Obama holds stage-managed meeting with Wall Street bankers

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15 December 2009

The stated aim of the gathering of Wall Street bankers at a private White House meeting with President Barack Obama on Monday was to cajole the nation's largest financial institutions into offering loans to cash-starved businesses and consumers.

In reality, the event was a media exercise designed to placate growing popular anger toward the Obama administration. The true nature of the event was not lost on its attendees. “It's a PR [public relations] stunt,” an unnamed CEO flatly told *Time* magazine prior to the meeting.

Attending were Jamie Dimon of JPMorgan Chase, Ken Lewis of Bank of America, Richard Fairbank of Capital One, Bob Kelly of Bank of New York Mellon, Ken Chenault of American Express, and Ron Logue of State Street Bank. Lloyd Blankfein of Goldman Sachs, John Mack of Morgan Stanley, and Dick Parsons of Citigroup joined the meeting via video conference.

The nation's biggest banks will soon hand out year-end executive bonuses totalling in the tens of billions. This conspicuous display of bank prosperity comes just over one year after the US Treasury and Federal Reserve began to funnel trillions of dollars to the finance industry. This ensured that the banks would profit from the economic crisis that they precipitated through rampant financial speculation.

The vast majority of the population continues to suffer through the nation's worst social crisis since the Great Depression. One in six workers is without a job or underemployed. For those who have work, speed-up and pay and benefit cuts are the rule. The foreclosure crisis continues. Hunger is at a record high. The destruction of the social safety system by cash-strapped states is accelerating, and the Obama administration is readying years of budget austerity to right the US fiscal crisis at the expense of the working class.

Appearing on the CBS news program “60 Minutes” on Sunday evening, Obama acknowledged the anger. Referring to the Wall Street financiers as “fat cat bankers,” Obama noted, “They're still puzzled why is it that people are mad at the banks.”

“Well, let's see,” Obama continued, “you guys are drawing down 10, 20 million dollar bonuses after America went through the worst economic year that it's gone through in decades, and you guys caused the problem. And we've got 10 percent unemployment.”

Obama did not mention that this is an outcome of the policies of his own administration, which has overseen the Wall Street baillout and has explicitly campaigned to oppose any measure that would curb executive pay. Meanwhile, it has spearheaded the attack on workers' pay, including through the forced bankrupcy of General Motors and Chrysler.

Monday's meeting comes nine months after a similar meeting at the White House in March. Then, Obama pledged not to take any measures that would impinge on the interests of the financial oligarchy. Bank of America's Lewis said at the time that he was confident that no “punitive” actions would be taken after the “pleasant” meeting. (See “Obama holds ‘very pleasant’ meeting with top US bankers”)

While the media had predicted that Obama's criticisms on “60 Minutes” meant he would shame the executives or give them a “dressing down” on Monday, by all accounts the meeting was likewise as pleasant as it was unsubstantial. No transcripts of the discussion have been released.

Richard Davis, CEO of US Bancorp, told the media “there wasn't a lot of disagreement.” “He didn't call us any names,” Davis said, referring to Obama's “fat cat” reference on “60 Minutes.”

Obama pleaded with the bank executives to “explore every responsible way" to increase lending "to help creditworthy small and medium-sized businesses." Over the past year, a general lack of cash liquidity has forced many businesses to fold, scale back operations, and lay off workers.

Last fall, Obama, President George W. Bush, and Democratic House Speaker Nancy Pelosi, among others, justified the Troubled Asset Relief Program (TARP) as critically necessary in order to "jump start" or "open the spigot" of lending. Since then every facet of the Wall Street bailout, including the unaccounted trillions extended to the banks from the Federal Reserve, has relied on the same rationale.

But all evidence shows that the banks have hoarded the cash or used it to engage in new forms of speculation. Overall loan volume continued to fall from the second to third quarters this year, according to recent data.

What the banks have made liquid has not been invested in production. Instead much of it has been been shifted into new asset bubbles, primarily in Asia. From this and other speculative practices the banks have made windfall profits only one year after they teetered on the brink of collapse.

The banks have used some of these profits to pay back TARP funds in order to escape modest limitations on executive pay. Citigroup and Wells Fargo became the latest Wall Street firms to do so, announcing Monday they would pay back $20 billion and $25 billion, respectively. They join Bank of America, Goldman Sachs, JPMorgan Chase, and Morgan Stanley.

Obama also implored the bankers to "close the gap" between their declared support for finance reform and their vocal opposition to the regulatory bill passed by the US House of Representatives last week, even though the proposed law would, if anything, expand possibilities for financial speculation.

Such hypocritical entreaties from the president characterized the meeting. There was no mention of any penalties or consequences to banks that fail to increase their lending. Unsurprisingly, results were slim, with only Bank of America announcing it intends to make $5 billion more available to small and medium-sized businesses, a drop in the bucket compared to the enormous need for capital and liquidity.

Wall Street executives' determination to not lend to the productive sectors of the economy—while rewarding themselves billions in compensation—is not a question of morality, nor is it an aberration. It arises from the historical decay of capitalism and its turn to evermore parasitic forms of financial speculation.

While media accounts attempted to present the gathering as an example of Obama "taking on" the bankers, they could not conceal the real relationship of forces. The Obama administration's efforts to put on the show of getting tough produced the opposite image, that of the president as willing supplicant before the masters of Wall Street.

It is significant that Blankfein of Goldman Sachs, Mack of Morgan Stanley, and Parsons of Citigroup did not attend in person. While their last-minute cancellations were chalked up to weather—fog in the Washington DC area delayed some flights on Monday morning—they more likely aimed a rebuke at Obama over his "fat cats" comments. Parsons was already a substitute for Citi CEO Vikram Pandit, whose decision to skip the event was attributed to his bank's negotiations with the Treasury to pay back TARP.

"The President has real problems only the banks can help him solve," according to *Time* magazine. "On jobs, housing and the strength of the economy, he needs bankers to change their behavior, and there's only so much he can do to force them. So when he sits down with the financial industry elite on Monday, he may talk tough, but he'll also be asking for their help."

The admission that a democratically elected president has no power over a handful of financiers is an acknowledgement of the oligarchic character of US society. The financial aristocracy in fact controls every lever of state power and dictates economic and social policy. Obama is their representative.