

# Another bumper year for hedge fund billionaires

Andre Damon  
17 April 2013

Amid mass unemployment, swelling poverty rates and falling wages, Wall Street hedge fund operators once again raked in astronomical pay packages last year. Four hedge fund managers each made over \$1 billion in 2012. All told, the top 25 took in \$14 billion, roughly equivalent to the gross domestic product of Jamaica, a country of three million people.

According to the annual ranking of hedge fund manager pay released Monday by *Institutional Investor's Alpha*, David Tepper, the head of Appaloosa Management, took home \$2.2 billion, largely by betting on a rise in the price of major stocks such as Citigroup, Apple and US Airways.

To put Tepper's payout in context, on the basis of a forty-hour work week, he made nearly \$3,000 every 10 seconds, more than what a newly-hired US auto worker, slaving away on an assembly line, makes in a month. And while the auto worker contributes to the production of vehicles that are essential to the functioning of society, Mr. Tepper and his ilk produce absolutely nothing of real value.

The latest figures on the pay packages of hedge fund parasites confirm Karl Marx's characterization of capitalism, written 146 years ago, as a system in which the "accumulation of wealth at one pole is at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation at the opposite pole."

The hedge fund managers' payouts were boosted by the stock market bubble, as the S&P 500 index climbed 13.4 percent in 2012. Yet most of the hedge funds on the list performed significantly worse than the stock market as a whole.

Ray Dalio of Bridgewater Associates, second on the list, received \$1.7 billion, even though Bridgewater's flagship fund, Pure Alpha, returned just 0.8 percent.

2012 marked the fourth year in a row in which hedge

fund returns failed to beat the rise in stock values. The *Financial Times* noted, "The average hedge fund made a 6.4 per cent profit for its investors in 2012... trailing the 11.1 per cent return of a simple passive portfolio invested 60 per cent in US stocks and 40 per cent in bonds."

So much for the supposed drive in the aftermath of the 2008 Wall Street crash to tie executive compensation more closely to performance! In practice, the lords of finance are guaranteed stratospheric sums as matter of aristocratic privilege.

The hedge fund operators, who speculate with other people's money, have the added benefit of being taxed—assuming they actually pay taxes—at the capital gains rate of 15 percent, well below the average income tax rate levied on working people.

At least one of the top ten earners has been investigated for financial fraud. SAC Capital, headed by the third highest-paid manager on the list, Steven A. Cohen, recently settled allegations of insider trading by the Securities and Exchange Commission (SEC) without admitting any wrongdoing.

SAC paid \$614 million to settle claims that it profited by trading shares of pharmaceutical companies before the public release of unfavorable drug trials. Cohen's payout of \$1.4 billion was twice the size of the SEC fine.

Last month, Cohen, who is worth \$8.3 billion, bought a \$60 million ocean-side house in East Hampton, on Long Island, down the street from another house he owns. That same month, newspapers reported that Cohen had purchased Picasso's painting "Le Rêve" for \$155 million in one of the most expensive private art acquisitions in history.

The hedge funds managers' astronomical pay is effectively subsidized by the infusion of cash into the financial system by the Federal Reserve, which is pumping \$85 billion into financial markets every month through its "quantitative easing" program. This continues

even as the Obama administration declares there is “no money” for essential social programs, cuts the already paltry jobless benefits of the long-term unemployed, and prepares to impose unprecedented and crippling cuts in Medicare and Social Security.

Hedge fund managers are far from the only ones cashing in on the financial bubble. In recent days, JPMorgan Chase, Citigroup and Goldman Sachs have all posted sharply higher first-quarter profits. JPMorgan, the largest US bank, reported a record \$6.5 billion profit, up 33 percent from a year ago. The company has been at the center of numerous federal investigations and lawsuits, and was the subject of a 300-page report released last month by a Senate subcommittee documenting the bank’s systematic deception in connection with over \$6.2 billion in losses from high-risk trades in financial derivatives in 2012.

The most distinctive characteristic of American society is the brazenness with which the ruling class gorges itself and displays its contempt for ordinary people. This shameless self-enrichment does not go unnoticed.

The reality of the brutal, anti-democratic and exploitative nature of the capitalist system is working its way into the consciousness of the working class. A vast well of social anger is building up, which will erupt, sooner rather than later, in colossal upheavals.

These struggles must be guided by a conscious understanding of the nature of the capitalist system and the role of the existing political system, backed by the official trade unions, in upholding it, and a worked-out program for mobilizing the working class to put an end to the profit system and place economic and social life on rational and egalitarian foundations—that is, by a revolutionary socialist program.

Such a program includes the expropriation of the financial parasites and utilization of their ill-gotten wealth to provide good-paying jobs, education, housing, nutrition, health care and pensions for all.



To contact the WSWWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**