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October 28, 2008

Dear Democratic Colleague:

As you well know, the recently passed bailout package for financial institutions was extremely controversial. The major argument for this legislation was that it would create liquidity in the financial markets, and enable financial institutions to lend money to consumers and businesses. To the best of my knowledge, no one argued that the purpose of this $700 billion legislation was to provide large bonuses for the same wealthy people who got us into this mess in the first place. And, yet, that is exactly what appears to be happening. According to recent news reports, the financial institutions who have received federal help have somehow been able to budget over $70 billion in bonuses and other forms of compensation for their employees to be distributed at the end of this year.

Adding insult to injury, the attached *Time Magazine* article makes it clear that the reason some of these firms will still be able to provide substantial holiday bonuses to their employees is because of the $125 billion in taxpayer dollars they recently received from the Treasury Department. According to this *Time Magazine* article, "Uncle Sam has a new name on Wall Street — Sugar Daddy. Bonuses for investment bankers and traders are projected to fall by 40% this year. But analysts, compensation consultants and recruiters say the drop would be much more severe, perhaps as much as 70%, had it not been for the government's efforts to prop up the financial firms."

This is simply unacceptable. Each and every day, thousands of Americans are receiving foreclosure notices from their banks. Unemployment is rising to unacceptable levels. Working Americans are lining-up with their children at homeless shelters and food banks because they have nowhere to sleep and cannot afford to feed their families. The retirement dreams of millions of Americans are turning into nightmares as they open-up their 401(k) statements to see the value of their investments down 30, 40, 50 percent or more. Millions more are seeing their defined benefit pension plans frozen or eliminated altogether. To force these struggling Americans, their children and their grandchildren to pay for bonuses and other forms of compensation to bankers on Wall Street who are responsible for the worst financial crises since the Great Depression would be nothing less than outrageous.

Therefore, I hope you will join me in co-sponsoring legislation I plan on introducing as soon as Congress gets back into session called Stop the Greed on Wall Street Act.

This legislation would:

- Prohibit companies that are receiving a capital injection from the Treasury Department from paying any of their employees more than $400,000 in total compensation -- what the President of the United States earns in one year. As the Treasury Department partially nationalizes large parts of the financial services and insurance industry, the employees at these firms should not be allowed to make more in total compensation than the President of the United States.

- If any of these companies want to pay their employees more than what the President makes, the companies would be required to give back the money they received from the Treasury Department and that money could only be used to help struggling homeowners stay in their homes.

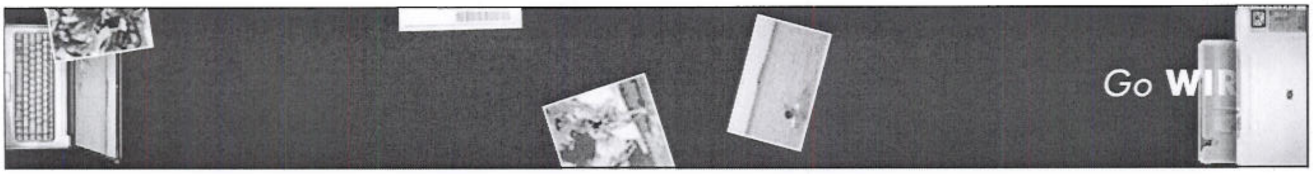
Regardless of your views on the $700 billion Emergency Economic Stabilization Act, it was clearly not the legislative intent of this legislation to reward executives at large financial institutions with multi-million dollar Christmas bonuses and salary increases. If big banks have the ability to provide tens of billions in bonuses and salary increases this year, they clearly do not need help from the American taxpayer.

If you would like to co-sponsor this legislation please contact me or have your staff contact Warren Gunnels at 8-6358.

Sincerely,

Bernard Sanders
United States Senator

Enclosure



TIME IN PARTNERSHIP WITH CNN

Monday, Oct. 27, 2008

How Washington's Bailout Will Boost Wall Street Bonuses

By Stephen Gandel

Uncle Sam has a new name on Wall Street — Sugar Daddy. Bonuses for investment bankers and traders are projected to fall 40% this year. But analysts, compensation consultants and recruiters say the drop would be much more severe, perhaps as much as 70%, were it not for the government's efforts to prop up financial firms. "Year-end pay on Wall Street will be higher than it would have been had it not been for the government and mergers," says Alan Johnson, a leading compensation consultant. "You would expect it to be down much more."

Johnson predicts that the average managing director at an investment bank, a title typically earned after eight years on the job, will receive a bonus of $625,000. That's down from nearly $1.1 million last year, but it is still 15 times the income of the average American household. Top bankers could receive as much as $1 million. Even a bond trader just out of business school could see his or her bank account enriched by as much as $170,000 this Christmas. "The firms have had an extremely difficult year," says Joan Zimmerman, a Wall Street career coach. "But they can't afford to lose talent either."

While the government rescue limits the salaries of five top executives from each of the participating financial firms, Congress did nothing to restrict Wall Street firms from using taxpayer funds to boost the compensation of rank-and-file investment bankers. "Some people might argue that these bankers should not be penalized if they weren't personally involved in the risky mortgage-backed securities," says Sarah Anderson, project director of the Global Economy Project at the Institute for Policy Studies, a progressive think tank in Washington. "My response is that the average taxpayer wasn't either, but she is being asked to take a hit."

Earlier this month, the government announced that it planned to quickly inject $125 billion of the $700 billion economic rescue package into nine of the nation's largest financial firms, including Wall Street titans Goldman Sachs and Morgan Stanley, as well as Bank of America, which recently acquired securities firm Merrill Lynch. That, along with other Treasury Department moves to rescue Wall Street, will mean the wallets of many investment bankers will be fatter than they would have been.

"It's not the government's money directly, but in the case of Morgan Stanley and Goldman Sachs, they were facing a severe crunch," says analyst Brad Hintz, who covers financial firms at Sanford Bernstein and is a former chief financial officer of Lehman Brothers. "Had it not been for the government's help in refinancing their debt, they may not have had the cash to pay bonuses." When asked, the Treasury would not comment directly on Wall Street's bonus plans, though spokeswoman Brookly McLaughlin did reiterate the bailout's intent. "There is broad agreement that the Treasury's capital purchase program was intended to strengthen the financial system and increase lending," she said.

One factor mitigating the financial industry's bonus intentions is the fact that there could be far fewer employed Wall Streeters by the time year-end payouts are made. Goldman Sachs reportedly plans to cut 10%, or 3,250 workers, from its payrolls. Barclays is expected to eliminate 3,000 jobs from the former investment-banking division of Lehman Brothers, which it acquired in September. And Merrill Lynch's John Thain recently said that he expects thousands of job cuts in the wake of his firm's acquisition. All told, Hintz expects Wall Street employment to fall 25%, which could mean a loss of 43,250 jobs in New York City alone and more than 200,000 jobs nationwide by the end of 2009.

Even with those cuts, Wall Street bonuses may still look inflated in light of the industry's dismal performance in 2008. For example, so far this year, Wall Street has underwritten $1.5 trillion in bonds. Sounds like a lot. But it is $500 billion less than what Wall Street did in debt back in the same time period in 2002, which was the last time Wall Street had a significant downturn. And that year Wall Street bonuses were just $8.6 billion, or $5.4 billion less than they are expected to be this year.

On the plus side, investor panic (which translates into hyperactive trading) and scrambling by executives to make deals have boosted Wall Street revenue. In the first half of the year, which is the latest available data from the Securities Industry and Financial Markets Association, the total fees that the investment banks and brokerage firms collected were nearly $166 billion. That's more than triple the $55.5 billion the firms had in revenue back in the first half of 2002. But the big difference is that in 2002, Wall Street was making money — nearly $8 billion in the first half of that year. This year financial firms are deeply in the red. They lost more than $15 billion in the first half of the year alone, and that was before the market's big plunge in the past few months. Says Frank Bruconi, chief economist in the New York City comptroller's office: "Had the federal government not stepped in with a bailout plan and other moves, the pay and the employment situation on Wall Street would be much worse."

That may make Wall Streeters — and some Manhattan restaurateurs — happy. But it will likely leave a sour taste with taxpayers for some time to come.

(See the faces of the Wall Street meltdown that told the story.)