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Senate Floor Speech: A.I.G. Executives Should Follow Autoworkers Example

Mr. President, much has already been made of the recent action by A.I.G. to distribute \$165 million in bonuses for some of the very employees that contributed to the company's near collapse, the loss to our treasury of tens of billions of dollars, and the severe damage to our economy. I joined with 43 of my colleagues yesterday in signing a letter to the chief executive officer of A.I.G. to express our outrage that this kind of money could go out the door when the only reason the company survives today is the \$170 billion in U.S. taxpayer dollars that have been pumped into A.I.G. over the past 6 months.

I recognize that my disgust with this situation is not unique. But I want to briefly discuss the appalling double standard that has been revealed by the treatment of hundreds of thousands of honest autoworkers who are victims of the current financial crisis, compared to the treatment a few hundred over-paid financial executives whose poor judgment and greed helped cause A.I.G.'s and our nation's financial crisis.

Right now, in large part because of the mortgage fraud, sleazy lending practices, outrageous financial engineering, and inadequate regulatory oversight that caused the financial crisis, we are in a deep recession. The recession means that people aren't buying cars, and many of those who want to buy a car can't get a loan because credit is so tight. No one foresaw those circumstances back in 2007, when the U.A.W. last negotiated a labor contract for this country's autoworkers. That four-year contract was supposed to last through 2011. When the bottom fell out on the economy, the future of the Big Three auto companies was called into question. The auto industry came to the federal government for help, and we offered assistance in the form of bridge loans with the understanding that all the stakeholders would have to sacrifice to make this a fair deal for taxpayers.

The autoworkers response was not, "We signed a four year contract, and we aren't changing a word." They could have taken that position, but they didn't. Instead, the workers renegotiated their contract. They agreed to significant reductions in their pay and benefits. They are doing what they can to help their companies survive and help get our nation out of this economic ditch.

Contrast those autoworkers with A.I.G. executives. When the economy began tanking, A.I.G.'s stock nosedived, its assets plummeted in value, and the company lost its AAA credit rating. Due to hundreds of billions of dollars in commitments which A.I.G. had issued, called credit default swaps,

but which they failed to support with reserves, A.I.G.'s executives came hat in hand to the government. The government responded with billions of dollars in aid, not to protect A.I.G., but to safeguard the U.S. economy from the threat posed by an A.I.G. collapse.

A.I.G.'s executives, including the Financial Products Division that helped bring A.I.G. down, were saved from bankruptcy. To recover from A.I.G.'s financial fiasco and repay the government loans, it should have been clear that everyone at A.I.G. would have to make sacrifices to sustain the company and rebuild the U.S. economy. Unlike the autoworkers, however, A.I.G.'s executives didn't step up to the plate. The 400 or so A.I.G. employees at the Financial Products Division signed employment contracts in the spring of 2008 that promised millions of dollars in bonuses and retention payments. When A.I.G. attempted to renegotiate those employment contracts, the Financial Products executives refused. They demanded their millions, and A.I.G. complied at the same time the company is borrowing tens of billions from American taxpayers.

This week, according to information obtained by New York Attorney General Andrew Cuomo, 73 A.I.G. executives received so-called "retention" bonuses of \$1 million or more. That's 73 millionaires out of the A.I.G. fiasco that is taking billions of taxpayer dollars to fix. 11 of those millionaires took the money and left – they don't even work at A.I.G. anymore.

Wall Street has been out of control for years now, with high-risk financial concoctions and with excessive compensation that is too often unrelated to performance or shareholder value. But the contrast between assembly line workers in the auto industry giving up their bonuses and benefits to keep the Big Three in business, while executives who drove A.I.G. over a cliff thumb their noses at the very taxpayers bailing them out is too much to go unnoticed.

The greed and chutzpah shown by these executives is reprehensible – unacceptable to me, unacceptable to my constituents, and unacceptable to every American who believes, as I do, that our nation perseveres through hard times by working towards our common interests and making shared sacrifice. American taxpayers are pouring billions into A.I.G., even as millions of Americans have lost their jobs. Many more have made sacrifices like the autoworkers to help their employers and their families survive.

A.I.G. employees need to be clear: without the U.S. government, there would be no A.I.G., and they would have no job and no salary, let alone a bonus, let alone a million-dollar bonus. In these exceedingly difficult times, A.I.G. executives should follow the example set by American autoworkers: renegotiate their employment contracts and accept compensation that doesn't shock and offend the American taxpayers who are keeping their company and this economy afloat.