

A Lewinsky moment

by The St. Louis Post-Dispatch

As he often does, the comedian Andy Borowitz nailed it Monday on his online satire site, BorowitzReport.com:

In New Terror Video, AIG Demands Huge Ransom from U.S.

Shadowy Group Seeks Bonuses, Golf Retreats

American intelligence experts are analyzing a new terror video from the American International Group (AIG) in which the leader of the shadowy organization demands billions of dollars from the United States.

In the four-minute tape, which surfaced over the weekend and caused deep concern among U.S. officials, a man believed to be the chairman of AIG says that if his organization is not paid its ransom, "chaos and destruction will rain down on the American economy."

"If we are not paid billions more in bonuses and corporate golf retreats, America will be made to suffer," the man threatens.

Perfect. So perfect, in fact, that it's frightening. This outfit, this AIG, an insurance company, for crying out loud, is into the taxpayers for \$173 billion. How much is that? Look at this way:

Estimates of the direct costs to the economy of the Sept. 11, 2001, terrorist attacks on New York and Washington range between \$21 billion and \$27 billion. Thus AIG has cost taxpayers six to eight times what 9/11 did.

Osama bin Laden threatened to rain destruction down on the United States. Taxpayers have been told that the threat posed by AIG every bit as serious: Systemic failure of the U.S. financial system.

But at least al Qaida had the good form not to demand \$165 million in bonuses for its executives.

This revelation â€” that AIG took \$165 million in taxpayer money and paid bonuses to the very people who exploited the market in hyper-leveraged derivatives that have plunged the United States into the worst financial crisis since the Great Depression â€” could be a turning point in the financial crisis.

President Barack Obama and congressional leaders must handle it like a live grenade. People may not understand arcane terms like collateralized debt obligations and credit default swaps, but they do understand big shots getting bonuses from the government while folks like them are losing their jobs and houses.

The House Post Office Scandal of the early 1990s was going nowhere until people found out members of Congress were bouncing checks and getting away with it. The Whitewater investigation was a sleazy land deal on page 21 before people found out about Monica Lewinsky. People know about bounced checks. People know about cheating husbands. The AIG bonuses are a bounced check. The bonuses are a Lewinsky moment.

Sure, the \$165 million in bonuses amount to less than 1/1,000th of the money poured into AIG. But they threaten public and political support for Obama's recovery plan. The president must do everything possible to recover them, up to and including a 100 percent tax on income derived from bonuses paid by companies with the initials AIG.

The president and Congress must stop using "accountability" and "transparency" as mere soothing words. It is time to require full and immediate disclosure of who is getting what and why. The original AIG bailout money was authorized in a hurry last September. Trust us, said then-Treasury Secretary Henry Paulson. We don't have time to be careful. We need to spend now and ask questions later.

Congress went along with it. But the promise was that full disclosure and oversight would catch up. So far they haven't.

That may be because the crisis continues to widen and deepen. It may be because the size of the bailout has overwhelmed regulatory agencies that had grown used to giving a wink-wink, nudge-nudge to everything Wall Street did. But AIG still has \$1.6 trillion in potentially toxic securities sitting in its worldwide portfolio, and \$800 billion more in life insurance contracts.

Sorting out this mess, at a price fair to bondholders and taxpayers alike, is going to take time and patience. The bonus story is the kind of distraction that can make that impossible.

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