

## NIGHTLY BUSINESS REPORT – PBS

### AIG Outrage

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SUZANNE PRATT: A huge backlash today against AIG for handing out \$165 million in retention bonuses. President Barack Obama said he will try to block the payments and recover the money, while New York State Attorney General Andrew Cuomo issued subpoenas late this afternoon, after AIG failed to respond to his request for the bonus details. Both men say the bonuses are an outrage to taxpayers who own nearly 80 percent of the troubled insurance giant. Darren Gersh reports.

DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: After he coughed during his remarks on AIG, the president offered this explanation.

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: Excuse me. I'm choked up with anger here.

GERSH: It's hard to tell whether he was joking.

OBAMA: This is a corporation that finds itself in financial distress due to recklessness and greed. Under these circumstances, it's hard to understand how derivative traders at AIG warranted any bonuses, much less \$165 million in extra pay.

GERSH: As the government hammers out details of its latest \$30 billion loan to AIG, a Treasury official says the administration will insist on a clause paying taxpayers back for the bonuses the president found so offensive. But while Washington fumes, Wall Street recruiter Gustavo Dolfino argues AIG is right to worry about losing top talent if it fails to pay bonuses.

GUSTAVO DOLFINO, PRESIDENT, THE WHITEROCK GROUP: The pool of talented people at AIG are in fact the minority and if you do not pay those people the right amount of bonuses, you will lose the majority of that minority.

GERSH: While Wall Street is tens of thousands of jobs, Dolfino says there are still good jobs in Asian investment funds, in distressed asset funds and in start-up funds. And overall pay packages may not come down that much, though Dolfino says they will no longer be guaranteed.

DOLFINO: The business has moved from being a professional politician and playing the politics of Wall Street on the sell side to actually having to produce on the buy side and actually earning your money. Now if you produce that money and you earn it, you deserve to get it. If you don't, you shouldn't be in the business.

GERSH: Free market advocate John Berlau did not support the AIG bailout, but he does support the government honoring contracts.

JOHN BERLAU, COMPETITIVE ENTERPRISE INSTITUTE: If we said suddenly, you know, if it's inconvenient, you could break a contract. If someone performed a service, they don't have to be paid what was agreed. Then we would you know, lose even more confidence in the financial system.

GERSH: Law Professor Charles Craver is an expert in negotiations and labor law. He says AIG management can argue these bonuses would be void if taxpayers pulled their funding.

CHARLES CRAVER, PROF., GEORGE WASHINGTON UNIVERSITY LAW SCHOOL: What they do have the power to do is talk to these employees and say, we're in a desperate strait. We'd like to renegotiate your bonuses.

GERSH: Oh and by the way, websites like HedgeFundJobList.com are telling us they are seeing a surge in interest. With more than enough qualified job seekers to replace anyone who decides working at AIG may no longer be worth the trouble. Darren Gersh, NIGHTLY BUSINESS REPORT, Washington.

