As JP Morgan reports record compensation

Pay at top Wall Street firms estimated at $145 billion in 2009

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The *Wall Street Journal* published an estimate Thursday that total pay at the largest Wall Street firms reached $145 billion last year. The *Journal*'s figure, based on preliminary figures, is more than any other year in history.

JP Morgan strengthened this prognosis Friday by announcing that it paid its employees $9.3 billion in 2009, 18 percent more than in 2008. The figure sets a new record for the bank, up from $7.9 billion in 2007 and $8.1 billion in 2006.

The high payouts came with an upsurge in profitability. JP Morgan said its fourth-quarter profits reached $3.3 billion, more than quadrupling over the same period a year ago, when the bank earned $702 million. Year-on-year profits nearly doubled, hitting $11.7 billion for 2009, up from $5.6 billion in 2008.

The *Wall Street Journal*'s estimate of $145 billion in total compensation at the largest 38 financial companies is 18 percent higher than the 2008 figure of $123.4 billion, and six percent higher than the $137 billion paid out in 2007.

The estimate is larger than the combined yearly output of the world's 58 poorest countries. It is roughly equivalent to the economy of Egypt and Singapore. It is about 20 times the economic output of Haiti, where a massive earthquake has killed tens of thousands of people living in desperate poverty.

On average, employees at the major finance firms will each earn $149,192, up about $3,000 from 2007. The average, however, obscures the immense disparity between the tens of millions that will be allocated to top traders and executives and many janitors, receptionists, and technicians who face the same economic pressures as other workers.

The *Wall Street Journal* study expects the institutions to report $450 billion in revenues, up by a quarter from 2007. Pay is expected to amount to 32 percent of revenue, down from 40 percent last year.

In a move to assuage criticism of their compensation practices, the banks have said that they will pay a larger portion of their compensation in stock, as opposed to cash. But this does not alter the fact that they are paying more money than ever.

The banks responded to the study with their characteristic contempt for mounting popular anger. Most of the large banks that the *Wall Street Journal* contacted did not respond, but a spokesperson for Bank of America said that the study "distorts reality and is a disservice to our associates" because it does not use final data.

The rise in revenue, profits, and compensation was partly the result of the consolidation of the banking system. As numerous firms failed last year, they were bought up by their larger rivals. This gave the remaining companies more leverage to raise prices, extract higher fees, and consequently pay larger bonuses.

This massive payout is the direct product of the policy of the Obama administration, which has rejected any measures to curb executive pay or regulate the banks. Even the most token measures proposed in the wake of the financial crisis are being dropped from discussion. The *Wall Street Journal* reported that lawmakers are silently considering removing the call for a consumer protection regulator, which, despite its toothless character, was touted as a major safeguard that would help prevent another financial meltdown.

The political establishment sought to prepare the public for the payout announcements this week with a series of phony statements and staged hearings.

On Thursday, Obama gave a sharply worded press conference where he proposed a new tax on the banks that would raise $90 billion over ten years. Obama used the announcement as an opportunity to denounce the "irresponsible" and "outrageous" actions of the banks—actions that he has facilitated.

Even if it were to be passed—which is by no means certain—the new tax would amount to only six percent of the compensation pool that the banks handed out this past year.

Earlier in the week, four bank executives testified before an inquiry commission where they defended their conduct during the financial crisis. The issue of banker pay was raised only a handful of times, and whenever the question was raised, the bankers imperiously changed the subject or avoided answering.

This whole week of stage-managed inquiries and feigned outrage seeks to obscure a fundamental fact: in the midst of widespread social misery, poverty, and mass unemployment, the entire political establishment supports the right of the banks to plunder billions of dollars in social wealth.