financial companies--and their top executives, traders and shareholders--are exploiting the economic disaster for which they are chiefly responsible to further enrich themselves. They are doing so with the full support of the Obama administration, whose economic policies have been crafted with the single-minded goal of protecting and expanding the wealth of the financial aristocracy.

The full meaning of the administration's insistence that the restabilization of the banks is the precondition for an economic "recovery" is becoming increasingly clear. Obama's policy amounts to a blank check for the banks, with the cost of the explosive growth in federal, state and local budget deficits, along with the national debt, to be paid by the working class.

Obama is demanding that working people "tighten their belts" and accept a jobless recovery that will see an official unemployment rate of 10 percent or more for years to come. This is to be accompanied by an unprecedented drive to slash spending on basic social programs such as Social Security, Medicare and Medicaid.

Bank profits and pay have soared in inverse proportion to the economic security and well-being of the American people. Since Obama took office in January, the official unemployment rate has jumped by 1.9 percent, 3.3 million more jobs have been wiped out, workers' weekly hours and earnings have declined, over half a million households have entered foreclosure, and the savings and house values of working families have continued to plummet.

Over this period, Goldman stock has soared by 77 percent.

Obama has orchestrated the bankruptcy of General Motors and Chrysler, leading to the destruction of hundreds of thousands of jobs in auto and related sectors and cuts in wages and benefits that spell poverty for millions of workers and retirees. The administration's auto task force, led by Wall Street insiders, has spearheaded a further dismantling of basic industry in order to transform the auto companies into profitable sources of investment and create the conditions for a corporate offensive against the wages, jobs and living standards of the entire working class.

As Obama has repeatedly declared, he will do "whatever it takes" to pay off the gambling debts of the bankers, but there is "no money" to provide jobs or serious relief for the unemployed, stop foreclosures, or bail out state and local governments that are facing bankruptcy. While Wall Street CEOs celebrate their good fortune, California, the country's biggest state, is paying its creditors with IOUs and shutting down essential social services.

The record profits and pay for the banks are not only the result of government cash, virtually interest-free loans and guarantees on trillions of dollars of debt, they are also the result of the refusal of the White House and Congress to place any serious restrictions on the banks' predatory practices. As *Bloomberg.com* noted on Tuesday, Goldman has registered record profits by increasing its risk-taking.

The government is allowing the banks to conceal an estimated \$2 trillion in bad debts in commercial real estate, credit card loans, auto loans, student loans and other forms of consumer credit that remain on their books. The banks refuse to sell off or write down these assets, whose market value is a fraction of their claimed value. This is setting the stage for another financial crash, as mass unemployment and growing poverty ripple through the financial system.

The banks rightly calculate that the government will eventually pay off these bad debts dollar for dollar, and therefore have no incentive to purge their balance sheets to the detriment of their bottom line.

A full-scale resumption of the speculative methods that led to the economic crash has gone hand in hand with policies designed to drive up profits by preying on the general population. Small businesses and households are being denied credit, or charged exorbitant interest rates. The banks have refused to lower the mortgage principal on millions of homeowners whose home values have sunk below their mortgage debt. They have driven up interest rates and fees on credit cards, adding to an already insupportable debt burden weighing on families. *USA Today* reported last week that the banks stand to take in over \$38 billion this year in inflated fees charged for overdrafts, nearly twice their take in credit card late payment fees.

At the same time, the biggest banks, such as Goldman, are benefiting from a government policy aimed at eliminating weaker competitors and effecting a further consolidation of the banking industry. Over the past 15 months, three of Goldman's major rivals—Bear Stearns, Merrill Lynch and Lehman Brothers—have disappeared, giving Goldman and a handful of other banking goliaths even greater market share and economic clout.

Goldman Sachs exemplifies the domination of the banks over government policy and both political parties. It has supplied the top personnel for government economic policy-making in the Democratic Clinton, Republican Bush and Democratic Obama administrations. Bush's treasury secretary, Henry Paulson, formerly the CEO of Goldman, saw to it that the government bank bailout paid especially rich dividends to his former company. This included a bailout of AIG that allowed the company to pay off billions of dollars in derivatives debts to Goldman at 100 percent.

The list of former Goldman Sachs employees holding top positions in the Obama administration includes:

- Mark Patterson, a former Goldman Sachs lobbyist, who is the chief of staff to Treasury Secretary Timothy Geithner (himself the former president of the Federal Reserve Bank of New York).
- Reuben Jeffery III, former managing partner at Goldman Sachs, who holds the post of undersecretary of state for economic, business,

and agricultural affairs.

- Neel Kashkari, former Goldman Sachs vice president, who is the assistant secretary of the treasury for financial stability, responsible for administering the TARP funds.

- Dianna Farrell, former financial analyst at Goldman Sachs, who serves as deputy director of the National Economic Council.

There is a word to describe this type of socio-economic order: Plutocracy, i.e., rule by the rich. This is the reality behind the increasingly thin veneer of democracy in America.

The Obama administration in an instrument of the plutocrats, and the American people are the victims.

There is no way this can be reversed within the framework of capitalism. The only social force that can end the dictatorship of the banks is the working class. It must be mobilized as an independent and revolutionary political force in opposition to Obama and both parties of big business.

The fortunes obtained through fraud and socially destructive means must be expropriated and directed toward providing social relief, rebuilding industry and the country's infrastructure, and guaranteeing jobs, education, housing and decent living standards for all. The practices of the banks, hedge funds, CEOs, big investors and speculators must be investigated and exposed to public view, and those responsible for the economic disaster held accountable.

Socialist policies are needed to break the stranglehold of the financial aristocracy. The banks must be nationalized and turned into public institutions, under the democratic control of the working population. Only on this basis can economic life be organized according to social need, rather than private profit and the accumulation of personal wealth by a small minority.



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