New York Governor Paterson defends Wall Street bonuses

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15 December 2009

New York State's Democratic Governor David Paterson delivered a speech in New York City's financial district this past Wednesday defending the investment bankers and traders whose practices played a key role in triggering the massive economic collapse of 2008.

Paterson went out of his way to praise Wall Street and justify the record bonuses that many banks are preparing to hand out in the coming days, now that they have returned to profitability following the federal government's massive Troubled Asset Relief Program bailout.

Speaking before an invited audience at the Museum of American Finance, just one block from the headquarters of the New York Stock Exchange, Paterson said that salaries on Wall Street were "rather low." While he went on to explain that he was referring to base pay, which averages about $100,000 in the financial industry, this alone amounts to three times the average wage. It is a pittance only in relation to the massive individual bonuses, running into the millions of dollars, that are about to be distributed, as they are every year at this time.

Paterson's speech in defense of the huge profits and personal income on Wall Street stood in stark contrast to his continuous demands for more cuts in state services to balance New York's budget, which faces a deficit of some $3.2 billion for the current year, with far greater shortfalls looming. On Sunday, the governor ordered his staff to withhold some $750 million in appropriations due to be paid to local governments, imposing funding cuts of between 10 percent and 30 percent on local schools and other vital social services.

He celebrates the billions of dollars in bonuses, but tells the state's school children, the sick, the old, the poor and the working class as a whole to "tighten their belts," because "I will not let New York state run out of money on my watch."

The governor said New York should get behind the financial services industry as California backs grape growers, Iowa supports corn farmers and Texas defends the oil companies. He has pointed out the undeniable fact that New York is heavily dependent on tax receipts from the Wall Street millionaires and billionaires—they account for one-fifth of the state's revenues. "We need to stand behind the engine of our economy in New York, and that engine is Wall Street," he said.

Paterson's audience of financiers and their supporters was very pleased with his comments. Richard D. Parsons, the chairman of Citigroup, which has not yet returned the $45 billion it received in bailout money, called the speech "terrific." Kathryn Wylde, of the Partnership for New York City—the city's main business group, co-chaired by Goldman Sachs CEO Lloyd Blankfein and media mogul Rupert Murdoch—gushed that Paterson "is ideally positioned as the person to lead an effort to restore the status of Wall Street," against all those who sought "to blame Wall Street for everybody's problems."

The only thing surprising about Paterson's remarks was their bluntness. At a time when President Barack Obama and other politicians of both major parties have half-heartedly feigned outrage over Wall Street "excess," Paterson openly acknowledges that his chief constituents, indeed his bosses, are the banking executives and the top echelons of the super-rich as a whole. As his speech made clear, as far as the New York governor is concerned, greed is indeed good.

Ms. Wylde's concern about Wall Street being blamed "for everybody's problems" does not stem from Obama's toothless appeals for the financial sector to act responsibly. The banks and finance houses are confident that neither the White House nor the Democrats and Republicans in Congress have any intention of attacking their profits and bonuses.

Rather, the worry is that broad layers of the working population are beginning to correctly view finance capital as their main enemy. This found recent expression in New York at last month's Yankees World Series victory parade at which large sections of the predominantly working class crowd gathered near the country's biggest finance houses took up the chant, "Wall Street sucks."

It is this popular anger that Wall Street finds disturbing and the reason that Paterson's audience of bankers and traders was so grateful to the Democratic governor. As Ms. Wylde of the Partnership for New York put it, "The guys from Wall Street are not in a position to sing their own praises right now."

Paterson's comments about California grapes and Iowa corn are true up to a point. Every Democratic and Republican politician represents the ruling elite, and primarily those sections that dominate the local or state economy.

In the past, however, Democratic politicians on the state and national level at least made an effort to mask their servility with occasional jibes at big business and expressions of sympathy for the "little guy." Today the Democrats have openly become the favorite party of Wall Street as evidenced by Obama's 2008 campaign contributions.

What Paterson sees no reason to explain is why the fate of the working class majority should be subordinated to a financial oligarchy's unrestrained accumulation of wealth. As far as the governor is concerned, this is self-evident.

"New York benefits from all that Wall Street does," he declared last week. He was speaking in a city whose unemployment rate has risen to over 10 percent and where Wall Street's meltdown is officially projected to wipe out upwards of 250,000 jobs by 2011.

Wall Street's domination of New York's and the entire country's economy has spelled unemployment, foreclosures and misery for tens of millions of people. Nonetheless, Paterson insists that its interests remain paramount and that the state's entire population should cheer as social wealth is increasingly monopolized by the top 1 percent. Behind Obama's throw-away line about "fat cats," this is the real perspective of the Democratic Party.