US bankers cash in despite phony pay restraint

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The executive pay regulations announced Thursday by the Obama administration's "pay czar" and the Federal Reserve represent a cynical attempt to placate public outrage over Wall Street bonuses while allowing the financial speculators to continue awarding themselves multi-million-dollar compensation packages.

According to the report issued by the Treasury Department's special master for compensation, Kenneth Feinberg, at least 66 of the 138 bank and corporation executives under his jurisdiction will receive government-approved compensation packages totaling more than $1 million a year.

The average pay for all 138 executives is $2.5 million a year. All of them work for seven companies bailed out with tens of billions in taxpayer dollars: Bank of America, Citigroup, AIG, General Motors, Chrysler, GMAC and Chrysler Financial.

General Motors' CEO Fritz Henderson will see his 2009 compensation more than double from 2008, to $5.5 million. Meanwhile, under the forced bankruptcy of the company at the hands of the Obama administration, GM workers have suffered mass layoffs and deep cuts in pay and benefits.

Feinberg's report, and a second document issued by the Federal Reserve calling for vague new principles to guide compensation packages at the banks regulated by the Fed, have been presented by both supporters and opponents in official circles as a serious check on the self-enrichment of the financial elite.

The *Wall Street Journal* published an editorial denouncing the measures as the end of "what used to be known as American capitalism."

The Obama administration was happy to be accused of being anti-Wall Street. It gave the president a chance to adopt a populist pose and present himself as sharing the outrage over bankers' salaries felt by working people.

"I've always believed that our system of free enterprise works best when it rewards hard work," Obama said Thursday at the White House. "But it does offend our values when executives of big financial firms—firms that are struggling—pay themselves huge bonuses even as they continue to rely on taxpayer assistance to stay afloat."

This rhetoric is 180 degrees at odds with reality. The Obama administration made available up to $23.7 trillion in loans, guarantees and direct cash infusions to the big financial institutions. Its number one priority has been to rescue these institutions, which play a central role in the world capitalist system and serve as the principal guardians of the wealth of the ruling elite.

Obama commissioned the Feinberg report to provide political cover as the economic crisis deepens. American society is heading into an unprecedented social and political crisis—beginning with a winter in which foreclosures, evictions, utility shutoffs and spreading homelessness will unfold against the backdrop of record bonuses on Wall Street.

The White House is also supplying a bit of rhetorical ammunition to its liberal defenders, such as the *Nation* magazine. They are increasingly being discredited by their praise for the "progressive" character of the new administration, even as Obama betrays all of his election-year promises and, in all essentials, continues the policies of Bush and the Republicans—wars in Iraq and Afghanistan, bailouts for the wealthy, wage and benefit cuts for workers, attacks on democratic rights.

Obama's comment about the "free enterprise system" rewarding "hard work" has been echoed by media apologists and spokesmen for the bankers, who are bemoaning the supposed chilling effects of the token restraints on pay.

A worried *New York Times* wrote: “Pay experts said the plan, which emerged Wednesday, could lead to the departure of the very executives needed to return the firms to health, a prerequisite to repaying taxpayer support.”

Neither from the White House nor in the press is there any examination of what these individuals have done—what heroic labor they have performed—that is worth incomes in the seven, eight and even nine digits.

These financial parasites produce no real value. On the contrary, these are people who are largely responsible for the greatest financial collapse since the 1930s, one in which their personal greed and recklessness played a significant role.

What does an investment banker do? Judge from the quarterly reports filed by Goldman Sachs and JPMorgan Chase, which have repaid their cash injections from the Troubled Asset Relief Program and are therefore exempt from even the token limits set by Feinberg. The two banks earned bumper profits and set aside near-record sums for bonuses, not by funding startup ventures and small businesses, as the mythology of “free enterprise” would suggest. Their profits came almost entirely from speculation—gambling on the price swings of currencies, stocks and bonds.

The proper fate of many of these gentlemen would be criminal investigation and prosecution, and the forfeiture of their personal fortunes to contribute to providing relief to the millions of people whose lives have been devastated by the economic consequences of their actions.

The *Times* noted, in its account of the Federal Reserve plan to regulate bank salaries, “The officials emphasized that the plan was not intended to make pay packages more socially equitable but was part of a broader effort by the Fed to shore up the stability of the banking system.”

Why should reducing social inequality be ruled out as a goal of public policy? The spectacle of individual bankers and CEOs raking in incomes greater than those of 500, 1,000 or even 10,000 working people is not only an outrage, it is a symptom of a deeply diseased and reactionary social order.

As the *Times* account demonstrates, to the extent that the new regulations have any substance, beyond their public relations value, their purpose is to curb the speculative excesses of a few bank executives in the larger interests of the financial aristocracy as a whole.

The working class has no interest in supporting Obama’s fig leaf of pay restraint for the banks—which will be cited as justification for even more draconian attacks on the wages and benefits of workers. The working class must fight not for a “reformed” capitalism, but the abolition of the profit system and the reorganization of economic life to serve the needs of the vast majority of humanity, those who work for a living.

This means the building of an independent political movement of the working class, based on a socialist and internationalist program, to establish a rationally planned and democratically controlled world socialist economy.

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