Massive Payout for US Hedge Fund Chiefs in 2014

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On Tuesday, Institutional Investor's Alpha magazine revealed that the top-earning 25 hedge fund managers in the United States secured another massive payout last year, totaling $11.62 billion.

The hedge fund managers earned an average of $400 million apiece. This meant that they received some $200,000 per hour, assuming that they worked 40 hours per week. On average, they made more than 10,000 times the median household income in the United States.

In Detroit, the city administration is preparing to shut off water service to 28,000 residents in order to force the collection of $42 million in delinquent water bills. A typical member of the top-earning hedge fund managers could have paid this entire amount nine times over from their income this year.

The highest-earning hedge fund manager was Kenneth Griffin, head of Chicago-based Citadel LLC, who got $1.3 billion last year, bringing his net worth to $6.6 billion. Citadel operates through a combination of speculation in stocks, high-speed computerized trading and the operation of so-called "dark pools": secretive securities exchanges that function outside of all government regulation.

Securities and Exchange Commission (SEC) records indicate that much of Citadel's earnings come from old-fashioned securities fraud. The hedge fund has been fined or sanctioned for misconduct 26 times.

Griffin does not skimp on spending the money he procures through financial speculation. A recent divorce filing by Griffin's wife alleges that his family regularly spends more than $1 million a month, including $300,000 a month for private-jet travel and $160,000 a month for vacation rentals. The family's staff of servants, assistants, and security personnel is so large that Griffin has founded a company exclusively to employ them, calling it "Griffin Family Services."

The second highest earner on the list, James Simons of Renaissance Technologies, raked in $1.2 billion last year, bringing his net worth to $14 billion. Next was Raymond Dalio of Bridgewater Associates, who made $1.1 billion.

In 2004 Dalio, whose net worth is now $15.4 billion, infamously summed up the parasitic character of the social layer of which he is part: "The money that's made from manufacturing stuff is a pittance in comparison to the amount of money made from shuffling money around," he said.

Hedge funds are largely unregulated financial institutions that pool funds from large investors, charging massive fees: normally 2 percent for assets under management, plus 20 percent of any profits accrued.

They employ a variety of strategies, from old-fashioned speculation and capitalizing on financial bubbles created by central banks, to actively intervening in companies they invest in, forcing them to carry out layoffs and cost cutting. To cite one example, Dow Chemical this week announced that it would lay off nearly 2,000 workers, citing pressure from the hedge fund Third Point.

In other cases, hedge funds simply operate as massive criminal enterprises. In 2013, the Hedge Fund SAC Capital pled guilty to what the SEC called wire and securities fraud "on a scale without known precedent," resulting in "hundreds of millions" of dollars in gains for the firm. Notably, the hedge fund's owner, Steven A. Cohen, was not charged and was allowed to keep the more than $9.4 billion he made through the firm's activities.

The payouts for hedge fund managers are part of a massive enrichment of the financial oligarchy as a whole. The wealth of the Forbes 400 billionaires, which has doubled since 2008, has hit a total of $2.9 trillion.

The billions of dollars diverted into the coffers of hedge fund managers come not through productive activity, but through speculation, backed by a relentless assault on the jobs and living conditions of the working class.

As a result of the massive upward redistribution of wealth over the past decade, the US poverty rate increased from 12.6 percent of the population in 2007 to 14.5 percent in 2013. According to the Census Bureau's Supplemental Poverty Measure (SPM), 47 percent of Americans have incomes below 200 percent of the official poverty level, making half of the country either poor or near poor.

Social inequality is the defining element of social, economic and political life in America. The vast sums of money available to these Wall Street kingpins makes it possible for them to purchase both politicians and financial regulators. It is noteworthy that Kenneth Griffin, the highest-earning hedge fund manager, was the largest donor to the campaign of Chicago Mayor and former Obama Chief of Staff Rahm Emanuel, to whom he gave over $1 million.

Last month Citadel hired former Federal Reserve Chief Ben Bernanke as a senior adviser, paying him handsomely for the services rendered by the Federal Reserve to Wall Street and the financial oligarchy. During his time as head of the Federal Reserve, Bernanke funneled trillions of dollars in government funds to Wall Street.

The upcoming US presidential elections a year and a half away will be the most expensive in history by far, much of it financed by contributions from hedge fund managers, and beside them the various corporate executives and traders that constitute the American ruling class.

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