Quarterly earnings put major banks on path for record yearly profits

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The world's largest banks posted record third quarter earnings this past week, putting 2021 on track to be the most lucrative year in history for the financial world.

Bloomberg estimates that altogether the leading banks have taken in $170 billion over the last four quarters (starting with the fourth quarter of 2020). This is the most profitable four consecutive quarters for banks in history.

Leading the banks is JPMorgan Chase, which, during this time, made an estimated $131 million *per day* .

Goldman Sachs made a net third quarter profit of $5.4 billion. This surpassed estimates that it would take in $3.7 billion and was up from $3.4 billion last year. The investment bank has now recorded a profit of $17.7 billion for the first nine months of year, itself higher than any 12-month period in its history. The news sent Goldman shares 3.8 percent higher, having already gained 80 percent this year.

Profits are up at all the major American banks. Bank of America increased its profits by 64 percent, Citigroup by 48 percent, Morgan Stanley by 38 percent, and JPMorgan Chase by 24 percent.

In Europe, banks also performed well, while not as spectacularly as their US counterparts. UBS and Barclays both posted their highest quarterly profit in over a decade. Their profits over the past 12 months were $7.6 and $7.4 billion, respectfully. Deutsche Bank posted its highest profits in eight years.

The stock index for US banks has gone up 59 percent this past year, while for European banks it has risen by 56 percent.

An analyst for Oppenheimer, speaking to the *Financial Times*, described the quarter as "quite literally off the charts."

The record earnings come as a historic strike wave begins in the US and global food and energy prices surge. Meanwhile, the pandemic continues to rage, with weekly global deaths of almost 50,000 people, according to *Our World in Data* .

The surge in bank profits is fundamentally bound up with the unprecedented pumping of money into the stock markets by all the major central banks. In particular, the US Federal Reserve is electronically "printing" $120 billion of new money every month and buying US-backed treasuries and corporate bonds from major banks—flooding these institutions with cash.

This massive loan of money, with no strings attached, allows the banks to gorge themselves on risky financial practices. By trickling down to other sections of capital, stimulating investments, the money encourages acquisitions, corporate mergers and IPOs (initial public offering—when a company goes public with its stock).

Much of the record profits that are being made by these banks comes from precisely this type of speculative activity. Specifically, banks charge large fees for handling mergers, acquisitions and IPOs. They charge fees for advising companies, finding sellers and buyers, executing the financial actions involved and raising capital during the process.

Mergers and acquisitions frequently mean job cuts, eliminating so-called "redundancies" in companies. In the most recent quarter, global merger activity rose to a record $1.52 trillion.

Last quarter, JPMorgan Chase tripled its fees to $1.23 billion, Bank of America increased its fees by 65 percent to $654 million, Morgan Stanley tripled its fees to $1.27 billion, and Goldman Sachs increased its fees by 31 percent, to $1.6 billion.

In a comment to the *Financial Times,* financier Chris Kotowski said, "[W]ith the Fed printing $120 billion of new money each and every month, every CEO in the world has lots of Monopoly money to play with. So

M&A [Mergers and Acquisitions] and investment spending and capital raising will likely remain strong."

Indeed, this "Monopoly money" is what is keeping capitalist financial markets afloat—markets built on top of a mountain of debt and speculation, liable to pop.

While the Federal Reserve has announced it may *begin* to draw back the asset purchasing program in November, it has repeatedly delayed this move for fear of sparking a sell-off on Wall Street.

As the banks make record profits, the bottom half of the US have, collectively, *negative wealth*. The entire bottom 90 percent of Americans, according to economists Emmanuel Saez and Gabriel Zucman, own only 26 percent of the country's wealth. This leaves the top 10 percent with 74 percent of the wealth—a number that does not even include offshore accounts that fly under the radar!

Few banks expect their profit feast to last.

Morgan Stanley CEO James Gorman drew attention in comments last week to the effects of the Fed tapering its cash injections. He stated, "It's good to be watchful … There's certainly nothing that suggests there are any issues, but markets are bouncing a little bit. And over the next 18 months, we'll see more of that as the Fed starts to move."

JPMorgan Chase CEO Jamie Dimon said he thought that while the cash injections, or "quantitative easing," as it is known, may be wound down, interest rates would likely remain at record lows for another year. This means inflation "might go higher than people think." A further surge in the cost of goods, including food and energy, could, itself, lead to significant economic, social and political explosions.

The International Monetary Fund has urged central banks to be "very, very vigilant" about workers demanding higher wages in response to inflation. An IMF report warned that an increase in core prices due to inflation and higher wages could lead to a "spiral of doubt" in the economy that would endanger growth.

A Catch-22 faces the financial oligarchy. Either let the debt bubble balloon further, driven by easy money policies, or burst it through tightening, risking a financial collapse.

Neither option poses a solution. The former risks widespread inflation and devaluation of cash, only making the next financial crisis larger. The latter bursts the bubble that has already grown larger than 2008's pile of debt.

In either case, the outcome will be the intensification of class struggle both in the United States and globally, as these interconnected, international economic processes reach their logical conclusion.