The orgy continues: American CEOs pocket billions more in pay and perks

Jamie Chapman
14 April 2005

The unfathomable and growing wealth of the tiny elite who sit atop the corporations in the United States has been freshly documented by a series of reports released in the last two weeks. A *USA Today* survey of 100 of the largest public corporations showed a median increase of 25 percent in the total compensation of chief executives to $13.7 million last year.

Another survey of 200 large companies performed for the *New York Times*, found the average CEO compensation to be almost $10 million—excluding profits made on stock options—up 12 percent over 2003.

Meanwhile, the average full-time worker over age 25 struggles to get by on a mere $683 a week, an increase of less than 1 percent over last year. At that rate, typical non-supervisory workers—who constitute 80 percent of the workforce—would have to work for more than 385 years to achieve what the CEO brings home in just one.

Among the top earners last year was George David of United Technologies Corp. He cashed in $83.6 million of stock options, in addition to his straight compensation of $11.8 million for 2004. Lew Frankfort of Coach, Inc., a manufacturer of leather handbags and other fashion accessories, pocketed $84 million on stock options, along with a grant of an estimated $120 million worth in new ones.

The corporate largesse applies not only to CEOs of companies that are producing high profits, but also to those whose companies are doing poorly. Blockbuster chairman John Antioco received a salary and bonus of $7 million, even though his company lost $1.25 billion last year. In addition, he awarded himself 5 million stock options plus restricted stock valued at nearly $27 million.

Shares of pharmaceutical manufacturer Merck, Inc. dropped 30 percent after it was forced to withdraw its profitable painkiller Vioxx from the market, following revelations of its role in thousands of deaths. CEO Roy Gilmartin did not suffer, however. He still received a $1.4 million bonus for meeting “personal performance objectives,” in spite of operating results well below target. Gilmartin’s total compensation for 2004 rang up to $5.9 million.

A day after Ford Motor Co. revealed that it gave its chairman William Clay Ford, Jr. a pay boost of 51 percent last year to $22 million, the company announced a sharp decline in projected earnings. As with its rival General Motors, the automaker is not expecting to make a dime on its manufacturing operations, as opposed to the $1.5 billion previously forecast. Sales are declining, and the bond-rating agency Standard & Poor’s issued a “negative” outlook for Ford. The next step would be a reduction of the company’s credit ratings to junk status.

While the CEOs continue to rake it in, conditions for the workers who make the gargantuan salaries possible continue to deteriorate. Most auto workers are hard pressed even to put gas in their own cars, with prices averaging more than $2.20 a gallon even before demand picks up for the summer driving season.

Unemployment in Michigan, home base for Ford and General Motors, stands at 7.5 percent and rising. Census figures in Detroit show a child poverty rate of 35 percent. Fully 60 percent of Detroit’s children live in households with no parent who holds down a full-time job.

What the figures on executive compensation show is how much social wealth the tiny elite appropriates for their personal bank accounts. The huge sums the corporate executives are allocating to themselves today are far beyond those of prior decades. More and more, a financial oligarchy has wrested control of society. In no way do these oligarchs consider themselves accountable to the sentiments of ordinary people.

The corporate greed associated with such names as Enron and WorldCom has not at all disappeared. The outright criminality that led to the destruction of workers' jobs and retirement security—as well as the fleecing of consumers by the millions—only a few years ago has continued unabated, as witnessed in the recent scandals that forced out the CEOs of insurance giants American International Group and Marsh & McLennan.

A similar process of looting corporate assets has become so widespread that the CEOs carry it out openly and unashamedly. The giant accumulations that they once got away with by "cooking the books" have become a perfectly normal and often legal process. The measures usually are approved by the boards of directors, most of whom are members of the same CEO club.

A sliver of the population, numbering perhaps a few hundred thousand, lead lives that are barely imaginable to the average American. These corporate chieftains and their coterie think nothing of dropping $100,000 on a weekend. The typical CEO earns more in a day than most workers earn all year—not even mentioning the millions of unemployed or others unable to work.

While these layers are gorging themselves, the rest of the country is footing the bill. The lavish lifestyle of the elite is fed in part by the tax cuts on wealthy individuals and on the corporations. Further huge cuts in government programs to assist the poor, such as housing and health care, are on the agenda. This transfer of wealth from the working class to the oligarchs is what sustains the exorbitant salaries and other perks the executives are racking up.

While greed plays a substantial role in this process, the universal nature of the phenomenon demonstrates that more than the subjective mindset of a few individuals is at work. Objective factors inherent in the working out of capitalist accumulation must be fundamental.

One of the key elements in allowing this to happen has been the utter collapse of the labor movement. Marked especially from the betrayal of the strike by air traffic controllers in 1981, the AFL-CIO unions have ensured the defeat of one workers' struggle after another. As a result, workers have had no defense against the onslaught of wage cutting, plant closures, layoffs and restructuring.

Taking their cue from the targeting of pension plans by the airlines, the Detroit auto makers now have their sights set on what they call "legacy" costs, or those associated with retirement, job security protections and health care—benefits won by workers over 70 years' time.

The sharp rise in social inequality and the prevalence of swindling in the upper echelons of society bespeaks a general irrationality that simply cannot endure. The pressures building up in American society must reach the point of exploding sooner rather than later.