

AIG Bonuses Raise Nation's Ire

Dear Class Member,

"AIG is a PIG" shouted the front cover of The New York Daily News earlier this week. That statement seemed to sum up how many people across the nation felt about the news that the insurance-giant AIG was paying out \$165 million in bonuses to executives who had helped tank the company. Worse yet, the bonuses were coming out of the \$170 billion in taxpayer bailout money the company had received.

The news gives us occasion to consider issues of morality and ethics in times of national financial downturn, and to seek some biblical guidance on those matters. So those will be the topics of our next class.

If you wish to begin thinking about our topic in advance, below is some introductory material.



AIG Bonuses Raise Nation's Ire *The Wired Word for March 22, 2009*

In the News

"Outrage" has been the word of the week as Americans in general and Washington politicians in particular dealt with the news that the massive insurance corporation AIG, which has received about \$170 billion in taxpayer bailout money, just paid out \$165 million in bonuses to executives of its financial products group. Many of those employees are considered responsible for the financial woes of the company. *The New York Times* said they were "at the very heart of AIG's worldwide conflagration."

AIG's position was that the company was contractually obligated to make the payments, which are often called "retention bonuses." However, it has since been revealed that 11 of those who received the bonuses have already left the company.

The anger over the payments has little to do with legality, however. In a time when the whole country is in financial crisis, with many people losing their jobs, homes and life savings, it simply feels wrong for people who helped to create the downturn through financial recklessness to be receiving monetary rewards. Many find it especially galling that the bonuses were taken from public funds intended to keep the company, which is heavily linked to many other financial institutions, from imploding and thus wreaking further havoc with the economy.

AIG's CEO, Edward Liddy, who has been at the helm of AIG only since September, and who inherited the financial mess, said in a congressional hearing Wednesday that he has asked the executives who received the money to "do the right thing" and return at least half the money.

In the end, they may have little choice, for Congress is contemplating a special tax on the recipients that would pull the funds back into the U.S. Treasury. Pursuing a different avenue of attack, New York Attorney General Andrew Cuomo, with the power of a 1921 law called the Martin Act behind him, has strong-armed AIG into revealing details of the executive payments. The act lets New York's attorney general get convictions without proving criminal intent and gives him broad powers to subpoena

documents and question witnesses.

Such is the outrage that AIG personnel have received death threats, and the company has instituted security measures. The same threats made Liddy unwilling to give Congress the names of the bonus recipients without assurances that the names would be kept private. Congress, however, may subpoena the names.

It was learned on Wednesday that some of those who received the bonuses have already volunteered to forgo them.

Liddy himself, who has other sources of income, receives a salary of only \$1 and equity grants from AIG, and gets no bonus. He was hired especially to lead the company out of its current problems.

NOTE: This news is being written on Thursday. There are likely to be more developments in this story. Be sure to check national news sources for updates before your Sunday class.

More on this story may be found at these links:

http://www.nytimes.com/2009/03/15/business/15AIG.html?_r=2&th&emc=th
<http://www.cnn.com/2009/POLITICS/03/17/aig.bonuses/index.html>
http://news.yahoo.com/s/ap/20090318/ap_on_bi_ge/aig_outrage
<http://firstread.msnbc.msn.com/archive/2009/03/17/1839055.aspx>
<http://abcnews.go.com/Business/Economy/story?id=7102844&page=1>
http://en.wikipedia.org/wiki/American_International_Group

The Big Questions

Here are some of the questions we will discuss in class:

1. Although \$165 million seems like a lot of money, in comparison to the \$170 billion in bailout funds given to AIG, and the many more billions in government infusions into the overall economy, it is only a small percentage. What is it that makes these particular bonuses such a lightning rod for national outrage?
2. What is it in human nature that enables us to justify excessive reward or gain for ourselves at the expense of others who face loss or sacrifice?
3. At what point does something that is legal (such as promised by contract) become immoral?
4. If *you* were legally entitled to a big bonus despite your contributing to the financial ruin of your company, would you accept it? Why or why not?
5. What causes some people to go so far as to issue death threats against these executives? Are those threats (whether intended to be acted upon or not) simply extreme examples of how most people are feeling or are they evidence of something else? If so, what else?

Confronting the News with Scripture

We will look at selected verses from these Scripture texts. You may wish to read these in advance for background:

Joshua 7:1-26

John 8:1-11

1 Corinthians 6:12-20

1 John 3:14-17

In class, we will talk about these passages and look for some insight on the big questions, as well as talk about other questions you may have about this topic. Please join us.