

Why AIG and Jim Cramer Matter

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In the last months, because of the economic crisis a number of stories about the nature of American business have been brought to the attention of many Americans. These anecdotes include not only banks using bailout money for spas, travel and redecorating, CEOs of automobile companies flying on private jets to come to the Washington to ask for bailout money, and the current story of the AIG paying bonuses to top executives while being bailed out by the US government, but also stranger stories such as the ongoing silliness, to be generous, of business journalism and the bizarre television feud between Jim Cramer and Jon Stewart.

While it is true that the money spent on corporate jets, lavish retreats and undeserved bonuses is only a drop in the bucket of the broader financial crisis, these anecdotes have power that is more than entirely symbolic in nature. These abuses speak to both the substantial existing disconnect between the business elite and the rest of America, as well as the nagging inability of the former to understand what is going on and what the current economic crisis actually means. This is particularly damaging, because these leaders of the finance sector are being entrusted with a great deal of the work and responsibility for solving the current crisis. Their ongoing insistence on their own financial gain hardly inspires confidence in the rest of America.

Similarly, the Jon Stewart-Jim Cramer interaction which seemed to be all but ubiquitous on the internet last week spoke to something deeper in the American zeitgeist. On one level it was hard not to feel sorry for Jim Cramer who looked, for all the world, like the man who just cornered the market on selling knockoffs of the emperor's new threads, only to learn that some little kid over on Comedy Central had just announced to the whole world that, in fact, the emperor was wearing nothing more than his birthday suit. However, Cramer's sincere defenses of himself and his trade were not so much wrong headed as evidence that the world has changed and he, like many others, still doesn't understand what that means.

Of course, lavish bonuses, perks and other forms of compensation for well paid people working in finance are nothing new. Neither is obsequious business journalism or erratic and often wrong advice from supposed stock experts. Perhaps the current crisis has made some of this feel particularly obscene, but the issues themselves have been around for years. Because of the economic crisis, it is now, for the first time in a while, possible to discuss these matters without being shouted down from both sides of the aisle.

The question of whether AIG should be distributing bonuses while it is being bailed out by the US government is something of a straw man. AIG's position on this issue is essentially indefensible; and they will only hurt themselves even more by trying to defend this position. However, for AIG, and others like them, these bonuses are an integral part of the myth they have created that the work they do is uniquely specialized and requires sufficient expertise that the only way they can function is if, in good times or bad, with taxpayer money or their own, they

pay these enormous bonuses. If that implausible construct is challenged at this moment, the whole financial sector will change. For many Americans this change would be welcome, but for those on the receiving end of the bonuses, not so much.

If the outcome of the current crisis is that we manage to get back on our economic feet and return to an economy like the one we had three to five years ago, we will have not only missed an extraordinary opportunity, but fundamentally failed to solve our real economic problems. Even before the current downturn, our economy had genuine problems of personal debt, stagnant real wages, low personal saving rates and devastatingly high costs for health care and education. We also had an economy where the government too often partnered with the wealthiest in their efforts to both enrich themselves and avoid paying their share in taxes.

A more thorough solution to the current economic problems will require us to address these problems as well as the immediate problems of growing unemployment, consumer and investor confidence and plummeting stock and real estate values. This is where the Jim Cramer's and the AIG's become important. In truth, of course, the bonuses for AIG executives are financially irrelevant, but the economic constructs for which they have become a surrogate are deeply important. Similarly, Jim Cramer is something of a financial clown, ranting about what to buy and what to sell, and perhaps even giving good advice with some regularity, but he is also a surrogate for a form of journalism that does little investigation, less criticism and an awful lot of cheerleading. The new economy, the one that not only gets us out of this crisis, but keeps us out of the next, will not have a place for either AIG type bonuses or Jim Cramer type journalism.