

Wall Street celebrates record profits

Tom Eley
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JPMorgan Chase's profit report for 2010, released Friday, has become the occasion for a celebration by the American plutocracy of the return of the good old days before the Wall Street crash of 2008. Jamie Dimon, JPMorgan's CEO, summed up the general mood of the financial elite when he declared the bank's record profits to be evidence of a "broad-based economic recovery," adding, "I think the future is extremely bright."

The very fact that Dimon can speak this way in the midst of the worst social crisis since the Great Depression without any repercussions from the government or the media is an expression of the immensity of the chasm separating the modern-day aristocrats from the people.

Such remarks—under conditions where the official unemployment rate is hovering around 10 percent, hunger and poverty are soaring, record numbers of homes are being seized by the banks, household wealth is being devastated by the collapse in home values, wages are declining, and school closures and cuts in social services are spreading across the country—could come only from someone secure in knowledge that the Obama administration, both political parties, Congress and all of the other official institutions are securely in his pocket.

JPMorgan's announcement kicked off a week of earnings reports that is expected to show that 2010 was a record-setting year for America's banks and corporations.

The banking giant reported a 48 percent increase in profits over 2009 and a 47 percent increase for the fourth quarter of 2010 over the same period the previous year. JPMorgan netted a profit for the year of \$17.4 billion, a figure equivalent to the gross domestic product of Bolivia. Its fourth quarter performance lifted the stocks of the other major banks, including Bank of America, Citigroup and Wells Fargo, which are slated to release their 2010 results this week.

The *New York Times* reported, "Across the company, bankers expect to reap the benefits" of "the most profitable year in the history of JPMorgan." Out of more than \$102 billion in revenue, some \$28.1 billion has been set aside to compensate employees, "much of which will

be paid out as bonuses." Employees in JPMorgan's investment banking wing are taking home an average of nearly \$370,000 for 2010, while top executives "can still expect to collect multi-million-dollar bonus checks."

The profit windfall in the financial sector is part of a broader surge in US corporate profits, which analysts estimate rose 27.1 percent in the fourth quarter, nearly triple the median profit growth since 1988. This comes on the heels of record-setting year-over-year profit increases (37 percent, 51 percent and 92 percent) reported for the first three quarters of 2010.

For the broad mass of the population, there are records of a different sort. The official unemployment rate has been higher than 9 percent for 20 straight months, the longest such span since the Great Depression. Home prices have fallen by 26 percent since June of 2006, breaking the record 25.9 percent decline that took place in the Depression between 1928 and 1933. Household wealth has fallen precipitously and the official poverty rate is as high as it was in the mid-1960s.

From day one, the policy of the Obama administration has been to utilize the economic crisis to effect a vast restructuring of class relations in favor of the financial elite. While ruling out any serious measures to put the unemployed to work, Obama has overseen the funneling of trillions of dollars to the banks, intervened to block legislation limiting bonuses at banks bailed out with taxpayer funds, and given the signal for a campaign of wage cutting across the country by imposing a 50 percent wage reduction on newly hired auto workers as part of the government bailout of General Motors and Chrysler.

The administration has refused to provide significant aid to states and localities facing gaping budget deficits as a result of the recession, tacitly supporting cuts in jobs, wages and pensions for teachers and other public employees and crippling cuts in social services.

The Federal Reserve Board has kept interest rates at near-zero and electronically printed hundreds of billions of dollars in order to provide the corporations with virtually free credit and boost corporate profits and the

stock market. Since March of 2009, US stock indexes have climbed by nearly 80 percent. Corporate America has amassed a multi-trillion-dollar cash hoard as a result of government subsidies and its own cost-cutting drive, while refusing—without encountering any opposition from the government—to use its mountain of cash to hire workers and expand basic production.

The policies of the government have enabled the major banks to tighten their stranglehold over the economy. According to data from the Federal Reserve, just five banks—Bank of America, JPMorgan Chase, Citigroup, Wells Fargo and Goldman Sachs—now control \$8.6 trillion in assets, or 13.3 percent of all financial firms' holdings. The three largest commercial banks by themselves control 33 percent of all US deposits and over half of all home mortgage originations.

In his book *Overhaul*, Steven Rattner, the Wall Street insider selected by Obama to head his Auto Task Force, bluntly acknowledges the manipulation of the financial crisis of 2008 and 2009. “More than once, I would think of [White House Chief of Staff] Rahm Emanuel saying, ‘Never let a good crisis go to waste,’ as we used the growing economic catastrophe to achieve changes and sacrifices that would have been impossible in another environment,” he writes.

The attack on the working class is about to be intensified. Obama's right-wing policies resulted in an electoral debacle for the Democratic Party in the November elections, with tens of millions of youth and working class voters who cast ballots for Obama in 2008 staying away from the polls. The response of the administration has been to shift further to the right and, in the name of bipartisanship, pursue its pro-corporate policy even more brazenly.

Hardly had the votes been counted when Obama's National Commission on Fiscal Responsibility and Reform proposed cuts in Social Security, Medicare and Medicaid, layoffs and pay cuts for government workers, and new taxes on consumer goods and employee health insurance—coupled with a drastic cut in corporate taxes and income taxes for the rich.

Obama then shepherded through the Democratic-controlled 111th Congress a tax package that extended Bush-era income tax cuts for the richest Americans and drastically reduced the tax rate on the estates of multimillionaires. The White House has further signaled its readiness to carry through the corporate agenda by installing former Clinton administration commerce secretary and JPMorgan Chase executive William Daley

as his new chief of staff.

The breakdown of the capitalist system is bringing to the surface ever more clearly the fundamental class divisions within society. Nowhere is the gulf between the ruling elite and the masses of working people more stark than in the US. There is barely a pretense of concern by the Obama administration, Congress, the corporate establishment or the media over the suffering of the unemployed and the destruction of future prospects for an entire generation of working class and many middle-class youth.

The Obama administration testifies to the bankruptcy of all claims that reforms can be extracted by putting pressure on the Democratic Party. As for the unions, throughout the crisis they have functioned more openly than ever as adjuncts of the corporations and government, redoubling their efforts to suppress the resistance of working people to the attacks on their living standards. The undisguised insolence and indifference of the financial aristocracy is itself a harbinger of the immense social struggles that are coming. The critical question is the development of the revolutionary leadership and perspective necessary to unite the working class and mobilize it for the overthrow of the profit system and establishment of socialism.

The Socialist Equality Party is holding a series of public conferences in April to discuss the fight for socialism today. We urge all those who see the need for this struggle to register for the conferences and make plans to attend.

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