

The Rich Get Richer; Much, Much Richer

The subjects of caps on earnings and recovery in lawsuits is popular. There are caps on some professional athletes, but certainly not on baseball players. There are caps on Social Security payments, and those payments may be lowered, especially for the new generation of workers. There are those who want to impose caps on those who recover money due to negligence.

One place where there are no caps is on the salaries, benefits, stock options, and retirement packages of America's chief executive officers.

The New York Times, in a multi-page exposé published Sunday, April 3, 2005, examined the tip of the iceberg. *The Times* did not look at the total value of stock options and other non-financial benefits, but found that oftentimes there is little connection between pay, pension benefits, and performance of the CEO.

We have come to accept, in this country, that the big cheese at Oracle could be paid \$706 million in 2001, while the unsuccessful CEO at Walt Disney could be paid \$203 million in 2003. Executive pay of those who run the top 200 companies in America is an embarrassment of riches not enjoyed by any of the employees of those companies, and which certainly does not benefit the overall progress of the American economy.

The Chief Executive of Abbott Labs, for example, in 2004, had a base salary of \$1.6 million, a bonus of \$2.7 million, restricted stock and long-term incentives of \$2.4 million, adding up to a total direct compensation package of \$6.8 million. With an option grant value, total compensation for Mr. White was over \$10.5 million. Mr. White's company did well, and that is said to justify his uncapped pay.

Michael R. Splinter, of Applied Materials, received a total package worth approximately \$16 million, while his company's performance showed a -31 percent total shareholder return.

The Who's Who of paychecks shows no particular relationship between company performance and pay. The money chief executives receive is not limited to the value of stock and cold cash, however. Most of the CEO's in America receive the use of corporate jets, memberships and country clubs, and other perks that may go on for life.

Interestingly, most of the executives retire young.

In a list of 20 CEO's, the oldest retired at age 66, and the youngest at age 49. Lewis Hay, III, at the FPL Group, was the lucky 49-year-old who had been in his company for five years and was CEO for only three years. His annual retirement benefit is \$2.4 million per year. He is one of the low paid retirees.

The amount of money and benefits the CEO's and top management receive are buried in proxy statements and is basically subject to review of no one. Aside from an occasional exposé, op-ed pieces, newspaper articles, and economists do not take in the effect or value of these fantastic "golden parachutes" utilized by America's corporate tycoons.

In the 1890's and early 1900's it used to upset Americans to think that so few people made so much money off the backs of exploited working people. Today we do not have that problem. We vote for people who guarantee to the wealthy, even more wealth. Our leadership talks to us about "values," but whose values are they talking about? Some people, unfortunately, are fooled into thinking that if they vote for a social conservative, they will receive an economic conservative. Not so. The biggest social conservatives have turned out to be the most profligate in terms of spending, trade deficits, and an insult of riches to those who need it the least. How is it that we so easily sell ourselves out to the rich and powerful, when we have a right to vote for a more responsible leadership? The great economist, John Kenneth Galbraith, knew the answer. Galbraith wrote that demand was created by advertising. Madison Avenue public relations firms tell us who to vote for by creating catchy messages. Most political parties need to raise fantastic sums of money to get their candidates elected. Where is that money going to come from? As Senator John McCain and others in Congress well understand, the money to get people elected comes from those who we used to regulate. No politician is going to regulate those who put them in office.

The scandal of politics and money has robbed us of the democracy promised to us by our Founding Fathers. Many of the Founders of this country thought that political leaders should not be paid at all. Washington did not make a penny during the seven or eight years that he led the Continental Army. That could never happen today.

Unless we take an honest look at the relationship between corporate executives and political leadership, we will have created a government run for the rich, by the rich, and voted in by the struggling middle class. A strange anomaly, at best.

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