

Some AIG (AIG) Employees Start to Return Bonuses; Death Threats Sent

Forexhound

March 20, 2009

Long time readers will know we said many moons ago as this Great Recession builds a major theme would be social acrimony both among countries and within countries, especially those with disparate socio-economic classes. You know, places such as 3rd world countries... and the U.S.

It takes a lot to get Americans off the couch and to put down the Cheetos after another satisfying night of Dancing with the Stars, but the AIG bonuses seems to be doing the trick. The irony is the greater thievery is actually (a) the money handed out to 3rd parties using AIG as the conduit [Mar 7: WSJ - Top US, European Banks Get \$50 Billion of US Taxpayer thru AIG] - but people are focusing instead on the (b) egregious bonuses.

Score another win for Government Sachs who took off with our money while we are focused on bonuses to AIG officials. Both situations are sinful but the latter pales in comparison in scope to the former.

Pssstt... here is the dirty secret - you ain't seen nothing yet in terms of dollars we're gonna need to keep this broken system afloat. And to keep the sheeple from getting really peeved (mobs are not cool) we're gonna use the secret agency to do the biggest bailouts - yeh, Federal Reserve style. (Shhhhh!!! Don't tell) That's an unlimited balance sheet we can hide all the messes and not get Congress involved with requests for new money. Because when we do stuff with the Fed it's all good, and they don't need to ask permission for anyone.... ahhh... wonderful.

Apparently some AIG employees are being urged to see the light - granted it took a national firestorm and the President to call them out to have one sliver of cognizance that "this was not my rightful money" and "if the taxpayer had not rescued my company there would be no bonus to be had no matter what the contract says".

The head of battered insurance giant AIG told Congress on Wednesday that "we've heard the American people loudly and clearly" in their rage over executive bonuses, and he appealed to employees to return at least half the money.

Testifying under oath at a congressional hearing as intense as any in recent memory, Edward Liddy said some workers already have stepped forward to give money back.

Some of the payments were made to the same traders and executives whose risky financial behavior caused the company's near collapse.

Eleven employees who received retention bonuses of at least \$1 million each have left AIG, according to the New York attorney general's office. (AIG can't even do retention bonuses right) "Regardless of whether it's important to retain employees, it is clear that the AIG bonuses did not serve a retention purpose and couldn't be justified as such," said Lucian Bebchuk, an executive-

compensation expert at Harvard Law School. "A payment that's not conditional on staying doesn't really provide an incentive to stick around."

Responding to a question, Liddy also said the Federal Reserve knew in advance of the bonus payments and acquiesced in them. Fed Chairman Ben Bernanke has been publicly critical of the bonuses (watch what he does, not what he says - so we "knew" about them, but now I'm going to be mad about them; cool)

Hmmm, something is amiss - this is not like Japan where things that would be considered "minor" in the US cause great shame, and CEOs/politicians to resign. So was it good morals? Seeing the light? Or perhaps the death threats? I vote death threats.

American International Group Inc. Chief Executive Edward Liddy and employees at the insurer's troubled derivatives unit have received death threats amid a national furor over big bonuses the company recently paid.

He read one of the threats, which said AIG staff and their families should be executed "with piano wire."

Another one read: "If the government can't do this properly, we the people will take it in our own hands and see that justice is done. I'm looking for all the CEOs' names, kids, where they live, etc."

Liddy's predicament shows how dramatically public sentiment has turned against the current system of executive compensation in the United States

Call me cynical but in the "I deserve this" culture we fabricated the past few decades, the light is only shown when things are taken to the ultimate extreme.

I've been talking about the "heads we win, tails we win" executive compensation system for years before this blog, and since we've started in '07. [Jan 22, 2009: Merrill Lynch's John Thain Can Only Work on \$87,000 Area Rugs] [Sep 17, 2008: Thain's Aides May Get \$200M for Weeks of Work] [Oct 30, 2007: You're Fired! Now Here is \$160M to Help Ease the Pain] As long as the sheeple's Etrade account jumps 5-7% a year annualized, the sheeple seem to be ok with ignoring the excesses of a gilded top end of the society. [Oct 4, 2008: Credit Crisis Sharpens Anger Over CEO Pay] [Sep 27, 2008: Heads We Win, Tails We Win] I mean certainly if you don't pay these people what they are worth, they will leave! (to do what? I don't know - but they promise they will leave!) What's it worth to run your company into the ground? At least 8x as much as the 1970s it appears. I don't think median sheeple pay went up 8x in the past 30 years, but then again.... they are only sheeple.

In 2007, the total compensation of chief executives in large American corporations was 275 times that of the salary of the average worker, the Economic Policy Institute, a liberal research organization, estimates. In the late 1970s, chief executive pay was 35 times that of the average American worker.

But after 3 bubbles (2 stock, 1 real estate), median wages (adjusted for inflation) stagnating for a decade, the greatest wealth disparity among the rich and "middle" since the late 1920s, and years of savings wiped out through multiple government induced bubbles - the "pie" we can all partake is (ahem) is shrinking rapidly, and people are FINALLY paying attention. [Dec 8, 2007: Do the Bottom 80% of Americans Stand a Chance?]

I just find it so sad it takes *this* level of pain for people to realize what has been happening for years upon years.

We're just getting started kids - the economy (jobs, housing values, costs of life) that matters to NON Wall Street types i.e. that place the sheeple live----> Main Street - will be worse a year from now. So while Wall Street gets giddy about the "coming recovery" as horrific news for Main Street gets "less horrific" than last quarter (2nd derivative plays improving! bottom is in!) - it would be advisable to get your tea parties and pitchforks ready (after you finish your Panera sandwich). The social mood will be far worse as we turn the corner towards the "2nd half 2009 recovery" (Uncle Ben promised it's coming) Thankfully we have the Federal Reserve to hide most of the really bad financial losses the country will be suffering for years on end via the "safe collateral" they are now vacuuming onto their balance sheet like a Hoover. Herbert Hoover.