Hypocrisy in European debate on bankers' bonuses

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The stream of statements by leading European politicians from across the political spectrum currently declaring their support for curbs on bankers' bonuses reeks of hypocrisy. All those parties responsible in recent years for an unparalleled redivision of social wealth to the banks are now seeking to portray themselves as advocates of the ordinary citizen and opponents of "bank excesses."

The background to the current propaganda campaign are two developments which took place during the past week. One week ago, European Union member states agreed on measures to reorganise the bonuses awarded to top bankers. As part of a package of measures relating to banking practice, the EU introduced legislation limiting bankers' bonuses to a maximum of one year's pay, or two years' pay when approved by 75 percent of shareholders.

The original proposal to limit bankers' bonuses to a maximum of one year's pay was made by the EU Economic and Monetary Affairs Committee in May last year. The measure was fiercely opposed, primarily by the City of London. British bankers and their leading political mouthpiece, Mayor of London Boris Johnson, repeatedly argued that any top limit to the obscene bonuses awarded to bankers in recent years represented an impermissible incursion by the state into the affairs of the finance world, and would hinder London's efforts to attract "star performers."

Since then, an army of bank lobbyists have been in Brussels working to water down the original proposals to achieve a settlement compatible with the interests of the banks.

The reaction of most finance analysts to the new European legislation is that banks would respond merely by raising the basic salary of bankers. In addition, top bankers will still be able to top up their income in a multitude of ways, including shares option provisions and increased pension deals. Hedge funds and private equity firms are excluded from the European curbs, which are first due to come into effect at the start of next year.

Summing up the opinion of the finance world on the European measures, the financial editor of the *Wall Street Journal* wrote an article published Tuesday, entitled, " Why EU Bonus Limit Can Be Good for Banks." The editor states quite bluntly that "The EU's planned caps on bonuses give chief executives the cover they need to get their finances and business models in order" and "redress the balance between employees and shareholders that has been at the root of so many recent troubles", The article concludes with a quote from a leading asset fund manager, who enthuses: "I adore these rules."

The second trigger for the current debate on bank bonuses was the nearly seventy percent majority in the so-called "fat cats" referendum in Switzerland in favour of measures to curb the incomes of leading managers. As the WSWS has pointed out, the purpose of the referendum was never to empower ordinary workers, but rather "is exclusively geared towards the rights of shareholders, i.e., strengthening the control exercised by the owners of capital over the boardroom. The rights and incomes of blue- and white-collar workers are not involved."

In the days following the referendum, politicians of all political shades have sought to portray the EU and Swiss decisions as a victory for the citizens of Europe and a blow to the banks and the finance world.

Commenting on the EU decision a week ago, German Social Democrat Udo Bullmann, who took part in negotiations in Brussels, declared the deal was "revolution in a sector that didn't have rules any more.” His party colleague, the deputy parliamentary faction head of the SDP, Joachim Poss, declared that Germany should further tighten the EU cap on bonuses and extend it to other sectors. His call was echoed by German trade union leaders who argued that the cap on bankers’ salaries should also be extended to the incomes of leading industrialists. Similar statements came from leading representatives of the Green Party, and even the neo-liberal Free Democratic Party declared it could learn from the Swiss referendum.

The SPD-trade union campaign was immediately given the full backing of the Left Party. At a press conference on Monday, Left Party chairman Bernd Riexinger applauded the referendum decision and proclaimed that Germany must take its lead from Switzerland.

Meanwhile, across the border, French Socialist Party leader Harlem Desir welcomed the decision by Swiss voters and the EU cap on bonuses. “Long live the Swiss!” he cried out on French radio in an interview with France Info.

The attempts by these figures to portray themselves as opponents of banking excesses are utterly worthless. It was a former SPD-Green Party coalition government which radically lifted the restrictions on banking practices in Germany, enabling the types of international speculation to take place which culminated in the collapse of Lehmann Brothers in 2008.

In the wake of the subsequent crisis, it was SPD finance minister Peer Steinbrück who transferred hundreds of billions from the state budget to bail out German banks. Steinbrück is currently the leading candidate of the SPD in this year’s federal election campaign.

For its part, the first action of the German Left Party upon taking power in a coalition with the SPD in the German capital (Senate) in 2001 was to bail out the city’s major bank and impose drastic austerity measures in order to repay creditors. Just a week ago, Left Party leaders declared their readiness to assist in the SPD’s campaign to install Steinbrück this year as German chancellor.

As for the French Socialists, party leader François Hollande has repeatedly sought to reassure the finance world that it has nothing to fear from him. A year ago he gave an interview to British *Guardian* newspaper declaring: “The left was in government (in France) for fifteen years, we liberalized the economy and opened the markets to finance and privatization; there is therefore no need to be afraid of us.”

The Social Democrats, the Greens, the trade unions and their pseudo left hangers-on in Europe have played a key role in the process of redistributing social wealth from the broad mass of the population to the banks. They now recognize that there is broad popular sentiment to rein in the activities of the banks and put an end to intolerable pay rises awarded to leading managers and bankers. This sentiment was reflected at least in distorted fashion in the massive vote against managers’ pay increases in the Swiss referendum.

The hypocritical claims by these organizations that they oppose banking excesses are aimed at heading off a serious movement by workers to challenge the power of the finance industry and big business. At the same time, they feel they have been insufficiently rewarded for their services. Bank profits and stock markets are soaring, and they want a bigger slice of the cake. This is why they are now promoting measures to shift at least part of this wealth in the direction of shareholders and middle layers of management.