



AIG, Bailouts, and the Banks

Official Washington is in a tizzy over new revelations, courtesy of the Wall Street Journal and dutifully amplified by other news outlets, that as much as \$50 billion of bailout money sent to ailing mega-insurer AIG was funneled to at least two dozen U.S. and European banks.

Republicans, including Senator John McCain, who interrupted his presidential campaign to return to D.C. and promote the \$700-billion Bush bailout bill, are shocked — shocked! — that nearly one-third of the \$150 billion so far wasted on AIG has gone straight to the likes of Goldman Sachs, Merrill Lynch, Morgan Stanley, Germany's Deutsche Bank, the Royal Bank of Scotland, and many other grateful international panhandlers. European concerns named in the *Journal* article have so far refused to comment on the report, and little wonder: they have no worries about what the United States taxpayer might think.



Moreover, AIG, in a February 26 document circulated by AIG among federal and state regulators, warned of dire consequences should they go bankrupt, Bloomberg reported. "What happens to AIG has the potential to trigger a cascading set of further failures which cannot be stopped except by extraordinary means," AIG warned, in a none-too-subtle act of implied financial blackmail that ultimately achieved the desired result: an additional multi-billion dollar handout from the federal government a few days later.

Although many Republicans, like Senator McCain, have now discovered the immorality of bailouts since Obama became president, the credibility of the GOP was fatally compromised during the waning months of the Bush administration. That was when they approved numerous bailouts of their own, all the while openly attacking and ridiculing those of us who, like this publication, warned that bailouts were not only unconstitutional, but also would fail to salvage bankrupt corporations, and would encourage the kind of brazen behavior AIG has indulged in. At some point, of course, AIG and many other financial institutions will go under, and the consequences will indeed be catastrophic. But they will have been made so much the worse by the trillions of dollars fleeced from hapless American taxpayers in a vain and cynical gesture to postpone the evil day.

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