

# Warped Vision

A recent *New York Times* story profiles a handful of CEOs who are reaching levels of compensation not seen since the days of railroad and banking barons in the late 1800s. One billionaire executive calls it a new Gilded Age, and argues such salaries are accurate reflections of an executive's worth and value to society.

Others are less impressed. "Obscene salaries send the wrong message through a company," said Costco CEO James Sinegal, who earned less than \$600,000 in 2006. "The message is that all brilliance emanates from the top; that the worker on the floor of the store or the factory is insignificant."

Regardless of the perspective one chooses, the sudden growth and unprecedented size of executive compensation packages is historic. The average CEO now gets paid 431 times more than an average worker's salary, which, adjusted for inflation, has remained nearly flat for the past 15 years.

Equally breathtaking is the meteoric rise in compensation for executives at companies in financial distress. According to a recent study, CEOs who head up corporations with under-funded pensions made 72 percent more pay than the average large company CEO.

The examples are startling. At United Airlines recently, where employees made about \$4 billion in pay and benefit concessions, 400 executives divided stock options worth some \$480 million when the company emerged from bankruptcy. At Air Canada, CEO Robert Milton may make more than \$15 million CDN from stock options when his contract expires in December 2007. Due to the restructuring of Air Canada, employees won't get anything. Milton did, however, randomly select 100 employees and gave them a voucher for a hamburger worth \$3.78 CDN.

This glacial shifting of wealth is not limited to corporate CEOs. The amount of income in the U.S. going to an ever smaller group of individuals is now approaching a disproportionate concentration not seen since just before the stock market crash of 1929. In 2005, just under 15,000 families controlled a full five percent of the national income.

A former chairman of the Securities and Exchange Commission sums up the concerns of many: "I view a gilded age as an age in which warning flags are flying and are seen by very few people," said Arthur Levitt Jr. "I think this is a time of great prosperity and great danger."

**Have you heard?**

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