TODAY'S "SHORT TOPIC"

WIDENING WEALTH GAP! Re: CEO pay, proper action requires proper context!

By Stephen L. Bakke July 19, 2015

Here's what provoked me:

An interesting report on CEO compensation appeared and actually it was quite reasonable. I enjoyed it because some good points were made. But there were also some misleading misrepresentations coming mostly from one "alleged expert."

Here's my response:

Widening Wealth Gap! Re: CEO pay, proper action requires proper context!

David Phelps wrote: "The Widening Wealth Gap–Executive pay levels reach new peak…"-7-19. My comments:

PHELPS REPORTED: "…much of a CEO's compensation is based on stock price…stock incentives jumped 67.5% as company boards followed an emerging national trend to tie pay to performance." **I SAY:** Good! While the report points out huge TOTAL compensation, cash salaries, bonuses, and miscellaneous compensation was only 15% of the total- i.e. NOT dilutive of cash.

PHELPS: Stockholders show increased satisfaction because companies are making strides in transparency. **I SAY**: Important observation!

COMPENSATION: Phelps reports an 18% increase for top Minnesota CEOs in 2014 over 2013. **I SAY**: This would have been more useful if it pointed out that 2013 was almost the lowest year in the last 11, and well below the years 2005–2007.

"EXPERT": He bemoans the decision to permit deductibility of stock options. **I SAY:** That was a conscious decision by legislators to give incentive for making compensation performance related.

"EXPERT": He states "a firm's stock price goes up when the whole market goes up, and that has little to do with performance of an executive." **I SAY**: A major factor in a company's stock price IS its (and the executive's) performance relative to other companies.

THE MISLEADING EXPERT: Lawrence Mishel, president of Economic Policy Institute (EPI), is presented as an objective expert. **I SAY**: You be the judge as to objectivity. The EPI Board includes presidents of: AFLCIO, Steelworkers, SEIU, AFSCME, NEA, UAW, plus other unions and liberal political figures.