Bailed out insurance giant AIG plans $198 million in new bonuses

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American International Group, which has received nearly $200 billion in bailout funds from the federal government, is slated to pay 400 employees in its financial products division another $198 million, according to a report published Wednesday by the Neil Barofsky, the special inspector general for the Troubled Asset Relief Program (TARP).

Kenneth Feinberg, the Obama administration's "pay czar" for executive compensation at bailed out institutions, has "informally advised" the company not to pay the bonuses, according to the report. But the White House has claimed that Feinberg is not legally empowered to block the bonus payments, since they were negotiated prior to laws regulating bonus payments at companies now largely owned by the government.

AIG had planned to pay a total of $475 million in "retention bonuses" to employees in its financial products division, covering the years 2008 and 2009. This includes $168 million in March 2009 and the $198 million in March of 2010, along with smaller amounts paid out at different time intervals. Total retention bonus payments going to all of the company's 4,800 remaining personnel will amount to over $600 million.

The report notes that AIG had 13 different bonus plans, the details of which executives themselves did not fully understand. Barofsky faults the federal government for not having "detailed information" about AIG's bonus system before offering it billions in aid.

The Treasury Department was "broadly aware of the existence of contractually required retention and bonus payments in November 2008," he wrote, but did not take steps to find out the details or make reductions to pay.

The report also found that AIG traders and executives, who sought to diffuse the popular outrage over their bonuses last year by promising to give some of their money back, have returned far less than they claimed.

At a congressional hearing in March, then AIG CEO Edward Liddy called on traders to give back half of their bonuses, saying that "some have already given back 100 percent." They ultimately pledged to give back a quarter, but, according to the report, have thus far paid back only $19 million of the $45 million promised.

Feinberg's suggestion that AIG not pay its bonuses is meaningless. The bankers will get their money, and the Obama Administration will do everything in its power to make sure they are allowed to.

When AIG's plans to pay its second batch of 2008 bonuses became publicly known in March, the House of Representatives responded to the public outcry by passing a bill that would put a 90 percent tax on bonuses at companies receiving federal assistance. A similar bill stalled in the Senate, largely due to the White House's opposition. The whole issue was eventually dropped.

The truth is that the Obama administration has no desire to limit bonuses paid at Wall Street banks. On every possible occasion the Obama Administration has voiced its opposition to any explicit curbs on executive compensation, and this has played out in practice by the fact that the very people responsible for the crisis are now doing better than ever.

On a related note, the *Wall Street Journal* reported Friday that Feinberg compelled Ken Lewis, the outgoing chief executive of Bank of America, to pay back $1 million in bonus payments that he received this year, as well as give up another $1.5 million that he was promised.

The money Lewis will give back is tiny compared to his retirement package: $53.2 million in pension benefits, $10.6 million in deferred compensation and $5.5 million in restricted shares. This is in addition to tens of millions of dollars in shares that he was awarded during his time with the bank.

Feinberg is justifying the paltry sum requested on the grounds that Lewis's retirement package was worked out before Feinberg was given authority to oversee it. Despite the small sums being demanded, this measure is the most high profile of any taken by Feinberg.

Bank of America last year received over $45 billion in federal aid, along with loss guarantees on over a hundred billion dollars in its assets. It has not yet repaid the money invested in it by the government.

Feinberg is charged with reviewing pay for the 175 top employees in the 7 firms under his jurisdiction. His review of pay practices at these companies is expected by the end of October.

Feinberg's concern has been to preserve the banks' image, calling, for instance, on banks to give money in stock instead of cash, and to find ways around federal regulations. Only last week, Feinberg allowed Citigroup to sell off its energy trading arm in order to pay Andrew Hall, one of its traders, $100 million in compensation for this year.

The Obama administration's decision to stand by while the architects of the financial crisis receive millions of dollars in publicly-financed bonuses corresponds perfectly with its other actions. This week, the administration dropped all talk of raising taxes on overseas profits.

Meanwhile, the conditions of life for the American population are deteriorating at an unprecedented rate. Last week, Colorado became the first state to lower its minimum wage level, dropping it four cents to $7.24 an hour.

USA Today reported that average weekly wages have fallen by 1.4 percent since the start of the year after adjusting for inflation. If the present rate holds, this will be the largest yearly decline since 1991.