

US banks post record profits in first quarter

Nick Barrickman
30 May 2013

Profits for the US banking industry rose in the first quarter of 2013 to a record \$40.3 billion, according to a report released by the Federal Deposit Insurance Corporation on Wednesday.

Profits surged by 15.8 percent compared to the same quarter last year. The quarterly profits top the previous record set more than six years ago, prior to the financial meltdown of 2008. It was the 14th straight quarter of banking sector profits.

The record bank profits, along with a soaring stock market, is a direct product of the policies of the Obama administration. Trillions have been handed out to the banks and financial institutions, including \$85 billion every month from the Federal Reserve. Not a single bank or bank CEO has been held criminally responsible for the financial catastrophe, which they have utilized to increase their stranglehold over the economic and political system.

In his report, FDIC chairman Martin Gruenberg paints a rosy picture of the current market: “Asset quality continues to improve, more institutions are profitable, and the number of failures and problem institutions continues to decline.” The number of “troubled” institutions fell this year to 612, down from 888 in 2011.

Numerous factors are cited as contributing to the record profits, not least of which were “large, nonrecurring income and expense items at some of the industry’s largest institutions,” said Gruenberg. Significantly, major components in savings were “a reduction in expenses for litigation costs and proceeds from a legal settlement.” That is, the banks benefited from the fact that they have gotten off scot-free in the aftermath of the financial crisis.

Also cited in explaining the bank profits were reductions in provisions meant to offset potential financial losses on bad debts, which fell by \$11 billion, or 23 percent from last year.

The findings illustrate that in large measure the source of major banking profits have come from reduced court costs and, increasingly, speculation. Since the financial collapse of 2008, the banks have strengthened their position, with the full backing of the political establishment, both Democrat and Republican.

Despite the surge in profits, the financial sector is far from “healthy” and the conditions are set for another steep financial collapse. Noting the one-time character of much of the bank profits, Gruenberg expressed the hope that “future earnings for the industry increasingly will be determined by revenues.”

This is essentially wishful thinking, however, as revenues remained stagnant within financial houses. Operating revenue for the banking sector in the first months of this year was only \$171 billion, barely an increase from past quarters. Meanwhile, the record low interest rates that have fueled the stock market rally have also led to a drop in interest rates charged by banks.

The bank profits come in the aftermath of several reports documenting criminal activity. In late March the Senate Permanent Subcommittee on Investigations released a report detailing the causes of JPMorgan’s “London Whale” profit loss, which resulted in \$6.2 billion in federally insured customer deposits vanishing. The report found instances of falsified accounts meant to mislead Federal regulators and the concealment of losses.

Similarly, a 2011 report also issued by the same subcommittee detailed the machinations of Wall Street in the lead-up to the 2008 economic crisis, finding “a financial snake pit rife with greed, conflicts of interest and wrongdoing.” As of yet not a single Wall Street executive has been punished for contributing to the deepest financial crisis in generations.

Last March, Attorney General Eric Holder let slip the Obama administration’s view that banks were

essentially too big to prosecute, admitting that “the size of some of these institutions becomes so large that it does become difficult for us to prosecute them, when we are hit with indications that if we do prosecute—if we do bring a criminal charge—it will have a negative impact on the national economy, perhaps even the world economy...”

After being handed numerous sweetheart deals in lieu of prosecution in the wake of the 2008 financial collapse, banks have accumulated vast profits at the expense of the living standards of the working class.



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