Congress jumps on AIG bonuses to deflect blame

by The Detroit News

Americans are upset and angry at the state of the economy and the mismanagement by some financial firms that have contributed to their economic woes. They should be. But Congress has had a role in that mismanagement, and it is furiously trying to deflect attention from that fact with its outrage at bonuses paid to some employees of insurance giant AIG.

Seeing a mob with pitchforks coming its way, some members of Congress are pointing at American International Group bonus recipients and yelling, "yeah, hang 'em!" That's what's behind the House's move last week to tax away the bonuses at 90 percent and the demand made by Rep. Barney Frank, D-Mass., the House Financial Services Committee chairman, for a list of the bonus recipients.

AIG is the recipient of about $170 billion in federal bailout funds, and some of its employees have received bonuses totaling about $220 million. The bonuses are indefensible, and the taxpayers have a right to be angry that their money was used so shoddily.

But Congress has no standing to point fingers. It is complicit in the bonus payouts.

AIG Chairman Edward M. Liddy was grilled in a congressional hearing last week as part of Congress' feigned outrage. But Liddy has only been with the company since last September. He came out of retirement to take the helm of AIG, which has insured billions of dollars in mortgage-backed securities held by banks all over the world, at an annual salary of $1. He had nothing to do with the bonuses, which were part of some employees' contracts.

But here's the dirty little secret for Congress: Provisions in the federal stimulus bill limiting pay and bonuses for firms receiving federal bailout aid were, according to Senate Banking Committee Chairman Christopher Dodd of Connecticut, changed by Dodd at the request of Treasury Department officials. That made the bonuses possible. Treasury Secretary Tim Geithner has reportedly confirmed Dodd's version of events.

Dodd told CBS News that at the time he didn't make the connection between this request and the AIG bailout. And both houses of Congress ultimately voted the bill into law. Dodd's explanation stretches credibility. But if he's telling the truth, he at the least is guilty of gross negligence of his duty to know the consequence of a measure before he approves it.

While Congress is getting plenty of bang out of its attempt to tax the bonuses, members know that they don't have the legal right to do so. Taxing the proceeds of legal contracts after the fact smacks of a bill of attainder â€” or the singling out of a particular people or groups of people for punishment. Laws that make legal actions

retroactively illegal are also unconstitutional.

Whether this bill exactly fits the constitutional bans is a matter of contention, but it is not to the credit of U.S. Rep. Gary Peters, D-Mich., that he had a hand in legislation that is constitutionally suspect and intended only to pander to the public's passions.

Of course the bonuses are unwise and unfair, and of course they should be returned. Liddy has already said he will try to get most of the money back to the Treasury.

But that doesn't deal with the issue of Congress' laxity in overseeing how taxpayer money is being spent. Had our representatives been more vigilant in the first place, the bonus checks would have never been written.

For Congress to try now to lead the angry mob is hypocritical. They'd make a far better target.

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