Billions in bonuses for bailed-out bankers

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1 August 2009

Nine major Wall Street banks that were among the biggest recipients of the US government bailout paid out nearly $33 billion in bonuses last year, including awards of $1 million or more to nearly 5,000 people, according to a report released Thursday by New York state's attorney general. Six of the nine banks paid out more in bonuses than they made in profits—proving that the billions from the US Treasury went straight into the pockets of the best-paid executives and traders.

The nine banks awarded the bonuses—the largest in history—despite recording combined losses of $81 billion, and lining up to receive $165 billion in cash infusions from the US government. Citigroup and Merrill Lynch lost $55 billion combined and still awarded $8.9 billion in bonuses. The three most profitable firms, JP Morgan Chase, Goldman Sachs and Morgan Stanley, awarded bonuses that amount to approximately double their 2008 profits: $9.6 billion in combined profits compared to $18 billion in bonuses.

The total bonus payout for each bank, together with the number of million-dollar-plus bonuses awarded, is as follows (Bank of America and Merrill Lynch merged on December 31, 2008, so their figures are presented separately):

Bank
Bonus total
>$1m
JP Morgan Chase
$8.7 billion
1,626
Goldman Sachs
$4.8 billion
953
Citigroup
$5.3 billion
738
Morgan Stanley
$4.5 billion
438
Merrill Lynch
$3.6 billion
696
Bank of America
$2.8 billion
200
Bank of New York Mellon
$945 million
74
Wells Fargo Bank
$978 million
62
State Street Bank
$470 million
44

Of the 4,793 bonus millionaires, 836 received bonuses of more than $3 million apiece, and at least 40 received more than $10 million apiece. The best paid banker, Citigroup's Andrew Hall, received $98.9 million for 2008, while its CEO Vikram Pandit took in $38 million. The bank itself had to be bailed out twice, with $45 billion in government aid.

These figures refer only to bonuses, usually paid at year's end, and do not include the six, seven and eight-figure salaries and other compensation paid out to the top Wall Street "earners." And the figures for 2009 are likely to be considerably higher—thanks to the run-up in the stock market generated by the bank bailout and other Obama administration handouts to the wealthy. Goldman Sachs, for instance, has already set aside $11 billion for compensation, more than double its total in 2008.

The report sheds light on the parasitic and socially destructive role of the American financial aristocracy. What did these 5,000 gentlemen and ladies accomplish in 2008 to justify their million-dollar paydays? They played the central role in the greatest financial collapse in the history of the world, one which has wiped out untold tens of trillions of dollars in wealth, bankrupted giant corporations and entire countries, and plunged the world into the deepest economic crisis since the Great Depression.

One could easily justify arresting the lot of them and parading them before television cameras as a public demonstration of the utterly irrational character of contemporary capitalism. But these are the best-paid and

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most highly valued servants of the super-rich, the ones whose past financial manipulations added billions to the wealth of the billionaires. Accordingly, they are to be protected from the outrage felt by the vast majority of the population.

The state attorney general's report does not name a single one of the 4,793 bonus millionaires, citing "privacy" considerations. No such discretion is observed for small businessmen compelled to close their doors, homeowners foreclosed and evicted, or workers who lose their jobs and must file for bankruptcy. All these names can be found easily enough on the Internet.

Compared to these figures, the $165 million in bonuses that were allocated by bankrupt insurance giant AIG, which created a public furor in March and led Obama to intervene to block legislation limiting bankers' pay, is a drop in the bucket. The press coverage of the bank bonuses, particularly on the television networks, was notably restrained, particularly coming amid reports of growing unemployment and social misery (the *New York Times* carried the bonus story side by side with a report on homeless people living in tents).

What could one do with the $33 billion wasted on bonuses to the Wall Street mafia? The sum is one-third larger than the budget deficit for California, which has compelled widespread cutbacks, furloughs and elimination of vital social benefits for millions in the most populous US state.

According to one study, total compensation at the nine banks for this year, 2009, will hit $156 billion, more than the projected $139.2 billion in budget deficits of all 50 states combined, for the fiscal year that began July 1. This study estimates that while the aggregate net income of the nine firms will fall from $255 billion in 2006 to $211 billion this year, their aggregate compensation will rise from $143 billion to $156 billion.

In other words, the Wall Street elite will see its personal income rise, even though the income of the institutions they control declines, and the wider economy plunges into depression. This narrow social layer that controls the financial levers stands as an absolute obstacle to any rational allocation and development of society's resources. In fact, in its blind greed and obsession with self-enrichment, it undermines the viability of the very firms it dominates.

Both the Bush administration last year and the Obama administration today are the political servants of this corrupt, parasitic social layer. It was to protect the interests of a few hundred billionaires and a few thousand Wall Street bankers and traders that Democrats and Republicans joined forces last year to push through the $700 billion bailout, the first in a series of raids on the Treasury which have mortgaged the entire resources of the country to the financial oligarchy.

White House spokesman Robert Gibbs delivered the Obama administration's response to the Wall Street bonus report. "The president continues to believe that the American people don't begrudge people making money for what they do," he told the media.

This slavishness before Wall Street is in sharp contrast to the ruthless demands of the White House and its "czars" for the destruction of auto workers' jobs, the closing of auto dealerships, and the implementation of austerity policies by every state and municipality.

Only three days before the bonus report, Obama gave a lengthy interview to the editors of *BusinessWeek* magazine for a cover story assuring Corporate America that he was not anti-business. "My working assumption has always been, if the market could do it better, have the market do it," he said. "I have very little confidence, as I said, in some sort of command-and-control regulatory regime. I think businesses create jobs. And I'm a big believer in the profit motive..."

Obama is a political tool of the corporate and financial elite, and his policies are dispelling whatever illusions were promoted among working people by the election campaign and the media celebration of the election of the first African-American president. The working class must break with the Democratic Party and build an independent political movement to defend its own class interests.

At the forefront of this struggle must be the demand to break the grip of the financial mafia over American society. The nine big banks profiled in the bonus report, and the rest of the major financial institutions, must be placed under the ownership and democratic control of the American people as a whole. The resources plundered by this predatory social layer must be taken back and used to meet social needs—for jobs, education, health care, the repair of the social infrastructure and the natural environment.

A socialist policy of nationalization of the banks and the abolition of the stock exchange and all other forms of parasitic financial swindling is the only answer to the criminality and greed revealed in the Wall Street bonuses.

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