

ONE HUNDRED ELEVENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
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Statement of Rep. Darrell Issa
Ranking Republican Member
Committee on Oversight and Government Reform
*“The Collapse and Federal Rescue of AIG and What it Means for the U.S.
Economy”*
April 2, 2009

Thank you, Chairman Towns, I appreciate you taking a look at the financial crisis, but I'm concerned this hearing ignores critical questions the American people are asking about the Federal Government's bailout and subsequent management of AIG.

I am troubled that this hearing's only witness brings with him a dark cloud which the majority, in its briefing memo, dismisses as – and I quote – “not the subject of this hearing.”

The witness before us today has been a reoccurring figure in criminal and civil investigations by the Department of Justice and the Securities and Exchange Commission. A U.S. Attorney has identified Mr. Greenberg as a coconspirator in a criminal securities fraud case that has already resulted in five convictions. News reports indicate that SEC action against Mr. Greenberg on these securities fraud charges could come at any day and there are good reasons to believe he could face even more significant legal problems.

Moving forward, I hope the Committee will take a more aggressive posture but frankly, I'm worried the Committee is growing out of touch with the contemporary bailout issues. Why are we *not* talking to Edward Liddy, Mr. Liddy's immediate predecessors, Secretary Geithner, other officials at the Treasury Department, officials at the Federal Reserve, and officials at the Securities and Exchange Commission during today's hearing?

I intend to ask Mr. Greenberg about a number of decisions he made during his tenure as CEO of AIG, but it's unclear to me how Mr. Greenberg can enlighten us as to what is going on at AIG presently. I have reviewed his written testimony and found his criticisms of the bailout to be essentially a repackaged version of what many House Republicans were saying last year when we opposed the Paulson/Pelosi bailout. Mr. Greenberg also does not appear to have valuable information about the guaranteed retention program since those contracts were negotiated subsequent to Mr. Greenberg being pushed out of AIG.

Mr. Cummings wrote the Chairman and me a letter back in December asking us to hold hearings on compensation policies and expenditures. On December 18th and 23rd, before AIG bonuses became a major scandal, Mr. Chairman you and your staff made public statements indicating you would hold such a hearing. Likewise, Mr. Cummings told Bloomberg News on December 17th that you were in complete agreement that a hearing was in order. Finally, in April, we are holding a hearing, but not the hearing that was promised in December. Not a hearing that can answer the critical questions surrounding current operations at AIG.

The Republicans and even some in your own party, Mr. Chairman, have made every effort to exercise real oversight of the TARP funds. In January and in February I asked you to co-sign a letter requesting the Treasury Department provide us documents to conduct oversight into the commitments and initiatives already funded or targeted with TARP funds. AIG was one of the ten companies the letter requested information on. You declined to sign this letter.

Mr. Chairman, this is not the hearing we requested. As you know, on March 25th I wrote to you asking that Mr. Liddy and an Administration official be included as witnesses today. On the same day, Mr. Cummings also called for Mr. Liddy's presence.

Instead, we only have Mr. Greenberg here today. Perhaps he can tell us what he thinks went awry during his tenure as CEO, but I think the chances of him attempting to place blame elsewhere are much higher. Media reports and court filings confirm Mr. Greenberg is embroiled in vast amounts of litigation—approximately nine lawsuits. He's defending against a civil fraud action brought by the state of New York, he's being investigated by the Department of Justice and the SEC, and he is in litigation with AIG over billions of dollars in shares he allegedly misappropriated from a trust for long term equity based compensation for AIG employees. These matters are separate and apart from the 2004 deferred prosecution agreements which necessitated the hiring of Mr. Cole, the independent monitor of AIG. Mr. Greenberg's testimony should be taken with a grain of salt. At the very least, we must acknowledge these biases.

Mr. Chairman, I fear we are giving Mr. Greenberg a forum to perpetuate the blame game and further vilify the company he built, 80% of which is now owned by all of us here today. This forum is not helpful to the American taxpayers.

The Republicans believe it is incumbent upon us to understand the root causes and all possible repercussions of the financial crisis. With more than \$180 billion taxpayer dollars being committed to AIG, we can not relinquish our oversight duties to the Administration. Some would argue the Treasury and the Fed are not up to the task at hand.

Thank you again. We look forward to working with you to ensure accountability and transparency in taxpayer's money being used to bailout AIG, and other companies.