

## Do Bonuses Really Provide The Right Incentives?

I agree with the public outcry about the bonuses paid to AIG executives who failed not only their company but created an enormous problem that we taxpayers are digging out of now.

Like most things, though, let's not confuse the proper and effective use of bonuses and other incentives with the mess promulgated by the so-called "brainiacs" at AIG.

I encourage you to study what happened at AIG. You'll definitely understand what not to do in terms of structuring a bonus program.

Mark Toma posted an insightful article about how the AIG bonuses don't hold up to scrutiny. The article, titled "Kick Them Out!" is written by James Kwak and Simon Johnson.

Read it here:

<http://economistsview.typepad.com/economistsview/2009/03/kick-them-out.html>

And tell me your thoughts!