

US corporate executives back at the trough

Jerry White
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America's corporate and financial elite has returned to the feeding trough and is collecting huge salaries and bonuses while tens of millions of workers in the US continue to face levels of social misery not seen since the Great Depression.

Annual bonuses rose by 11 percent for executives at the 450 largest US corporations last fiscal year, according to a new survey published by the *Wall Street Journal*. Overall, median compensation—including salaries, bonuses, stocks, options and other incentives—rose by three percent to \$7.3 million in 2009.

The increased payouts were the result of soaring profits at top companies, which doubled from a year earlier, leading to a 29 percent increase in total shareholder returns. This, in turn, was the direct result of the offensive that corporate America has waged against the working class, with the full backing of the Obama administration and both big business parties. Over the course of the last two years companies have slashed payrolls, wages and benefits, replaced full-time workers with temporary and casual workers earning poverty level wages and ratcheted up productivity.

Cost-cutting and streamlining were the principal pursuits of all the CEOs pocketing large pay packages last year. The top five were: (1) Gregory B. Maffei of Liberty Media Corp., who got \$87.1 million in compensation last year, four times his 2008 package; (2) Larry Ellison, Oracle's billionaire founder, who received \$68.6 million; (3) Ray R. Irani of Occidental Petroleum Corp., who got \$52.2 million; (4) Yahoo's Carol Bartz, who took in \$44.6 million; and (5) Leslie Moonves from CBS, who got \$39 million.

With the S&P 500 Index up 7.5 percent so far this year, top executives are expected to see even bigger compensation packages in 2010. "Many companies are beating earnings expectations, stock prices are up and performance is good, so bonuses will be good," Mark

Reilly, a partner with the Chicago-based Compensation Consulting Consortium LLC, told the *Journal*.

The payouts to the heads of media, energy and Internet firms pale in comparison, however, to the grotesque sums hedge fund managers and private equity traders will be paid when Wall Street issues its year-end bonuses. According to a survey cited in the *New York Times*, overall compensation in financial services will rise 5 percent in 2010, with employees in some businesses, like asset management, getting increases of 15 percent. Goldman Sachs, Morgan Stanley, Citigroup, Bank of America and JPMorgan Chase have reportedly set aside \$89.54 billion for year-end bonuses.

In an article, entitled, "Wall Street Gets Its Groove Back, And Big Pay, Too," the *Times* noted that the lavish watering holes in downtown Manhattan were packed with free-spending traders and investment bankers. John DeLucie, the chef and one of the owners of The Lion restaurant, "one of Greenwich Village's newest hot spots," told the newspaper that customers are buying vintage bottles of wine, including a 1982 Chateau Mouton Rothschild, which recently sold for \$3,950. "We are seeing a lot of luxury purchases, like vintage Bordeaux, things that we haven't seen sell well in a few years," DeLucie told the *Times*.

Just two years after the financial breakdown that brought American and world capitalism to the brink of collapse, the ruling class is on the offensive against the working class in every part of the world. Arguing that no measures are permissible that undermine the competitiveness and profitability of the corporations and financial markets, capitalist governments in every country are demanding austerity, cost cutting and a reduction in consumption.

From the very beginning of its term in office, despite all the phony talk about reining in CEO pay and regulating the banks, the Obama administration has

done everything to secure the fortunes of the financial elite, whose recklessness precipitated the 2008 crash. After handing over trillions to Wall Street, the White House engineered the forced bankruptcy and restructuring of General Motors and Chrysler, initiating a wave of wage and benefit cuts that has spread throughout the economy. Rejecting any government measures to hire the unemployed, the administration has deliberately kept jobless levels high in order to force workers to accept ever-lower wages.

US corporations—which are sitting on hoards of cash—are insisting they will not hire unless workers accept a permanent reduction in their living standards. In a paper delivered to the Federal Reserve Bank of Atlanta meeting last Friday, University of Chicago economist Robert Shimer complained that wages were not falling fast enough and that only a 3-to-5 percent reduction in wages would result in “significant growth in employment.”

This was echoed by *Washington Post* business columnist Steven Pearlstein—a liberal supporter of President Obama—whose op-ed piece last month, “Wage cuts hurt, but they may be the only way to get Americans back to work,” hailed the 50 percent pay reduction the United Auto Workers union imposed on half the workforce at GM’s Lake Orion, Michigan plant.

“The fundamental economic challenge facing the United States,” Pearlstein wrote, “is to get what we consume more in line with what we produce after years of living beyond our means.” With “our labor costs too high to be globally competitive,” Pearlstein insisted, “a further reduction in consumption and living standards is necessary to bring the U.S. economy back into balance.”

The *Post* columnist expressed his exasperation that workers were opposing his advice, noting that GM workers in Indianapolis defied the UAW and overwhelmingly rejected a wage-cutting deal. He insisted that capitalism left workers with no choice but to work for lower wages or not work at all.

In a revealing comment, Pearlstein says, “I’m sure many of you are reading this and thinking that if anyone is forced to take a pay cut to rebalance the economy, surely it ought to be overpaid investment bankers, corporate executives and newspaper columnists. That’s how things would work in a

socialist paradise, but not in market economies, which are much better at producing efficiency than fairness.”

Indeed, that is how capitalism works, but it has nothing to do with “efficiency.” What is efficient about condemning millions to joblessness and poverty while society’s most basic needs—for decent housing, health care, education and infrastructure repairs—go unmet?

In all the talk about “over-consumption” the one thing that is never suggested is reducing the consumption of the ruling class, whose bankrupt capitalist system and criminal activities are responsible for the dire conditions facing the majority of the world’s population.

The only means to break the grip of this modern-day corporate and financial aristocracy is through the fight to reorganize economic life based on the principle of genuine social equality. This can begin only by the working class breaking from the Democrats and Republicans and building its own independent, socialist party.

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