

An American oligarch: Former Exxon CEO leaves company with massive payout

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In the world of American corporate CEOs, there are those who make more than a million dollars a year. By the standards of the American ruling elite, such people are doing moderately well. Then there are people like Lee Raymond, former chairman and CEO of ExxonMobil. In comparison to the sums brought home by Raymond, a million dollars is mere pocket change.

In its financial reports submitted to the Securities and Exchange Commission this week, ExxonMobil detailed the payout to Raymond and other executives at the company in 2005. Raymond retired on December 31 after 43 years of service. He oversaw the transformation of the company into the largest, and perhaps the most ruthless, privately held energy company in the world.

Raymond's compensation package for 2005 was about \$70 million. This includes \$4 million in base salary, \$4.9 million in bonuses, \$32.1 million in restricted stock allocations, \$7.5 million as part of a long-term incentive plan, and \$21.2 million in exercised stock options.

On top of this, Raymond walked away from the company with a lump sum pension payout of \$98 million (he elected to receive the sum up front rather than distributed over the remainder of his life). The company filing also reported that Raymond owns in total about \$183 million in restricted stock (including what he received in 2005) and stock options valued at another \$70 million.

All together: \$400 million, give or take a million dollars or two. This is on the order of 10,000 times what an average American worker can hope to earn in a year.

As with many of the most highly paid executives, a great bulk of Raymond's compensation comes in the form of company stock or stock options (see "CEO pay continues its relentless climb"). Restricted stock is company stock that includes certain constraints, generally requiring that it be held for a period of three or four years before being sold. In 2005, Raymond received more than \$3 million in dividends paid out to his restricted stocks, an amount that he can expect to receive on a yearly basis so long as he holds on to them.

Both restricted stock and stock options have been used heavily in the recent period to tie the financial interests of executives to the company's stock value. Wall Street has not been disappointed with Raymond's performance, with Exxon's stock nearly doubling since 2003 alone.

Raymond's pay package comes at a time of increasing profits for energy companies, and in particular for Exxon. Last year it reported profits of \$36 billion, a record for a US company. These profits have translated into big gains for Wall Street investors, which is why there will be no serious criticisms emanating from the media or political establishment over Raymond's pay package.

Within the energy industry, executives in general have been handsomely rewarded. Rex Tillerson, Exxon's new CEO as of January 2006, received a compensation of \$13 million while president of the company last year. He can certainly expect a hefty raise along with his new position. The top five executives at Exxon took home more than \$130 million in compensation in 2005, own more than \$280 million in restricted stock, and have stock options valued at \$113 million.

At other energy giants, pay is equally high. According to a *Wall Street Journal*/Mercer Human Resource Survey of CEO pay released last week, the median compensation for CEOs at eight major energy companies (which did not include Exxon Mobil) was \$30.5 million. Among the top recipients: John Hess of Amerada Hess, \$23.0 million; Clarence Caza of Marathon Oil, \$37.9 million; Ray Irani of Occidental Petroleum, \$83.9 million; John Drosdick of Sunoco, \$45.9 million and William Greehey of Valero Energy, \$95.1 million.

The announcement of these salaries comes as gasoline prices for US consumers are again on the rise. According to the Energy Department, the average price of a gallon of gasoline between April and September will be \$2.62, 25 cents more than last year. The price could be substantially higher. The national average is currently at \$2.68 and is expected to rise to \$2.73 in May, so the government's figures rely on an expected drop in prices in the summer

months. These projections do not take into account “unexpected supply disruptions.”

The record profits of Exxon Mobil and other companies last year were driven to a large extent by high gasoline and other energy prices, including a surge in prices following Hurricane Katrina last fall. High prices for gasoline, heating oil and natural gas are generally attributed to the operations of supply and demand. However, the energy industry is so consolidated that the prices paid by consumers are effectively controlled by a handful of companies—the same companies earning massive profits and paying out millions to their executives.

Rising energy costs are an important component of the increasing financial strain being borne by millions of families in the US, who at the same time are confronting declining or stagnating wages, rising interest rates and cuts in benefits and social programs.

The accumulation of such unimaginably large sums of money must reflect and impact upon the social and psychological outlook of the American ruling elite. The individuals that constitute this social group feel that there are and should not be any restraints on the pursuit of their own personal wealth at the expense of the lives and living conditions of the vast majority of the world’s population. There has certainly never been a golden age of economic equality in the United States. Nevertheless, the enormous growth of social inequality over the past quarter century has definitely forged a new social type.

Responding to this situation is not simply or even primarily a question of moral outrage. Rather, it is necessary to understand its sources and implications for the future of American and world society.

In the period of its general decline, American capitalism has bred a layer of people who will stop at nothing to safeguard and expand their personal fortunes. The outrageous arrogance of American imperialism; its determination to invade other countries unilaterally, with complete contempt for world public opinion; its willingness to use the most barbaric methods, including torture, to assert its interests; its flouting of the most basic democratic and legal principles at home and abroad—these actions are of one piece with the concentration of wealth in the United States.

The connection between this policy and individuals such as Lee Raymond is quite direct. Certainly the energy companies, and ExxonMobil in particular, have played a critical role in formulating American domestic and foreign policy. Raymond himself has been a close ally of the Bush administration, meeting personally with Vice President Cheney in early 2001 to discuss energy policy. The company was a key participant in Cheney’s Energy Task Force, which in 2001 discussed, among other things, the oil fields

of Iraq. The primary driving force behind the war in Iraq, as well as the threat of war against Iran, has been the assertion of US control over Middle East oil fields.

Among energy companies, ExxonMobil is more notorious than most in its willingness to work closely with the various dictatorships that control the countries in which it operates, cooperating with them in the violent suppression of opposition to the plundering of world energy supplies and the extreme exploitation of the local labor force. Exxon’s interests have not been incidental in influencing US policy in Indonesia and central and western Africa.

On environmental policy, Exxon under Raymond has been the most vociferous opponent of even the most limited regulations aimed at curtailing global warming, which all reputable scientists agree poses an enormous threat to the world’s climate. Raymond has played a key role in the American Petroleum Institute, which has worked to promote “skepticism” about global warming by funding scientists who are willing to deny its existence. He has also helped lead efforts to open up the Arctic National Wildlife Refuge to oil exploration.

Raymond serves on the board of directors of JP Morgan Chase, one of the country’s largest banks, and he is Vice Chairman of the Board of Trustees of the American Enterprise Institute, the country’s leading think-tank established to promote a right-wing agenda including massive tax cuts for the rich and the privatization of social security.

To refer to someone like Raymond as an American oligarch is not, therefore, a figure of speech; nor is it a curse. It is a statement of fact. He is one among a number of extremely wealthy people who are central in the determination of American policy.



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