

## Taxpayers wind up making \$22B off AIG

BY RICK ROTHACKER  
AND JOCHELLE  
MENDONCA  
Reuters

The U.S. Treasury's sale of its remaining stake in American International Group Inc. will fetch \$7.6 billion, bringing the government a total profit of \$22.7 billion from its bailout of the insurer in the financial crisis four years ago.

The share offering will close the book on one of the most politically contentious rescues of 2008, which ultimately gave AIG as much as \$182 billion of government support.

At one point, the government estimated that it would never recover all of the bailout money, but as AIG restructured and returned to viability, it was able to repay the entire rescue fund plus generate a profit for taxpayers.

"Thank You — We Did It," AIG Chief Executive Robert Benmosche wrote in a memo to AIG staff Tuesday. "Today warrants a celebration like no other in AIG's history and places well in the past a crisis none of us will ever forget."

AIG said Tuesday that the Treasury agreed to sell 234.2 million shares to investors for \$32.50 apiece.

AIG was rescued just before it would have been forced to file for bankruptcy protection in September 2008 as losses on risky derivatives mounted. It was bailed out as the world's financial system stood at the brink of disaster, shortly after Lehman Brothers filed for bank-



KAREN BLEIER/GETTY-APF PHOTO

The U.S. Treasury has sold its last stake in AIG, which received as much as \$182 billion in government support.

### Others still owe

The latest estimate has the Troubled Asset Relief Program ultimately costing taxpayers \$60 billion.

Among the companies still paying back the government are:

- General Motors.
- Auto lender Ally Financial.
- A series of small banks.

Timothy Geithner's resignation after it was revealed that AIG paid \$165 million in retention bonuses to employees of the derivatives unit that has been blamed for the company's financial distress.

It prompted Republican Sen. Chuck Grassley to call for AIG executives to resign or commit suicide, though the Iowa lawmaker eventually backtracked from those comments.

Since 2008, AIG has been selling assets to pay back the government. On Monday, it announced the sale of its aircraft leasing

expect to have in the long term," Sandler O'Neill analyst Paul Newsome said.

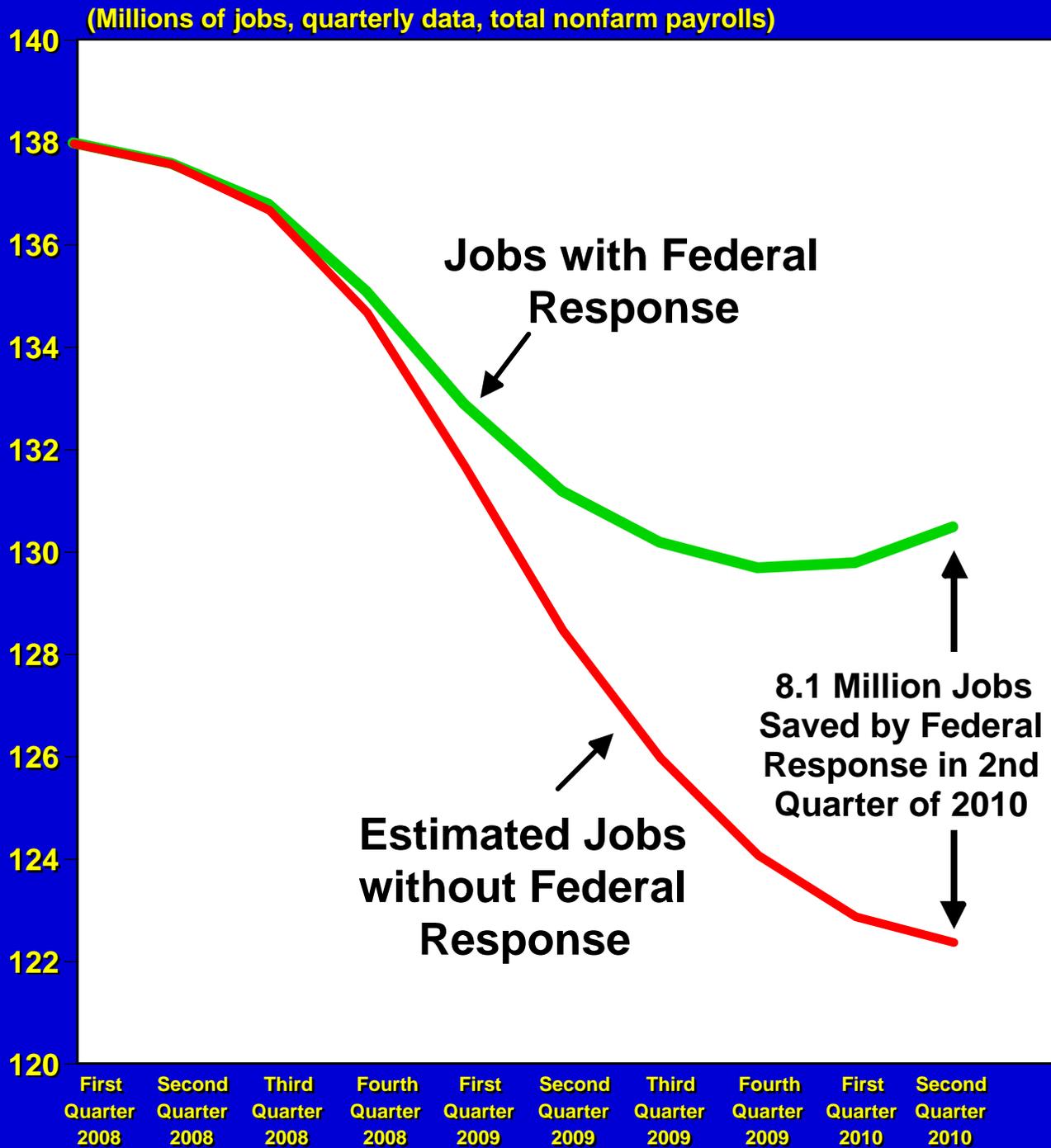
The company, which consists of its core U.S. life, global property and casualty and U.S. mortgage insurance units, will now have to focus on turning around earnings at the property and casualty business, formerly known as Chartis.

Benmosche, the former CEO of MetLife, took over as CEO of AIG in August 2009, replacing Edward Liddy, who had been installed by the government. He will ultimately get the lion's share of the credit for turning the company around and preventing a fire sale of its assets.

Benmosche salvaged some of the company's businesses, defended the company's employees against their detractors and figured out a path forward that would let the company both repay the government and stay in business.

The sale closes out AIG's bailout, although other

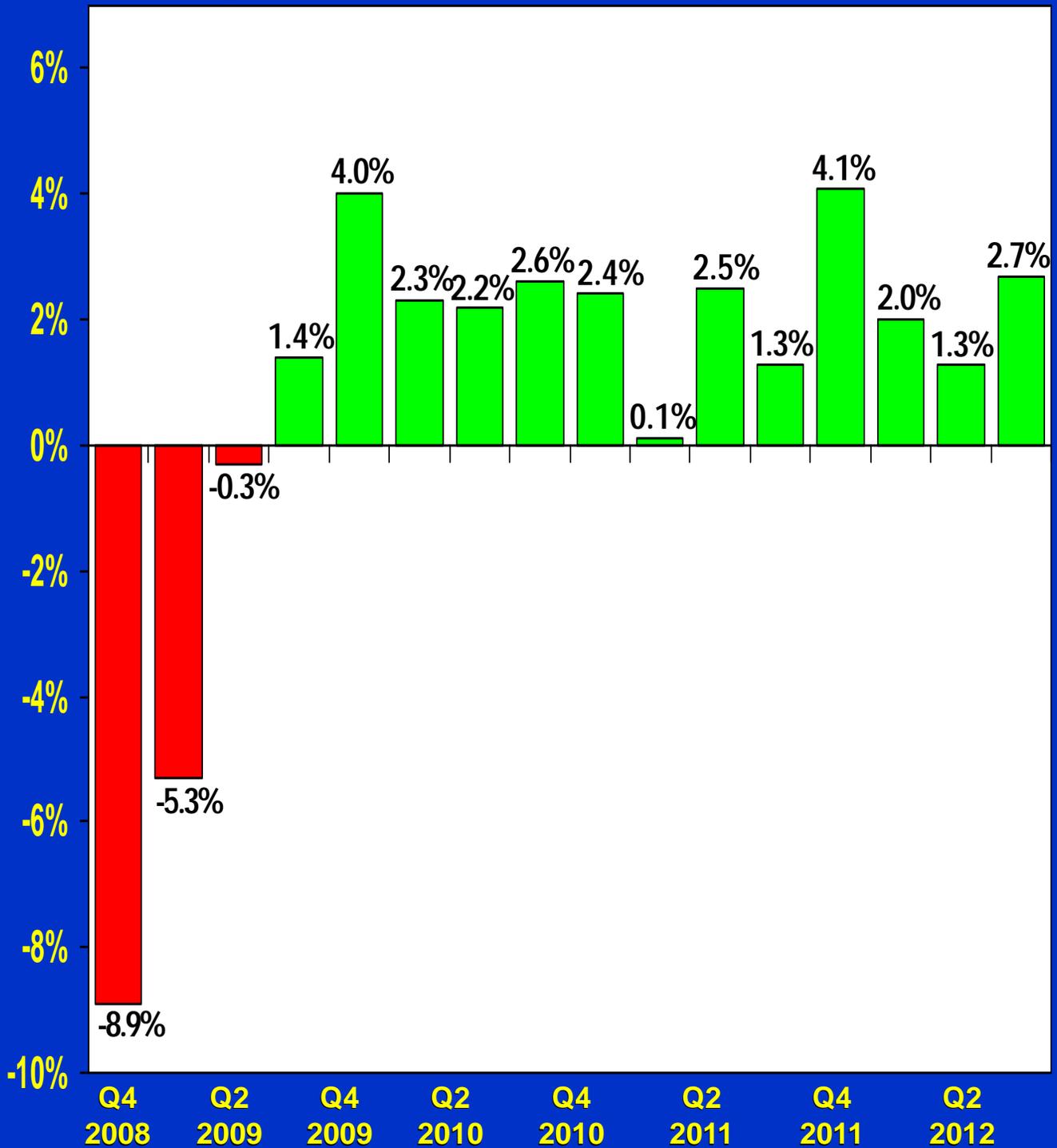
# Jobs Picture: With and Without Federal Response to Financial Crisis and Recession



Sources: U.S. Department of Labor; Alan S. Blinder and Mark Zandi, *How the Great Recession Was Brought to an End*, July 27, 2010

# Economic Performance

(Percent growth of real GDP, annualized rate)



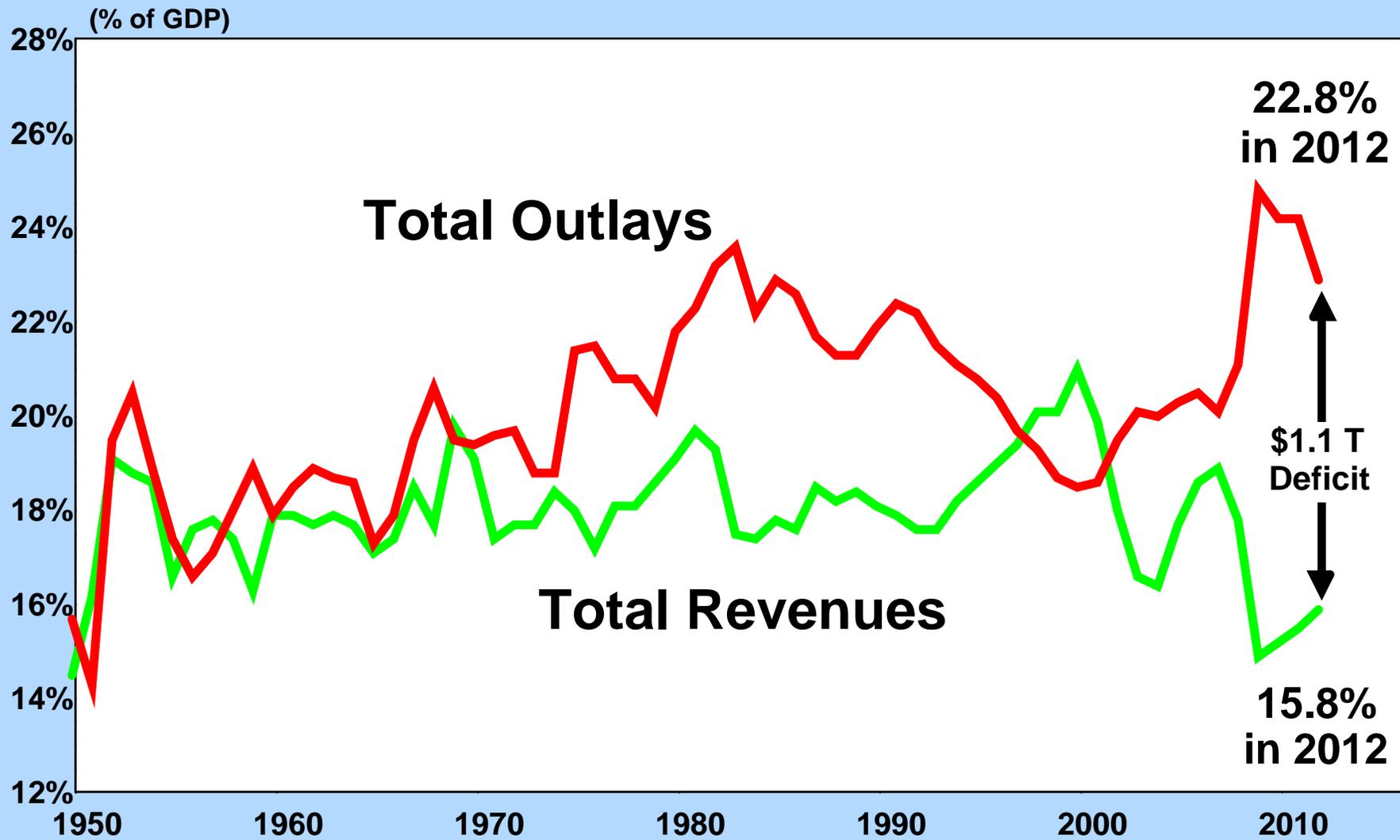
Source: Bureau of Economic Analysis, U.S. Department of Commerce

# U.S. Is Borrowing 31 Cents of Every Dollar It Spends

**BORROWED**

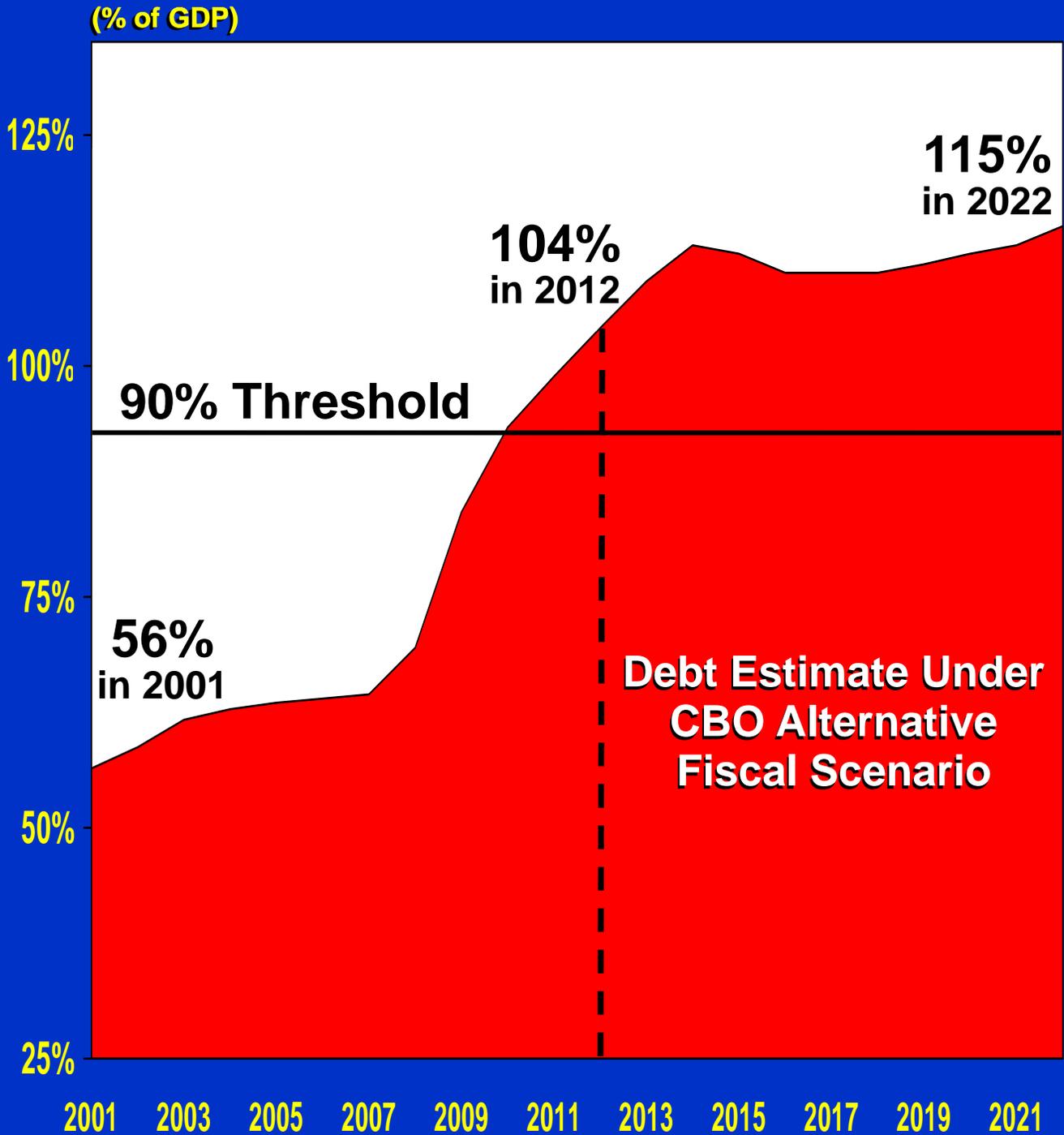


# Spending and Revenues



Sources: OMB, CBO

# Gross Debt as % of GDP Under CBO Alternative Fiscal Scenario



Sources: CBO and SBC

Note: CBO's August 2012 baseline, adjusted to reflect its alternative fiscal scenario: extension of 2001 and 2003 tax cuts, tax extenders, AMT reform, SGR reform, and reversal of automatic spending reductions required by Budget Control Act.

# The Washington Post

WEDNESDAY, NOVEMBER 14, 2012

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## Obama makes opening bid on taxes

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In debt talks, he'll seek \$1.6 trillion more from corporations, the rich

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BY ZACHARY A. GOLDFARB  
AND LORI MONTGOMERY

President Obama is taking a hard line with congressional Republicans heading into negotiations over the year-end fiscal cliff, making no opening concessions and calling for far more in new taxes than Republicans have so far been willing to consider.

Obama plans to open talks using his most recent budget proposal, which sought to raise taxes on corporations and the wealthy by \$1.6 trillion over the next decade, White House press secretary Jay Carney said Tuesday. That's double the sum that House Speaker John A. Boehner (R-Ohio) offered Obama during secret debt negotiations in 2011.

Obama has been pressing to let the George W. Bush-era tax cuts expire at the end of the year for the wealthiest 2 percent of the nation's households, a tax hike adamantly opposed by Republicans. But Carney suggested that

even the revenue generated by letting those tax cuts end would not be enough to tame the national debt and reenergize the economy.

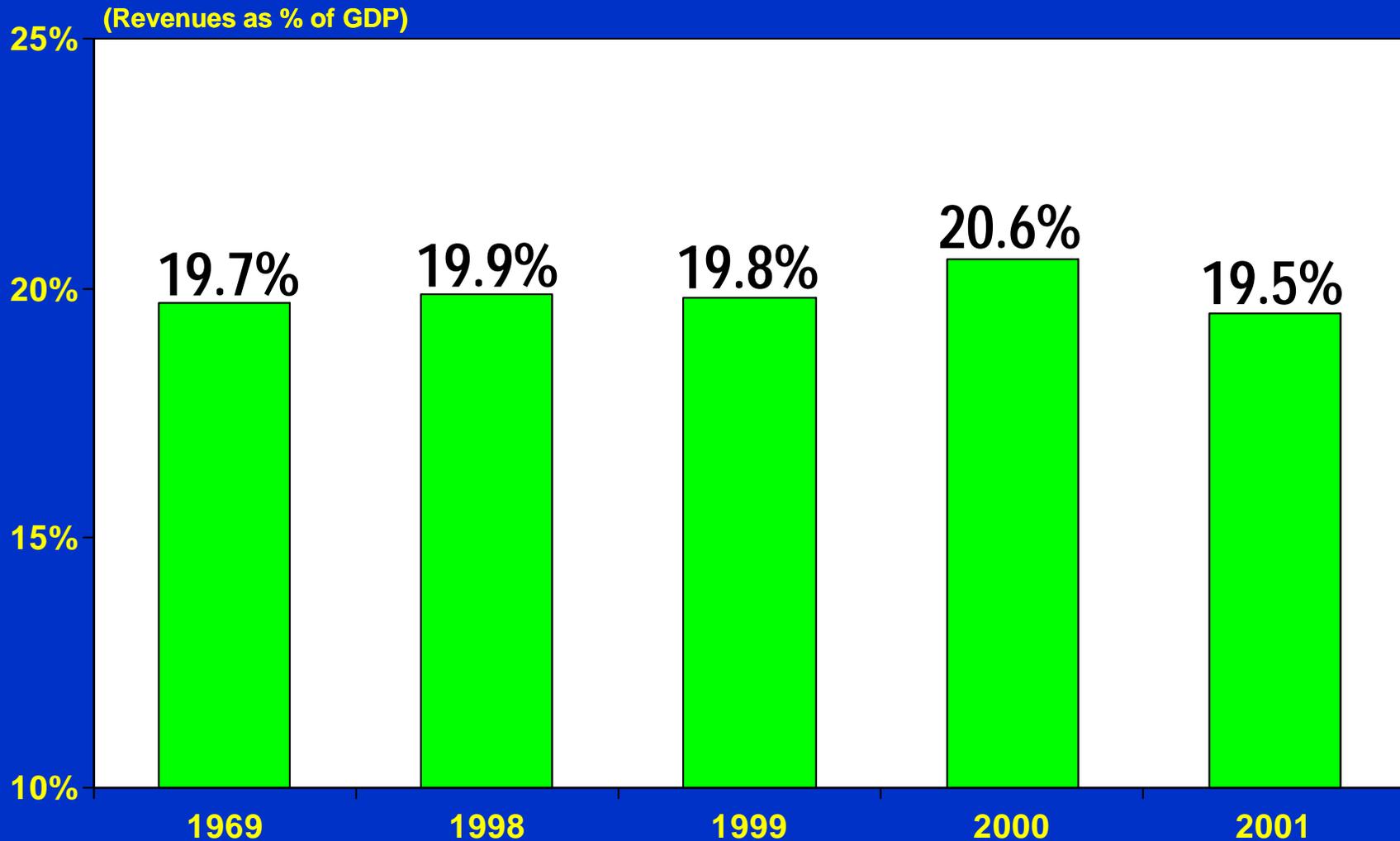
Meanwhile, Treasury Secretary Timothy J. Geithner and other senior Democrats on Tuesday said Obama would not be willing to maintain the Bush tax rates in exchange for a cap on deductions for households earning more than \$250,000 a year, a leading Republican alternative.

"I don't see how you do this without higher rates. I don't

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TAXES CONTINUED ON A8

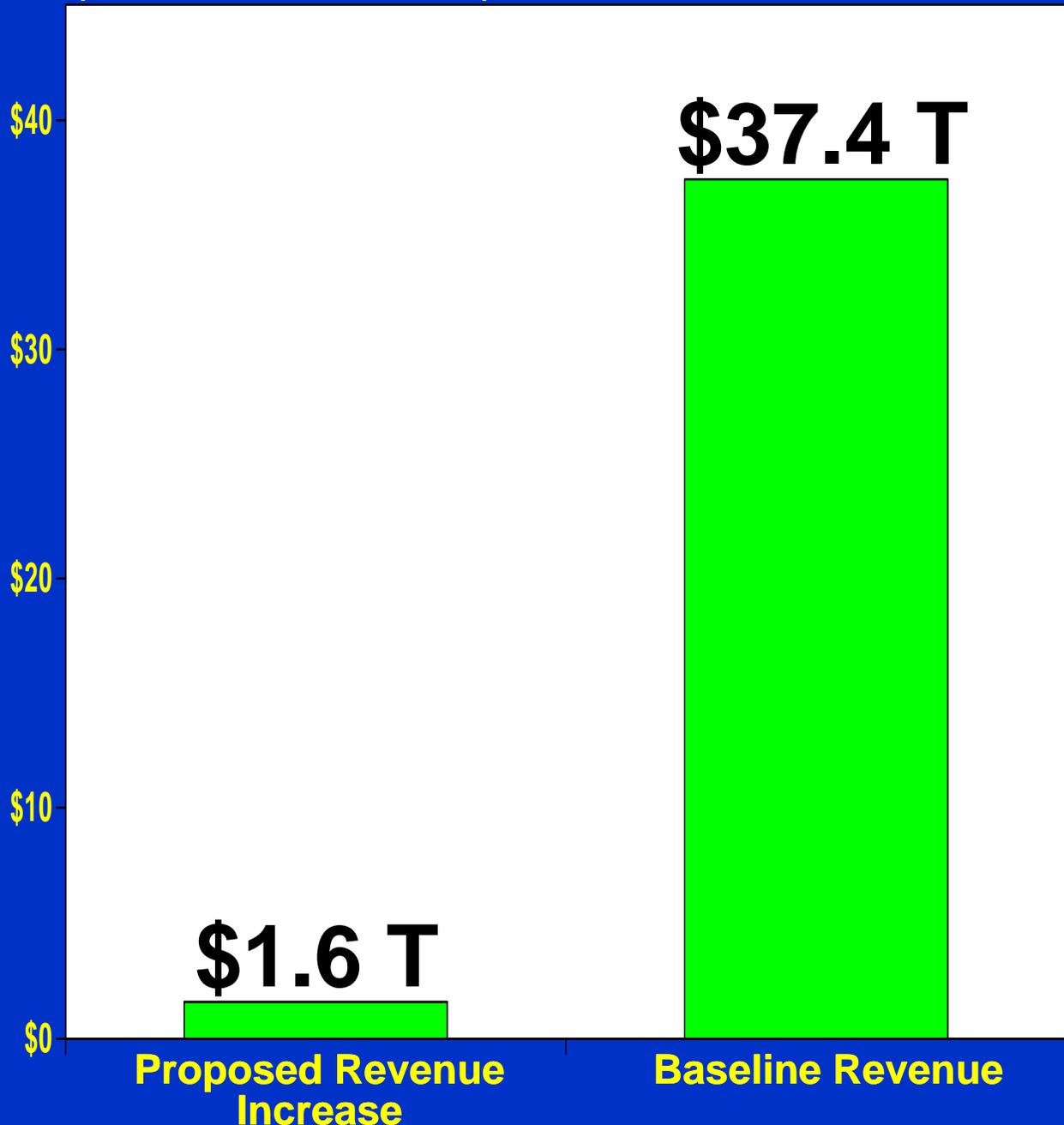
# Last Five Times Budget in Surplus, Revenues Near 20% of GDP



Source: OMB

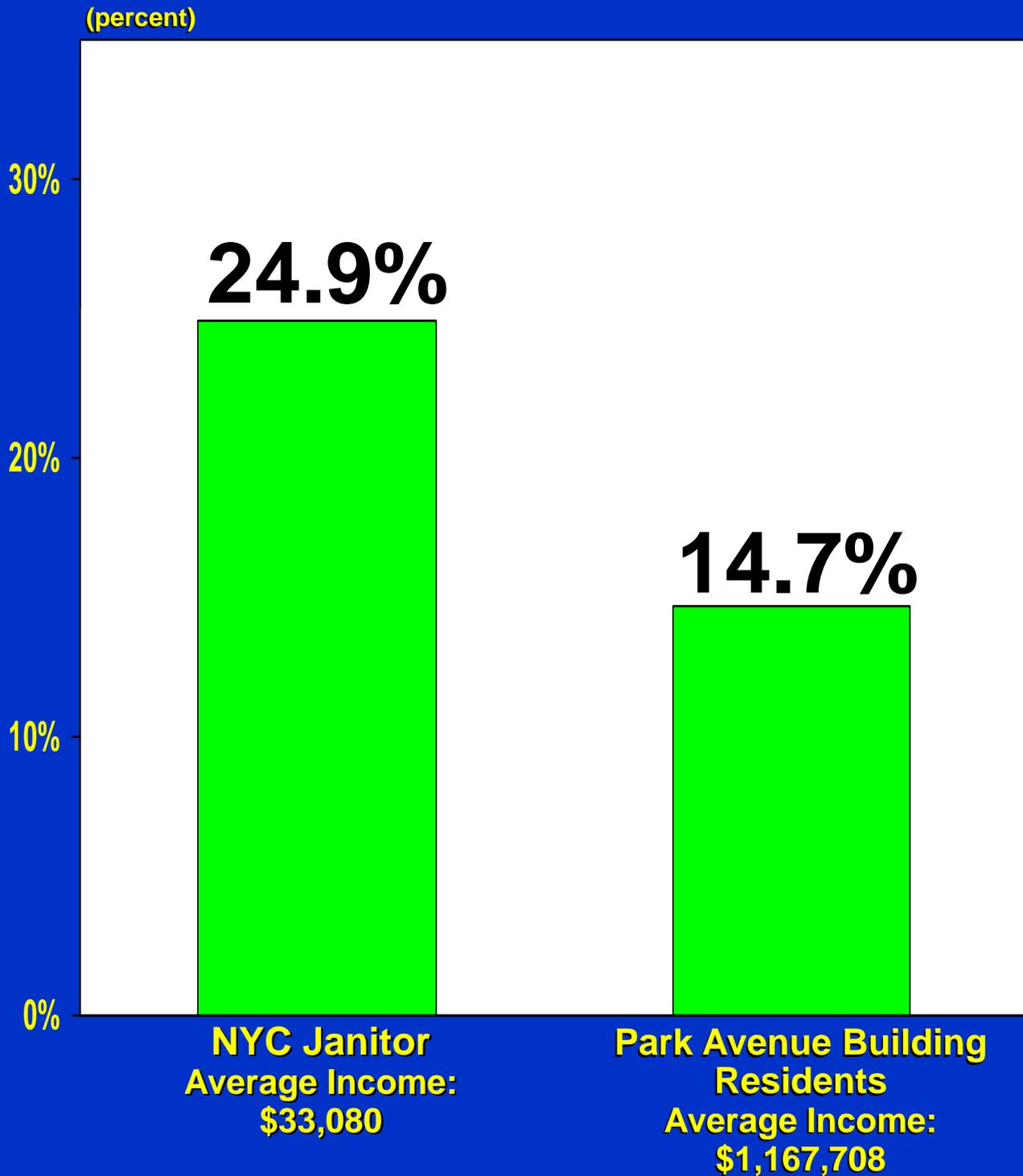
# Additional Revenue Increases 10-Year Revenue Collection by 4.3%

(\$ in trillions, FY 2013-2022)



Note: Revenue savings calculated relative to current policy which extends 2001, 2003 and certain 2009 tax policies as well as AMT relief.

# Effective Tax Rate of NYC Janitor vs. Park Avenue Building Residents



Source: IRS

Note: As cited in Tax Notes, by Martin Sullivan, February 22, 2011.

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WSJ.com

## GOP Takes Aim at Entitlements

*Senate Minority Leader Calls for Bipartisan Support of Changes to Medicare, Social Security to Get Deal*

BY NAFTALI BENDAVID  
AND JANET HOOK

Senate Minority Leader Mitch McConnell outlined potential changes to Medicare and Social Security in an interview Friday, providing fresh clarity on how Republicans would cut costs of the federal entitlement programs.

Mr. McConnell (R., Ky.) said bipartisan agreement on higher Medicare premiums for the wealthy, an increase in the Medicare eligibility age and slowing cost-of-living increases for Social Security could move both parties closer to a budget deal

that averts the so-called fiscal cliff, the combination of spending cuts and tax increases that start in early January unless Washington acts.

In return for the support of Democrats, he said, Republicans would agree to include more tax revenue in a budget deal, though not from higher rates.

"Those are the kinds of things that would get Republicans interested in new revenue," Mr. McConnell said.

Democrats played down Mr. McConnell's comments and framed the debate from their own point of view: If Republicans instead agreed to raise in-

**'[Timothy Geithner] noticed that I laughed.... That pretty well summed up my view of what he was saying.'**

**MITCH MCCONNELL (R.)** Senate minority leader

**'Everybody knows that we have to have cuts, we have to have growth, and we have to have revenue. So why are we stalling?'**

**NANCY PELOSI (D.)** House minority leader

come-tax rates for high earners, a deal to avoid the fiscal cliff could be quickly reached.

House Minority Leader Nancy Pelosi (D., Calif.) said there was "nothing new" in Mr. McConnell's comments. A senior administration official said the White House would make no

new offers until Republicans changed their opposition to raising top tax rates.

Democrats said they were still awaiting a formal GOP proposal. "Republicans are still choosing not to put forward an actual offer, and we can't respond to an interview," said Adam Jentleson,

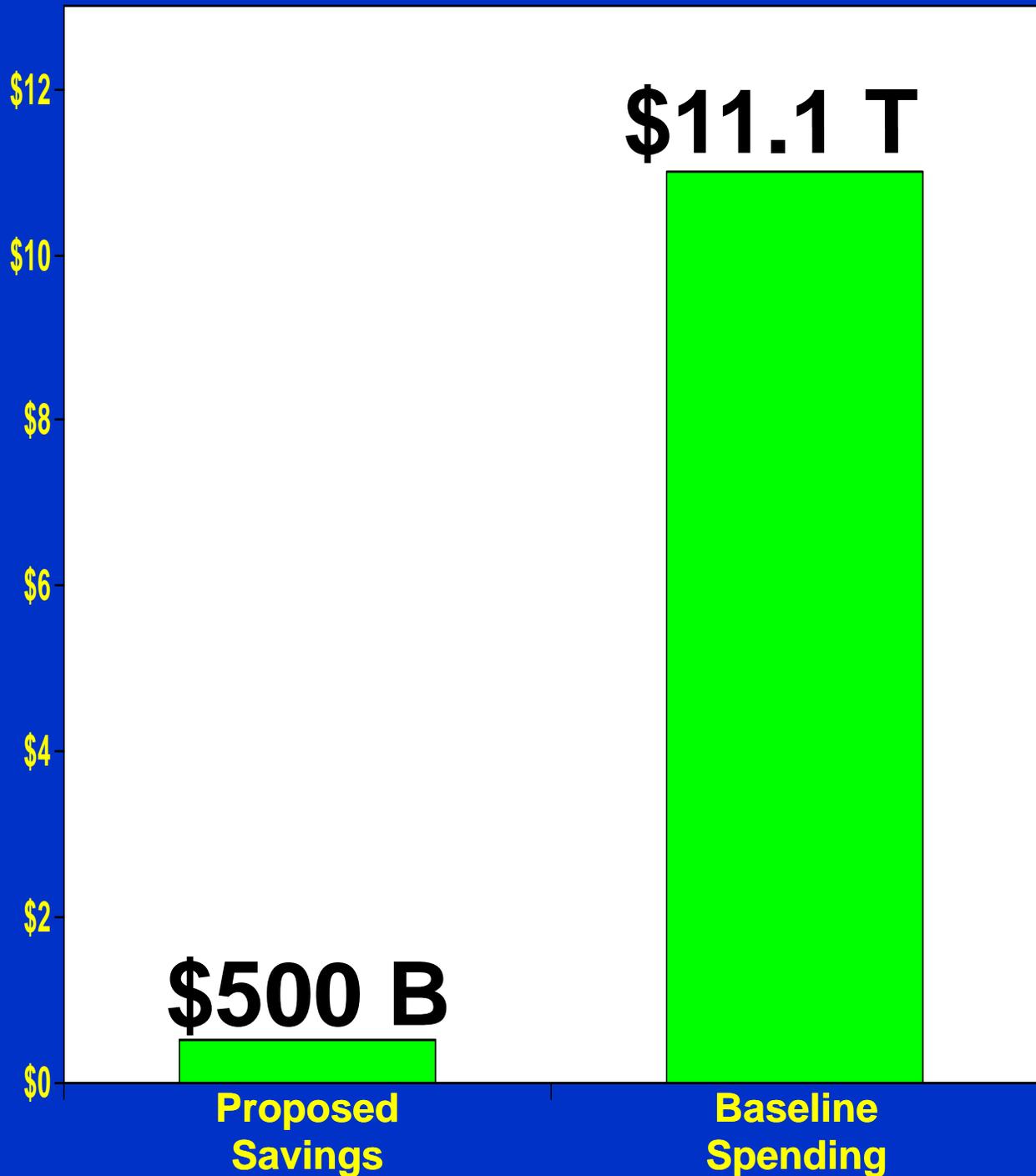
spokesman for Senate Majority Leader Harry Reid (D., Nev.).

Mr. McConnell's cost-saving suggestions, however, mark a clear enumeration of the com-

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# Health Savings Represent 4.5% of 10-Year Health Spending

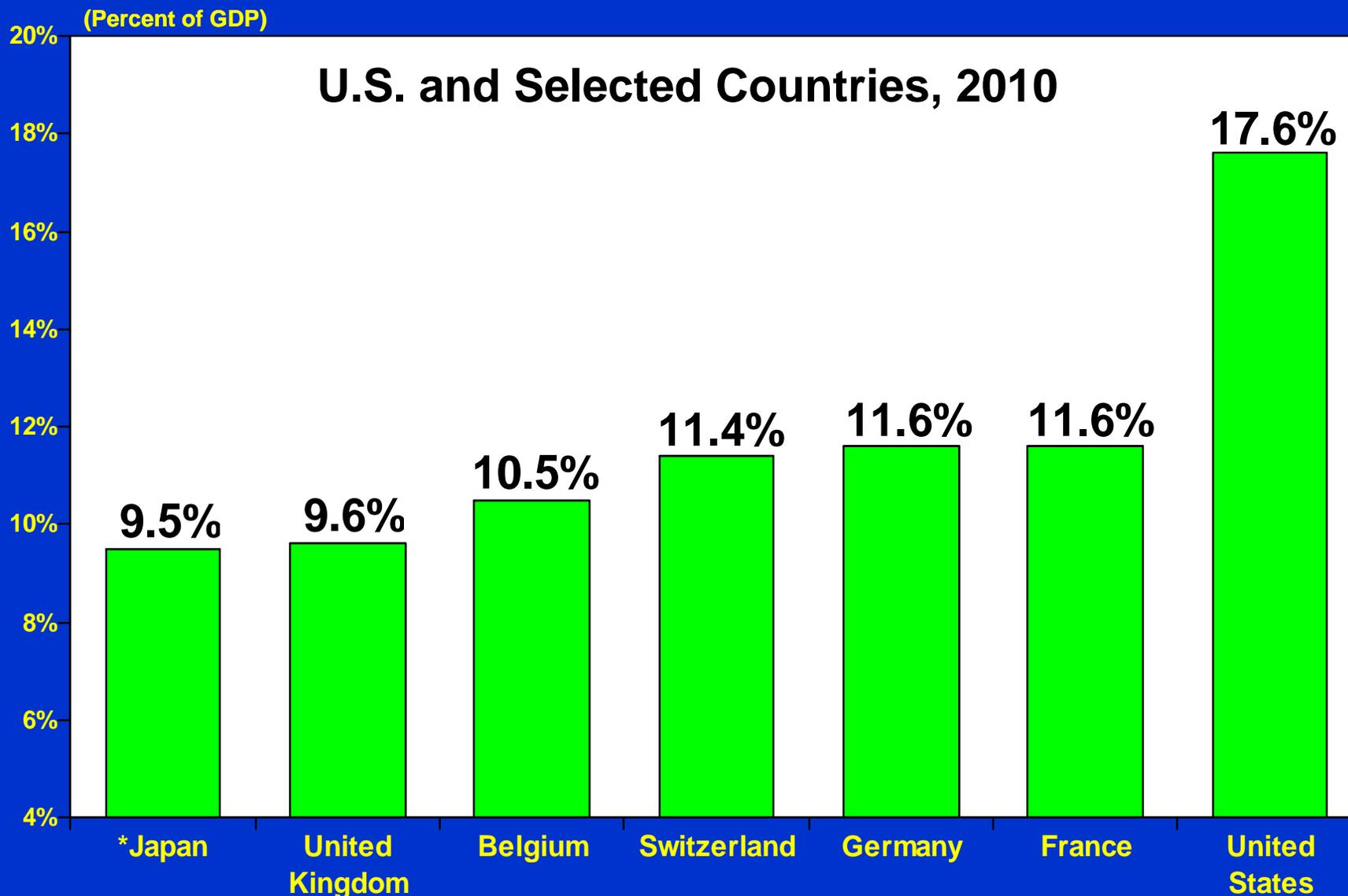
(\$ in trillions, FY 2013-2022)



Source: SBC, CBO

Note: Savings calculated relative to a current policy baseline for Medicare and Medicaid that includes a permanent freeze in the SGR.

# Health Expenditures as Share of GDP

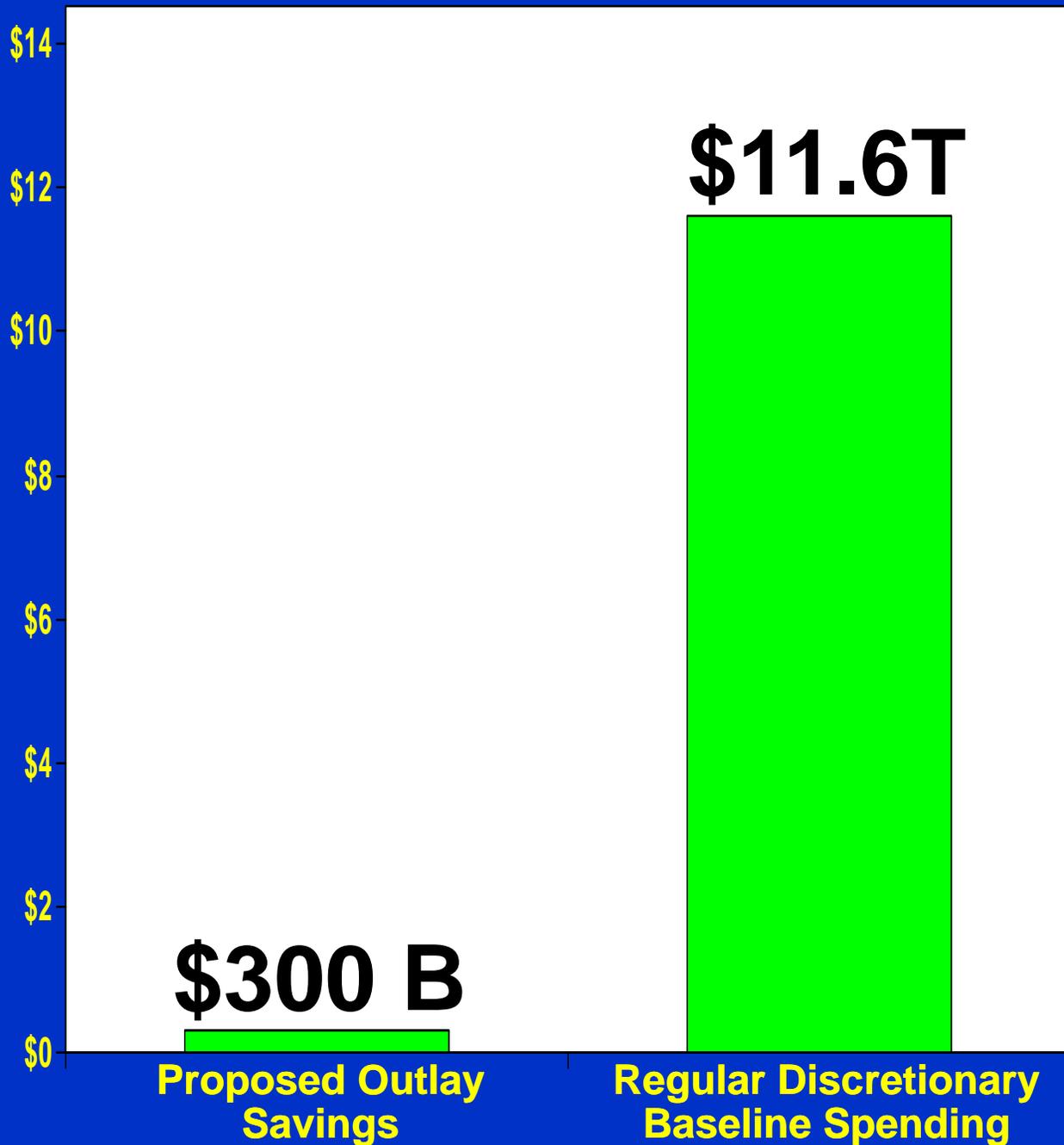


\*Japan data for 2009, latest year available.

Source: Organization for Economic Co-operation and Development

# Discretionary Savings Represent 2.6% of 10-Year Discretionary Spending

(\$ in trillions in outlays, FY 2013-2022)

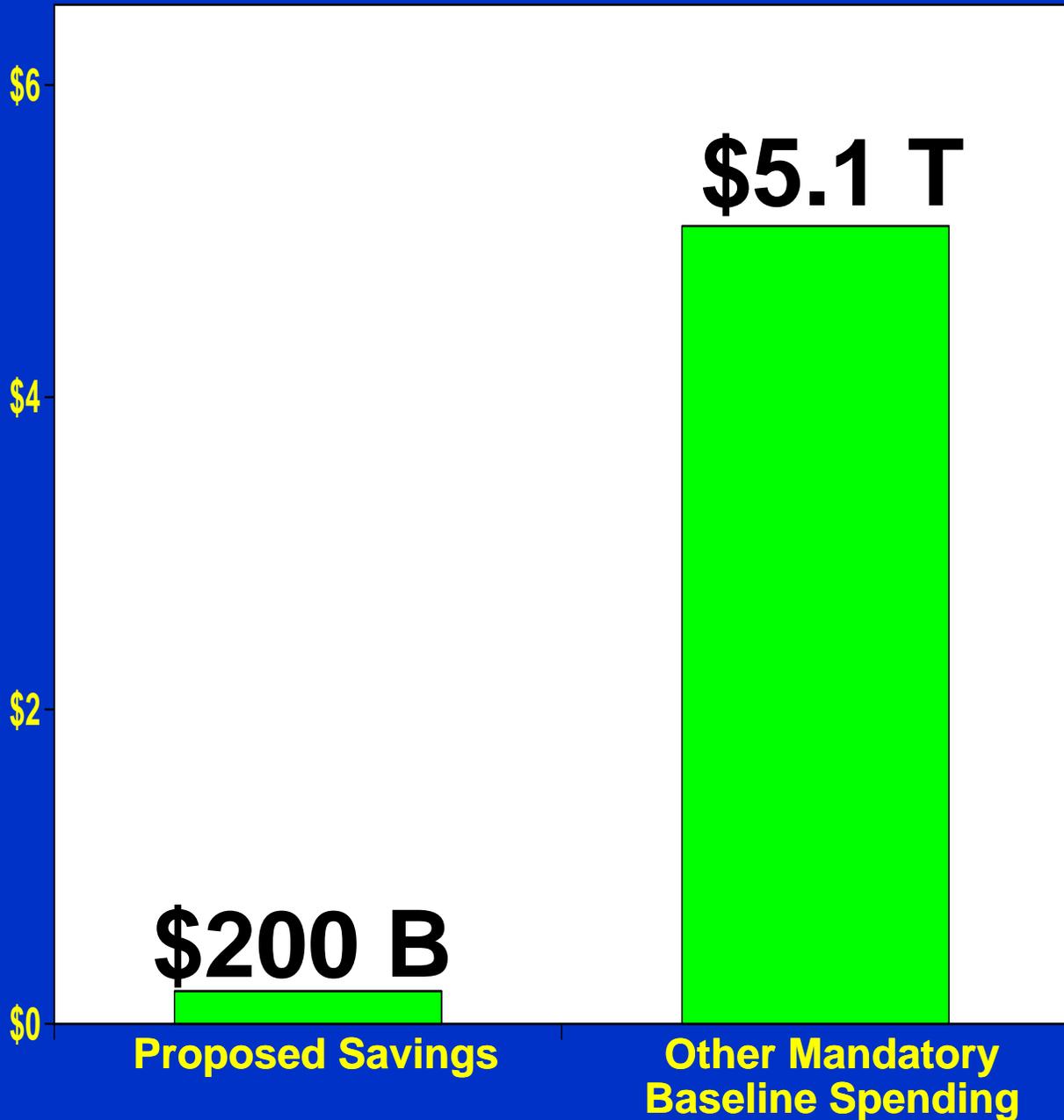


Source: SBC, CBO

Note: Discretionary spending savings calculated relative to caps established by the Budget Control Act.

# Other Mandatory Savings Represent 4% of 10-Year Other Mandatory Spending

(\$ in trillions in outlays, FY 2013-2022)



Source: SBC, CBO

Note: Other mandatory include spending on mandatory programs other than in Social Security and health. Spending savings are calculated relative to a current policy baseline that adjusts to both include the cost of extending certain refundable tax relief and to exclude the savings from implementing the JSC sequester.

# Already-Enacted Savings Exceed \$1 Trillion

## Other Mandatory Savings

**\$129 B**

<u>Policy</u>	<u>Savings</u>
Student Loans	\$24 B
Federal Employees	\$16 B
Spectrum	\$15 B
PBGC Premiums	\$11 B
GSE Fees	\$36 B
Miscellaneous	\$27 B

## Discretionary Savings in Budget Control Act

**\$900 B**

Source: CBO

Note: The \$129 billion in savings enacted this Congress were used as offsets/pay fors for other policies.

# Compromise Budget Plan

<b>Revenue</b>		<b>\$1,600 B</b>
<b>Spending</b>		
Defense	\$200 B	
Nondefense	\$100 B	
Health	\$500 B	
Other Mandatory	\$200 B	
Interest	<u>\$400 B</u>	
Subtotal	\$1,400 B	
Already Enacted Spending Cuts	<u>\$1,050 B</u>	
Subtotal		<u>\$2,450 B</u>
<b>Total Savings</b>		<b>\$4,050 B</b>
Less: UI/Payroll Tax (w/Interest)		<u>-\$200 B</u>
<b>Net Savings</b>		<b>\$3,850 B</b>

Note: FY 2013 - 2022 savings measured relative to a current policy baseline that extends 2001, 2003, and certain 2009 tax relief; estate tax at 2012 parameters; provides AMT and SGR relief, substitutes in realistic war costs; and reverses the JSC sequester.



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# THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM

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The Moment of Truth

DECEMBER 2010

