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How Much Is Enough?

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Do you agree with President Obama, who has just limited the pay for executives in some, but not all, of the companies receiving government bailout money to \$500,000 a year?

One could argue that \$500,000 is too much, given that the president only makes \$400,000 a year in a job with more responsibility and a larger budget than any other job in the world. Since there were plenty of would-be takers for that job, and some were arguably even qualified, why should we pay anyone more?

Many people who rely on the taxpayers, both in the United States and elsewhere, make far more than the president of the United States (see the accompanying table). The highest paid public employees in the United States for the most part are football coaches at universities. The argument made for these multimillion-dollar salaries is that a winning football team brings lots of revenue into the school and causes the alumni to give more.

Public Sector Salaries

Position	Annual Compensation in U.S. dollars
President of the United States	400,000
Prime Minister of Singapore	2,460,000
Chancellor of Germany	307,000
Chairman of the U.S. Federal Reserve	191,300
President of the European Central Bank	450,000
President of the Bank of Italy	650,000
President of the Bank of England	410,000
President of the University of Florida	732,000
Ohio State University football coach	3,500,000
University of Georgia football coach	2,800,000

But if it is proper for a football coach to be paid millions of dollars a year, why is it not proper for a corporate executive, who might bring in 100 or even a 1,000 times as much revenue and profit, to be paid millions? If the taxpayer-supported universities were not allowed to pay high salaries to their coaches, all the best coaches would undoubtedly flock to the private schools.

The president's executive order, setting a ceiling on salaries, was limited to only some companies, but not all, who will receive bailouts, but not ones that for the most part have already received bailouts. How is this fair? If the goal is to stop excess and increase fairness, should not lobbyists (both registered and unregistered) have their compensation limited? After all, their job is to convince politicians to spend more taxpayer dollars to benefit some particular company, union or nonprofit organization. Why should they be compensated with millions of indirect, but ultimately, taxpayer dollars, as was former Sen. Tom Daschle with his \$5 million haul, because they know people who can dispense favors?



If companies that received bailouts in the form of government loans or ownership have to restrict pay for their executives, should not companies that are primarily government contractors also have pay restrictions? Why should an executive working for a private firm with a government contract receive more than an executive directly employed by the government doing the equivalent work? The answer is the private firm is usually much more efficient, with higher technical skills. But it is easy to see the slippery slope that government-mandated pay caps can lead to.

Take General Electric, one of the largest government contractors for decades. It also owns NBC, the news division of which (particularly its MSNBC channel) had been the most slavishly pro-Obama network. GE has also received more than a \$100 billion bailout (guarantees for its financial services' division), and its CEO, Jeffrey Immelt, has been named by President Obama to his Economic Recovery Advisory Board. I am willing to bet the rules on pay caps are so written they do not apply to Mr. Immelt and his MSNBC Obama cheerleaders, particularly Chris Matthews and Keith Olbermann - who are paid many millions. Hmmm, anyone see conflict of interest in all of this?

Most of us believe some people are paid too much and others too little. In the accompanying table, the head of the European Central Bank, which has the responsibility for the euro, is paid a lot less than the head of the Bank of Italy (who would appear to have little to do since Italy stopped issuing its own currency and adopted the euro some time ago). Why is the prime minister of Singapore paid so much more than the prime ministers of large European countries and the U.S. president?

There are pay inequities in private business. But over the long run, companies that overpay or underpay make themselves less competitive, and the better-managed companies tend to win. Governments, being monopolies, are likelier to set compensation on the basis of political power rather than skill level or productivity. One might be outraged at the apparent excess compensation of some of those on Wall Street, but when government starts setting private sector salaries you can bet that, over time, the best and the brightest will leave for greener pastures in the United States or some other country.

Constitutional scholars like Judge Andrew Napolitano argue it is unconstitutional for the government to put caps on some private sector salaries. The problem is that once government stops being the referee of the economic game and decides to field players of its own or give some players advantages that others do not have, the whole system begins to break down. Those who are pushing for more government involvement with, and control over, the economy are ignoring two centuries of disastrous socialist experiments and 2,000 years of failed attempts to impose price and wage controls.

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