Record Pay for Wall Street Executives in 2010

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While the great majority of the American population is suffering from the consequences of mass unemployment, pay-cutting, record foreclosures, and ruthless cuts to all forms of social spending, America's corporate elite are flush with record pay and profits.

According to a new study by the Wall Street Journal, total compensation handed out to employees at publicly traded Wall Street banks hit a record $135 billion in 2010, an increase of 5.7 percent over the combined payout in 2009.

The $135 billion in "compensation" given to the lords and ladies of Wall Street is $10 billion more than the combined budget deficit of $125 billion facing 44 states and the District of Columbia for fiscal year 2012—budget deficits that will be used to cut funding for schools, food stamps for the hungry, health care for the poor and working class, and unemployment compensation for the jobless.

One firm, Bank of America, paid out $35.1 billion in compensation alone. The figure is equivalent to the combined budget deficits of California and Illinois, which are together home to 50 million people.

In compiling the data, the Wall Street Journal analyzed 2010 financial reports from 25 Wall Street banks with stock-market evaluation of at least $1 billion. The 25 have a combined value of $750 billion, or 85 percent of the banking industry's stock market value.

The payout to executives was about one third of the total $417 billion in Wall Street bank revenue in 2010, another record. This figure, the financial haul of America's 25 biggest banks, is about twice the size of the 2010 GDP of Egypt, with a population of 80 million.

For top bankers, eight-figure payouts are once again the norm. Lloyd Blankfein, CEO of Goldman Sachs, took home about $14.6 million in 2010, $12.6 million of it in the form of a corporate shares-based bonus. His pay package is about 340 times the median US income of $43,000.

The incomprehensible wealth making its way into the pockets of executives at publicly traded firms pales in comparison to the payouts given to the managers of hedge funds, investment groups generally only open to top investors who are even less subject to regulation than the finance industry as a whole.

One hedge fund manager, John Paulson, netted nearly $5 billion in personal profit in 2010. By way of comparison, with symphonies, museums, and parks being shut down across the country, Paulson's income was about 31 times the $161 million Obama has proposed for 2011 funding for the National Endowment for the Arts, a $6 million cut from last year.

Several other hedge fund managers also received personal compensation in the billions, according to the Wall Street Journal. David Trapper of Appaloosa Management, Ray Dalio of Bridgewater Associates, and James Simons of Renaissance Technologies each made between $2 billion and $3 billion, it reports.

And how do these hedge fund managers "earn" this money? Paulson's eponymous Paulson & Paulson Co. and other hedge funds "made winning bets on commodities," including gold, according to the Journal. In other words, profiting from the "quantitative easing" bond buy-back program from the Federal Reserve Board, the hedge funds speculated in US Treasuries on one side, and foodstuffs and other commodities, on the other. This has resulted in a catastrophe for people the world over who can no longer afford the goods that sustain their lives.

For Paulson and his ilk, money is to be made on the way up and on the way down, by betting "short" on certain kinds of investments—and thus helping to precipitate crashes—and by going "long" on others. As the Journal notes, though a record, his "performance last year… paled in comparison to his 2007 returns, when Mr. Paulson made a huge wager against subprime mortgages and his funds scored gains of as much as 590 percent."

Nonetheless, last year found the hedge-fund industry "back on its feet after a rough stretch," the leading US business newspaper explains. "Assets managed by hedge funds have grown to a near-record $1.92 trillion, up 20 percent over the past year. Assets jumped almost $150 billion in the fourth quarter alone, the largest quarterly growth on record, according to Hedge Fund Research, Inc."

On Tuesday, the Dow Jones Industrial Average, the most prominent measure of US securities, crossed 12,000 points for the first time since June of 2008, largely based on a steady stream of record corporate profit reports in recent weeks. Share values are up an astonishing 84 percent since their post-financial crisis nadir of March 2009.

The "turnaround" since March 2009, which has been solely to the benefit of the financial elite, is not due to the mysterious workings of the market but to the conscious intervention of the Obama administration.

That month, with the DJIA nearing 6,000, Obama intervened with a series of pro-corporate policies in rapid-fire succession. He scuttled a bill passed by the House of Representatives that would have imposed mild limits on the pay of bank executives. Then Treasury Secretary Timothy Geithner made public White House plans to deepen the bank bailout by buying up more, potentially unlimited, "toxic assets" at public expense. Finally, that month Obama rejected the turnaround plans submitted by General Motors and Chrysler, driving the firms into bankruptcy in order to carry through deeper cuts in jobs, wages and benefits of autoworkers and retirees.

The moves of March 2009 set a pattern for what has followed: on the one side, unrestrained corporate greed and the monopolization of an ever-greater share of the national wealth by the financial elite, and on the other an unprecedented assault on the living conditions of the working class both through wage-cutting and layoffs, and through cuts to social spending.

Obama's aim, to the exclusion of all others, is to protect and enhance the wealth of America's financial aristocracy. Only this can explain his surreal State of the Union address, in which he disregarded the enormous social misery in the US and boasted of having "broken the back of the recession," because "the stock market has come roaring back [and] corporate profits are up."

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