# Outcry Builds in Washington for Recovery of A.I.G. Bonuses

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Representative Barney Frank was among the politicians charged with creating legislation to recoup the bonus money at A.I.G.

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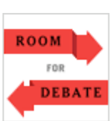
WASHINGTON — The bonuses that the American International Group awarded last week were paid to 418 employees and included $33.6 million for 52 people who have left the failed insurance conglomerate, according to the office of the New York attorney general.

The company paid the bonuses, including more than $1 million each to 73 people, to almost all of the employees in the financial products unit responsible for creating the exotic derivatives that caused A.I.G.'s near collapse and started the government rescue to avoid a global financial crisis.

A.I.G. has received nearly $200 billion in federal bailout funds.

The information adds to the firestorm confronting the Obama administration and Congress since the weekend disclosure that A.I.G., almost 80 percent owned by the government, paid out $165 million in bonuses.

**When Bonus Contracts Can Be Broken**




How ironclad are the contracts for the bonuses that A.I.G. paid out to its employees?

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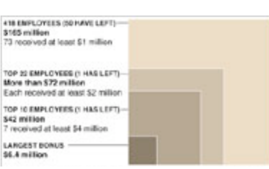

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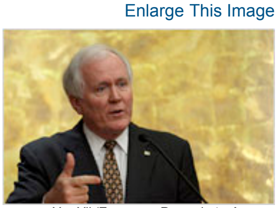

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Edward Liddy, the chief executive of A.I.G.

Even before the New York attorney general, Andrew M. Cuomo, divulged the new data on bonus payments in a letter to Representative Barney Frank, the Massachusetts Democrat and chairman of the Financial Services Committee, the White House and Congress separately were rushing to get out in front of the mounting public furor. Officials and lawmakers condemned A.I.G., pointed fingers at each other and promised speedy action to recoup the taxpayers' money.

The outcry will probably find an outlet on Wednesday, when Edward Liddy, the A.I.G. chief executive who took over after the bailout for $1 a year, testifies before a subcommittee of the House Financial Services Committee.

New York's efforts against A.I.G. have overshadowed those of the Treasury secretary, Timothy F. Geithner, the official who is responsible for the financial bailout, along with the Federal Reserve. The White House and Treasury have been besieged by questions about why Mr. Geithner did not know sooner about the bonus payments due this month, and whether he could have done more to stop them, prompting White House officials to assert President Obama's continued confidence in Mr. Geithner.

"He more than has the president's complete confidence," said Rahm Emanuel, the White House chief of staff. As angry as the president is at the news about A.I.G., which he learned Thursday, Mr. Emanuel said, "his main priority is getting the financial system stabilized, and he believes this is a big distraction in that effort."

The House speaker, Nancy Pelosi, on Tuesday asked three committee chairmen, including Mr. Frank, to come up with legislation to recoup the bonus money, and suggested the House might pass a measure as early as this week.

But the reaction of another of the chairmen, Representative Charles B. Rangel of the tax-writing Ways and Means Committee, underscored the legal and political complexities facing Democrats as they scramble for a solution. Mr. Rangel, a Democrat from New York, objected to one of the most popular ideas being floated — a confiscatory income tax on the recipients. The tax code is not "a political weapon," he told reporters.

A.I.G. has refused to identify the current and former employees on privacy grounds, including one who received $6.4 million, but Mr. Cuomo is seeking to obtain and publicize their names.

The employees took salaries of $1 in exchange for receiving the bonuses, which were supposed to keep them from leaving A.I.G., according to Mr. Cuomo's office. That, he suggested, undercuts A.I.G.'s claims that it could not renegotiate the bonus contracts agreed to early in 2008, and that the payments were "retention" bonuses.

"The only justification they had for this was, well, we needed to keep these people, but there are 50 people who left anyway or who they decided they didn't need to keep," Mr. Cuomo said in an interview.

A spokeswoman for A.I.G., Christina Pretto, declined to confirm the number of people

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reported to have received retention bonuses before leaving the financial products unit. She said it was common knowledge that A.I.G. was eliminating jobs in that division.

Late Tuesday, Mr. Geithner and White House officials sent a letter to Congress seeking quick action on legislation to give the government more power to intervene and wind down companies like A.I.G., which are huge players in the financial system, but are not regulated the way banks are.

The administration had planned to seek such regulatory powers as part of a broad revamping of financial regulations, but it is expediting this piece in response to the A.I.G. uproar.

In the letter, Mr. Geithner confirmed that the government would subtract $165 million — the amount of the bonuses — from the latest $30 billion loan to A.I.G. that would bring the total loans to $200 billion, from the original $85 billion.

Mr. Geithner reiterated the Treasury position that lawyers inside and out of government had agreed that "it would be legally difficult to prevent these contractually mandated payments."

That position was being questioned at the Capitol. Congressional Republicans, eager to implicate Democrats, initially blamed Senator Christopher J. Dodd, the Connecticut Democrat who heads the banking committee, for adding to the economic recovery package an amendment that cracked down on bonuses at companies getting bailout money, but that exempted bonuses protected by contracts, like A.I.G.'s.

Mr. Dodd, in turn, responded Tuesday with a statement saying that the exemption actually had been inserted at the insistence of Treasury during Congress's final legislative negotiations.

While the administration has been mostly on the defensive, the competing expressions of outrage in Congress throughout Tuesday belied the fact that a few less-prominent Democrats had tried to draw attention to the A.I.G. retention bonuses since last November. Except for their condemnations last December, response has been sparse on A.I.G.'s disbursement of an initial $55 million in retention payments.

While House leaders were calling for immediate legislation to recoup payments, Senate Democrats sent a letter to Mr. Liddy demanding that A.I.G. renegotiate the employees' compensation contracts and return the bonuses. The Senate majority leader, Harry Reid, and other Democratic leaders proposed new taxes, some as high as 91 percent, on the bonuses. But some of the A.I.G. employees are thought to be foreigners based in offices abroad, and not liable for United States taxes.

Congressional Republicans, despite the Bush administration's role in setting the terms of the A.I.G. bailout six months ago, blamed the Obama administration for lax oversight. Senator Richard Shelby, a Republican of Alabama, seemed to hint that Mr. Geithner should resign.

"This is just another example of where he seems to be out of the loop," Mr. Shelby said. "Treasury should have let the American people know about this."

David Axelrod, senior adviser to the president, dismissed such talk, citing the financial mess that Mr. Geithner had inherited. "He has been confronted with a situation and challenges that are unparalleled in modern history, and to put it all on his shoulders is not fair and not right," Mr. Axelrod said. "He's a brilliant and committed guy with a great deal of experience in this area, and we're standing with him."

*Jackie Calmes reported from Washington, and Louise Story from New York. Edmund L. Andrews and David M. Herszenhorn contributed reporting from Washington.*

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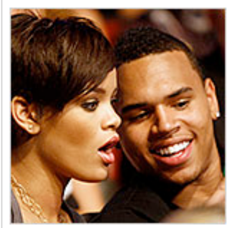

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