

Cutting Executive Pay

Michael Sean Winters | Oct. 22, 2009 NCR Today

The Obama Administration's "Pay Czar" has announced that the government will require several firms that participated in the bailout of the past year to cut the executive compensation for their top corporate executives. You can already hear the howling from the free marketers.

The funniest of the objections to the pay cuts is that these large Wall Street firms need to pay enormous bonuses in order to retain the best employees. Funny, you would think that people who ran their companies into the ditch and needed to turn to the government to bail them out might not be prime candidates for being re-hired. Human nature being what it is, and the effects of original sin being what they are, I suppose someone hired the architect of the FBI building after he designed that ugly blot on Pennsylvania Avenue. Some move directors still hire even when they have proven they can't act their way out of a paper bag. So, maybe this concern is valid but I say let's put it to the test.

Others worry about excessive government interference in the free market. This is a concern that could have been raised before the bailouts. Now, it seems perverse.

The real reason for these excessive pay bonuses is that they are part of the culture of Wall Street. People get paid these large sums because they can. But, that is the same culture that cared not an iota for the life savings of others as they took on risky investments that imperiled those investments, imperiled their companies and imperiled the entire U.S. economy. Anything that changes that culture to make the rewards for greed less extensive is a good thing.

That said, I wish our government was going after this money the old fashioned way, through taxation. As we quibble over the differences between health care plans and the difference is only about \$10 billion per year between a plan that covers most people and the Senate Finance Plan that leaves more than 10 million uninsured the federal Treasury could use the cash. I would rather see the money go to help get insurance for an immigrant family than be given back to stockholders of companies that failed to monitor the actions of their own boards and executive officers. Still, introducing a sense of human fairness into the compensation scales by any means is a good thing.

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