US treasury secretary rejects limits on executive pay

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Timothy Geithner, US treasury secretary, said on Monday he opposes caps on executive pay in companies receiving bailouts from the federal government under the Troubled Asset Relief Program (TARP).

Geithner, speaking at a live broadcast interview hosted by Newsweek, made a number of notable remarks, including the claim that the economy has "clearly stabilized" despite the daily growth of unemployment and other indices of social distress. However, his comments on executive compensation stood out most of all.

Geithner, who said he received a "generous salary appropriate for a public servant," was asked if "it would be a reasonable proposal that companies receiving TARP money should [have their executive pay] capped at what the secretary of the treasury makes?"

"No, I don't think so." Geithner replied. "I don't think our government should set caps on compensation."

Well aware of the popular hostility towards the banking executives, Geithner attempted to qualify his statement, adding, "What I think we need to do is set in place some broad constraints on the incentives compensation systems created."

"We can bring about broader reforms… that will make it less likely that people will get paid to take large amounts of short-term risk at the expense of their firms and at the expense of the system as a whole."

The only such "reform" mentioned by Geithner was his proposal that "companies submit to shareholders their broader compensation packages." Such a proposal is ridiculous. Shareholder votes are, of course themselves monopolized by multimillionaires and billionaires, who are perfectly happy to let their colleagues rake in tens of millions of dollars in compensation every year, knowing full well that they will receive the same treatment.

The present crisis was greatly exacerbated by the huge executive compensation sums doled out to the heads of the big banks. They were rewarded on the basis of hiding risk and inflating stock values. Big shareholders and regulators all went along with it, accepting and facilitating the framework within which bank executives wildly enriched themselves through institutionalized fraud and manipulation.

By renouncing even token limits on executive pay, even restricted to those companies directly receiving government funds, Geithner is giving the green light to a resurgence of business as usual, the same cheating and fraud, which will be paid for by the population as a whole.

Moreover, it should be noted that once he leaves the Treasury and goes to work for Wall Street, either as an executive or consultant, he will undoubtedly share in the orgy of self-enrichment.

This is true of a whole social layer. The regulative authorities, whose officials are usually paid no more than Geithner's present salary, served in large part as a means for prospective Wall Street employees to mark time before moving on to a job at one of the major finance firms.

The financial regulators had no interest or capacity to rein in the types of fraud, speculation and gambling practiced on Wall Street, and Geithner is unequivocally opposed to putting any such restrictions in place now.

Geithner blamed much of the bank crisis on the fragmented state of the US regulatory system, which puts multiple regulators in conflicting and ambiguous roles. He failed to mention that the deregulation of the finance industry was chiefly initiated during the Clinton years by his mentor, then-Secretary Treasurer Robert Rubin, who later went on to become chairman of Citigroup.

The present financial crisis is in large part due to the incestuous relations between finance and government, the whole of which is subordinated to the short-term interests of Wall Street.

The closeness between regulators and Wall Street firms was again underscored Friday when the US Securities and Exchange Commission announced that two of its enforcement lawyers are under investigation for insider trading. The inspector general found that the SEC had "essentially no compliance system in place" to make sure that SEC employees did not participate in such activities.

The two employees were alleged to have traded the stock of financial firms whose activities they were reviewing. The SEC inspector general said that the employees actively traded stocks during their workday and sent stock tips using their SEC accounts.

Towards the end of the Newsweek interview Geithner was asked, "Some people have said that [your job] is to save capitalism from the capitalists. Is that what you're up to?"

Geithner, somewhat shaken, tried to avert the question. "I think we need to save the market," he said, "so that the market does what it can do best."

It is often said that Roosevelt administration's actions during the Great Depression—including placing checks on the most reckless forms of speculation through such measures as the Glass-Steagall Act of 1933—saved capitalism from the capitalists.

The Obama administration, however, has done absolutely nothing that contravenes the direct interests of the most parasitic sections of finance capital.

This policy has devastating social consequences for the population as a whole. "Even as growth starts to turn positive," Geithner said, "unemployment is going to keep on increasing for a while, and it's not going to feel better for millions of Americans."

"You have to convince people now that…we are going to have to get back to living within our means, and that's going to require…people…to stop doing things they've been doing, give up things that we don't want to give up." In short, the recovery of the stock market and the profits of the super-rich will coincide with a permanent reduction in working class living standards.

This question was posed explicitly in relation to the budget crisis facing states and municipalities, which is resulting in devastating cuts in social services and mass layoffs of public workers. When the interviewer asked whether Geithner would be in favor of "direct federal bailouts to states," Geithner said very explicitly: "I wouldn't use the word 'bailout' or 'federal.' "

He added, "A lot is going to depend on [states'] ability to put in place reforms that will restore their creditworthiness." In other words, while handing trillions to the Wall Street banks, the federal government will demand that the states carry out austerity measures and slash education, health care and other vitally needed social programs.

Thus the proposals made by Geithner in his interview can be summed up as follows: 1. No caps on executive pay. 2. No bans on any sort of financial activity, no matter how reckless or destructive. 3. A reduced standard of living for ordinary people.

Every political program represents a social class, and the one spelled out above is that of finance capital. On every point, the Obama administration stands as the champion of Wall Street in opposition to the working class.