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Labor Watch

The Auto Industry Bailout: How the Shrinking UAW Buys Influence

By Timothy P. Carney

***Summary**: While the United Auto Workers has lost half its members, the union retains its political influence and sits on $1 billion in assets. The union showed its clout last year when the Obama administration bailed-out and reorganized the failed automaker Chrysler. Even while the federal government was forcing Chrysler's creditors to accept pennies on the dollars owed them it was transferring Chrysler's ownership to the UAW, protecting the union's retiree health and pension benefits.*

An "advanced technology" vehicle made by GM and funded by taxpayers.

On April 30, 2009, his 101st day in office, President Barack Obama put the "bully" into the "Bully Pulpit." In a televised press conference, Obama announced that the federal government was ready to give billions of dollars to the failed automakers General Motors and Chrysler. First, however, the automakers' creditors would have to write off billions of dollars in loans and accept huge losses to their investments before the federal government provided any taxpayer funds.

When some of Chrysler's creditors voiced concern about the fairness of the administration's plan, the President used his office to strike back: "A group of investment firms and hedge funds decided to hold out for the prospect of an unjustified taxpayer-funded bailout," Obama said. "They were hoping that everybody else would make sacrifices and they would have to make none." Obama said he stood with Chrysler's employees, managers, dealers, suppliers and car buyers. But as for Chrysler's investors, he said, "I don't stand with those who held out when everybody else is making sacrifices."

This was the most public moment in a dispute that would involve name-calling, lawsuits, threats and strong-arm tactics. It ended with the federal government forcing investors and lenders to accept financial losses at the same time that the Administration worked to transfer ownership of one of the taxpayer-subsidized automakers to a politically connected labor union that just a few months before was making hefty election year contributions to candidate Obama.

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The union – Obama's benefactor and beneficiary – is the United Automobile, Aerospace, & Agricultural Implement Workers, better known as the United Auto Workers or the UAW. The story of the Chrysler bailout – a story featuring hedge funds, unions, and politicians as well as campaign contributions, lobbyists, and lawyers – is a cautionary tale of what happens when government gets intimately involved in industry: conflicts of interest, cronyism, and opportunities for corruption are inevitable. It's an important history to recount as bailouts, subsidies, and regulations multiply, sticking government increasingly into every corner of our economy.

How Washington Bailed Out Detroit

While the problems affecting American automakers have accumulated over decades, a string of more recent events led to the government's automaker bailout. When Hurricane Katrina struck the Louisiana coast in late 2005 already rising gasoline prices skyrocketed to over $3 per gallon. The price hikes paused, came down, hit $3 again in 2006 and 2007, then climbed above $4 in 2008 shortly before the stock market plunge. Car sales declined as the economy began its housing-driven slowdown in 2007. Compounding the problem, manufacturing and commodity costs rose through the first nine months of 2008. In late 2008, Toyota reported its first loss in 70 years.

A worldwide economic recession and auto industry slowdown compounded the problems of Detroit's Big Three automakers, which were steadily losing market share as consumers looked overseas for better quality and design. In 2006, not one of Consumer Reports' "Top 10" cars was made by a U.S.-based automaker.

Detroit appealed to Congress for help. A 2007 energy bill signed by President George W. Bush authorized $25 billion in direct loans "for the costs of reequipping, expanding and establishing manufacturing facilities in the United States to produce advanced technology vehicles and vehicle components." When Congress failed to fund the program it had authorized, the auto industry and the UAW lobbied for a multi-billion-dollar appropriation to underwrite the loans. In October 2008 President Bush signed into law a bill setting aside $7.5 billion to guarantee up to $25 billion in loans, at 5 percent interest, for Chrysler, GM and Ford to produce more fuel efficient cars and trucks.

Candidate Obama upped the ante. He proposed to double the loan amount to $50 billion, winning praise from UAW President Ron Gettelfinger: "John McCain was late in coming to the game on the retooling loans," Gettelfiner said, "and … he's never been clear from our standpoint about his level of support. Barack Obama came on board very early on the full $50 billion." After the November election, Obama, now the President-elect, again pushed to double the loan amount: "I believe our government should provide short-term assistance to the auto industry to avoid a collapse while holding the companies accountable and protecting taxpayer interests," he said.

Congress never got around to approving the requested second $25 billion. Instead, in December President Bush tapped the Troubled Asset Relief Program (TARP) – the "Wall Street bailout" – for $17 billion for Detroit. Ford refused to take TARP funds, but Chrysler took $4 billion and GM took $9.4 billion.

The aid to the automakers took the form of loans, loan guarantees, and equity stakes – in other words, the government was lending taxpayer money to the automakers, but was also buying a portion of the companies. In exchange, the companies promised to come up with a plan to reduce their debt to avoid bankruptcy and insure their long-term survival.

When automakers' delivered their plans in early 2009, President Obama rejected them. He prescribed his own alternative deal: in order to get the additional aid, Chrysler would be required to merge with the Italian automaker Fiat. The government would then give the United Auto Workers control of Chrysler through majority ownership by the UAW pension fund. As for GM, it became the property of the U.S. Government. It's been estimated that GM ultimately has received loans and equity worth $50 billion from taxpayers, giving the U.S. Treasury Department a 61 percent equity stake in the automaker.

Gangster Government

The Obama plan didn't sit well with Chrysler's creditors. Believing that a traditional bankruptcy proceeding would treat them better, they complained that the Administration was forcing them to write down two-thirds of a debt they were rightfully owed. But Obama forced them to accept a deal they couldn't refuse. This was a portent of future Administration actions that Washington Examiner columnist Michael Barone has called "Gangster Government."

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Thomas Lauria is a loyal Democrat. In election year 2008 he gave $10,000 to the Democratic Senatorial Campaign Committee. But Lauria found himself on a White House enemies list. A Florida-based attorney for the international law firm White & Case, Lauria represented a hedge fund called Perella Weinberg that owned Chrysler debt. Perella qualified as a "secured creditor," and under bankruptcy law secured creditors are repaid first. But the White House plan scrapped standard bankruptcy proceedings. Instead, it proposed that Chrysler's creditors would get a mere 29 percent of what they were owed while the UAW would get majority ownership of the company.

This didn't please the creditors. They had expected to lose money—it's been reported that they were willing to take 50 cents on the dollar—but they felt shortchanged by the White House offer. It's true that many of the larger creditors such as J.P.Morgan Chase, Citigroup, Goldman Sachs and Morgan Stanley readily accepted the Obama proposal. But they were already getting government TARP money and were in no position to negotiate.

Perella Weinberg, represented by Lauria, was among the smaller creditors that held out. As Lauria tells it, the Administration's auto industry task force explained that this was one offer you can't refuse. Task force lawyer Matthew Feldman, a donor to Joe Biden and Rahm Emanuel, even wrote an email (obtained by the Wall Street Journal) calling Lauria a "terrorist" for holding out. Lauria told a radio talk show host that Perella "was directly threatened by the White House" and "compelled to withdraw its opposition to the deal under the threat that the full force of the White House press corps would destroy its reputation if it continued to fight."

In an interview with ABC News Lauria said "car czar" Steven Rattner, head of the task force, threatened to unleash the news media on him and his clients. (Ironically, Rattner has since found himself under media criticism. To benefit his company the Quadrangle Group, Rattner is alleged to have made a $1 million payoff to obtain a $100 million investment from the New York pension system.)

Infamous former "car czar" Steven Rattner

Besides Perella Weinberg, the Obama administration has also clashed with public pension plans that felt ripped off by his plan for Chrysler. For instance, attorneys for 100,000 public employees in the Indiana State Teachers Retirement Fund, the Indiana State Police Pension Trust, and the Indiana Major Movers Construction Fund sued to block the Obama plan that handed Chrysler to the UAW. In court filings they charged that "the plan is illegal and tramples their rights," and that the spoils were going to parties the "government deems politically important." These protests were unavailing. Under Administration criticism, Perella decided to drop its objections and the Indiana pension funds lost their battle in court. The big winner was the "politically important" UAW. The union's pension fund, The United Auto Workers Voluntary Employee Beneficiary Association, was awarded 67.69 percent ownership of the company.

Understanding the nature and activities of the UAW is important for understanding the concerns about "gangster government," and the dishonesty of President Obama's rhetoric about battling special interests. The UAW, in effect, is a big business, and a special interest

The United Auto Workers

The UAW is a large labor union with a long history. It was founded in 1935 and led for decades by Walter Reuther, the union's president from 1946 until his death in 1970. The UAW's peak membership was 1.5 million in the late 1970s. Currently, it claims to represent 355,000 active members and 600,000 retirees in the U.S. and Canada. The union says it has 750 local unions that have 2,500 contracts with 1,700 employers. Its members work in the auto, heavy equipment and aerospace industries, but they are also nurses and other healthcare employees, university teaching assistants, freelance writers, casino workers, and 50,000 public sector employees.

The UAW international headquarters in Detroit has a staff of more than 2,000. In 2008, the last year for which tax forms are available, the UAW brought in $211 million and spent more than $268 million. Those tax filings also show that the union has a net worth of more than $1 billion.

Amazingly, the union's coffers and payroll have stayed steady for the past decade even as the UAW has lost about 50 percent of its members. Three-fourths of the union's revenue comes from union dues—$156 million in 2008. The UAW brought in another $40,000 in "initiation fees." Retirees voluntarily contributed $9.9 million to the UAW, and the union acquired approximately $10 million through "royalties," "conference income," and other revenue.

Nearly half of the union's outflow was for staff—$76.8 million for salaries and $44.9 million for benefits and payroll taxes. The union spent about $20 million on travel and conferences and about $43 million on "benefits paid to or for members." The UAW's 2008 IRS 990 also mentions $308 million for "servicing subsidy."

As of the end of 2008, the union was sitting on over $1 billion in publicly traded stocks and bonds. The UAW also owned $38 million in land, including a large beautiful townhouse on a tree-lined street a few blocks from the White House at 1757 N St N.W. in the DuPont Circle neighborhood. In 2010, the townhouse, which serves as offices for the UAW's lobbying operation, was assessed for $3.94 million.

A Labor Union—Not a Golf Club

The union's most eye-opening real estate holding is probably its 18-hole golf course. Up at the very top of Michigan's Lower Peninsula, just below Lake Huron, is the Black Lake golf course, which the UAW built in 2000, at a cost of $6 million. The union employed renowned architect Rees Jones – named Architect of the Year in 1995 by Golf World magazine.

A union publication gushes: "Built in harmony with the natural beauty of northern Michigan, the course has been heralded by Golf Digest as one of the finest anywhere in the country. And it is." The Detroit Free Press reported in 2008 that UAW members and retirees receive a 20% and 30% discount on greens fees and that 19 holes with a golf car on a summer weekend costs $85. The newspaper further stated that the course "offers five tees on nearly every hole to reflect a golfer's skill. The par 72 course can play from 5,058 yards to 7,030 yards."

Entrance to the UAW's Black Lake golf course

Because the golf course is a four-hour drive from Detroit, most UAW rank and file members don't have much chance to play a quick round after their shift ends. But they are financing the course. The union maintains a strike fund—$874 million in 2007—and the UAW website says the interest on that strike fund pays for the golf course. A web of special-purpose entities and intramural financing keeps the golf-course afloat.

The resort—like the UAW's lobbying offices in DuPont Circle—is held by a UAW subsidiary called Union Building Corporation. UBG Inc. is a for-profit company whose sole business is operating the golf course. (The adjacent education center is operated by a similar special-purpose for-profit entity called UBE Inc.) Although UBG is organized as a for-profit entity, it has lost money every year of its existence—which means the golf-course is a money-losing enterprise.

From 2004 through 2007, the golf course lost $2.6 million, according to the Free Press. Revenue has steadily dropped since the economy's downturn in 2007. The union's 2008 tax forms indicate the resort has nearly $30 million outstanding in loans from the union's general fund.

The acclaimed beauty and expanse of the 18-hole course aren't the only factors that affect the UAW operation. In describing the course's opening in 2000, Business Wire noted that there was also a 9-hole pitch-and-putt course known as the "Little Course," a practice fairway, a 200-yard wide, double-

ended bentgrass driving range, and greenside bunkers and putting green.
Business Wire further described the course's clubhouse, designed by renowned Northern Michigan architects Jack Begrow and Brad Butcher, as "blend[ing] perfectly with its surroundings" and containing "a full service dining room and lounge around a large stone fireplace, golf shop and locker facilities."

UAW membership is falling twice as fast as spending.

Spending for union lobbying is also falling—from in excess of $2 million a year at the start of the decade to an average of $1.6 million a year during the past five years, according to UAW lobbying reports to the Department of Labor. However, the union still has spent in total about $8 million on lobbying during the past five years.

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In 2007, the UAW estimated that only 4,000 of 13,000 rounds of golf played at Black Lake were played by union members. The Free Press quoted Gregg Shotwell, whom the paper described as "a UAW activist," as saying "We should be running a union—not a country club."

Shrinking Members, Steady Payroll, A Surge in Lobbying

A golf course, a billion dollars in assets, and a robust payroll stand in stark contrast to the union's withering membership. In 1979, 1.53 million workers were UAW members. Since then, membership has dropped steadily and union locals have closed, but the national headquarters has seen barely a downturn in payroll or finances.

In 2001, UAW membership was 701,818. By 2009, membership was cut in half down to about 355,000. This decline is not reflected in union expenditures, which fell from $297 million in 2001 to $268 million in 2008 – a 9.8 percent drop. Even when the spending is adjusted for inflation,

Generally, the UAW does not employ outside lobby firms but relies on a small in-house squad led by Alan Reuther, the union's longtime legislative director. Reuther is the nephew of former UAW president Walter Reuther and the son of Roy Reuther, Walter's brother, who helped lead a famous 1936-1937 sit-down strike against General Motors production facilities in Flint, Michigan. The sit-down strike, conducted inside the factory, forced General Motors to recognize the UAW as the sole bargaining agent for the company's workers. It transformed the disorganized UAW, formed only a year earlier, into a union powerhouse that took on and defeated the nation's largest automaker.

In 2008, the UAW was trying to soften its image. It paid $1.77 million to Brogan & Partners for "PR services," according to the union's IRS Form 990. The PR firm's website shows that it was producing "I am the UAW" 30 second videos highlighting the good deeds of individual UAW members.

However, the union has not lost its ability to play hardball. The Free Press credited Alan Reuther and his team with killing a late-2005 effort by Republicans to reform the Pension Benefit Guarantee Corporation, which underwrites union pensions. Recent quarterly lobby reports show the UAW has lobbied for:

- passage of the Employee Free Choice Act, also known as card-check
- expansion of the Family Medical Leave Act.
- the overturning of a 2004 NLRB ruling that prohibits graduate students at private universities from seeking UAW representation. (Under state law the UAW already represents grad students at many public universities.)
- the UAW threatens to oppose a bill by Rep. Barney Frank to allow internet gambling. This is one consequence of a bitter three-year UAW campaign to secure a union contract for dealers at Harrah's casinos in Detroit. Harrah's hopes to profit from online gambling and so do congressional Democrats, who want to tax internet gambling revenues. But the UAW threatens to oppose Frank's bill if it doesn't get a contract from Harrah's Atlantic City casinos. In questioning Frank's bill, the UAW argues that allowing online gambling will cost more jobs than it creates, an argument it shares with casino-operating Indian tribes.

Trade agreements are also on the UAW's lobbying docket. Filings show the union lobbied Congress and the office of the U.S. Trade Representative to oppose free trade agreements with Korea and Colombia, and it wants the federal government to resist World Trade Organization efforts to loosen tariff rules on foreign imports.

The union also lobbies on issues in which auto workers have little direct interest, but that are vital to other special interest groups that are part of the liberal-labor political coalition. UAW initiatives for 2010 include unemployment insurance for illegal aliens, more funding for the Legal Services Corporation, passage of "Hate Crimes Prevention" and the Employment Nondiscrimination Act (ENDA) banning discrimination against gays in hiring, and voting rights for the District of Columbia. The UAW sides with the Obama Administration on net neutrality, opposition to private school vouchers, and support for cap-and-trade carbon emission controls.

Because it represents aerospace workers, the UAW wants to maintain a strong "defense industrial base" (what President Eisenhower called "the military-industrial complex"). The UAW has urged the Defense Department to purchase Boeing C-17 transports—even though it also threatens to strike Boeing and halt C-17 production if the company doesn't agree to its contract demands. It is pushing Congress to allow the Pentagon to have access to an alternate engine for the Joint Strike Fighter. Initially opposed by Obama as redundant and wasteful, the alternate engine would create UAW jobs in Ohio and elsewhere.

The UAW in Politics

The union's Political Action Committee (PAC) is one of the country's largest, spending more than $12 million in each of the past three election cycles—and almost always in support of Democrats. The PAC directly contributes to candidates, and it funds independent expenditures for and against candidates. In 2008, the UAW-PAC spent $13.1 million: Just less than $2 million went directly to candidates for federal office, mostly U.S. House candidates. The UAW PAC gave $1.8 million to 280 Democratic House candidates – mainly incumbents plus a few dozen challengers. Only two Republicans received UAW cash – Representatives Frank LoBiondo and Chris Smith of New Jersey pocketed a combined $9,500.

On the Senate side, the UAW funded 38 Democrats in competitive races in 2008 and a single sometime Republican—Pennsylvania's Arlen Specter. The $1.98 million that the UAW's PAC gave to Democrats in the House and Senate was more than any PAC gave to Republicans.

In 2008, the UAW also gave $259,000 to other PACs. The Democratic Congressional Campaign Committee and the Democratic Senatorial Campaign Committee each got $10,000, as did the PACs for the Congressional Black Caucus and Harry Reid's Searchlight Leadership Fund.

UAW's PAC also shelled out $4.88 million in independent expenditures, according to the Center for Responsive Politics. Almost all the money—$4.45 million—was in support of Barack Obama for President – the largest non-party independent expenditure in history going to a presidential candidate. The second-largest chunk of UAW political spending in 2008 – $423,000 – was spent to oppose John McCain.

In 2010, expect the picture to remain constant. According to the most recent FEC data, the UAW has given exclusively to Democratic candidates – $554,000 to House candidates and $69,000 for Senate Democrats.

No Republican candidates received UAW cash, but the UAW did give $5,000 in October 2009 to PhilPAC, the PAC of former Rep. Phil English, R-Pa., who was defeated in the 2008 election. In the first five quarters of the 2010 cycle, according to data on file with the FEC, the PAC paid $220,000 to

McLaughlin & Associates, a polling firm. The UAW PAC contributed $100,000 to the NAACP in March 2009.

If You Can Own a Golf Club, Why Not A Car Company Too?

The federal government lowers the cost and increases the availability of credit when it makes direct loans to private companies and guarantees non-government loans to these companies. Railroads, airlines and automakers threatened by bankruptcy have received this form of aid since the 1970s, and, since 1979, Chrysler has been a poster child for government bailouts. The automaker has received a seemingly endless stream of federal loans, loan guarantees and subsidies intended to "save" the company and its jobs.

In truth, these "loans" will never be repaid, according to the Obama administration. CNN reported in May 2009 that "Chrysler won't be repaying the loans, though a portion of the bridge loan may be recovered by Treasury from the assets of Chrysler Financial, the former credit arm of the automaker which is essentially going out of business as part of the reorganization."

Congress and the administration have offered billions of dollars in new federal subsidies to automakers through the stimulus bill passed last year and in climate-change bills currently on Capitol Hill. To the degree these subsidies go to Chrysler, the arrangement can be boiled down to this: 1) Taxpayers give money to the U.S. Treasury. 2) The Treasury gives money to Chrysler. 3) Chrysler's future profits accrue to the UAW. 4) The UAW finances the election of Democratic politicians. 5) Repeat the process.

As of mid-June, Fiat owns a minority share of Chrysler stock (the amount is set to vary depending on the company's future success), while the UAW pension fund owns about two thirds of Chrysler, and federal subsidies continue to flow to the automaker. The outside creditors who thought their debt was secure have lost out. They get pennies on the dollar. But the unsecured creditor that is favored by the government—the UAW health and pension funds—is protected. Instead of allowing Chrysler assets to be sold for whatever they will bring, which would happen in a standard bankruptcy, the federal government keeps the UAW's retiree benefits alive by authorizing the union to acquire majority ownership of Chrysler shares and an IOU on its debt. By reorganizing Chrysler and tying its liabilities to its assets, the Obama administration guarantees that a UAW-owned Chrysler will pay billions to the union's retirees while stiffing the other creditors.

Couldn't this be challenged in court? In an article in The Freeman (December 2009) University of Chicago law professor Richard Epstein laments the answer he must give:

> Clearly, someone should be allowed (in principle) to say that taxpayer money was improperly used to lard New GM and New Chrysler with sufficient dollars to help fund the UAW benefit plans. Why, one might ask, are the retired workers from Chrysler worth special treatment relative to the retired police officers in Indiana, who had to settle for 30 cents on the dollar? But those questions will never be resolved for the simple reason that under modern American constitutional law no taxpayer ever has standing to challenge a transaction that affects all taxpayers. We thus never get to the merits of the deal. This taxpayer-standing rule has been in effect for close to 90 years, and throughout its history it has aided the expansion of State power by shielding dubious transactions from judicial review. The far better rule is to follow the corporate practice whereby any shareholder can challenge the legality of a transaction that affects all.

There's no reason to argue that this is the result of a conspiracy or that the deal involves criminality or corruption. The Chrysler bailout is merely one of what may become many bailout stories. In this case, the federal government stepped in to save a failed automaker – and it helped a well-funded friend of the politicians in power.

LW

Timothy P. Carney is the lobbying editor for the Washington Examiner. His latest book is Obamanomics: How Barack Obama Is Bankrupting You and Enriching His Wall Street Friends, Corporate Lobbyists, and Union Bosses *(Regnery, 2009).*

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Many thanks,

Terrence Scanlon
President

LaborNotes

The May report from the **Bureau of Labor Statistics** relayed a false hope on the health of the labor market. Unemployment fell from 9.9 percent to 9.7 percent and net employment increased by 431,000 for the month. But almost all the new jobs were for temporary government census-takers. The private sector added only 41,000 new jobs. Layoffs have finally returned to pre-recession rates, but new hiring still lags far behind.

Local 5 of the United Food Commercial Workers (UFCW) has gone to pot, literally. In May, medical marijuana workers in Oakland, California voted to join the 1.3 million member UFCW in an effort to obtain more legitimacy in the eyes of the community. **Carl Anderson**, executive director of medical marijuana dispensary **AMCD Inc.**, told San Francisco Bay area news station **KTVU** that he believed being a member of the 26,000 member Local 5, the **Retail, Statewide Agriculture, Food Processing and Community Patient Care Union** would impart his employees with "a new level of respect in dignity." The sentiment was echoed by **Larry Richards**, manager of another dispensary, **Blue Sky Coffee Shop**, who told the news station that unionization "[brought] dignity and security to every employee." Local 5 President **Ron Lind** said, "This is a unique partnership between workers, their union and their employers to bring legitimacy and public understanding to an industry that provides an important service to patients and creates good jobs."

The law firm **Ogletree Deakins** has prepared a review, "**The Regulatory Avalanche from Washington, D.C.**" examining the many Obama administration proposals that will affect employers. The proposed regulations will require elaborate compliance procedures for posting notices, record-keeping, and establishing procedures to adjudicate disputes. This promises an onslaught of litigation. The new strategy, says the firm, "puts the onus on employers to, in effect, certify their own compliance." The review is available at http://www.ogletreedeakins.com/publications/

Is the Obama administration doing everything to mitigate the effects of the BP oil spill in the Gulf of Mexico? Critics say the administration has rejected offers of help using foreign ships outfitted with oil clean up machinery. The 1920s era **Jones Act** prohibits foreign owned and operated vessels from working in US coastal waters, but it was waived during recovery operations after Hurricane Katrina. Why not now? **Fox News anchor Brian Wilson** and **Heritage Foundation analyst James Carafano** speculate that the answer may be labor union opposition. "They hate when the Jones Act gets waived and they pound on politicians when they do that," said Carafano. "So is this a question of we're giving into unions and not doing everything we can, or is there some kind of impediment that we don't know about?"

Family feud. Big Labor was dealt an embarrassing blow in the **Arkansas Democratic Senate primary** when incumbent **Blanche Lincoln** defeated union-backed challenger **Bill Halter**, the state's lieutenant governor. Unions were upset that Lincoln reversed her previous support for the proposed **card check bill** and spent a reported $10 million to defeat her. An unnamed "senior White House official" was quoted as saying, "Organized labor just flushed $10 million down the toilet." An AFL-CIO spokesman responded that "labor is not an arm of the Democratic Party."

Governors facing record budget deficits are increasingly refusing to kow-tow to teacher union demands. "You don't have to teach," said **New Jersey Governor Chris Christie**, who got in a televised shouting match with a teacher over budget cuts. **Indiana governor Mitch Daniels** said, "We used to think of government workers as underpaid public servants. Now they are better paid than the people who pay their salaries."