The AIG bonuses furor: the class issues

Bill Van Auken
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The bankrupt insurance giant American International Group (AIG), which has received the most massive public bailout of any US financial institution, is paying out hundreds of millions of dollars in bonuses to the very executives who oversaw the transactions that bankrupted the firm and threatened to drag down much of the US and world economy with it.

This revelation has sparked genuine popular anger, while providing a graphic exposure of the real class character of the economic policies being pursued by the Obama administration in the face of the deepest economic crisis since the Great Depression of the 1930s.

According to the *Wall Street Journal*, AIG International is paying out $450 million in bonuses to executives at its London-based subsidiary AIG Financial Products, which was primarily responsible for the company's staggering $99.3 billion loss in 2008.

The bonuses are on top of $121.5 million in "incentive pay" for 2008 going to 6,400 of AIG's employees and another $600 million in "retention pay" going to another 4,000 of them, for a grand total of over $1 billion.

The *New York Times* reported that seven AIG executives would receive bonuses worth $3 million or more each, while the *Washington Post* related that $165 million was being divvied up between 400 employees—an average of $412,500 each, or roughly ten times the annual gross pay of an average worker.

Given the de facto bankruptcy of AIG, these bonuses are being paid directly out of taxpayers' funds, a total of $180 billion of which have already been showered on the company. This amount is roughly equal to all of the discretionary spending contained in the Obama administration's anemic economic stimulus package.

In addition to the deep-felt popular outrage of millions who are faced with the daily threat of losing their jobs and their homes while seeing their income slashed as a result of the crisis, the bonus plan also triggered toothless expressions of disapproval from the Obama administration.

Treasury Secretary Timothy Geithner is reported to have called the government-installed chairman of AIG, Edward Liddy, telling him that the bonuses were "unacceptable" and demanding that they at least be pared down. Given that in its first $85 billion bailout of the company last September the government took over an 80 percent share of the firm, one might have thought that Geithner's request would have carried some weight.

Think again.

Liddy, a former board member of Goldman Sachs—the investment house believed to have received a large portion of the bailout money after it was "laundered" through AIG's insurance contracts—fired back an extraordinary letter telling the government to get lost.

"Quite frankly, AIG's hands are tied," he wrote, claiming that the bonuses were "binding obligations"—part of the executives' employment contracts—and interfering with them could provoke lawsuits. Moreover, he argued that they were fully warranted, despite the massive losses for which those receiving them were responsible. Without doling out a billion in additional compensation, he claimed, AIG would be at risk of losing "the best and the brightest to lead and staff the AIG businesses." Employees would leave if "their compensation is subject to continued and arbitrary adjustment by the US Treasury," he said.

"The best and the brightest?" The executives in AIG's financial division ran an unregulated credit-default swap operation that was just as much a scam as Bernie Madoff's fund, and far more destructive.

The obvious question is: where precisely are these "best and brightest" going to go if they fail to get their hundreds of millions in bonuses? The market for this type of financial parasitism has collapsed, dragging down with it the livelihoods of millions upon millions of working people. Rather than getting bonuses, those in charge of the financial manipulations carried out by AIG and its partners should be on the receiving end of criminal investigations.

In the end, the Obama administration came around to Liddy's position that the bonuses must be paid. This was made clear Sunday by Lawrence Summers, the chairman of the White House National Economic Council, in a televised interview on ABC's "This Week."

"There are a lot of terrible things that have happened in the last 18 months," declared Summers, "but what's happened at AIG is the most outrageous."

Despite his supposed outrage, Summers insisted that the government, its 80 percent ownership of AIG notwithstanding, could do nothing about the bonuses. "We are a country of law," he proclaimed. "These are contracts. The government cannot just abrogate contracts."

The government cannot abrogate contracts? Try telling that to American autoworkers who have seen not only bonus payments, but pay, holidays, pensions, health benefits and working conditions—all part of their contracts—slashed as a condition imposed by the White House for government financing to stave off bankruptcy.

There were no pious statements from Washington about a "nation of law" and the sanctity of the contract as the government backed a vicious assault aimed at driving autoworkers back to the conditions of the 1930s. Rather, these workers were vilified amid the universal demand—seconded by the United Auto Workers union—that they agree to rip up their contracts and be quick about it.

This is the real content of the Obama administration's economic policy. What is sacred is not law or contracts, but rather the principle that the wealth, power and privileges of the top one percent of American society cannot be touched, no matter how deep the economic crisis.

The real concern of Summers and others in the administration is that the AIG bonuses are so provocative that they will interfere with the attempts to carry through policies aimed at placing the full burden of the crisis onto the backs of working people in the name of "shared sacrifice."

This was expressed most clearly by Obama's economic advisor, Austan Goolsbee, who warned that AIG's action would "ignite the ire of millions of people." He added, "You worry about backlash."

It is precisely this development, which the administration and the ruling elite so fear, that points the only way to resolving the deepening economic catastrophe in the interests in the majority of the population. The "ire" and "backlash" of millions upon millions of working people must be mobilized to settle accounts with the financial oligarchy that is responsible for the present crisis and to break its economic and political stranglehold over society.

This means building a new mass socialist movement fighting for the nationalization of the major corporations and banks and their transformation into public institutions democratically controlled by the working class. Only in this way can economic life be reorganized to meet the needs of millions for jobs, housing, health care and education, rather than to generate profits for a ruling elite.

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