

Rep. Peter Welch called on Goldman Sachs Wednesday to repay taxpayers the \$12.9 billion it received through American International Group (AIG) before it awards bonuses to employees this year.

Welch sounded the call during a Committee on Oversight and Government Reform hearing featuring Kenneth Feinberg, the Special Master for Troubled Asset Relief Program (TARP) Executive Compensation. Welch also wrote Goldman CEO Lloyd Blankfein on Wednesday expressing indignation that the firm would award \$23 billion in bonuses subsidized with taxpayer money.

“The point of the bailout was to avert the collapse of the financial system, not to advantage any individual firm,” Welch and several other House members wrote in the letter to Blankfein. “Now that Goldman is again prospering, we ask the question: Should taxpayers be repaid the \$12.9 billion before bonuses are distributed to Goldman employees? We believe they should.

While Goldman Sachs has since paid back the \$10 billion it received in direct TARP assistance, it benefited from several other forms of emergency government support. Chief among them was the \$12.9 billion in counterparty payments AIG paid Goldman using \$170 billion in bailout funds.

In his letter and testimony, Welch argued that Goldman’s return to record profits would not have been possible without taxpayer support – and that Goldman’s employees ought not to be the only ones reaping the benefits.

“Goldman Sachs is good at what it does, but its profits this year, as we know, were supplemented by the generous financial support of American taxpayers,” Welch wrote.

Copied below is Welch’s letter to Blankfein.

October 28, 2009

Mr. Lloyd C. Blankfein  
Chief Executive Officer  
Goldman Sachs  
85 Broad Street  
New York, NY 10004

Dear Mr. Blankfein,

We understand Goldman Sachs is expected to award its employees \$23 billion in bonuses this year, assuming its record profits continue. Goldman Sachs is good at what it does, but its profits this year, as we know, were supplemented by the generous financial support of American taxpayers.

In particular, Goldman Sachs benefited from a taxpayer payment of \$12.9 billion from AIG on credit default swaps, insurance lending, and other contractual obligations between the two firms. AIG's payment to Goldman-Sachs was, in fact, a taxpayer payment.

The point of the bailout was to avert the collapse of the financial system, not to advantage any individual firm. However, Goldman Sachs is clearly a collateral beneficiary of the bailout. Absent the taxpayer funds, Goldman Sachs would have had to pursue its legal remedies against AIG in court alongside other creditors to recover its investment.

Now that Goldman is again prospering, we ask the question:

Should taxpayers be repaid the \$12.9 billion before bonuses are distributed to Goldman employees?

We believe they should. We therefore urge Goldman Sachs to repay taxpayers the \$12.9 billion it received from them through AIG.

Sincerely,

PETER WELCH  
Member of Congress