Pay soars 38 percent for US corporate chiefs

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8 April 1998

The average total compensation of top American CEOs rose 37.8 percent in 1997 to a staggering $8.7 million, according to a study conducted by the *New York Times*. This comes on top of increases of 54 percent in 1996 and 30 percent in 1995, resulting in a cumulative increase of 270 percent over the past three years. Over the same period the real wages of American workers declined.

At $8.7 million a year, the average CEO enjoyed a monthly income of $725,000. That breaks down to $167,307 a week, or $23,865.61 a day. If calculated over a standard 40-hour week, the CEO pay rate would be $4,183 an hour, or nearly 350 times the average US wage rate, which now stands at about $12 an hour.

The highest paid executive in the *Times* survey was Sanford I. Weill of Travelers Group, whose total direct compensation was $152.6 million, or about $73,365 an hour. Every 20 minutes Weill collects as much as the average worker makes in a year.

Only hours after the *Times* published its study, Weill and John Reed, CEO of Citibank (who made $24 million last year from stock options alone), announced the merger of their two companies. The stock of Travelers soared another $11 a share, further increasing Weill's personal wealth, already estimated at $700 million.

Others in the *Times's* top 10 list included: Ray Irani of Occidental Petroleum, $108.2 million; Louis V. Gerstner of IBM, $91.5 million; George M. C. Fisher of Eastman Kodak, $63.8 million; Dennis Kozlowski of Tyco International, $62.3 million; Jill Barad of Mattel, $56.2 million; Eugene Isenberg of Nabors Industries, $52 million; Reuben Mark of Colgate-Palmolive, $35.5 million; William J. Schoen of Health Management Associates, $31.3 million; and Eckhard Pfeiffer of Compaq Computer, $30.2 million. These 10 executives alone had a combined income of $683.9 million

The bulk of the increased compensation for the CEOs of the 259 companies in the study, just over half the Fortune 500, came from stock options, whose value was inflated by the soaring stock market. Leaving aside income from stock options, the average rise in salary and bonuses of the corporate CEOs came to 12.3 percent—itself nearly four times the average increase in wages for US workers.

Many of the top-earning CEOs, notably Gerstner at IBM and Fisher at Kodak, have carried out drastic cost-cutting measures, driving up profits at the expense of tens of thousands of jobs. Kmart Chairman and CEO Floyd Hall made $6.12 million in salary, bonuses and other compensation, plus another $5.35 million in stock options, after a successful cost-cutting program which transformed a $220 million Kmart loss in 1996 into a $249 million profit.

The rise in the stock market is the most important factor in driving up the value of CEO pay. More than half of the 259 CEOs received stock options worth over $5 million, and several raked in over $50 million.

Many corporate CEOs enjoyed huge increases in the value of stock options awarded to them previously. In this regard Michael D. Eisner of Walt Disney led the pack, with a gain of $226.2 million on top of his current salary, bonuses and new options. Eisner has become a billionaire since taking over the top job at Disney a decade ago.

The market surge reached another milestone Monday with the Dow Jones average topping the 9,000 mark, more than double its level of three years ago (the Dow hit 4,000 in February 1995). The market value of the top five stocks has risen $190 billion since January 1: Microsoft, up $60 billion; GE, up $42 billion; Pfizer, up $32.4 billion; Lucent Technologies, up $30.8 billion; Merck, up $26.8 billion.

These astronomical increases deepen the social gulf between the wealthy and the rest of the country. Stock ownership is concentrated in the top 10 percent of the US population, with the bulk of working people owning either nothing, or a few shares in a mutual fund through a 401(k) retirement plan.

A study by the Federal Reserve Board found that 84 percent of households with incomes over $100,000 a year owned stock, with a median value of $91,000 for their holdings. By contrast, only 48 percent of households with incomes between $25,000 and $50,000 a year owned stock, and the median value of their stockholdings—including that held by 401(k) plans—was only $8,000. This suggests not only the immense disparities in stock ownership, but the inadequate resources for retirement for millions of working people who will have nothing but their Social Security and 401(k) plans after they stop working.

The vast salaries and assets of corporate CEOs are only one indication of the deepening social polarization in American society, a process that has been developing steadily over the past 20 years. According to a study by the Center on Budget and Policy Priorities, the after-tax income of the wealthiest 1 percent of the American population has risen 72 percent since 1977, and the average income of the wealthiest 20 percent has grown by 25 percent. The average income of middle-income families has stagnated, while the average income of the poorest 20 percent of US families has fallen 16 percent.

The policies of the Clinton administration and the Republican Congress are aimed not at mitigating, but worsening these trends. A recent analysis of the tax cuts enacted last year as part of the bipartisan budget agreement showed that the wealthiest 1 percent of taxpayers received an average of $7,315 in tax benefits, while the bottom 80 percent of taxpayers enjoyed a tax cut of $6.

These figures deserve further analysis and commentary, which the *World Socialist Web Site* will provide. But one thing can be said with certainty: such enormous disparities in wealth and income are incompatible with democracy. They demonstrate that America, far from being a model of economic "success" for the rest of humanity, is a society increasingly polarized along class lines. The underlying social tensions must inevitably find an outlet in social and political struggles involving tens of millions of working people.