# Executive Excess 2002

## CEOs Cook the Books, Skewer the Rest of Us

Ninth Annual CEO Compensation Survey


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IPS UNITED FOR A FAIR ECONOMY

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**The Institute for Policy Studies** is an independent center for progressive research and education founded in Washington, DC in 1963. IPS scholar-activists are dedicated to providing politicians, journalists, academics and activists with exciting policy ideas that can make real change possible.

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# Contents

# Key Findings

**1. Book Cooking Pays**
Top executives at 23 companies under investigation for their accounting practices earned far more during the past three years than the average CEO at large companies. CEOs at the firms under investigation earned an average of $62.2 million during 1999-2001, 70 percent more than the average of $36.5 million for all leading executives for that period.

**2. Book Cookers Burn Shareholders**
Collectively, the CEOs at firms under investigation pocketed $1.4 billion in the past three years. While these executives are cushioned by the vast wealth they have accumulated, their shareholders are dealing with massive losses. Between January 1, 2001 and July 31, 2002, the value of shares at these firms plunged by $530 billion, about 73 percent of their total value.

**3. Book Cookers Lay Off Thousands of Workers**
The highly paid CEOs at the firms under investigation sacrificed their workers while rewarding themselves. Since January 2001, these executives have laid off a total of 162,000 workers.

**4. "Creative Accounting" Burdens Taxpayers**
A recent IRS study found that the income corporations report to shareholders was 24 percent higher than the income reported to the government for tax purposes. This gap between book and tax income grew by more than 70 percent in the late 1990s. Profits reported to the government fell from $660 billion in 1996 to $658 billion in 1998, while profits reported to shareholders rose from $753 billion to $817 billion. This creative accounting is one of the causes for the declining share of the overall federal tax burden paid by corporations relative to individuals.

**5. The CEO-Worker Wage Gap Is Still a Chasm**
CEO pay remains stubbornly high. Despite a slight drop in CEO pay from 2000 to 2001, the CEO-worker pay gap of 411-to-1 is nearly ten times as high as the 1982 ratio of 42-to-1. Worker pay is again stagnating: the Commerce Department reports lower wages and salaries in August 2002 than in December 2000. If the average annual pay for production workers had grown at the same rate since 1990 as it has for CEOs, their 2001 annual earnings would have been $101,156 instead of $25,467. If the minimum wage, which stood at $3.80 an hour in 1990, had grown at the same rate as CEO pay, it would have been $21.41 an hour in 2001, rather than the current $5.15 an hour.

**6. Corporate Lobbyists Are Blocking Pay Reform**
High-tech executives who are leading the fight to preserve the status quo on stock options have a great deal to lose. Although they claim to be defending the interests of average workers, most options are concentrated at the top of the corporate hierarchy. Moreover, if these firms had been forced to expense options in 2001, their reported earnings per share would have declined between 14 percent and 100 percent.

**7. Menu for Reform**
The explosion of corporate scandals has helped stoke a growing backlash against excessive executive compensation. This report offers a 9-course menu of remedies, including expensing options, ending taxpayer subsidies for excessive pay, banning special perks, and improving transparency and corporate accountability.

# Introduction

*Not long ago, CEOs were glorified for their ability to create wealth and were featured as the cover boys of America's leading magazines. No more.*

What a difference a year makes. Last year, Cisco was No. 2 on *Fortune's* list of Most Admired Companies. Now Cisco's CEO is on *Fortune's* list of the greediest executives at America's worst performing companies. Enron, the year 2000 most-admired company in the categories of "innovativeness" and "quality of management," was simply the first emperor without clothes to be exposed.[1]

Not long ago, CEOs were glorified for their ability to create wealth and were featured as the cover boys of America's leading magazines. No more. These days, after millions have lost their jobs and retirement savings, many would like to see CEOs featured instead on the wanted posters at their neighborhood Post Office.

Tales of CEO greed in the mainstream business pages read like tabloid stories. Former Tyco International CEO Dennis Kozlowski, who once single-handedly took credit for the creation of $37 billion of shareholder wealth, resigned in disgrace after being indicted on charges of tax evasion.[2] On top of over $300 million in salary, cashed-in stock options and other compensation between 1998 and 2001, Tyco gave Kozlowski more than $135 million for imperial living. In 1998, Kozlowski bought a 15,000-square-foot waterfront mansion in Florida, using a $19 million, no-interest loan from Tyco. The company later forgave the loan as part of a "special bonus" program. Last summer, reports CNN/Money, "Tyco paid for half of a $2.1 million trip to the Italian island of Sardinia, the highlight of which was a 40th birthday party for Kozlowski's wife, Karen, that included a performance by singer Jimmy Buffett." There's more: Tyco paid for Kozlowski's New York apartment and forgave the $25 million loan it gave him to furnish it with art, antiques and a $6,000 gold-and-burgundy shower curtain.[3]

While Kozlowski was showering in gilded luxury, shareholders took a bath and the jobs of 18,400 Tyco employees laid off since January 2001 went down the drain.[4] Jimmy Cantey was laid off on four days notice after 29 years at a Boca Raton, Florida company, which Tyco took over a year ago. As reported by the Fort Lauderdale *Sun-Sentinel,* Cantey was "the first black technician hired at Sensormatic Electronics, starting in 1972. He remained with the company that makes anti-theft and security devices, received two patent awards and worked his way up the corporate ladder to supervisor, then engineering specialist." Now at age 51, "losing his job threatens to unravel the security and middle-class American dream that took this South Florida family a lifetime of hard work, saving and doing without to build."[5]

"Over the past months, the public has been treated to an ever-lengthening parade of corporate villains, each seemingly more rapacious than the last... But by now, with the feverish flush of the new economy recognizable as a symptom not of a passion but of an illness, it has also become clear that the mores and practices that characterize this greed suffused the business world far beyond Enron and Tyco, Adelphia and WorldCom...

"The not-so-secret dirty secret of the crash is that even as investors were losing 70 percent, 90 percent, even in some cases all of their holdings, top officials of many of the companies that have crashed the hardest were getting immensely, extraordinarily, obscenely wealthy."

— *Fortune,* September 2, 2002.[6]

"Pay for performance," supposedly the guiding principle of executive compensation in the 1990s, now lies in tattered shreds. Rather than aligning the interests of executives and investors as promised, CEO pay packages — bloated by stock options — led to ever more aggressive accounting techniques, making many company's earnings statements works of fiction masquerading as fact.

This CEO compensation report, our ninth annual, examines the links between the corporate scandals and executive pay.[7] Our findings suggest that the current approach to compensation encourages excessive risk-taking and the widespread adoption of aggressive accounting techniques that blur the truth and overstate earnings, but boost CEO pay. The report analyzes the role of perverse pay incentives in the current crisis. It then examines the corporate lobby working to ward off pay reform and offers recommendations for action to rein in excessive CEO pay and strengthen corporate governance.

*Our findings suggest that the current approach to compensation encourages excessive risk-taking and the widespread adoption of aggressive accounting techniques that blur the truth and overstate earnings, but boost CEO pay.*

## Three-Year Total CEO Pay at the Book-Cooking Companies, 1999-2001

| Company | CEO | Allegations | Investigating Agencies | 1999-2001 Total Compensation |
|---|---|---|---|---|
| Tyco | L.D. Kozlowski | CEO improperly profited from asset purchases with company funds. SEC reviewing most recent financial statements. | SEC, Manhattan DA | $331,765,196 |
| Qwest | J.P. Nacchio | Inflated revenue using network capacity swaps. Improperly accounted for $1.1 billion in revenue over several years. | DOJ, SEC, FBI, US Attorney in CO | $266,332,104 |
| Enron | K.L. Lay | Used off-the-books partnerships to hide debt and boost profits. Manipulated Texas power market. Bribed foreign governments to win contracts abroad. | DOJ, SEC, TX Public Utility Commission | $250,834,250 |
| AOL Time Warner | G.M. Levin | Inflated sales by booking barter deals and ads sold on behalf of others. | SEC, DOJ | $178,364,000 |
| El Paso | W.A. Wise | Executed artificial round trip energy trades to boost volume. | SEC, US Attorney in TX | $85,860,000 |
| Bristol Myers Squibb | P.R. Dolan (2001)<br>C.A. Heimbold (1999-2000) | Inflated 2001 revenue by $1 billion by forcing wholesalers to accept too much inventory. | SEC | $51,566,549 |
| WorldCom | B.J. Ebbers | Overstated earnings by over $7 billion. $400 million in off-the-books loans to CEO. SEC charged the company with fraud. CFO and controller arrested. | SEC, DOJ, US Attorney in NY | $44,062,629 |
| Halliburton | D.J. Lesar (2001)<br>R.B. Cheney (1999-2000) | Improperly booked construction cost overruns before customers agreed to pay for them. | SEC | $32,186,497 |
| PNC Financial Services | J.E. Rohr | Exaggerated profits in 2001 by more than 50 percent. Hid $762 million in troubled or risky loans and venture-capital investments. Filed false financial reports. | SEC | $22,189,000 |
| Global Crossing* | G. Winnick (2001)<br>R. Annunziata (1999-2000) | Engaged in network capacity swaps to inflate revenue. Shredded accounting documents. | DOJ, SEC | $20,787,969 |
| Dynegy | C.L. Watson | Executed artificial round trip energy trades to boost volume and cash flow. | SEC, CFTC, US Attorney in TX | $19,503,064 |
| Kmart | C. Conaway (2000-01)<br>F. Hall (1999) | Improper accounting intended to mislead investors. Issues include vendor contracts and general liability reserves. | SEC, US Attorney in MI | $18,074,194 |
| Xerox | P.A. Allaire (2000-01)<br>G.R. Thoman (1999) | Falsified financial results to boost income by $1.5 billion. | SEC | $17,497,107 |
| Peregrine Systems | S.P. Gardner | Overstated $100 million in revenues over three years. | SEC | $16,359,119 |
| Network Associates | G. Samenuk (2001)<br>W.L. Larson (1999-2000) | Hid expenses, overstated revenue. Company announced it will restate 1998-2000 earnings. | SEC, NY Attorney General | $15,833,276 |
| Duke Energy | R.B. Priory | Executed 23 artificial round trip energy trades to boost volume. | SEC, CTFC, FERC, US Atty. in TX | $14,931,000 |
| Lucent Technologies | H.B. Schacht (2001)<br>R.A. McGinn (1999-2000) | Questionable accounting practices in fiscal 2000. | SEC | $10,919,217 |
| Reliant Energy | R.S. Letbetter | Sham round trip trades that boosted reported revenue by $8 billion over three years. | SEC, CFTC | $10,909,902 |
| Mirant | S.M. Fuller | Possible sham energy trades. Admitted to overstating assets and liabilities. | SEC | $7,586,000 |
| CMS Energy | W.T. McCormick, Jr. | Overstated revenue by over $4 billion in 2000-2001 due to artificial round trip energy trades. | SEC, CTFC, US Attys in TX, NY | $5,465,961 |
| Homestore, Inc. | S.H. Wolff | Booked barter transactions as revenue to inflate sales. | SEC | $4,503,154 |
| Adelphia Communications* | J.J. Rigas | $3.1 billion in off-balance sheet loans to founders. Overstated results by inflating capital expenses and hiding debt. Arrests for securities fraud. | SEC, Federal grand juries in PA and NY | $4,350,162 |
| Hanover Compressor | M.J. McGhan | Restated 2000 and 2001 earnings, admitted to improperly accounting for revenue. | SEC | $977,545 |

*2001 compensation not available. Figure is for 1999-2000 only. Total compensation does not include $508 million in 1999-2001 stock sales by Gary Winnick.
**2001 compensation not available. Figure is for 1999-2000 only.

**Methodology:** We compared the pay of 23 public companies that have been involved in government inquiries of their accounting practices, limiting ourselves to companies with market capitalizations that reached at least $1 billion at some point since January 2000. We excluded cases of insider trading such as the ImClone scandal. We constructed our Book Cookers universe using the Forbes Scandal Sheet available online at http://www.forbes.com/home/2002/07/25/accountingtracker.html and an extensive search of press reports. The resulting Book Cookers universe is comprehensive, but it is not necessarily exhaustive.

**Sources for CEO Pay:** *Business Week's* April 15, 2002 executive compensation survey, corporate filings with the Securities and Exchange Commission, and schedules filed with the U.S. Bankruptcy Court. We used *Business Week's* method of calculating total compensation, which includes salary, bonus, "other compensation," restricted stock awards, long-term incentive payouts, and the value realized from the exercise of stock options. CEO pay figures do not include profits from sales of personal stock holdings that were not connected to options grants, since these sales are not counted in *Business Week's* research.

# 2. The Book Cookers

*Pay for CEOs of companies engaged in accounting scandals was a staggering 70 percent higher than average CEO compensation.*

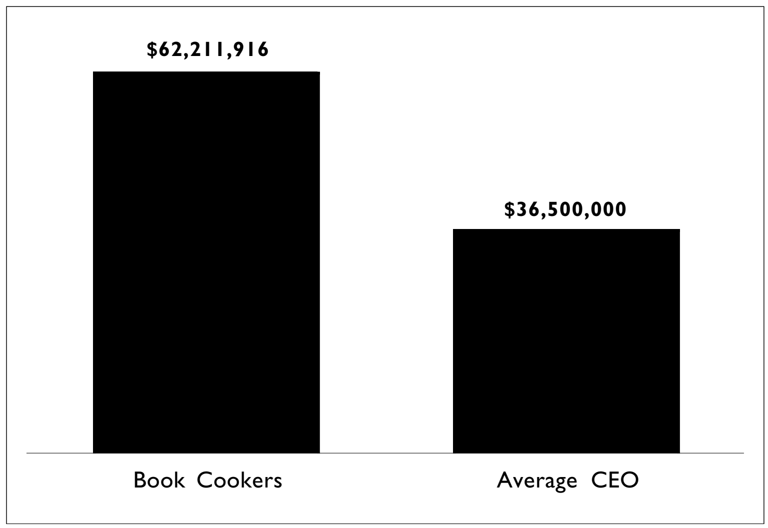
Our research looked at 23 large public companies whose accounting practices are currently under government investigation. We compared this Book Cookers group with all the companies in *Business Week's* annual CEO pay survey and found that CEOs who cooked the books outperformed their peers in pay even as they destroyed jobs and shareholder value.

- Average three-year pay for the CEOs of companies engaged in accounting scandals was a staggering 70 percent higher than average CEO compensation reported in *Business Week's* annual executive pay survey. The Book Cookers earned an average $62.2 million during 1999-2001, while the average CEO had to get by on a mere $36.5 million.

- The Book Cooking CEOs, who collectively received more than $1.4 billion in total compensation over the last three years, presided over the destruction of $530 billion of shareholder value between January 1, 2001 and July 31, 2002. More than 73 percent of the value of their enterprises went up in smoke. CEOs made a dollar for every $379 of shareholder value they lost.

- The firms in our Book Cookers group have collectively laid off 162,000 workers since January 2001.

Average Three-Year Total Pay, 1999-2001




**Book Cooker Layoffs Since January 2001**

| Company | Layoffs |
|---|---:|
| AOL Time Warner | 4,700 |
| Bristol Myers Squibb | 2,295 |
| Dynegy | 340 |
| El Paso | 300 |
| Enron | 4,250 |
| Global Crossing | 8,500 |
| Homestore, Inc. | 1,000 |
| Kmart | 23,200 |
| Lucent Technologies | 54,338 |
| Network Associates | 200 |
| Peregrine Systems | 2,580 |
| Qwest | 11,400 |
| Tyco | 18,400 |
| WorldCom | 26,700 |
| Xerox | 4,300 |

**Source:** Forbes.com Layoff Tracker and press reports.

## The Power of Perverse Incentives

CEO compensation is a fundamental business issue that can no longer be swept aside with now-absurd rationalizations like "pay for performance" and "creating shareholder value." The greed incentives set before executives played a significant role in the shredding of the alliance between investors and corporate managers and the destruction of trillions of dollars of national wealth.

*An increasing focus on short-term earnings performance led companies to push the boundaries of accounting standards.*

Three factors stand out:

1. An increasing focus on short-term earnings performance led companies to push the boundaries of accounting standards. When each new aggressive accounting treatment went unchallenged by accountants, regulators or investors, it soon became widely adopted. As greater attention was focused on extracting profits from accounting statements, rather than from building the business, the long-term quality of earnings was sacrificed in favor of the short-term quantity of earnings. Executives could become multimillionaires and billionaires by manipulating earnings and goosing company stock. In several cases, executives received generous awards for getting the company's stock price to a certain level, focusing attention on short-term profits and creating strong incentives to adopt aggressive accounting techniques.

2. The role of the chief financial officer and the independent auditor changed from protecting shareholder interests to becoming profit centers focused on boosting earnings. Auditing firms and investment and commercial banks such as Citigroup and JP Morgan Chase developed a complex array of new products designed to help companies boost their earnings through more aggressive accounting treatments and complicated tax-saving schemes. The accountants were compensated based on the savings delivered to clients.

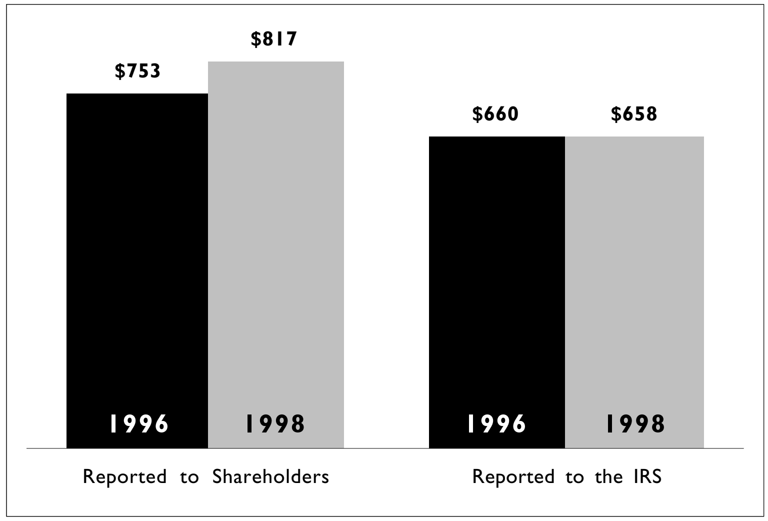
3. Clubby corporate boards made up largely of corporate insiders and peer CEOs faced their own conflicts of interest in examining dominant CEO pay models, for these same pay models delivered generous rewards to CEOs in their own companies.

The unfolding corporate crisis and accounting scandal has many sides. We've seen executives at Enron and its auditor, Arthur Andersen, shred accounting documents; WorldCom's leaders mischaracterize more than $7 billion in expenses, in effect hiding them from shareholders; and the founding family of Adelphia use the company's treasury as its personal piggybank. While these lapses have been devastating enough, the real crisis in accounting runs far deeper and wider.

The so-called New Economy rested on the clay feet of New Accounting. The 1990s will be remembered as a time of great technological innovation. However, the destructive impacts of one of the most nefarious of the 1990s inventions — "creative accounting" — are only now being felt. Creative accounting ranges widely from manipulating earnings through paper partnership fronts, booking years of expected income as current revenue and converting gains in pension funds into earnings per share, even though those earnings gains were not for company use, but being held in trust for workers.

New accounting techniques also played an important role in the dramatic decline in corporate taxes over the last 20 years. A recently released IRS study details just how different the books shown to shareholders are from the ones shown to government tax collectors. According to the IRS, the gap between the income corporations reported to shareholders and the income they reported to the government grew by 70 percent in the late 1990s. Profits reported to shareholders rose from $753 billion in 1996 to $817 billion in 1998, while corporate profits reported to the government declined over the same period from $660 billion to $658 billion.[8]

Total Corporate Income, 1996-98 (in $billions)




This dual accounting system is behind a dramatic slide in the taxes corporations pay. Corporations paid just 20.1 percent of their income in federal taxes in 1998, down from 26.5 percent a decade earlier, with most of the difference retained as profits, according to a study by the Institute on Taxation and Economic Policy.[9]

## Stock Options: The Strongest Link Between CEO Pay and the Corporate Crisis

The single most powerful link between excessive CEO pay, inflated corporate earnings and the current crisis in corporate governance is the skyrocketing rise in stock option grants given to CEOs. In the words of *Fortune* magazine, "As Washington self-righteously scrambles to right the wrongs of corporate America, let's not forget that the illicit book-cooking revealed so far at Enron, WorldCom, and others was trifling compared with the entirely legal book-cooking that most of corporate America engages in: lavishing stock options on top executives and not deducting them as expenses. It is, without a doubt, the mother of all accounting abuses."[10]

Stock options have been around for decades, but became an increasingly popular tool for compensating executives as the bull market ran through the 1990s. Today, stock options account for almost 60 percent of total executive compensation.

**Stock options** give employees the right to buy company stock at a set price in the future. They often have an exercise period of up to ten years. If an employee has an option to buy stock for $10 a share and exercises that option when the stock is trading at $50 a share, the employee will owe the company $10 a share and can sell the stock for a $40 profit. Continuing the example, exercising 100,000 stock options would produce a $4 million gain. Top executives get repeated megagrants of stock options producing megawealth.

Stock options were distributed first by the shovelful, then by the boatload. It didn't matter to companies how many options they distributed since under accounting rules, options had no cost. Though options were the principal way companies paid for high-

*All taxpayers have unwittingly paid to support the stock-option fueled pay bonanza for CEOs.*

priced executive help, none of these options costs ever showed up as expenses on the company books.

Using options as a currency to pay executives has made thousands of CEOs and a handful of employees rich, while at the same time allowing companies to show shareholders earnings statements devoid of a major cost: its highest-paid human labor. Nowhere was this truer than in the technology companies, where hot air about earnings propelled the CEO pay and company stock bubbles to unprecedented heights.

## The Great Stock Option Tax Dodge

The cost of stock options does not appear on the accounting statements that companies show to shareholders, but these same options appear prominently on the different set of books that companies show Uncle Sam and the IRS. On the companies' tax books, companies take the gain on options, pocketed by CEOs and others, as valuable tax deductions. Lower taxes translate into higher earnings per share and in most cases, higher stock prices, leading to still further option gains, more tax deductions and still higher earnings, in a spiraling cycle of earnings deception.

Exercised stock options may have reduced corporate taxes for U.S. corporations by as much as $28 billion in 1998, $42 billion in 1999 and $56 billion in 2000, according to a March 18, 2002 *Tax Notes* article, which used stock options data contained in the footnotes of financial reports.[11]

In last year's Executive Excess report, United for a Fair Economy and the Institute for Policy Studies analyzed companies using stock options and other tax deductions to lower their taxes to zero or less than zero between 1996 and 1998. The report found that CEOs received average raises of 69 percent in the year when no taxes were paid, compared to average CEO raises of 38 percent.

All taxpayers have unwittingly paid to support this stock-option fueled pay bonanza for CEOs. First, when the options are cashed in and executives reap their tens of billions of dollars, the rest of us must make up the tax revenues lost to option-related corporate tax deductions. Second, as stock markets have shed several trillion dollars of value, taxpayers must now pay again to replace the hundreds of millions of dollars of state pension fund losses stemming from Enron, WorldCom and the like.

Paying CEOs more in stock options than salary and bonus results in a tax windfall for executives as well. Gains on exercised options held for more than a year are taxed at the 20 percent capital gains rate, not the 38.6 percent income tax rate paid by those in the upper tax brackets.

## Stock Options Distort Earnings

*There is growing evidence that there is no positive relationship — and sometimes an inverse relationship — between how much a CEO makes in stock options and the company's performance.*

Just how much has the current treatment of stock options distorted corporate earnings? A Federal Reserve study released earlier this year found that if stock options had been expensed between 1995 and 2000, annual corporate earnings growth would have been just 5 percent, not the 8.3 percent reported. In a separate study, Merrill Lynch estimated that if stock options were treated as expenses, earnings for the S&P 500 would have been 21 percent lower in 2001 and an estimated 10 percent lower in 2002.[12]

These findings come amid growing evidence that there is no positive relationship — and sometimes an inverse relationship — between how much a CEO makes in stock options and the company's performance. A study presented at the annual meeting of the Academy of Management in Denver in August 2002, which analyzed more than 200 studies over 30 years, found no statistical relationship between the amount of equity that executives own and their company's performance.[13] In its 2000 executive pay report, the *New York Times* cited a study by Columbia Business School professors examining the performance of 600 companies over the last 20 years. It "showed that increasing an executive's stake in a company did not cause stronger earnings or a higher stock price. Instead, it appears to be other factors, like research spending, that cause a company to perform well." A study by Salomon Smith Barney found that most of the heaviest users of stock options in the S&P 500 underperformed the S&P 500 stock index.[14]

Looking at individual industries, it becomes clear why leaders of the technology industry are fighting so hard to keep in place the current misleading way of accounting for stock options. The dirty little secret no one is talking about is that the New Economy, while delivering innovative products that have changed our lives, made very little, if any, money doing it. According to the Merrill Lynch study cited earlier, expensing stock options would have reduced reported earnings in the information technology industry by 39 percent in 2001 and an estimated 70 percent this year. The telecom industry, home to such Book Cookers as WorldCom and Qwest, would have seen their 2001 earnings decline 23 percent and their expected earnings this year fall by 12 percent.

*Despite an incredible show of investor unity and support, a bill that would require companies to expense stock options remains stalled in Congress.*

# 2. The Corporate Lobby Against Pay Reform

Some members of Congress, led by Senator Carl Levin (D-MI), have long been fighting for new rules on stock options. Levin has introduced legislation co-sponsored by Senator John McCain (R-AZ), the "Ending the Double Standard in Stock Option Accounting Act," which would not mandate that stock options be expensed, only that companies show the same set of books to shareholders and the government. If companies want the tax deduction, they must also expense the options in earnings statements reported to shareholders. Levin has been working on this issue since 1994, when he almost succeeded in getting a similar bill passed. Unfortunately, that attempt to reform stock option accounting was defeated at the last moment by Senator Joseph Lieberman (D-CT), backed by an overwhelming barrage of lobbyists led by those from the technology sector. Had it passed, the bill might have mitigated some of the excesses that led to the recent market meltdown.

The battle to expense stock options is raging anew. This time the forces pressing for Congress to require that stock options be treated as expenses are more powerful. Leading the charge is Warren Buffett, the most successful investor of the last-half century. In Buffett's words, "When a company gives something of value to its employees in return for their services, it is clearly a compensation expense. And if expenses don't belong in the earnings statement, where in the world do they belong?"[15] Buffett has led a high-profile campaign that has been joined by Federal Reserve Chairman Alan Greenspan, the Council of Institutional Investors, a coalition of pension funds with a collective $2 trillion in assets; TIAA-CREF, the world's largest pension fund; former SEC chairman Arthur Levitt; and even the International Accounting Standards Board, led by former Fed Chairman Paul Volcker.

With this incredible show of investor unity, the bill remains nonetheless stalled in Congress. Why? Because a very powerful bloc of accounting industry lobbyists and others who distribute millions of dollars of campaign contributions want it this way. The Business Roundtable, which represents CEOs of leading U.S. corporations, has joined the National Association of Manufacturers and the U.S. Chamber of Commerce in a new entity called the International Employee Stock Option Coalition aimed at defeating Levin's bill. An even more active lobby against options expensing is TechNet, a coalition of more than 300 executives of technology firms, which rely very heavily on options. President Bush and Securities and Exchange Commission Chairman Harvey Pitt have come down on the side of the industry lobbyists.

As we go to press in August 2002, Senator Levin has announced that he plans to push the stock options bill in the fall. In the meantime, many individual companies have begun voluntary expensing of stock options, judging that investor confidence in the integrity of earnings numbers is more important than the reduction in earnings that will result from the change. The list of such firms is growing daily (see box). In addition, the financial analysis firm Standard & Poor's announced plans in May to treat employee stock options as a quarterly expense when calculating earnings.

Senator Lieberman continues to be a leading opponent of stock option expensing. He argues that stock options have created wealth, not just for senior executives but also for millions of ordinary American families. Likewise, Senator Phil Gramm (R-TX), husband of Enron board member Wendy Gramm, is a staunch opponent of expensing options, claiming that this would hurt six million Americans who would see their options decline.

But the case for stock options as an equal-opportunity road to wealth has been over-stated. The National Center for Employee Ownership, the preeminent group that has tracked all forms of employee ownership including option wealth for the last two decades, reports the number of Americans receiving options is closer to only 3 million a year. That's a little more than 2 percent of the nation's 134 million workers.

In addition, stock options are overwhelmingly skewed towards the CEO and a handful of other top officers. The top five company executives controlled 75 percent of all outstanding stock options as of 2000. The next 50 executives controlled an additional 15 percent of options, leaving just 10 percent of the option pie for all remaining workers. The fight to avoid expensing of stock options is not a fight to preserve the wealth of the ordinary worker.[16]

### Companies That Have Voluntarily Agreed to Expense Stock Options

As of August 2002, 73 U.S. firms had announced plans to expense options, according to lists compiled by Standard & Poor's and Forbes.com.

Allstate Corp
Amazon.com
AMB Property
Ambac Financial Group
American Express
American International Group
Bank of America
Bank of New York
BankOne Corp.
Boeing Co.
Charter Communications
Chubb
CINergy Corp.
Citigroup Inc.
Coca-Cola Co.
Comerica Inc.
Computer Associates
Contango Oil & Gas
Cooper Industries
Dole Food Co.
Duke Realty
Emerson Electric
Federal Home Loan
Federal National Mtge.
FleetBoston Financial
Fleming Cos.
Gabelli Asset Management
General Employment
General Electric
General Motors
Goldman Sachs Group
Home Properties of NY
Household International
Iomega Corp.
iStar Financial
J.P. Morgan Chase & Co.
Lee Enterprises
Level 3 Communications
Lincoln National Corp.
MacDermid, Inc.
Marathon Oil
MBIA Inc.
Mellon Financial
Merrill Lynch
MetLife Inc.
Morgan Stanley
Neuberger Berman
Papa John's International
Plum Creek Timber
Pogo Producing
Premcor Inc.
PriceSmart Inc.
Principal Financial Group
Procter & Gamble
Prudential Financial
Realty Income
Scotts Co.
ServiceMaster Co.
Sovereign Bancorp.
State Street Corp.
Sun Life Fin. Services Canada
Tarragon Realty Investors
Temple-Inland
Tupperware Corp.
United Parcel Service
USA Interactive
Valley National Bancorp.
Vornado Realty Trust
Wal-Mart
Wachovia Corp.
Washington Post Co.
Webster Financial
Winn-Dixie Stores
World Fuel Services

**Source:** Standard & Poor's, Forbes.com CEO Sign-Off Tracker.

*The nine firms on the TechNet executive board benefit greatly from maintaining the status quo on options.*

## TechNet: Enemy No. 1 of Options Reform

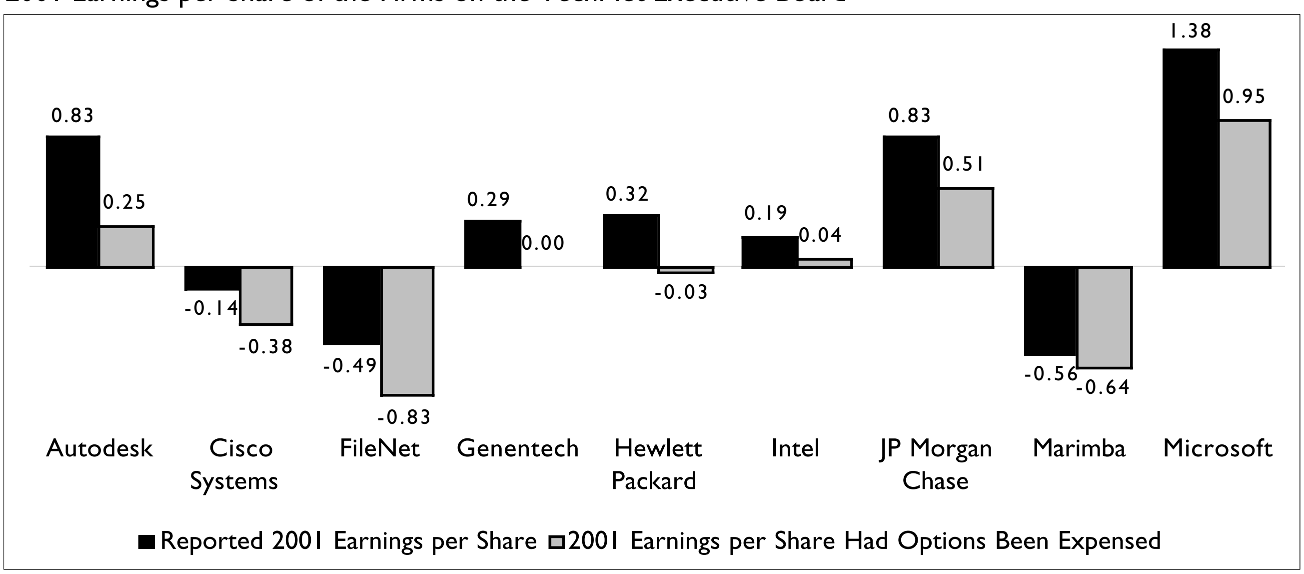
Silicon Valley-based TechNet is the leading opponent of options expensing. The coalition represents some 300 executives in high-tech firms, which rely heavily on options-based compensation. TechNet CEO Rick White, a former Congressman from Washington, led an all-out assault to prevent legislation on options expensing from being incorporated into the corporate reform bill approved by Congress in July. White organized power lunches for executives to lobby key Senators, placed op-eds in major newspapers, and hired former White House Press Secretary Mike McCurry to employ a "grassroots" strategy to mobilize high tech executives. With supporters of expensing options vowing to continue the fight in the fall, it is worth examining what is at stake for TechNet members.

TechNet is led by an executive board comprised of some of the titans of high tech along with a few executives of lesser known firms. Just focusing on the nine firms on the executive board, it is clear that they benefit greatly from the status quo on options.

## What Would the Earnings of TechNet Leaders Have Been Last Year if Options Had Been Expensed?

The year 2001 was not a great one for the high-tech sector. Among the nine firms on the TechNet board, earnings per share (EPS) ranged from a loss of $0.56 per share for Marimba to profits of $1.38 per share for Microsoft. However, if these firms had been forced to report options as expenses, their financial reports would have been much grimmer. Excluding Hewlett Packard where expensing options would have turned a reported profit into a loss, the remaining TechNet leaders would have seen their reported EPS fall between 14 percent (at Marimba) to a whopping 100 percent (at Genentech).[17]

2001 Earnings per Share of the Firms on the TechNet Executive Board



## TechNet Board Members' Personal Stake in Options

The nine executives on the TechNet board hold on average nearly $44 million in unexercised options, 60% more than the $27.5 million held by the average CEO in *Business Week's* most recent executive pay survey. John Chambers of Cisco Systems leads the pack with about $194 million in options, already having earned about $280 million during the past three years, largely through exercising options.

**Value of Options Held by CEOs on the TechNet Executive Board**

| Company | CEO | Value of Remaining Unexercised Options |
|---|---|---|
| Autodesk | C.A. Bartz | $19,022,260 |
| Cisco Systems | J.T. Chambers | $194,361,000 |
| FileNet | L.D. Roberts | $5,831,672 |
| Genentech | A.D. Levinson | $62,468,000 |
| Hewlett Packard | C.S. Fiorina | $0 |
| Intel | C.R. Barrett | $92,951,100 |
| JP Morgan Chase | W.B. Harrison, Jr. | $20,646,000 |
| Marimba | R.C. Wyckoff | $352,000 |
| Microsoft | S.A. Ballmer | $0 |
| | **AVERAGE** | **$43,959,115** |

**Source:** Company filings with the Securities and Exchange Commission. Figures are for the end of the 2001 fiscal year.

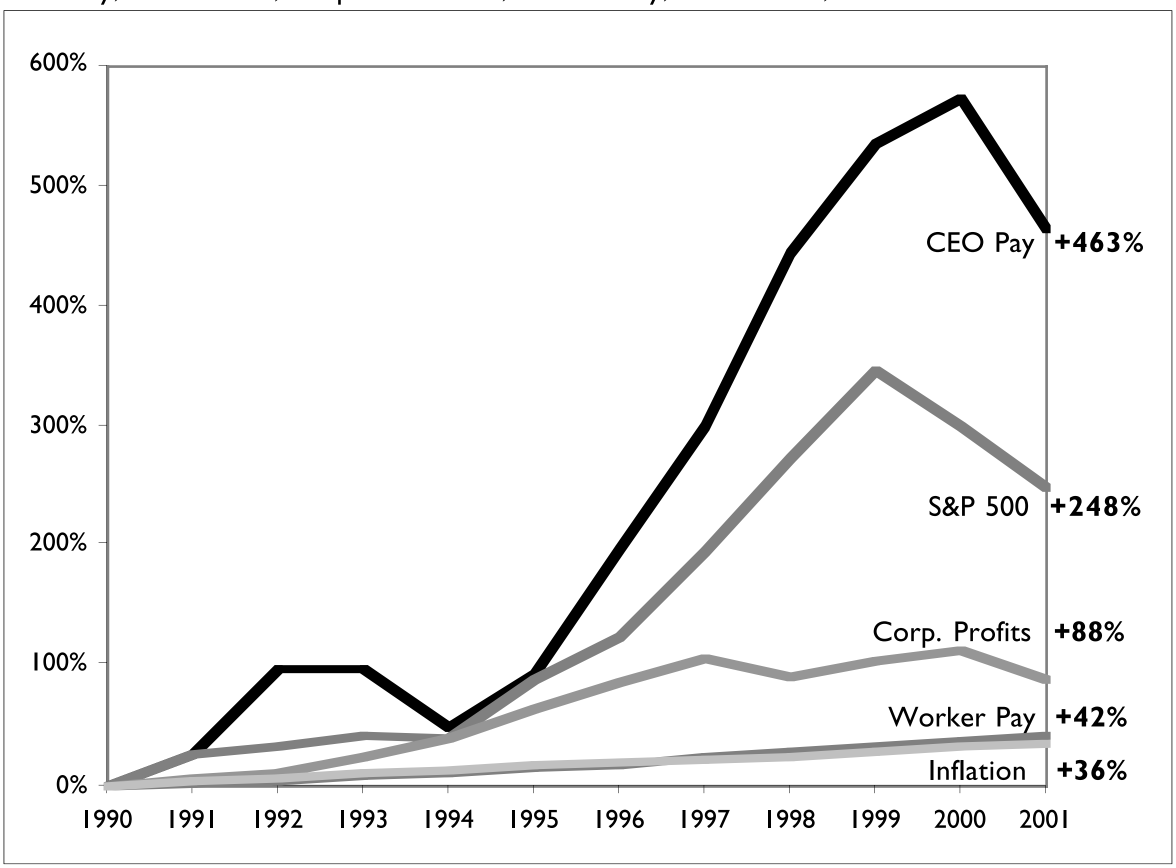
*Even before the explosion of corporate scandals, there were some signs of a growing backlash against runaway executive pay.*

# 3. The Growing Backlash

Even before the explosion of corporate scandals, there were some signs of a growing backlash against runaway executive pay. For example, in the aftermath of the September 11 national tragedy, Congress incorporated provisions in the $15 billion bailout of the airline industry that were designed to ensure that executives would not benefit from the country's troubles. Specifically, the law forced airlines that received the aid to ban raises and limit severance pay for executives whose pay in the year 2000 exceeded $300,000. It was the first time in three decades that Congress had mandated a cap on executive pay as a condition for receiving government assistance.

Airline executives, responding to public and Congressional sentiment, actually took things a step further. American Airlines CEO Donald Carty said he would forego all salary and bonus for the balance of the year. The chief executives of Continental, US Airways, Delta, Northwest, United, and America West followed suit. Southwest Airlines trumped its industry peers when it announced

CEO Pay, Stock Prices, Corporate Profits, Worker Pay, and Inflation, 1990-2001




**Sources: CEO Pay:** *Business Week* annual executive pay surveys. **S&P 500 Index:** Standard & Poor's Corporation. Figures are year-end close. **Corporate Profits:** Bureau of Economic Analysis, National Income and Product Accounts. **Average Worker Pay:** Bureau of Labor Statistics, Average Weekly Hours of Production Workers (Series EEU00500005) and Average Hourly Earnings of Production Workers (Series EEU00500006). **Inflation:** Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers.

that its chair, CEO, president and all of its board members would forego remuneration in response to the tragedy. This despite the fact that Southwest received no federal aid and was the only major airline to avoid layoffs.[18] Of course, any reduced compensation for airline executives pales in comparison to the extensive wage givebacks and layoffs suffered by hard-hit airline employees.

*There has been an upsurge in shareholder activism around executive pay.*

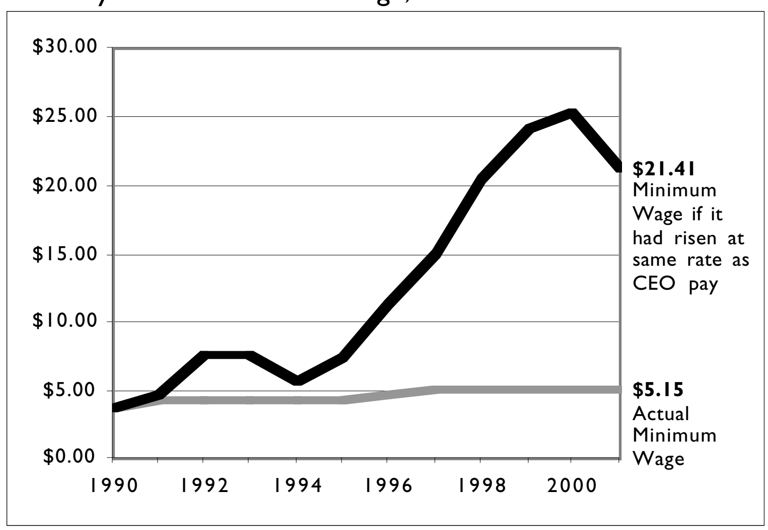
Several other executives also voluntarily took pay cuts during the past year. For example, Baxter International's Chairman, Harry M. Jansen Kraemer, Jr., refused 40 percent of his earned bonus in 2001, despite strong earnings performance and a stock price that rose 20 percent in a down market. Jansen Kraemer gave back his bonus in response to the failure of the company's dialysis product that led to the death of 50 people. When asked by *Business Week* about his decision, Jansen Kraemer replied, "Fifty people died, If you have a problem, the buck stops somewhere and it stops here.[19]

Another example was Fastenal CEO Bob Kierlin, who took a salary cut from $121,000 to $63,500 and got no bonus in 2001. Earnings for the nuts and bolts maker had declined 13 percent to $70 million. Kierlin is also known for declining the perks generally available to CEOs — he stays at inexpensive hotels and often shares a room with fellow employees.

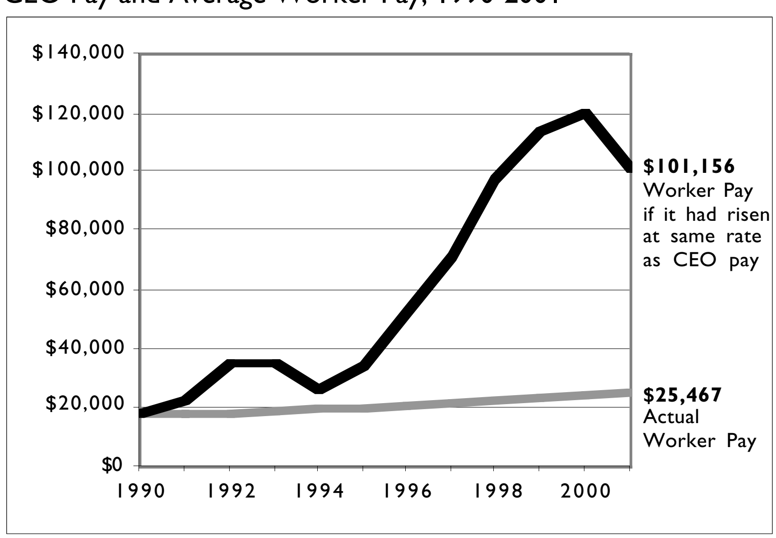
There was also an upsurge in shareholder activism around executive pay. In one case, a resolution sponsored by the Teamsters union actually passed by a 51 percent margin. The resolution required that shareholders of the Bank of America be allowed to vote on any severance agreements worth more than twice an executive's annual salary and bonus. The Investor Responsibility Research Center tracked 12 shareholder resolutions demanding that corporate boards limit severance pay for executives and found that on average, they won 32 percent of votes, a significant percentage, considering that these types of resolutions previously received single-digit support from shareholders.

Moreover, average CEO pay actually declined last year. According to *Business Week,* compensation for leading CEOs dropped from an average of $13 million to $11 million in 2001. Coupled with a

CEO Pay and the Minimum Wage, 1990-2001




CEO Pay and Average Worker Pay, 1990-2001



*If the average annual pay for production workers had grown at the same rate since 1990 as it has for CEOs, their 2001 annual earnings would have been $101,156 instead of $25,467.*

slight increase in the pay of average workers, the decline in executive pay reduced the ratio between CEOs and average workers to 411 times from 531 times in 2000.

Still, CEO pay remained stubbornly high, with CEOs hauling in much more in a day than average workers earn in a year. The current CEO-worker pay ratio of 411-to-1 is nearly ten times as large as the 42-to-1 ratio in place two decades earlier in 1982. If the average annual pay for production workers had grown at the same rate since 1990 as it has for CEOs, their 2001 annual earnings would have been $101,156 instead of $25,467. If the minimum wage, which stood at $3.80 an hour in 1990, had grown at the same rate as CEO pay, it would have been $21.41 an hour in 2001, rather than the current $5.15 an hour.

The need to narrow the pay gap is underscored by the fact that real wages of ordinary American workers, who had made up some of the ground lost since wages peaked in the 1970s (adjusting for inflation), are stagnating once again. According to Commerce Department figures released in August 2002, wages and salaries are lower now than they were at the end of 2000. Meanwhile, more than 2 million jobs have been cut since January 2001. While some CEOs gained and some lost over the past year, millions of workers have experienced stagnating or falling wages.[20]

The need for deep changes in rules related to compensation remains clear. For every bright spot, there are many more examples of top executives who continue to reap excessive compensation while hurting shareholders, workers and their communities. The following section outlines a number of proposed strategies for reining in runaway executive pay and making corporations more accountable.

# 4. A 9-Course Menu for Reform

*The Income Equity Act would limit the tax-deductibility of executive compensation to an amount equal to 25 times the salary of the lowest-paid worker in the firm.*

**1. Require that stock options be expensed.**

Congress is considering the Ending the Double Standard for Stock Options Act (S. 1940). While the Act would not require companies to expense stock options, it would offer a powerful incentive for doing so: it would bar corporations that don't expense options from taking any tax deductions when the options are exercised. Congressional opponents of stock option expensing have proposed creating a task force to study this issue. This is a blatant delay tactic. The issue has already been carefully studied by some of the most savvy and powerful individuals and institutions on Wall Street, and they forcefully argue for the immediate adoption of a stock option expensing accounting standard.

**2. End taxpayer subsidies for excessive compensation, whether in cash or stock.**

Current law permits tax deductions of "reasonable business expenses." While the reasonable amount of business entertainment expenses is specified, the tax code is conspicuously silent on reasonable levels of executive pay. In 1993, Congress passed a law that attempted to cap the deductibility of executive pay to a maximum of $1 million. However, the law only capped "non-performance-based" salaries. In response, many corporations passed resolutions making all compensation above $1 million "performance-based" and shifted much of their executive pay from base salary to stock options and bonuses supposedly linked to performance.

Rep. Martin Sabo (D-MN) has attempted to close this gaping loophole through his Income Equity Act (H.R. 2691), which would permit corporations to deduct as a "reasonable business expense" all compensation for a given individual that is less than 25 times the pay of the lowest paid worker in the firm.

**3. Ban companies from offering executives perks not available to other employees.**

Increased disclosure of executive pay packages in recent years has revealed just how much slop fills the executive pay trough. Travel in corporate aircraft, luxury homes and payments for country club fees, home security systems and individual tax assistance are increasingly common perks for those who sit atop large corporations. Average employees have to use their salaries to pay H&R Block and executives should be no different.

Many of these perks have tax avoidance strategies attached. For instance, when an executive travels in corporate aircraft for personal use, they are credited with taxable income based on the cost of a first-class commercial airline ticket, not

*Some of the handsomest pay packages have resulted from pay for failure — not pay for performance.*

the actual cost to the company for use of a private jet. Another executive perk gaining increasing attention is the use of deferred compensation schemes, in which a portion of the executive's pay is held by the company for payment at some later point in time. The IRS is trying to close loopholes by which these deferred payments are invested in offshore tax havens, thereby allowing the executive to avoid much of the taxes due when the deferred compensation is eventually received.

**4. Improve plain-English disclosure standards of executive compensation.**

Currently, executive compensation information is provided in a variety of text, tables and footnotes in official corporate filings with the Securities and Exchange Commission. Many investors and other stakeholders would benefit from a clear summary of what corporate executives made in a given year. In order to improve the usefulness of this information additional contextual information should also be provided: How did the pay of the company's CEO compare to firms in the company's peer group? What was the ratio between the company's highest and lowest paid employees? How many jobs did the company create during the year? How many employees were laid off? What is the ratio of the highest paid employee's compensation to company net profit, compared to the company's cash charitable giving to company net profit?

**5. Require that executive severance packages that provide benefits greater than those available to all employees of the firm be approved by shareholders within 12 months of hiring a new executive.**

Some of the handsomest pay packages have resulted from pay for failure — not pay for performance. Coca-Cola's fired CEO Douglas Ivester received $35 million in severance benefits, Lucent's Richard McGinn received more than $12 million, and when Mattel's Jill Barad was fired she received a cornucopia of parting gifts valued at more than $50 million. Much of this largesse stems from the fact that severance benefits are not negotiated at the time of hiring. When an executive has failed and lost the board's confidence, executives are then able to coerce huge pay packages in exchange for a peaceful departure.

**6. Increase barriers to selling based on insider information**

Under the recently passed Public Company Accounting Reform and Investor Protection Act of 2002, executives now have to disclose stock purchases and sales within two business days of the transaction (the previous standard allowed as long as 40 days). Given the propensity for abuse, a better idea would be to return to a previous standard of public disclosure *prior* to a sitting executive selling any stock.

AFL-CIO President John Sweeney has expressed support for an even stricter approach, which would ban stock sales by executives until they have left the employ of the company. This rule change would restore the sought-after alignment of interests between shareholders and management. This alignment of interests is shredded when executives accept lush option grants and then sell the stock.

*The voices of all stakeholders should be part of the debate within the boardroom.*

**7. Put in place broader standards of board independence.**

The recent passage of corporate accountability legislation by Congress marks an important but small step toward addressing the governing ability of corporate boards. That a controlling majority of directors should be free from direct financial interests in the company has long been common sense to most investors. But this definition of independence does not go far enough. CEOs from other firms make up the largest occupation group represented on corporate boards. While we do not discount the utility of having other businesspeople on boards, a company's risk is increased by having exclusively corporate perspectives on the board. Peer CEOs face numerous conflicts of interest in serving on other company boards and no place is this more apparent than in overseeing CEO pay. How many executives are going to argue for controlling pay excesses, when they know if they do someone will likely turn around and make the same argument in their own boardroom?

The recent market meltdown has reinforced the lesson that portfolio diversity is the wise choice, as it decreases risk and improves overall performance. The same is true of diversity of thought and perspective in the corporate governance process. Directors should not only have the right to consider the impact of corporate activities on other stakeholders, but the voices of those other stakeholders should be part of the debate within the boardroom. How would the Enron situation have been different if rank and file employees served on the company's board, or if one of the company's board members was a California power customer? *Business Week* reports that many corporations are finding it difficult to find willing directors in the usual places. Perhaps the time is right for looking in some new places for new leadership. Other nations recognize the importance of insisting that corporate boards respond to a broad range of viewpoints. For instance, German law requires that two seats of corporate boards at firms above a certain size be reserved for employee representatives. Not surprisingly, though German companies are as large and complex as their US counterparts, German CEOs, on average, make less than a fourth of what their American brethren make.[21]

**8. Require mutual funds and pension plans to disclose to shareholders and beneficiaries how they are voting their proxies on their behalf.**

The nation's mutual funds and pension funds control a majority of the stock traded in the United States. As such, they play a vital role in the governance of corporations. However, many of these institutions do not take their corporate governance responsibilities seriously, choosing in most instances to vote as company leaders have asked. Investors typically don't know how mutual fund

*Requiring mutual funds and pension funds to annually disclose their proxy voting records would focus $2 trillion of employee pension wealth on strengthening corporate governance practices.*

and pension managers voted. In 1999, the $1.6 billion Domini Social Investment Fund became the first mutual fund to disclose its proxy voting record on its website. More than two dozen social investment mutual funds have followed Domini's lead. In 2000, the $149 billion California Public Employees Retirement System (CalPERS) became the first public pension fund to report on its proxy voting record to the general public. Requiring mutual funds and pension funds to annually disclose their proxy voting records would focus $2 trillion of employee pension wealth on strengthening corporate governance practices.

**9. Federalize corporate charters.**

In response to the terrorist attacks of September 11, the government acted swiftly to plug weaknesses in the nation's physical security system. One of these responses was to federalize airport security. A similar response should be considered to deal with the serious economic security risks made apparent by the current corporate governance crisis.

The majority of U.S. corporations are chartered by the state of Delaware, which a hundred years ago won the race to the bottom in terms of being friendly to corporate managers. Delaware law provides generous exclusions of personal liability for those who lead corporations. It is one of a small minority of states to bar directors from considering the interests of other corporate stakeholders — employees and communities — in making corporate decisions. Delaware has gone so far as to even allow companies the option of eliminating their in-person annual meetings altogether, if they instead hold cybermeetings over the internet, a move opposed by large numbers of investors who view annual meetings as the one time a year when executives must appear and be held personally accountable. Delaware's lax standards and laws have been a sieve through which questionable behavior of corporate executives has easily flowed, threatening financial markets and our economy.

These 9 measures will not eliminate reckless corporate behavior, nor narrow the wage gap to the more reasonable levels found in, say, Europe or 1980s United States. But they will lift the veil of secrecy from corporate decision-making, remove significant incentives for CEO misbehavior, and provide some new tools for reining in executive excess and improving corporate accountability.

# Appendix

Book Cookers CEO Pay, Market Capitalization, and Layoffs

| Company | CEO | 1999-2001 Total Compensation | Market Cap Change 1/1/01 to 7/31/02 $Millions | % | Layoffs since 1/1/01 |
|---|---|---|---|---|---|
| Adelphia Communications* | J.J. Rigas | $4,350,162 | -7,858 | -99% | 0 |
| AOL Time Warner | G.M. Levin | $178,364,000 | -31,483 | -38% | 4,700 |
| Bristol Myers Squibb | P.R. Dolan (2001)<br>C.A. Heimbold (1999-2000) | $51,566,549 | -99,088 | -69% | 2,295 |
| CMS Energy | W.T. McCormick, Jr. | $5,465,961 | 2,757 | -72% | 0 |
| Duke Energy | R.B. Priory | $14,931,000 | -10,292 | -33% | 0 |
| Dynegy | C.L. Watson | $19,503,064 | -17,240 | -95% | 340 |
| El Paso | W.A. Wise | $85,860,000 | -28,134 | -79% | 300 |
| Enron | K.L. Lay | $250,834,250 | -62,335 | -100% | 4,250 |
| Global Crossing** | G. Winnick (2001)<br>R. Annunziata (1999-2000) | $20,787,969 | -12,607 | -100% | 8,500 |
| Halliburton | D.J. Lesar (2001)<br>R.B. Cheney (1999-2000) | $32,186,497 | -9,750 | -63% | 0 |
| Hanover Compressor | M.J. McGhan | $977,545 | -2,261 | -76% | 0 |
| Homestore, Inc. | S.H. Wolff | $4,503,154 | -1,563 | -94% | 1,000 |
| Kmart | C. Conaway (2000-01)<br>F. Hall (1999) | $18,074,194 | -2,206 | -86% | 23,200 |
| Lucent Technologies | H.B. Schacht (2001)<br>R.A. McGinn (1999-2000) | $10,919,217 | -39,786 | -87% | 54,338 |
| Mirant*** | S.M. Fuller | $7,586,000 | -7,058 | -83% | 0 |
| Network Associates | G. Samenuk (2001)<br>W.L. Larson (1999-2000) | $15,833,276 | 1,131 | 196% | 200 |
| Peregrine Systems | S.P. Gardner | $16,359,119 | -2,874 | -98% | 2,580 |
| PNC Financial Services | J.E. Rohr | $22,189,000 | -9,260 | -44% | 0 |
| Qwest | J.P. Nacchio | $266,332,104 | -66,223 | -97% | 11,400 |
| Reliant Energy | R.S. Letbetter | $10,909,902 | -9,728 | -76% | 0 |
| Tyco | L.D. Kozlowski | $331,765,196 | -71,500 | -74% | 18,400 |
| WorldCom | B.J. Ebbers | $44,062,629 | -39,847 | -98% | 26,700 |
| Xerox | P.A. Allaire (2000-01)<br>G.R. Thoman (1999) | $17,497,107 | 1,961 | 63% | 4,300 |
| | **Total** | **$1,430,857,895** | **-530,758** | **-73%** | **162,503** |
| | **Average** | **$62,211,213** | | | |
| | **Average CEO in *Business Week* Surveys** | **$36,500,000** | | | |
| | **Difference** | **70%** | | | |

*2001 compensation not available. Figure is for 1999-2000 only.

**2001 compensation not available. Figure is for 1999-2000 only. Total compensation does not include $508 million in 1999-2001 stock sales by Gary Winnick.

*** Mirant went public in September 2001. Market cap change is from Sept 30., 2001 to July 31, 2001.

**Sources: CEO Pay:** *Business Week's* April 15, 2002 executive compensation survey, corporate filings with the Securities and Exchange Commission, and schedules filed with the U.S. Bankruptcy Court. **Market Capitalization:** FactSet. **Layoffs:** Forbes.com Layoff Tracker and press reports.

# Endnotes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2. Kozlowski defended his 1999 pay saying, "While I gained $139 million [in stock options], I created about $37 billion in wealth for our shareholders." Quoted in *Business Week's* Special Report on Executive Pay, April 17, 2000.
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# Resources

**Reports on CEO Pay and Corporate Practices from UFE and IPS**

The reports listed below are available online at www.FairEconomy.org:

*Titans of the Enron Economy: The 10 Habits of Highly Defective Corporations,* April, 2002. This prescient report showed how many of the problems dramatically revealed by the Enron scandal are woven tightly into the fabric of American business. It ranked the worst companies in 10 areas and gave Enny Awards to companies with Enronesque behavior, including General Electric, Citigroup, AOL TimeWarner, WorldCom and Halliburton. Includes 12-step program for breaking Enronesque habits.

*Executive Excess 2001,* August, 2001. Among the findings: Job-cutting CEOs made higher than average salaries in 2000 amid layoffs and a slumping stock market. CEOs at companies that paid zero corporate taxes got larger raises than the average CEO.

*The Bigger They Come, The Harder They Fall,* April, 2001. A seven-year survey of the dismal financial return to investors in companies with high CEO pay.

*Executive Excess 2000*, August, 2000. Updates the decade-long trends in CEO pay, charts the explosion in executive pay at dot-com companies, and highlights the huge, and growing gap in pay between private-sector CEOs and their counterparts in the federal government.

*A Decade of Executive Excess: The 1990s*, September, 1999. This edition focused on major trends of the decade, economic arguments against exorbitant CEO pay, the most undeserving CEOs of the decade, and a survey of what can be done.

*Executive Excess 1998: CEOs Gain From Massive Downsizing*, April, 1998. Focuses on layoff leaders, international banking executives, job-shifters to Mexico, and the citizens' response to runaway executive pay.

*Executive Excess 1997: CEOs Gain From Massive Downsizing*, May, 1997. Focuses on layoff leaders and efforts to close the wage gap.

**Other Publications**

*Economic Apartheid in America: A Primer on Economic Inequality and Insecurity,* by Chuck Collins and Felice Yeskel with United for a Fair Economy (New Press, 2000).

*Field Guide to the Global Economy*, by Sarah Anderson and John Cavanagh with Thea Lee (New Press, 2000).

*Choosing the High Road: Businesses That Pay a Living Wage and Prosper,* by Karen Kraut, Scott Klinger and Chuck Collins (Responsible Wealth, 2000). Available online at www.responsiblewealth.org.

*Divided Decade: Economic Disparity at the Century's Turn,* by Chuck Collins, Chris Hartman, and Holly Sklar (United for a Fair Economy, 1999). Available online at www.FairEconomy.org.

*Shifting Fortunes: The Perils of the Growing American Wealth Gap,* by Chuck Collins, Betsy Leondar-Wright, and Holly Sklar (United for a Fair Economy, 1999).