

Wall Street Profits and the Widening Social Divide in America

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The profits of the biggest US banks continued to swell in the second quarter of this year, even as the impact of five years of mass unemployment, stagnant economic growth and brutal cuts in social spending produced a further rise in poverty, homelessness and hunger.

On Tuesday, Goldman Sachs, the fifth-largest US bank by assets, said its second-quarter profits doubled from a year ago, to \$1.93 billion, significantly higher than analysts were expecting. This followed the announcement of record profits by JPMorgan Chase and Wells Fargo, the largest and fourth largest US banks, respectively.

JPMorgan made \$6.1 billion in the second quarter, up 32 percent from a year ago, while Wells Fargo took in \$5.27 billion, up 20 percent. JPMorgan Chase is expected to make \$25 billion in profits this year, equivalent to the gross domestic product of Afghanistan, a country with a population of 30 million.

Citigroup and Bank of America, which together were bailed out by the US government to the tune of \$90 billion, likewise posted huge profit increases, with Citigroup posting profits of \$4.18 billion, up 42 percent from a year earlier.

Pay for bank CEOs has likewise soared, according to data reported by the *Financial Times*. John Stumpf of Wells Fargo received \$19.3 million in 2012, up 7.8 percent from the year before. He was followed by Jamie Dimon of JPMorgan Chase, who took in \$18.7 million, and Lloyd Blankfein of Goldman Sachs, who received \$13.3 million.

The vast enrichment of financial executives is by no means confined to the US. The European Banking Authority said Monday that over 3,000 employees in the European financial sector earned more than \$1.3 million in 2011.

Nor are the vast executive payouts confined to financial firms. According to an analysis conducted by Equilar Inc. for the *Wall Street Journal*, the CEOs of 200 US companies with revenues over \$1 billion saw their pay swell by 16 percent in 2012, with the average hitting \$15.1 million.

The announcement of bumper profits on Wall Street came only days after Federal Reserve Chairman Ben Bernanke delivered a speech in which he reassured the financial elite that the near-zero interest rates that have fueled record stock prices and the banks' profit bonanza would continue indefinitely.

This vast subsidy for the big banks goes hand in hand with sweeping attacks on working

class wages and living standards. The imposition of \$85 billion in federal spending cuts this fiscal year, as part of the ten-year “sequester” cut of \$1.2 trillion, has resulted in unpaid furloughs for hundreds of thousands of government employees, amounting to pay reductions of up to 20 percent. The sequester cuts also include sweeping reductions in housing assistance and education, as well as cuts of 15-20 percent in extended unemployment benefits for 2 million people.

The sequester cuts are only the beginning. On July 1, the interest rate on government subsidized college loans, which are given out selectively to low- and medium-income students, doubled, rising from 3.4 percent to 6.8 percent. The rate increase affects nearly 7.5 million students.

Last week, the House of Representatives passed a farm bill that excludes \$743 billion in food stamps—a political maneuver that anticipates a bipartisan deal with the Obama White House and congressional Democrats to impose sharp cuts in the nutrition program upon which 48 million people—one in six Americans—depend.

Earlier this month, the Obama administration said it was delaying by one year the implementation of a legal requirement as part of its health care overhaul for businesses with 50 or more full-time employees to provide health insurance. At the same time, the administration and Congress are working to slash hundreds of billions of dollars from Social Security, Medicare and Medicaid in the next round of budget discussions.

In Detroit, Emergency Manager Kevyn Orr announced a plan last month to wipe out the pensions and health benefits of all current and retired city workers, calling for the elimination of \$9 billion in benefits at one stroke.

The juxtaposition of draconian austerity for working people and unlimited cash for the financial elite makes clear that the growth of social inequality, poverty and social deprivation is not simply the result of impartial economic forces. It is the result of a conscious class policy being carried out by the Obama administration with the support of both parties.

Ever higher profits for Wall Street and ever more colossal pay packages for the bankers give the lie to the claim that “there is no money” for basic social needs.

The obscene enrichment of the financial elite amid mass poverty is treated as a non-issue by the media and the politicians, Democratic as well as Republican. The entire political establishment is on the payroll and under the control of the Wall Street bankers.

Only the working class itself, on its own initiative and on the basis of a socialist program, can break the stranglehold of the financial oligarchy and end the poverty, unemployment and social misery that plague American society.

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