Wall Street firms dole out record pay to executives

Tom Eley
13 October 2010

While for millions of Americans 2010 has been a year of unemployment and wage-cutting, executives at a handful of finance firms will be paid a record $144 billion, according to a new survey by the *Wall Street Journal*. The sum is up 4 percent from last year's haul of $139 billion, which was also a record.

The *Journal* found that executive pay for 2010 has gone up at 29 of the top 35 surveyed banks, investment banks, hedge funds, money management firms, and securities exchanges. The payroll increase will slightly outstrip the growth in revenue at these firms, which increased by 3 percent from $433 billion in 2009 to $448 billion in 2010. About a third of total Wall Street revenue is given over to employees.

While profits at the big finance houses have rebounded from the lows of 2008, when the entire financial system teetered on the brink of collapse, they remain 20 percent below the record set in 2006, or $61.3 billion now versus $82 billion four years earlier. Yet over the same period executive pay has increased by 23 percent.

Among the surveyed firms are Goldman Sachs, Bank of America, Citigroup, JPMorgan Chase, Morgan Stanley, Credit Suisse, Barclay's Capital, Blackstone Group and Fortress Investment Group.

The record payout to the same financiers responsible for setting into motion the economic crisis shows, if any further proof were needed, that the bailout of the financial industry—backed by both Democrats and Republicans—had as its central aim the promotion of a tiny layer of the extremely wealthy.

It is of a piece with the rapid increase in corporate profits—even as workers' wages stagnate—and the increase in net wealth of the very richest Americans, 400 of whom now control nearly $1.4 trillion. (See: "Forbes 400 list: 2010 has been very good to the richest Americans".)

The increase in executive pay also demonstrates that the Obama administration's appointment of "pay czar" Kenneth Feinberg to oversee compensation at federally bailed-out financial firms was merely a smokescreen to pave the way for further self-enrichment. Or, as the *Journal* put it, the spiraling Wall Street pay shows that firms "continue to base their pay on economic and market conditions rather than the level of pressure coming from regulators in Washington and overseas."

Since the financial crisis of 2008, there have been only cosmetic changes to Wall Street executive pay. Some firms have promoted payment in stock and other incentivized forms of remuneration to lend the appearance that there exists an identity of interests between executives and stockholders. But these changes in no way signal a reduction in compensation, the new figures make clear.

The huge payout of $144 billion to a relative handful of financiers is socially obscene. If the figure were ranked as national GDP—a measure of the value of all goods and services produced in a year—the Wall Street bankers would come in 49th, just ahead of Algeria, Hungary and Peru. If the figure were a discretionary item on the 2010 US budget, it would come in second place after defense spending and far ahead of housing, transportation and education. And it is about $20 billion greater than the combined budget deficits of all 50 states.

While the executives gorge themselves, just beyond Wall Street incomes are plummeting. According to data released by New York state's Office of the Comptroller, personal income fell by 3.1 percent in 2010, the first decline in 70 years, and the average paycheck fell by 5.4 percent.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact