The media defends executive bonuses

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On Friday, the US media intensified its counterattack against "populist outrage" over the AIG bonuses.

Cast aside was the argument that the same CEOs who have ruined their corporations and the larger economy merit their big pay days, as *New York Times* columnist Andrew Sorkin argued with apparent seriousness on March 17. ("New York Times columnist who demanded concessions from auto workers, 'makes case' for AIG bonuses")

In its stead were other arguments. The most typical is little more than blackmail. The media, echoing Wall Street, claims that should Congress in any way limit the pay packages of top CEOs, the latter could thwart the economic recovery, essentially holding the world ransom to their personal enrichment—an argument Sorkin also pioneered.

Thus, Charles Krauthammer, the *Washington Post's* far-right columnist, warns "the AIG debt manipulators...may be the only ones who know how to defuse the bomb they themselves built." ("Bonfire of the Trivialities") *New York Times* columnist David Brooks tells us that politicians "risk destroying the entire bank-rescue plan because of [the AIG] bonuses." ("Perverse Cosmic Myopia")

In the *Wall Street Journal*, Ian Bremmer and Sean West of the risk-consulting firm Eurasia Group warn that should the Obama administration "pander to an angry public," it "may scare potential investors away from bailout recipients because they cannot trust our government's will..." ("AIG and 'Political Risk'")

Another *Post* columnist, Michael Gerson, laments that "congressional demagoguery is compromising" Geithner's efforts to rescue the financial industry. "Geithner has floated the idea of ... giv[ing] loans or subsidies to mutual funds and hedge funds if they buy toxic securities. But few would make such a risky investment without the hope of large returns." ("Commanding the Heights of Hypocrisy")

The *Post's* liberal economics commentator Steven Pearlstein elaborates on this argument at length. "There's a danger in letting this outrage get to the point that it undermines the effort to contain the financial crisis," he warns ("Let's Put Down the Pitchforks").

"This isn't about fairness," Pearlstein continues. [T]he reality is that we can punish the bankers or we can save the banking system, but we can't do both at the same time." To Pearlstein, in other words, no approach to the economic crisis is possible that does not begin and end with the enrichment of the bankers.

Pearlstein asks his readers to sympathize with the plight of the financial elite. "But how eager do you think private equity and hedge funds will be to invest those billions of dollars if they fear that their participation will subject them to front-page accusations, congressional inquiries and public outrage over how much they might be paying for bonuses or employee travel or office decoration?," Pearlstein implores. "Will they participate if they think that Congress, in a moment of populist pique, will try to tax back their profits if they earn more than originally expected?"

Pearlstein takes it for granted that the bankers and hedge fund managers have the inalienable right to earn a profit off their largely self-created disaster.

To understand this, one really must view things from the vantage point of the "financiers," Pearlstein explains. "As the financiers see it," he tells us, there is a problem with "a government that is [an] unreliable partner, that tries to micromanage their businesses and changes the rules of the game with every zig and zag of public opinion."

This, he concludes, "is the financiers' view and one we need to be mindful of, since at this point we need their money and cooperation as much as they need ours."

We should have little doubt that *Post's* economics columnist, who rubs elbows with the "financiers," is accurately articulating their outlook. The financial aristocracy, Pearlstein threatens, is not a power to be trifled with.

Pearlstein also claims it is too late to really do anything about the AIG bonuses—a position he shares with President Obama. In this vein, Pearlstein allows that "we're angry." But, he quickly adds, "the reality is that no matter what we do now, tens of trillion of dollars in wealth have been lost."

This argument sets up a false distinction between "executive compensation" and the plundering of the economy. In fact the former process is but the most noxious expression of the latter. Executives and top investors made vast fortunes not because they contributed anything of value to the economy, but precisely because they liquidated productive capacity and purged jobs from "the real economy" for their personal benefit. The AIG bonuses were entirely in keeping with the culture of plunder that has typified American capitalism for decades.

The media defenders of the AIG bonuses have also argued that the amount of money in question is inconsequential. Nothing could more clearly reveal the class bias and the privileged social world these media figures inhabit. So *Times* columnist Brooks refers to the AIG bonuses as "dust bunnies under the bed."

For his part, Krauthammer reassures us that "in the scheme of things, $165 million is a rounding error." But on February 6, Krauthammer was busy singling out for censure the Milwaukee public schools— for potentially receiving half that sum! To Krauthammer, public school construction is "pork," "such as the $88.6 million for new construction" in Milwaukee. But $165 million in bonuses for AIG executives? A mere "rounding error," really. ("The Fierce Urgency of Pork").

While $165 million may be a trifle to Krauthammer and his milieu, it is a king's ransom to workers. The top bonus paid out at AIG, $6.4 million, represents about 128 times the median annual US household income.

Another typical response, particularly from the liberal media, has been to ridicule the popular outrage over the bonuses with the vaguely pejorative moniker "populist," a term meant to connote ignorance. These arguments reveal a degree of hatred and fear. The nation's top columnists are horrified that the public mood has shifted against the culture of greed that they have worked for so long to promote.

According to Pearlstein, popular anger "feels good and is a way for a political system to let off some steam before a more dangerous explosion occurs."

Post columnist Michael Kinsley demands to know why Americans are angry over the AIG bailout in the first place. "In short, you knew about this, if you cared," Kinsley writes to his readership. "So why didn't your self-righteous populist fury boil over before now?" Part of this populist fury, Kinsley says, "has a know-nothing, bullying quality that I don't like" ("Bonuses on a Slow Boil").

Brenner and West warn that "pandering to [public outrage] jeopardizes the administration's credentials in a sloppy attempt to score populist points." Alas, "the financial-sector rescue necessitates unpopular actions."

The media has also moved to place the blame for executive bonuses not on those who have reaped the windfall, but those who have born its brunt—the American people.

So Pearlstein lectures, "A final point on outrage: We need to save some of it for ourselves."

"It was we who ran up the credit card bills, we who drew down the equity in our homes and we who refused to tax ourselves for the government services we demanded," he adds. "Wall Street bankers may have been the pushers, but it was we Americans who became addicted to the easy credit."

This is thoroughly dishonest. In the first place, Pearlstein is not speaking for "we Americans," as he claims. The *Post* columnist is part of a privileged layer of multimillionaires. He speaks, as his column makes clear, for the CEOs, bankers, and hedge fund managers.

Working class Americans "ran up credit card bills" and "drew down the equity in [their] homes" not because they made foolish decisions, as the well-heeled Pearlstein implies. They did so to pay for college tuition, major health procedures, and for basic consumer goods. They borrowed, in other words, in order to survive.

The financial aristocracy has benefited from the impoverishment of the working class three times over. First, beginning in the late 1970s they cut jobs and gutted basic industry, transferring vast social wealth into financial speculation. Then, from the 1980s on, they relentlessly promoted to impoverished workers various forms of debt and credit, including subprime mortgages. This debt the financiers packaged, sold and resold, creating unfathomable fortunes in the process.

Now the financiers, with this mountain of speculation and paper values crashing down about their ears, are profiting from yet another swindle. With the politicians and media figures like Pearlstein hard at work on their behalf, they have been handed trillions of dollars in government funds.

Capitalism's media spokesmen insist that the financial elite will brook no limitation, no matter how slight, on how they will dispose of these funds.