Shareholders vs. Managers

Professor Rubin believes that the political motivation for regulation of corporate management’s compensation is due to envy (“Evolution and Envy,” Summer 2007). To the contrary, I rather conclude that the issue is due to greed. Greed, that is, on the part of management, coupled with disgust on the part of shareholders and not envy.

Speaking for myself and other investor friends of mine, I want to assure Professor Rubin that it is not envy from which we are suffering. What we have long resented, however, is the greed of corporate management whose only limit is whatever they can get away with. The professor justifies the astronomical salaries and compensation packages of CEOs on the grounds that it is they who produced the profits and growth for the corporations they manage. So they claim. Certainly, managers deserve to be compensated for the role they play in the success of the corporation they manage. However, they are the ones setting their own compensation packages. As I indicated above, the only restraint on that compensation is whatever they can get away with.

The professor further opines that the shareholders’ remedy, if they resent such grasping, is to sell their shares. That is a remedy of course, but it is hardly adequate. Given our government’s bent on profligate spending, exorbitant taxation, and monetization of the debt through inflation, savers must take measures to protect their savings by investing in equities. There is little else out there. Savers today suffer the dual assault of both government wastrels and management greed.

As our late President Nixon liked to say, “Let me make myself perfectly clear.” I do not favor government regulation of corporate compensation. What is happening, however, is that corporate managers are in the process of bringing the house down upon themselves. In so doing, we will all be the losers, shareholders included. This will be a high price to pay for unrestrained management greed.

James D. Heiple
Peoria, Ill.