

# AIG pays out \$100 million in bonuses

Tom Eley  
4 February 2010

The giant insurance firm AIG (American International Group) paid out \$100 million in year-end bonuses to traders in its financial products division on Wednesday, according to company sources. Elsewhere, it was reported that Bank of America and Morgan Stanley awarded their top personnel record or near-record pay for 2009. Bank of America paid out \$4.4 billion and Morgan Stanley dispensed \$14.4 billion.

The pay-outs at the three bailed-out firms reveal the real policy behind President Barack Obama's cynical denunciations of Wall Street "irresponsibility" and greed. His administration has worked relentlessly to block any serious restrictions on bankers' compensation, while demanding that the American people reduce their consumption.

The latest round of AIG bonuses is particularly revealing. Last March there was a public outcry when it was learned that AIG's financial products unit, which played a critical role in bankrupting the company and precipitating the global financial crash, was planning to make similar bonus payouts as those announced today. The AIG bonuses evoked major media coverage, public criticism from President Obama, and the passage of a bill by the House of Representatives imposing a surtax on executive salaries at bailed-out finance houses—legislation ultimately derailed by the White House.

This year, news of the \$100 million in AIG bonuses—part of a larger incentive package estimated at \$195 million—has been met with a far more muted media response. Speaking on ABC's "Good Morning America" program on Wednesday, Kenneth Feinberg, the so-called "pay czar" appointed by Obama ostensibly to rein in bonuses at banks receiving taxpayer funds under the Troubled Asset Relief

Program, said the new AIG bonuses were "outrageous," and then declared that the government could do nothing to stop them.

"These are the old grandfathered payments," Feinberg said. "What I'm trying to do now is maximize whatever leverage we have to get as much of that money back ... to maneuver AIG to pay back what it said it would pay back."

This is a thoroughly cynical and dishonest statement. The government has to date handed AIG more than \$182 billion and holds 80 percent ownership of the company. Yet, according to Feinberg, the Obama administration has no power to prevent it from using taxpayer money to reward its top executives and traders with multi-million-dollar pay packages.

In August, Feinberg announced that traders in AIG's financial products unit had pledged to pay back \$45 million in bonuses the company paid out in 2008—a fraction of the overall pool. After only \$19 million of this pledged money was recouped, the company declared that this "allows us to put the matter behind us."

The \$100 million in bonuses paid out Wednesday went to current executives who agreed to a 10 percent reduction in their payments. Those who did not, mainly former employees, will wait one month and then receive the full amount.

In his comments on ABC, Feinberg repeated the administration mantra that because the bonus contracts "were signed into law years ago," the government's hands were tied. The Obama administration last year showed no such deference to auto workers' contracts. Obama's Auto Task Force overturned the United Auto

Workers contracts at General Motors and Chrysler—with the support of the union—and imposed sweeping plant closures, layoffs and pay and benefit cuts.

It is now known that the federal rescue of AIG was a mechanism for secretly funneling tens of billions in government money to the insurance firm's major bank counterparties, led by Goldman Sachs. Goldman and other big Wall Street firms received 100 cents on the dollar for investments with AIG whose market value was near zero. It has also been revealed that the Federal Reserve Bank of New York, then headed by Obama's treasury secretary, Timothy Geithner, pressured AIG to withhold information about this back-door bailout of the banks from the Securities and Exchange Commission and the public.

The *Wall Street Journal* also reported Wednesday that Bank of America, recipient of tens of billions of federal aid, paid out \$4.4 billion in compensation to its bankers in 2009, nearly two thirds of the total net profit it generated in investment banking and capital markets. The sum comes close to the record compensation the bank awarded its top personnel in 2006, and translates to average salaries of \$400,000 per banker. An undisclosed number of Bank of America employees were paid more than \$1 million.

On Tuesday, Morgan Stanley CEO James Gorman acknowledged that executive pay at his bank in 2009—the staggering sum of \$14.4 billion—had reached an “historic high” that “we will never see again.” Gorman was responding to investors angered by pay packages that had consumed more than 60 percent of the bank's gross revenue.

Gorman claimed that his company “had to pay people generously in certain businesses such as real estate to keep the units functioning.”

Last month, JPMorgan Chase announced it paid \$9.33 billion to the roughly 25,000 employees in its banking division, or about \$380,000 per head, and Goldman Sachs spread \$16.2 billion among 32,500 employees, almost \$500,000 per banker. An unknown number of bankers made seven- or even eight-figure salaries.

To put these sums in perspective, executive pay both at Goldman Sachs and Morgan Stanley for 2009 was more than double Haiti's gross domestic product for 2009, which was estimated at \$6.9 billion.

The \$16.2 billion Goldman Sachs paid to its executives in 2009 is more than the Obama administration has requested for entire federal departments in his fiscal 2011 budget proposal, including the Department of Labor (\$13.3 billion), the Department of the Interior (\$12 billion), the Environmental Protection Agency (\$10.5 billion), the National Science Foundation (\$7 billion) and the Army Corps of Engineers (\$5.1 billion.) Obama announced in his State of the Union address that these and other federal departments that provide social services and fund the nation's crumbling infrastructure will be subject to a three-year freeze in non-defense and non-security discretionary spending.



To contact the WSWS and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**