

Capitalism and Morality

LIQUIDATOR OR LIBERATOR? A CASE OF MISTAKEN IDENTITY

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In *Other People's Money*, playwright Jerry Sterner creates a cutthroat, predator-prey-style business world in which the key players fight for the principles on both sides of a corporate takeover. Andrew Jorgenson, nicknamed Jorgy, is Chairman of New England Wire and Cable, a company that was founded by his forefathers and has for years provided jobs to many residents of his small Rhode Island town. The company is debt-free, has a “gorgeous balance sheet,” and holds lucrative stock (49). Jorgy takes a great personal pride in the company’s success, and feels confident that New England Wire and Cable is in its prime. However, his hubris is his tragic flaw. The fact that an unfriendly suitor named Lawrence Garfinkle now owns nearly 30 percent of the company’s stock (and is still buying) doesn’t bother Jorgy in the least. When Bill Coles, President of New England Wire and Cable, warns him of Garfinkle, Jorgy responds: “I take your advice most of the time but in this instance you don’t know what you’re talking about.”

Garfinkle, also known as Larry the Liquidator, is a raider who targets companies with undervalued assets, which would be relatively inexpensive to take over. He then attempts to acquire enough equity to assume a controlling interest, which allows him to replace the existing management with his own representatives. Much to Jorgy’s chagrin, New England Wire and Cable is the newest target in Garfinkle’s bulls-eye.

Enter Kate. A small-town girl with big-city dreams, Kate left her home in Rhode Island and her mother, Bea, to become a lawyer. Bea, Jorgy’s assistant, close friend, and former lover, pleads with her daughter to protect the company from Garfinkle. After much cajoling, Kate agrees to help and arranges a meeting between herself, Coles, Jorgy, and Bea. However, she soon finds that Jorgy’s receptiveness to her ideas is less than expected. Although Jorgy’s firmness in his principles is admirable, his immediate dismissal of Kate’s suggestions borders on stubbornness.

Kate offers a number of options, the first being greenmail. Greenmail is a tactic used when a large block of stock is held by an unfriendly company, forcing the target company to repurchase the stock at a substantial premium to avoid a takeover. However, the stockholders will inevitably suffer when their stock loses value. Jorgy’s response to this is: “We’re wasting our time. There is no deal to be made with predators. You kill them or they kill you” (34).

Undaunted, Kate continues. She recommends an investigation on Garfinkle. The goal is to get him on a technicality, something incriminating enough to “make him go away” (34). Jorgy responds that the company has better things to do with its money.

Next, she suggests getting the Board to authorize a search for a white knight. This is a company who will purchase New England Wire and Cable, but will allow it the freedom to do business in whatever way it chooses. To this, Jorgy says, “I don’t know anyone like that. Next” (35-36).

Beginning to feel perturbed, Kate starts to outline some of the more risky options. The first of these is “shark repellent.” The goal is to make the company “undesirable to an unwanted suitor, i.e. shark” (36). In Jorgy’s case, he would offer someone the option to buy the most attractive part of his company at a low price, but only in the event that Garfinkle gains ownership of 30 percent of the stock. Once this happens, the option is triggered, and Garfinkle now owns shares that are worth significantly less than when he purchased them. But again, there is a risk: the other stockholders lose out as well. Jorgy’s response is simply, “Next” (36).

Kate then suggests a more diluted form of shark repellent known as a poison pill. The Board would authorize preferred stock, one for every share owned by all but Garfinkle (in this case, three million). Then, if he gets control of 30 percent, they would issue the stock for a steal—one dollar a share, at Kate’s suggestion. Of course the risk is, again, that not only Garfinkle’s stock is worth less—so is everyone else’s. Jorgy also recognizes that book value and earnings per share would be halved. At this point, he is ready to have Kate “bodily thrown out of this office” (38).

The irony of this scene is that prior to the meeting, Jorgy had described Garfinkle as a “parasite on Wall Street” (31). But Jorgy’s own refusal to consider further Kate’s suggestions implies his own parasitic effect on New England Wire and Cable. He needs to realize that the “perfect” plan is the enemy of the “good enough” plan, and compromising a principle or two may be a necessary evil if he truly wants to save his company. If no compromise is acceptable, then he risks it all.

And eventually, he does risk it all—and loses. Jorgy decides that the only decision he can live with is to allow the stockholders to choose between himself and Garfinkle in a vote. At the annual stockholders’ meeting, Garfinkle and Jorgy both appeal to the stockholders’ emotions in different ways. Jorgy takes center stage with a heartfelt speech about family, friendship, and community responsibility. He appeals to the stockholders’ loyalty and patriotism. However, though nearly “booed” off the stage in the beginning, Garfinkle recovers well. He may not be as glib as Jorgy and he may not have a silken tongue, but he speaks the truth of business. The truth is that New England Wire and Cable is becoming more antiquated every day. Garfinkle brings to attention the advent of new technologies, fiber optics, and the fact that Jorgy’s company is falling to the wayside. The buggy-whip, he says, is now extinct. But the last company in the business probably made “the best goddamned buggy-whip you ever saw” (84). Still, no matter how talented the employees or how well-made the product, the buggy-whip-making business is dead. It would be absurd to invest your money in a dead business.

Garfinkle wins by a landslide. He proves that no matter how you look at it, a man like him is both a predator and a savior. To the undervalued businesses he targets, he’s a murderer, creeping up on them before going for the kill. To the shareholders involved, he could be more accurately called “Larry the Liberator” for freeing them from the burdens of a company whose value is inevitably dying in a shrinking market, “slow but sure” (84).

The Mistaken Identity

Although seemingly disconnected to the overall theme of the story, the romantic sub-plot between Garfinkle and Kate gives the observer more insight into Garfinkle’s nature than what might first be imagined. Kate, like the companies he targets, could be a profitable venture if he can gain enough equity to assume a controlling interest. Not only is she a smart lawyer; she’s also a sexy woman. She resists his persistence, making her a challenge. She defends the buggy-whip-makers, so to speak, making her an

adversary. But although Garfield is a blatant womanizer, the seduction of a woman is not what excites him. The seduction he seeks is rare in occurrence: finding himself pitted against someone, a woman nonetheless, worthy enough to play his game and keep him on his toes. Besides eating donuts, being seduced by “the best game in the world” is his most enticing addiction (52).

Garfield admits that the object of the game is to “make as much as you can for as long as you can,” but notice that he does not say “make as much *money* as you can” (53). There is no question that Garfinkle loves money, but despite the general opinion of him as a scoundrel, there is more to him than meets the eye. He wants “as much” as life can offer, including love, family, and the lifestyle that success will bring. He describes himself as a modern-day Robin Hood, giving to the poor. He will not participate in activities that he feels are immoral, such as the greenmail offer Kate places upon his table. He tells Bea, “I don’t take money from widows and orphans. I make them money” (75).

Therefore, there is no reason to suspect that there is not, in fact, some noble characteristic that is driven by justice, although hidden behind the misunderstood exterior of “Larry the Liquidator.” Equity seems to be a strong value in Garfinkle, and he demonstrates this when he explains why he loves money so much: “Money is unconditional acceptance. It don’t care whether I’m good or not, whether I snore or don’t, which God I pray to...There’s only three things in this world that give that kind of unconditional acceptance—dogs, donuts, and money” (76).

Taking over New England Wire and Cable was merely a necessary sacrifice of a small entity for the benefit of thousands of stockholders. If Jorgy had possessed this same kind of proud nobility, he would have taken the time to realize that it is only a matter of time before the sinking of his great ship is unavoidable. With this realization, he would have then considered what the most righteous course of action might be: letting everyone go down with the ship, or escaping while a profit can still be made for all.

From Liquidator to Liberator

The arguments put forth by Sterner in *Other People’s Money* are each convincing in its own right. One can sympathize with Jorgy and the suddenness with which he is forced to make tough decisions to defend his company. As someone who is involved in a longtime family business, we would not expect him to roll over and be walked on at the first sign of tribulation. We would expect him to be proud and stand firm, doing his best to protect his interests and the interests of his employees, their families, and his hometown. However, when thousands of others are riding the coattails of his company, for better or worse, their faith and their dollars are at the mercy of Jorgy’s pride. But his stubbornness and failure to commit to a decision that might compromise his principles hinders his ability to play “the game” with any success.

Garfinkle’s role is a bit easier. No ethical dilemmas are toiling in his mind, no employee’s welfare is resting on his shoulders. He has one goal, and one way to get there. And more importantly, he doesn’t care what people think. In some respects, this flippant attitude about his reputation is admirable. And his justification for his actions is convincing. He wants to save people from losing what he values most: money. Garfinkle references the Darwinian principle of survival of the fittest and, much like a predator, his natural talent is locating the lame and weak, destroying them, and recycling them back into life. And one wonders, *what’s so wrong with that?*

When Jorgy finally recognizes the fact that New England Wire and Cable is caught in a shrinking market, he should realize that he has a duty to preserve what he can, while he can, and share the profits as much as he can. Again, Garfinkle has an advantage because he experiences absolutely no cognitive

dissonance as to what principles to compromise. There *is* no compromise. Jorgy could learn a thing or two from Garfinkle about prioritizing his ideologies and living with a clear conscience.

With that said, credit must be given to Garfinkle: although his ethics are flung into question each time he initiates a takeover, everything he does is done within a set of principles that are based in morality. His refusal to take personal gain at the stockholders' expense illustrates that he is not totally self-serving. Taking over New England Wire and Cable is, ironically, a humanitarian act. It is hard to build a rebuttal for his argument: "You invested in a business. And that business is dead. Let's have the intelligence, let's have the decency, to sign the death certificate, collect the insurance and invest the money in something with a future" (84). Jorgy says Garfinkle has placed "dollar bills where a conscience should be," but this is where he is wrong (83). Garfinkle *has* a conscience, and what he does, although seemingly unethical at face value, is done with the most noble of intentions.