

ONE HUNDRED ELEVENTH CONGRESS
Congress of the United States
House of Representatives
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Opening Statement
Ranking Member Darrell E. Issa
Hearing on “AIG: Where Is the Taxpayers’ Money Going?”
May 13, 2009

Thank you, Mr. Chairman, for holding today’s hearing on the Administration’s management of the \$190 billion government bailout of AIG.

Mr. Chairman, I voted against these bailouts. However, I am in the minority, so I have to accept these policies as a given until the American people get their chance to vote for a different policy. What I can do, as Ranking Member of this committee, is to demand transparency and accountability on behalf of the American people, who have a right to know how their money is being spent, and I want to thank you, Mr. Chairman, for allowing me to work with you on this important investigation.

Ensuring transparency and accountability for the more than \$190 billion of taxpayer money injected into AIG is a key component of this committee’s responsibility. Just last week, we learned that AIG paid \$454 million in bonuses to its employees in 2008, while in March we were told it was only \$120 million. While I understand that this confusion may be blamed on the fact that AIG was asked different questions about the bonuses by different people, this confusion illustrates a much more serious problem: the continued lack of transparency in the Administration’s bailout adventures. How dare we find out drip by drip by drip that our government has no ability to say how much of our money is being spent and on what? How much longer can the American people tolerate a lack of transparency?

I am pleased that Mr. Liddy is here, and I want to acknowledge that he did not create the problems at AIG but has instead taken on a very difficult challenge in unwinding a complex company while facing tremendous scrutiny from the public and the Congress.

I am also pleased that the three trustees who manage the taxpayers’ nearly 80% stake in AIG are making their first public appearance today to answer for their stewardship of taxpayers’ money. Mr. Chairman, President Obama has promised the American people an unprecedented level of transparency and accountability, and I see our role on this Committee as one of holding the President to that promise, and that includes understanding the role of these three powerful individuals.

I am particularly concerned that the AIG Trust, as designed by Treasury Secretary Geithner when he ran the New York Fed, is an unconstitutional and unaccountable entity that manages the taxpayers' investment in AIG, not in the taxpayers' name but in the interest of the federal government, specifically the US Treasury. It is important to remember, Mr. Chairman, that those two things are not one and the same.

I want to acknowledge that none of this is the trustees' fault – they are simply operating within the organization that was created by others, and no doubt do so out of a patriotic spirit of public service. Nevertheless, these three individuals have full power to vote 80% of the shares of AIG, purchased with taxpayer money, while the trust document that gives them this power directs them to operate explicitly in “the best interests of the Treasury,” not the best interests of the American people.

Unlike a normal system of corporate governance, which aligns the interests of shareholders and management through the threat of legal and financial penalties, the AIG trustees are virtually immune from any legal liability so long as they act in the “best interests of the Treasury,” and are indemnified against “any loss, cost or expense of any kind or character whatsoever.” Who can doubt, Mr. Chairman, in light of the recent public bullying of Chrysler bondholders, who were derided as “speculators” by President Obama, that these clauses insulate the trustees from the normal accountability and transparency we demand of our representatives?

The *New York Times* recently reported that this unprecedented trust structure “provides cover for officials who, despite the government's large stake in various banks, want to preserve the notion that neither the Treasury nor the Fed ‘owns’ AIG or controls any major banks.”

Mr. Chairman, I would submit that it is inappropriate for shadowy regulators and bureaucrats to use any legal sleight-of-hand to obscure their influence in running the U.S. financial sector. The American people have a right to know what is being done with their money, how these companies are being run, and what the government is doing to ensure their money is returned to them as quickly as possible. I look forward to addressing these important issues today, and I want to thank you again, Mr. Chairman, for holding this important hearing.