AIG, The Twenty First Century's Benchmark in Corruption

As part of American history, at one time, children learned about the significant benchmarks of unprecedented bribery and scandal in government.

The first came under the Grant administration (1869 to 1877) just after the civil war where the postwar era was marked by widespread political corruption. The infamous Tweed Ring of New York City set the standard for urban corruption. In 1869, speculators Jim Fisk and Jay Gould attempted to corner the nation's gold market using the help of Grant's brother-in-law, who had pledged to prevent the president from acting to ruin the scheme. The scheme fell through when Grant realized the damage it could have on the country and ordered the immediate sale of $4 million worth of government gold. The price plummeted. Thousands of people suffered financial losses.

The Teapot Dome Scandal was the next segnificant and unprecedented bribery scandal in government during the administration of President Warren G. Harding (1921–1923). Teapot Dome is on an oil field on public land in Wyoming, so named for Teapot Rock, an outcrop resembling a teapot south of the field. The petroleum reserves had been set aside for the Navy by President Taft. In 1922, Albert B. Fall, U.S. Secretary of the Interior, leased, without competitive bidding, the Teapot Dome fields to Harry F. Sinclair of Sinclair Oil, and the field at Elk Hills, California, to Edward L. Doheny. Senate investigations subsequently showed that Doheny had lent Fall $100,000, interest-free, and that upon Fall's retirement as Secretary of the Interior, in March 1923, Sinclair also lent him a large amount of money. The investigation led to criminal prosecutions.

And now we come to our benchmark in corruption the AIG scandal. The question that needs to be asked is why is AIG's counterparties getting paid back in full, to the tune of tens of billions of taxpayer dollars?

The investigation into what happened here has not started, but when it does it should rival the Fisk Gould and Tea Pot Dome scandals. Investigation will show that Goldman Sachs, a beneficiary of the action, was intertwined in the decisions that led to the payback.

The original decision to save AIG was made by then Treasury Secretary Henry Paulson, then-New York Fed official Timothy Geithner, Goldman Sachs CEO Lloyd Blankfein, and Fed Chairman Ben Bernanke. They feared that if AIG failed it could trigger the collapse of AIG's trading partners and the subsequent financial system. Who were AIG's trading partners? Goldman Sachs, Bank of America, Merrill Lynch, UBS, JP Morgan Chase, Morgan Stanley, Deutsche Bank, Barclays, and on it goes. In the end the AIG bailout has been a way to hide an enormous second round of cash to the same group that had received TARP money already. Is it any wonder that within a year they were able to return all the TARP money?

What started out under the Bush administration is continuing under the Obama administration. Adam Storch, a Goldman Sachs VP, has been made Chief Operating Officer (COO) of SEC Enforcement". Other high level financial positions held in the

Obama administration by former Goldman Sachs executives are Neel Kashkari, heading the TARP bailout; Mark Patterson, Chief of Staff for Treasury Secretary Timothy Geithner; Gary Gensler, top executive at the Commodity Futures Trading Commission; and finally Goldman has its top lobbyist, Michael Paese, Rep. Barney Frank's top aide, who is the chair of the House Financial Services Committee.

Treasury Secretary Henry Paulson, a former head of Goldman Sachs, and New York Fed chief Timothy Geithner, who served under Bob Rubin in the Clinton White House. Running Obama's economic team are a still-employed Citigroup executive and the son of another Citigroup executive, who himself joined Obama's transition team that same month. Geithner, in other words, is hired to head the U.S. Treasury by an executive from Citigroup.

What we see here is once again the same insiders protecting themselves against sharing the pain and risk of their own bad adventure at the taxpayer expense. The real scandal and corruption of AIG is that decisions were made by the same people that had a vested interest in the bailout. Ethics would have forced them to recuse themselves from the decicion process. Had AIG gone into chapter 11 bankruptcy or been liquidated, as it would have without government aid, the same financial companies would have lost billions of dollars.

The explanation for the government's actions can only support one interpretation that the people were taken by the financiers and their cronies and in doing so generously assisted the financial firms in a way it hoped would not be widely noticed or understood.