

"All the News
That's Fit to Print"

The New York Times

Late Edition
Today, considerable sunshine, light winds, high 43. Tonight, increasing clouds, low 31. Tomorrow, snow, then sleet, some rain at the coast, high 36. Weather map, Page B6.

VOL. CLVIII . . . No. 54,528

© 2008 The New York Times

NEW YORK, THURSDAY, DECEMBER 18, 2008

\$1.50

Wall St. Profits Were a Mirage, But Huge Bonuses Were

Questions on Role of Risk and Pay

"As a result of the extraordinary growth at Merrill during my tenure as C.E.O., the board saw fit to increase my compensation each year."

— E. Stanley O'Neal, the former chief executive of Merrill Lynch, March 2008

By LOUISE STORY

For Dow Kim, 2006 was a very good year. While his salary at Merrill Lynch was \$350,000, his total compensation was 100 times that — \$35 million.

The difference between the two amounts was his bonus, a rich reward for the robust earnings made by the traders he oversaw in Merrill's mortgage business.

Mr. Kim's colleagues, not only at his level, but far down the ranks, also pocketed large paychecks. In all, Merrill handed out \$5 billion to \$8 billion in bonuses that year. A 20-something analyst with a base salary of \$130,000 collected a bonus of \$250,000. And a 30-something trader with a \$180,000 salary got \$5 million.

But Merrill's record earnings in 2006 — \$7.5 billion — turned out to be a mirage. The company has since lost three times that amount, largely because the mortgage investments that sup-

posedly had those profits pile up. Unlike the bonuses he received, the bonuses have been reversed.

As regulators sift through the financial crisis, asking about bonuses played a role in the crisis. Scrutiny over bonuses has become a hot topic. Some banks like to dole out bonuses have had to be billions of dollars.

THE RECKONING Cashing In

money. While expected to be a year ago, could still collect large bonuses.

Critics say should have been first place, based on earnings. These people, Street's pay bonuses are based on profits, encourage like gamble and let them earnings while they were still spinning.

"Compensation to bottom," said chuk, a professor at School and an education. "The was responding cents."

Even Wall Street they were dazed. To earn bigger traders ignored the risks they tenses were p often turned a

Continued

Mayor's Aide Pushes Hard For Kennedy

By MICHAEL BARBARO
and RAYMOND HERNANDEZ

When a powerful labor leader picked up the phone this week, he was surprised to hear the voice of a top aide to Mayor Michael R. Bloomberg of New York.

The aide, Kevin Sheehey, a deputy mayor, made it clear: Caroline Kennedy is going to be the next senator from New York, "so get on board now," according to a person with direct knowledge of the call.

As Ms. Kennedy's unusual campaign for the seat takes shape, the mayor's top political strategist is pushing hard behind the scenes for her, with Mr. Bloomberg's blessing.

The involvement has helped immediately elevate and coordinate the debut of Ms. Kennedy, who lacked an experienced political staff of her own.

But now, it is setting off a backlash among some Democrats who see in her well-orchestrated emergence the same message of inevitability and entitlement that surrounded Mr. Bloomberg's successful bid for a third term — a campaign overseen by Mr. Sheehey.

They worry that the Bloomberg administration's advocacy for Ms. Kennedy will only reinforce her image as a privileged Upper East Sider whose biggest



Home Décor and Its Perils

Business Day

The New York Times

Quick Calls

Want to protect that sleek new smartphone, but don't want to destroy its beauty with a protective case? Mobigrip has an inexpensive option: an elastic leash that slips around your finger, preventing you from dropping the phone. (Available at mobigrips.com for about \$10.) . . . Sprint released a new BlackBerry Curve this week, for users who want Wi-Fi and the ability to engage in push-to-talk conversations with groups of people. The 8350i costs \$150 with a two-year contract. . . . Automotive cellphone chargers are great for those who forget to plug in their phones at home, but another good alternative is the Powerstick, a portable back-up battery roughly the size of a pack of gum. The device plugs into your PC's U.S.B. port to charge, and offers up to 90 minutes of power. It comes with adapters for many popular phones, digital cameras and MP3 players. (\$60, at Powerstick.com.) . . . Motorola's Krave ZN4, a touch-screen flip phone, now works with RemoSync, a corporate e-mail application that plugs into a user's work calendar, contacts and inbox. The app costs \$10 monthly; the device costs \$180 with a two-year Verizon contract.



PHOTOGRAPHY AGENCY
owed to return
B1.

35 IRAQ OFFICIALS ARE HELD IN RAIDS ON KEY MINISTRY

PLAN FOR COUP IS CITED

Some Said to Seek Baath Party's Revival — Elite Unit Acts

By CAMPBELL ROBERTSON
and TAREQ MAHER

BAGHDAD — Up to 35 officials in the Iraqi Ministry of the Interior or ranking as high as general have been arrested over the past three days with some of them accused of quietly working to reconstitute Saddam Hussein's Baath Party, according to senior security officials in Baghdad.

The arrests, confirmed by officials from the Ministries of the Interior and National Security as well as the prime minister's office, included four generals, one of whom, Gen. Ahmed Abu Raqeeb, is the ministry's director of internal affairs. The officials also said that the arrests had come at the hand of an elite counterterrorism force that reports directly to the office of Prime Minister Nuri Kamal al-Maliki.

The involvement of the counterterrorism unit speaks to the seriousness of the accusations, and several officials from the Ministries of the Interior and National Security said that some of those arrested were in the early stages of planning a coup.

None of the officials, who spoke on the condition of anonymity because of the delicate nature of the subject, provided details about that allegation.

But the arrests reflect a new set of political challenges for Iraq. Mr. Maliki, who has gained popularity as a strong leader but has few reliable political allies, has scrambled to protect himself from domestic rivals as the dominating influence of the United States, his leading backer, begins to fade.

Rumors of coups, conspiracies and new alliances abound in the Iraqi capital a month before provincial elections. Critics of Mr. Maliki say he has been using ar-

Continued on Page A8

A Longer Withdrawal

A troop withdrawal plan for Iraq falls short of the timetable Barack Obama outlined in the election, officials said. Page A32.

Industry

because of the
dial brokers are
Madoff invest-
ad to put their
market. Many
dged their in-
Mr. Madoff as
jects, and are
their banks will

evastation, both
human level, is
Robert J. Ivan-
is representing
investors who
\$50 million each

industry fund-
d Hyatt hotel in
weekend, much
r sushi and cru-
money feared
off, according to
ed. And a Man-
therapist who
are leaders and
t of the patients
week have close
tives who lost
Madoff.

lude executives
mercial broker-
llis, most prom-
Siegel, a major
Page A27

Country's Struggle to Revise Book of Human Troubles

By BENEDICT CAREY

at least three years
ation, but it is
already stirring bitter debates
over a new set of possible psychi-
atric disorders.

December 2008, Print