

AIG loan may affect local taxpayers

By Meredith Thorn

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STEVENS POINT — The average taxpayer may have a stake in the recent developments for AIG.

The \$85 billion loan from the federal government is being paid for by the American taxpayer and is adding to the level of the country's debt, said Randy Cray, director of the Central Wisconsin Economic Research Bureau at the University of Wisconsin-Stevens Point.

"The essence of it is the American taxpayer is bailing out a private company," Cray said. "It's really sad that we've gotten into this kind of predicament."

The federal government took control of 79.9 percent of AIG after the company received \$85 billion to prevent it from collapse, CNN reports. AIG will have to sell parts of its businesses to pay back the government, but Cray said only AIG and the federal government know what will be sold. If the government had taken on more than 80 percent of the company, Cray said AIG's liabilities would be the responsibility of the government.

Dan McGinnity, spokesman for AIG Travel Guard, said this was a positive development for policy holders and that it has no impact on the company's day-to-day operations. He said no decisions have been made with regard to what will be sold.

He continued to emphasize AIG Travel Guard's policies are underwritten by member companies of AIG Commercial Insurance, which he said have substantial capital independent of its parent company.

Cray said the rationale for this decision was AIG's size and its importance to the U.S. economy, and to some extent the world economy. If AIG were to collapse, it may have triggered a severe recession in the country and possibly a depression, he said.

Cray said the government loan to AIG could mean higher tax rates and have an impact on inflation. He said money in commercial banks should be safe and bank deposits are insured by the FDIC. Impact on an individual 401(k) account is on a case-by-case basis.

Steven Bandy, a financial adviser at Wachovia Securities in Stevens Point, said a lot of people worry about volatility, but an investor's main concern should be preservation of their capital in the long term.

"Unfortunately, this contributes to a precedence that's already been set by the government," Cray said. "I think you're going to see more companies go to Washington, asking for a taxpayer-financed bailout."