

A record year for Wall Street pay

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According to the *Wall Street Journal*, the major US banks and financial firms are on track to hand out a record \$140 billion in compensation this year. This is a 20 percent increase from 2008 and \$10 billion more than the previous record, set in 2007.

The stock market celebrated the news, outlined in a front-page *Journal* article on Wednesday, along with the release of JPMorgan Chase's third-quarter earnings report, which showed a seven-fold increase in profits from last year to \$3.6 billion. The Dow Jones Industrial Average rose 145 points, closing above the 10,000 mark for the first time in a year.

The record pay being handed out by the 23 largest publicly traded banks, hedge funds, asset management firms and stock and commodity exchanges (the report did not include privately held companies) underscores the class interests being served by the Obama administration and the subordination of the entire political system to a financial aristocracy which essentially dictates government policy.

The American financial elite, aided and abetted by the White House and Congress, is profiting from an economic disaster that is driving hundreds of millions of working people in the US and around the world into poverty—a disaster precipitated by its own methods of financial speculation and fraud and its manic pursuit of personal gain.

One year after the financial crash of 2008, the richer-than-ever compensation packages for bankers give the lie to Obama's occasional protests against Wall Street "excesses" and talk of tough, new banking regulations. It demonstrates that the administration's economic policies, including trillions in subsidies to the banks, have been devoted to paying off the bad debts of the bankers at public expense and protecting the wealth of a miniscule section of the population.

There is an element of provocation in the pay awards

being doled out by the banks. Far from curbing their avarice, they are flaunting their wealth and power in the midst of soaring unemployment and deepening social misery for millions of Americans.

The *Journal* based its estimate on an analysis of the financial firms' earnings reports for the first half of 2009 and projected earnings for the rest of the year. It predicted the firms' total revenues would hit \$437 billion this year, surpassing the \$345 billion they recorded in 2007, before the financial crisis erupted.

The projected \$140 billion in compensation includes salary, bonuses, health benefits, retirement plans and stock awards. Average compensation for employees at the 23 firms will top out at \$143,000, but this figure obscures the eight-digit sums that will go to the top executives and traders, who will receive a disproportionate share of the total outlay.

The *Journal* projects that Bank of America, which has not paid back the \$45 billion in cash it received in Troubled Asset Relief Program (TARP) funds, will award more than \$30 billion in compensation, a 64 percent increase over last year. JPMorgan Chase will pay out \$29.5 billion, an increase of nearly 30 percent. Goldman Sachs is on track to dispense \$21.8 billion, nearly double its pay tab for 2008. The average Goldman employee will receive over \$743,000.

While bank pay is reaching new heights, workers' wages are being systematically slashed. The *New York Times* reported Wednesday that pay cuts in the US "are occurring more frequently than at any time since the Great Depression." It cited Bureau of Labor statistics showing that weekly pay for production workers, representing 80 percent of the workforce, has fallen for nine consecutive months. This is a record for the 44 years since the bureau began tracking weekly pay. The previous record was a two-month period during the 1981-82 recession.

The assault on workers' pay reflects a deliberate

policy of the Obama administration to use mass unemployment to drive down the wages and living standards of the working class and effect a further redistribution of wealth from the bottom to the top.

While Obama demands that the American people “take responsibility” for the crisis and “live within their means,” he implements policies designed to further enrich the financial elite. Even as he continued and expanded the bank bailout begun under Bush, he intervened last March to scuttle bills in Congress, following the public furor over millions in bonuses awarded by the bailed-out insurance firm AIG, which would have imposed certain restraints on executive pay.

He followed this by rejecting the turnaround plans of General Motors and Chrysler and forcing the auto companies into bankruptcy, in order to impose sweeping layoffs and cuts in pay and benefits for auto workers. This was a sign to big business to launch a wage-cutting drive against the working class as a whole.

The White House is pushing a health care overhaul that will dramatically cut coverage for workers, which is to be a down payment on austerity measures and cuts in basic entitlement programs, such as Medicare, on which tens of millions of people rely.

No government measures are being proposed to create jobs. Nothing is being done to provide relief for millions who are facing foreclosure, the cutoff of utilities, the loss of life savings and the prospect of destitution. The administration has flatly refused to provide additional money to states and localities that are being bankrupted by the fall in tax revenues. As a result, savage cuts are being made in education, health care and other social services across the country, and tens of thousands of public workers are being laid off.

The \$140 billion in compensation reported by the *Wall Street Journal* for a section of the financial industry equals the total amount allocated in the administration’s stimulus plan for aid to the states.

To put this sum in perspective, it is more than twice the federal outlay in 2008 for education (\$67 billion), close to three times federal spending that year for highways and mass transit (\$53 billion), and far in excess of allocations for unemployment benefits (\$37 billion); community and regional development (\$27 billion); general science, space and technology (\$27 billion); training, employment and social services (\$26

billion) and housing and commerce (\$7.4 billion). The total federal outlay for homeless assistance programs in 2008 was \$2.4 billion.

This \$140 billion is greater than the gross domestic product of Egypt, a country of 82 million people, slightly less than the GDP of the Philippines (population—96 million) and nearly three times the GDP of Ecuador (14 million).

This colossal squandering of resources is rooted neither in psychology nor the “culture” of Wall Street, but rather in the capitalist system itself. The profit system subordinates all social needs to the accumulation of personal wealth by the narrow stratum that owns and controls the means of production, dominated by finance capital—the most parasitic and predatory section of the ruling elite.

The social disaster threatening the working class can be reversed only on the basis of a struggle for socialism, in which the productive forces created by the working class are taken out of private hands and developed under democratic control for the benefit of society as a whole.

The working class must break the stranglehold of the financial aristocracy. The ill-gotten gains of the CEOs and financiers must be expropriated, without compensation, and these funds, which add up to trillions of dollars, used to meet the needs of working people for jobs, housing, education and health care, and to rebuild the crumbling social infrastructure.

The books and business dealings of the big banks must be opened to public scrutiny, with criminal investigations undertaken into their illegal practices.

This requires the building of a mass socialist movement directed against the Obama administration, the two-party system and the capitalist system which they defend.

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