

Mitchell Outraged by AIG "Job Performance" Bonuses

Sunday, 15 March 2009

WASHINGTON – U.S. Rep. Harry Mitchell expressed anger and outrage Monday that insurance giant AIG plans to award \$165 million in “job performance” bonuses to company executives, just months after accepting a \$175 billion in federal assistance to ward off bankruptcy.

Mitchell joined a growing chorus of House colleagues in asking Treasury Secretary Timothy Geithner to work with President Obama to block the bonuses. The letter, signed by more than 50 members of Congress, also calls on Geithner to “quit coddling” AIG and demand a full accounting of taxpayer money that has gone to the company.

“Using bailout money to pay for executive bonuses is beyond outrageous, and it’s a slap in the face to taxpayers and those struggling to make ends meet in this down economy,” Mitchell said. “This has to stop. AIG’s crisis was one of its own making, so I question whatever criteria the company is using if these bonuses are indeed based on job performance. I shudder to think just how badly and irresponsibly AIG executives would have to perform to not merit a bonus.”

Below is the text of the letter from Members of Congress to Secretary Geithner:

March 17, 2009

The Honorable Timothy F. Geithner

Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner:

We are writing to express our outrage and disbelief that AIG is moving forward with executive “job performance” bonuses worth over \$165 million. This is a stunning revelation at a time when hard-working families in our districts are bearing the brunt of the faltering economy and

seeing their tax dollars used to prop up this company.

As President Obama and his Administration have made clear in recent days, rebuilding public confidence in our financial system is a critical element in our nation's economic recovery. However, the news that AIG, a company that is completely undercapitalized and incapable of covering its obligations to pay out derivatives, is using taxpayer funds from the Wall Street bailout to pay bonuses completely undercuts the President's goal.

This company, more than any other single entity, is responsible for the crash of world credit markets resulting in the strangling of America's working families and businesses by the millions. AIG has shamelessly lined up for a \$170 billion handout only to be used to cover up its own incompetence and irresponsible business practices. The company has refused until yesterday to account for its use of TARP funds even though the government now holds an unprecedented 80 percent ownership stake in the company. AIG's claim that it is legally bound to pay bonuses at a time when the company is under investigation by the US Department of Justice, the SEC and the United Kingdom Serious Crimes Ministry, is hardly persuasive. I strongly urge that the Justice Department immediately intervene to suspend these payments until AIG's own legal standing is resolved.

These kinds of abuses of the public trust will only threaten any future efforts by President Obama's Administration to intervene in the financial markets. For the sake of the President's ability to continue to take the steps that may be necessary to rebuild our economy, there must be a stronger response than simply decrying this development. It is long past time that AIG disclose in detail their payments with bailout funds. AIG's unwillingness to do so up until yesterday is completely out of touch with the most basic requirement of accountability to which any public expenditure, from local government all the way up to the Department of the Treasury, must adhere.

One of the best attributes of the American Recovery and Reinvestment Act is the publicly available website, www.recovery.gov, which allows all Americans to see how their tax dollars are being spent. Public confidence in our economic system can only be restored with real transparency and accountability – and the Administration must take quick action now not only to put an end to the outrageous practice of awarding excessive bonuses at bailed-out firms, but also to require greater transparency as a non-negotiable condition of receiving taxpayer funded bailout money.

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We believe deeply that your office and the Obama Administration is pursuing a constructive approach to mending Wall Street's failures and to repair the fundamentals of our economy. However, now is the time to break away from your predecessor's approach of coddling AIG and to firmly demand a full accounting of the use of taxpayer money at AIG and other recipients. We are pleased to hear that President Obama intends to block the AIG bonuses and hope he will use any vehicle necessary to protect the American taxpayers' interest. Our constituents deserve nothing less.

Sincerely,