# American CEOs paid 300 times more than workers

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A new study by the Economic Policy Institute showed that while worker pay has stagnated since the economic crash of 2008, CEO pay has skyrocketed. While the average worker made the same in 2014 as they did in 2009, CEO compensation rose by 54.3 percent in the same period.

The average pay for CEOs at the largest US firms in 2014 was 303.4 times the pay of an average worker. CEOs averaged $16.3 million, up 3.9 percent from 2013, while the average worker in 2014 only made $53,200. In practical terms, that means a top CEO takes home more than a worker makes in a year after 8 hours on the job.

The standard justification for this obscene disparity is that CEOs are highly skilled individuals who significantly impact corporate productivity and ultimately "create" thousands and thousands of jobs. Then, so the myth goes, there is stiff competition among the largest companies to hire the best CEOs, which drives the exorbitant compensation packages.

The study examined compensation packages for CEOs at the top 350 US firms from 1965 to 2014. The authors then compared them with the average wages of workers, the wages of high-earning workers and stock market values. Researchers found that "CEO pay does not reflect greater productivity of executives but rather the power of CEOs to extract concessions."

The report debunks the claim that growing CEO compensation is simply the result of a competitive market for skilled professionals, the argument advanced by the CATO institute and other think tanks. When compared to the top 0.1 percent of wage earners, CEOs make 5.84 times as much. Moreover, this gap is widening. Other measures of compensation relative to skill pale in comparison. College graduates, for instance, only earn 1.82 times as much as high school graduates.

Historically speaking, the rise in CEO compensation is tied to the global decline of American capitalism and the increasing financialization of the economy. In 1965 the ratio of CEO to worker pay was 20 to 1. By 1978 the ratio had only grown to 30 to 1. It was only in the 90s that CEO pay reached absurd heights, rising from 59 to 1 in 1989 to 376 to 1 in 2000.

By then CEO compensation was increasingly directly tied to stock prices, such that the dot-com crash in 2000 saw the ratio drop to 189 to 1. CEO pay then rebounded with the growing financial bubble to near record highs before crashing with the market in 2008. As a whole, between 1978 and 2014, CEO pay grew by 997 percent while worker pay grew by only 11 percent.

The current growth in CEO pay is directly tied to the quantitative easing program of the Federal Reserve, which has driven share buybacks and speculation, pushing markets to record highs while undermining the actual productive forces in the economy.

A report in the *Wall Street Journal* earlier this year showed that the companies in the S&P 500 index had "sharply increased their spending on dividends and buybacks to a median 36 percent of operating cash flow, from 18 percent in 2003." This doubling in one decade was accompanied by a decline in investment in production.

A particularly sharp example of this occurred with the announcement by General Motors last March that they would buy back $5 billion worth of stock and increase dividend payouts by another $5 billion. GM stock shot up 4 percent immediately after the announcement.

While the maneuver netted massive profits for investors, senior autoworkers at GM have had their wages frozen since 2007 while the wages of new hires were cut in half as part of the 2009 bankruptcy and

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bailout. Rather than use any of their $25 billion cash hoard to invest in new production or raise workers' wages, that money went to padding the portfolios of investors and corporate executives.

Mary Barra, the CEO of GM, was given $16.2 million in compensation in 2014. That includes a $1.6 million salary, $2.1 million in other incentives and $11.8 million in company stock.

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