

Research exercise essay example

[Business](#), [Company](#)



- Pay Caps Debate: They Don't Go Far Enough.

The article describes executive compensation and argues that changes are not a dangerous intrusion into a corporate boards' authority. Furthermore it argues that large remunerations are not necessary for financial firms to fill executive positions. Firms still have performance based compensation to make up for any salary reduction and there is no cap on total pay. The only firms affected are those with "generally available government programs" and "exceptional assistance". The government is requesting "say on pay" for shareholders and cash restricted shares when money is paid back to the government for both programs. The writer believes that the government is simply trying to ensure the investment in companies financial performance doesn't end in poor consequences for investors. It also aims to improve the long term incentives and performance of firms under its programs. The author recommends that the government use restricted stock and limit how quickly they can be unloaded before they are legislated by the Obama administration.

- Greed is Good

The article gives examples of CEOs that try and justify large salaries in spite of falling profits. The author mentions new powers of shareholders to vote on executives pay and to stop CEOs making more money when the companies are doing badly. He also tries to refute claims that CEO's require large incentives to make companies perform, finding no correlation between pay and performance. Problems with "say on pay" are also mentioned including its non binding power and shareholders propensity for approving pay most of the time particularly in times of profit. The article also mentions the principle

agent problem and that the employer does not really know enough of the employee's role to advise they are not doing the right job in many companies. He puts down many of the problems down to Board of Directors who are often not representing shareholders but are influenced by the CEO. Finally he uses Adam Smith's advice about the problem from the 1700's. He argued about a carrot and a stick. High incentives (carrot) could lead to the best collective outcome but a stick is needed and the fear of being outcompeted. The writer argues that many CEOs get the carrot for good performance but do not get the stick and penalised for bad performance and should be afraid of shareholders for such a poor performance

- Median CEO Pay Rises to \$9. 7 Million in 2012

- Millions by Millions, CEO Pay Goes Up Again

The article lists companies and CEOs that have increased earnings and gained membership into the \$100 million club since 2008. It includes gains from stocks and stock options and a USA today analysis of Standard & Poor 500 Companies that show a median pay increase of salary, bonus, incentive awards, perks and gains from vested shares and share option. The author describes job cuts, stagnant wage growth and shows the difference between ordinary workers and CEOs like Mark Zuckerberg who made 3. 3 billion dollars from Facebook. The writer describes a market that has increased along with stock options. Restricted shares have increased with it meaning that CEOs such as Larry Ellison have received not only 78. 4 million in salary but 151. 4 million in previously awarded stock. The author mentions companies such as the CEO of Occidental Petroleum. Voters used " say on pay" and decided to cut his pension from 159 million to 114 million. He also

mentions further powers of the Securities and Exchange Commission that would disclose pay ratios between CEOs and average workers. He also mentions compensation and executive perks that are often ignored by the mainstream media such as the use of corporate aircraft included in corporate proxies. They are often based on the cost of first-class airline tickets, not the real cost of flying and maintaining jets.

Works Cited

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