



Committee On Finance

Max Baucus, Ranking Member

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Contact:

Carol Guthrie

202-224-6769

Opening Statement of U.S. Senator Max Baucus (D-Mont.) Senate Finance Committee Hearing on Executive Compensation

In the Wilderness of Sinai, when the Children of Israel gathered manna from heaven, the Book of Exodus reports: “[H]e who gathered much did not have too much, and he who gathered little did not have too little.”

Unfortunately, these days, we cannot say the same about executive compensation. We regularly hear reports of executives who gathered much. And we not infrequently hear reports of some executives who gathered much too much.

For example, in 2001, the CEO of Tyco received a compensation package of \$36 million. This CEO was later indicted for grand larceny, enterprise corruption, falsifying records, and sales tax evasion.

In 2002, the CEO of Sun received \$25 million.

And we can’t forget Lee Raymond, who retired from ExxonMobil in January. In April, we read that he received a retirement compensation package valued at about \$400 million.

In 2004, the average compensation for top executives at the country’s largest publicly-held corporations rose to \$9.6 million. That’s more than 300 times the wages of the average worker.

From 2003 to 2004, executive compensation increased by about 16 percent. At the same time, compensation for the rank-and-file worker rose by about two percent. And last week’s news reported that wages for working-age Americans declined in 2005.

And the Congressional Research Service found that firms that announce layoffs tend to give their CEOs comparatively larger pay packages and greater percentage raises than firms that did not announce layoffs.

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How have companies been able to pay their executives such large compensation packages? That's what we're here to talk about today. Today, we address executive compensation and how the tax law treats it.

Now I have nothing against people earning a good living. America is a land of opportunity. America is a place where people can invent the new idea, make the new product, and make a good deal of money doing it. God bless them!

But we are also reading reports that some in corporate America are apparently backdating stock options to boost top executive compensation. We read that the authorities are investigating dozens of companies and executives for this latest corporate scandal. Today we will look into the backdating of stock options.

And today, we will hear about the interplay between the tax rules and executive compensation. Yes, America is a land where people can make a great deal of money. But that's one of the reasons that we have a progressive income tax. Today, we will talk about whether America's tax system helps to promote fairness.

Fairness is important. No one wants to pay too much money to the Federal Government - or to anyone else for that matter. Most folks want to pay their fair share.

But some appear to be working to buck the system. Some appear to be spending their time searching for loopholes in the tax laws. These people appear to be working aggressively to avoid paying their fair share of the taxes.

So I am glad that the Finance Committee is looking into the subject of executive compensation. It is high time that we discussed some of the abuses that are taking place. It is high time that we tried to close the loopholes. And it is high time that we focused on the fairness of the tax code. A fair tax code should not be as rare as manna from heaven.

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