Top Execs at Bailed-Out Firms Made $27 Billion over Past 5 Years

[This is a letter I sent to friends on Sept. 25, 2008, together with a forwarded article (appended below). –S.H.]

Hi everybody,

The article below from the *Business Week* web site says that the top 5 executives at the financial companies that have *already* been bailed out by the government received more than $2 billion in "earnings" from their companies over the past 5 years. (Whether this includes all the stock options and other half-under-the-table perks is unclear.)

The article adds that the "earnings" for the top 5 executives at financial firms in general, which are likely to benefit from the new $700 billion government handout, come to at least $27 billion over the past 5 years.

Too bad the government didn't think to borrow a big chunk of the bailout money from those who have already siphoned off so much! They're the ones with the big bundles!

Question: Why do you think the government is so willing to handout all these billions to big banks and financial corporations?

Answer: Who do you think this government is controlled by? Whose interests do you think it serves?

As far as the fantasies about limiting the compensation of CEO's and top executives in the future, I would much rather give them all two *new benefits*: A blindfold and a final cigarette.

Scott

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$2 billion pay day for failure

Posted by: Nanette Byrnes on September 25 [2008]

The top executives at AIG, Freddie Mac, Fannie Mae, Lehman and Goldman Sachs pulled down more than $2 billion in pay over the past five years according to a new analysis by a professor at San Diego State University's Charles W. Lamden School of Accountancy, Dr. David DeBoskey.

Henry Paulson, who in his current role as Treasury Secretary is pushing for a bank bailout, accounts for $82 million of the total. That was his pay for three years (2003 to 2005) as CEO of Goldman Sachs. DeBoskey included the pay of 57 different individuals, pulling the data that companies report on their top 5 officials to the Securities & Exchange Commission, to get to the $2.1 billion total.

Now-bankrupt Lehman Brothers, the smallest of the five companies, was tops in pay. It doled out $743 million in compensation for all its top officers from 2003 through 2007. Next was Goldman Sachs with $726.5 million, then AIG at $336 million, Fannie Mae at $207.2 million and Freddie Mac at $90 million.

Applying the same analysis to a broader universe of banks, financial firms, insurers, mortgage brokers and others who DeBoskey identifies as the companies likely to benefit from the proposed bailout and the total executive pay comes to $27 billion.

"I'm not surprised by too much in life when it comes to corporate America," says DeBoskey, who was a corporate controller and CFO for many years before returning to school to earn his doctorate. DeBoskey's last role was comptroller of mortgageIT.com, a public company bought by Deutsche Bank in 2004.

But even though DeBoskey describes himself as a "cynic" when it comes to moves to limit executive pay, he sees this as an inflection point. Moving forward boards of directors will have to find some better way to link executive pay to actual results, he says. "If the middle class is going to pay for this bailout through tax dollars, what they're reimbursing these companies for is all this excess compensation. In my minds eye this is a classic redistribution of wealth from middle class tax payer to the rich who have received all this excess compensation," he says.

Part of the current debate in Washington centers around limiting the executive compensation tax deduction. But DeBoskey is skeptical that will do much. The deduction is already limited to $1 million of compensation, but that hasn't stopped the average S&P 500 CEO from making $10.5 million last year, 344 times the pay of a typical American worker according to a recent study by the Institute for Policy Studies.

To those who dream of getting some of these billions back, DeBoskey gives little encouragement. Attempts to do that on the pay of long time New York Stock Exchange chief Richard Grasso failed. But that doesn't mean future contracts might not write some form of give-backs into compensation. "A prospective and logical approach," says DeBoskey, "would be to build in triggers and traunches of pay over time that are tied to performance. The payout of the cash occurs ex-post these events, they occur over some reasonable time period."

$2 billion in five years to 57 individuals ought to give that cause some momentum. It certainly gives a whole new meaning to the concept of the price of failure.

http://www.businessweek.com/careers/managementiq/archives/2008/09/2_billion_pay_d.html?chan=top+news_top+news+index+-+temp_news+%2B+analysis