

A TALE OF TWO BAILOUT PAYBACKS

As promised over the weekend before I realized I had forgotten my Toobz, I wanted to compare the behavior of two bailout recipients, the UAW and the banksters.

A number of people have pointed to this intriguing interview about the Korea Trade deal with the UAW's President Bob King. In addition to confirming my math showing that the most the UAW could reasonably expect to get out of his deal is 75,000 additional exports—or 800 extra jobs for the UAW—King also had this to say:

It was important to endorse in order to reward the administration for its good behavior of including labor in negotiations.

While not directly an admission that UAW endorsed this NAFTA-style trade deal in thanks for the US bailout of the auto industry, it does seem to support that overall sentiment. The UAW capitulated further when it endorsed the Obama-McConnell tax deal giving 2 years of relief to the very rich, 1 year to the medium-term unemployed, and nothing to the 99ers whose Unemployment Insurance has expired (many of whom used to work for the auto companies).

Compare that to the behavior of JP Morgan Chase Vice Chairman Jimmy Lee during negotiations under the Chrysler bailout. According to Steven Rattner, Lee,

demand to know why, if the government thought banks important enough to give them tens of billions in TARP money, it wanted to squeeze them on [the Chrysler] deal.

Mind you, JPMC **wasn't** getting squeezed. Timmeh Geithner had specifically instructed Rattner not to ask for any special favors because the

government had also bailed out JPMC (Timmeh apparently didn't mention the additional support JPMC got from the Fed).

Tim had instructed me not to be taken in [by Lee's complaints] but to maintain strict neutrality. I was not to demand anything of JPMorgan just because it had received an infusion of TARP money; nor was I to show it favor because of Bear Stearns or anything else.

And as Rattner calculates, Lee was asking for full value on their debt even while it was only worth about \$.15 on the dollar.

In our phone calls, he also relentlessly reminded me that creditors deserve to be paid. "When you lend somebody \$6.9 billion," he would say, "you expect to get \$6.9 billion back. And not a penny less." I listened knowing that Jimmy's position was patently ridiculous. Chrysler debt was trading at around 15 cents on the dollar (admittedly, infrequently), and according to Chrysler's own analysis, the liquidation value of the company was perhaps as low as \$1 billion. Clearly, Jimmy didn't believe that the Obama administration would be willing to push back and let the banks take over Chrysler rather than cave in to their demands.

So unlike the UAW—which endorsed the kind of trade deal it has spent the last decade railing against—JP Morgan Chase responded to getting bailed out by asking for more special deals.

Now, JP Morgan Chase did join the UAW in hailing the KORUS trade deal. Here's what Jamie Dimon had to say:

We applaud President Obama and [Korean] President Lee [Myung-bak] for their leadership in moving forward with the Korea-US Free Trade Agreement. Their

commitment will provide the needed momentum to ensure swift approval and implementation of the agreement by both governments. Implementation of this agreement with Korea will provide great opportunities for U.S. workers, businesses and farmers to increase exports and provide expanded services in this key market. We strongly support passage of this agreement... Today's announcement is an important step in achieving the goal of doubling exports in five years, as well as helping to fuel the overall economic recovery.

And also like UAW, JP Morgan Chase offered some help to Obama's tax deal, in the form of revised awfully optimistic growth forecasts for next year:

Against the backdrop of positive momentum in recent US economic data, this policy shift has convinced us to raise our 2011 growth forecast, from 3.0% (4Q/4Q) to 3.5%. This upward revision is focused in 1H GDP growth, which now is expected to average 3.75% saar, versus 2.5% before.

Optimistic growth forecasts aside, there is a substantive difference between JPMC's support of KORUS and that of the UAW. Whereas the UAW got a pyrrhic victory in the 800 potential jobs it may get in exchange for further outsourcing of manufacturing (notably, the eventual opening of the truck market to Korean companies), the financial services industry got everything they wanted. Here's how the White House describes the bonanza JPMC and the other banksters will get:

The financial services chapter in the U.S.-Korea agreement provides significantly improved market access into Korea for American financial services firms – supplementing and modifying the agreement's rules on

investment and services to allow American companies to provide financial services in the Korean market. At the same time, the agreement preserves the right of U.S. financial regulators to take action to ensure the integrity and stability of financial markets or address a financial crisis. Under the agreement, Korea also commits to treat U.S. financial institutions comparably to their competitors in the Korean market.

Public Citizen's Trade Watch explained last year what that means: basically, KORUS protects precisely the kind of deregulation that got us into the financial crisis.

The FTA text was signed in 2007 before the financial crisis, and includes the extreme deregulation requirements of past Bush FTAs. Bush's Korea FTA includes rules that countries cannot limit the size of financial institutions, impose "firewalls" between the sort of financial services one firm may offer to limit the spread of risk, ban toxic derivatives, or control destabilizing capital flights and floods. Both the U.S. and Korea have implemented important new financial stability and reregulation measures that could conflict with these rules, and thus be subject to challenge under the FTA. And, the regulations now being written to implement Congress' major financial reregulation bill could be subject to direct attack by Korean corporations operating in the United States unless the FTA is fixed.

In many ways, the Korea FTA's financial services provisions are more deregulatory than those of any previous FTA. According to fact sheets on the pact published by the Bush administration, "The Financial Services

Chapter of the United States-South Korea
Free Trade Agreement ... is a
groundbreaking achievement, providing
more extensive provisions related to
financial services than ever before
included in a U.S. FTA."

Of course JPMC would come out in support of
continued impunity!

KORUS as a whole will contribute to the
increasing financialization of our economy at
the expense of our manufacturing base. Yet
oddly, by leveraging payback for its various
bailouts differently, the Administration has
elicited cries of support from both the finance
and the manufacturing industry.

Or maybe it's just that unlike the UAW, the
banksters have found a way to roll Obama over
and over.