

New York Times columnist who demanded concessions from auto workers, “makes case” for AIG bonuses

David Walsh
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New York Times columnist Andrew Ross Sorkin "made the case" Tuesday for paying American International Group (AIG) executives some \$165 million in bonuses. In the face of a public outrage that he acknowledges, Sorkin suggests: "Maybe we have to swallow hard and pay up, partly for our own good."

It should be recalled that Sorkin, the *Times* chief mergers and acquisitions reporter and editor of the newspaper's daily financial report, called for the "government-sponsored" bankruptcy of General Motors in November 2008 and the slashing of auto workers' living standards. At the time, he described their benefits as "off the charts" and falsely claimed that at GM, as of 2007, "the average auto worker was paid about \$70 an hour, including health care and pension costs."

Now, in regard to the AIG bonuses, the columnist suggests the fundamental question "is the sanctity of contracts." Imagine the mess "if the business community started to worry that the government would start abrogating contracts left and right."

Sorkin cites the comments of veteran compensation consultant Pearl Meyer, who suggests that failing to honor the contracts at AIG "would put American business on a worse slippery slope than it already is." In other words, the *Times* columnist asks someone in the business of seeing that executives extract every penny possible whether or not the AIG employees should receive their millions.

"If government officials were to break the contracts, they would be 'breaking a bond,' Ms. Meyer says." Sorkin reproduces this with what one takes to be a "straight face."

What sort of "bonds" are presently respected by corporate America? This is a country where workers are treated like dogs, routinely tossed out the door with barely a moment's notice and have essentially no rights in relation to their corporate masters. Companies lie to and cheat their employees as a matter of course.

The "bond" between a firm and its workforce in the US lasts no longer than a fluctuation in its share price. At every possible opportunity, senior and more highly paid workers are replaced by cheaper labor. Factories and offices are closed down, operations moved to more "business-friendly" environs, without a thought for the destruction of lives and entire communities. There is no God in corporate America but the accumulation of personal wealth.

Only a week ago, a bankruptcy judge in New York upheld his earlier decision that Delphi, the auto parts maker, has the right to end health and insurance benefits to 15,000 retirees and their spouses as of April 1. The *Detroit News* noted, "Attorneys representing a group of the white collar retirees argued in the Southern District of New York

court that Delphi's former owner, General Motors Corp., promised them lifetime coverage." So much for "bonds."

Numerous commentators have pointed to the glaring double standard. The bonus agreements with AIG are sacred, but autoworkers' contracts (and others) can be opened and altered at will. Sorkin has an answer for this, however: "The big difference is that there is a negotiation [in auto]; no one is unilaterally tearing up contracts."

The journalist is a sophist of the first order. There is no "negotiation" between the autoworkers and the companies in any meaningful sense. The corporations, the media, the government and the UAW line up on one side, threatening the most dire consequences: the destruction of massive numbers of jobs, bankruptcy, the closing down of the entire industry—for workers and their families, the loss of virtually everything—if the latter don't accept concessions. They face extortion of the most highly organized and vicious variety. And if the workers dared to reject the concessions, the political establishment, including the *New York Times*, would scream bloody murder and demand their firing.

On the other hand, the government owns 79.9 percent of AIG. It could do what it likes, replace management, invalidate contracts, launch criminal investigations and more. But, in this case, supported by the likes of Sorkin, a handful of corporate scoundrels hold society hostage and demand their blood money.

AIG is engaged in blackmail. Sorkin admits as much. Of the firm's complex role in world financial markets, he writes, "A.I.G. built this bomb, and it may be the only outfit that really knows how to defuse it."

"A.I.G. employees concocted complex derivatives that then wormed their way through the global financial system. If they leave...they might simply turn around and trade against A.I.G.'s book. Why not?... So as unpalatable as it seems, taxpayers need to keep some of these brainiacs in their seats, if only to prevent them from turning against the company."

The white paper AIG dispatched to the government making its case for paying the 400 executives includes other kinds of threats.

The document reports that AIG's derivative portfolio stands at some \$1.6 trillion "and remains a significant risk." It suggests that if, for some reason, AIG were to default on a major contract, this could trigger "other cross-defaults over the entire portfolio of AIGFP [AIG Financial Products]."

The AIG white paper gives the example of a possible default set off by the resignation of an unhappy senior manager at a French subsidiary and the appointment of a replacement by the French

banking regulator. "Such an appointment would constitute an event of default...and potentially cost tens of billions of dollars in unwind costs."

In other words, AIG officials might detonate a financial time bomb if their bonuses are not paid.

Professor William K. Black, a leading figure in the investigation of the savings and loan scandal in the 1980s, points to another side of the AIG extortion. "A.I.G. is holding a gun to their own heads, saying 'unless you help us continue to have this incredible life in terms of bonuses, we're going to die and the taxpayers will be faced with a catastrophe'... It's too bad Marxists don't believe in god. Otherwise they'd be thanking him for having sent A.I.G. down to earth to destroy capitalism."

The various types of blackmail pointed to by Sorkin and others are not reasons for paying the AIG executives, but indicting them. The comments paint a picture, for all intents and purposes, of financial terrorists.

Sorkin has another argument in his pocket, one of the most popular with the American public at the moment: that AIG needs to pay the \$165 million in bonuses, and millions more next year, to retain the services of the "the best and the brightest." Yes, a crowd of real geniuses, whose unscrupulous activities have helped bankrupt the country and world economy.

The *Times* columnist cites the comment of another executive compensation specialist, Robert M. Sedgwick, who tells him that the AIG jobs "are terrible.... You have to read about yourself in the paper every day. These people are leaving as soon as they can." One can barely restrain one's sympathy.

Sorkin assures us, through Ms. Meyer again, that the AIG employees "are being heavily recruited."

Does Sorkin think anyone gives a damn? In what world do such people live? Safely distant from popular sentiment, and from the concerns and anxieties of broad layers of the people. Sorkin's defense of the bonuses provoked a flood of largely hostile and caustic responses from *Times* readers.

A few typical comments:

From a reader in Minnesota: "The truth is, the government ought to be going after many of these employees with criminal fraud charges. Its pretty obvious they sold more credit default swaps than their company could afford to pay off. Those were contracts too."

From Boston: "How can Mr. Sorkin argue that the forced breach of labor contracts (or the payment of bondholders) to GM and Chrysler is any different than AIG's? This boggles the mind!

"Because at GM this is a matter of negotiation? Please!!! Under the menace of bankruptcy if the negotiated terms are not acceptable to the new bankers, i.e. the US government? Is this truly a negotiation? With a gun to the forehead? At GM and Chrysler there is no negotiation, but the imposition of terms by the government...just what the government has lacked the fortitude to do at AIG."

From California: "Mr. Sorkin, what is it that you don't understand? This is not about the government telling business how much their executives can earn. This is about what happens when a business fails on the basis of its own faults, and then, when graced with a taxpayers' windfall to help restructure the business, the executives' first thought is to line their pockets."

A business and commercial transactions attorney from Ann Arbor, Michigan: "It is particularly ironic that the government calls for the auto companies to cram down the pay of those overpaid autoworkers on Main Street in order to allow GM to qualify for a few paltry

billions of bailout money—but when it comes to derivatives traders on Wall Street being rewarded with millions of dollars for playing dice with the global financial system—here, nothing can be done."

All thinking is social thinking, justice is class justice. Sorkin is a representative of the American upper middle class: insulated, selfish, arrogant. He lives and breathes in a world of wealth and privilege, rubbing shoulders daily with the "movers and shakers" of the financial world. This shapes his impoverished outlook and interests. Each of his pieces, in one way or another, returns to a central problem: how can this or that situation be turned to financial gain for the social layers he speaks for and embodies?

Under the present conditions of financial disaster and growing social tension, this is what fuels his animosity toward the autoworkers and the working class as a whole.

Last November 18, at the time of the bailout crisis, Sorkin lashed out at labor costs in the auto industry, which were "already coming down slightly because of a renegotiated deal with U.A.W. last year, but not nearly enough."

The *Times* columnist suggested that "part of the problem is summed up by comments" made by GM worker Kandy O'Neill, who had told the *Detroit News*, "I think we've given enough," about the cuts to her salary and pension plan. Sorkin then observed, "When you read a line like that you might sympathize with her, but then you realize that nothing can be accomplished without bankruptcy."

These comments came in the midst of the trillion-dollar bailout of the American corporate elite. For Sorkin, and others like him, the problem lay not in the insatiable greed of a handful or the evident irrationality of the existing economic system, but in the "unsustainable" living standards of autoworkers. On the WSWS, Ms. O'Neill, a fifth-generation autoworker from Goodrich, Michigan, answered Sorkin quite forthrightly. (See "Michigan GM worker answers attack by New York Times columnist")

On the Charlie Rose program in November, Sorkin sneered that a "bloated" GM was in "the welfare business," and "the health business"—in other words, that it was bound by contract to provide elementary benefits for its employees. All of this, he made clear, had to go. His solution, a month earlier, for a proposed GM-Chrysler merger, "everything that is impolitic...cut salaries and benefits, and lay off a lot of people, fast."

Here, in the liberal newspaper of record, is the brutality of the American elite. The working class will have to develop its own independent socialist program for the crisis every bit as ruthlessly.



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