

United States Senate

WASHINGTON, DC 20510

July 6, 2011

Charles G. Tharp
Chief Executive Officer
Center on Executive Compensation
1100 13th St NW, Suite 850
Washington, DC 20005

Dear Mr. Tharp:

As you are aware, Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform Act) requires the disclosure by public companies of the ratio between the compensation of the Chief Executive Officer and the typical worker at that company. We are troubled to hear that your organization opposes this common sense provision that will reveal information that could be embarrassing to your organization's corporate members.

While comprehensive data will not be available until this provision takes effect, there is no question that CEO pay is soaring compared to that of average workers. In 1980, CEOs of large U.S. companies received an average of \$624,996 in annual compensation, or 42 times the pay of typical factory workers.¹ But by 2010, large company CEO pay had skyrocketed to \$10.8 million,² or 319 times the median worker's pay.³ This troubling trend mirrors the increase in income and wealth inequality in America. Income inequality in the United States is at levels not seen since before the Great Depression as a result of rising incomes in the top 1%.⁴ There is no doubt that most, if not all, of the CEOs your organization represents fall into that top 1%.

While incomes at the very top have skyrocketed during those years, workers' wages and incomes have largely stagnated. In fact, over the last decade, median family income actually fell for the first time since the Great Depression.⁵ Along with a lack of wage and income growth, average hard-working Americans saw a major loss in their net wealth, particularly from the decline in home values. When the housing bubble collapsed, these families were left unable to make ends meet.

¹ "Executive Pay: The Party Ain't Over Yet," *Business Week*, April 26, 1993.

² "We Knew They Got Raises. But This?," *New York Times*, July 2, 2011.

³ Bureau of Labor Statistics, May 2010 Occupational Employment and Wage Estimates, [National Cross-Industry Estimates](#), Median All Occupations.

⁴ Professor Emmanuel Saez, "Striking it Richer: The Evolution of Top Incomes in the United States" (July 17, 2010; updated with 2008 estimates). Originally published by Saez and Thomas Piketty as "Income Inequality in the United States, 1913-1998," *The Quarterly Journal of Economics* (February 2003).

⁵ Census Bureau data; median income for all households (2009 dollars) was \$52,301 in 2001 and \$49,777 in 2009.

The rapid rise in pay and wealth among the wealthiest Americans has a very real economic impact on working Americans. Another way to view a \$10 million bonus to a CEO – likely obtained through a rigged executive compensation system – is to think of how that same amount could instead be used to give 1,000 of his or her employees a raise of \$10,000 each.

If we are to generate a long-lasting recovery, we need to ensure that hard-working middle class families are once again able to share in their company's successes through rising wages and benefits, just like CEOs have done for decades. Section 953(b) of the Wall Street Reform Act will help to further this important goal by increasing transparency, encouraging firms to take a harder look at the rising pay discrepancies between CEOs and their workers, and providing investors and policy makers with a better understanding of pay.

These pay disparities are of growing concern to many people. For example, Robert Niblock, the CEO of Lowe's, collected \$12 million in compensation in 2010, or more than 380 times the \$31,637 pay of department managers at the retailer.⁶ A number of investors have requested similar information on their own from companies and have been denied it.⁷ In contrast, some companies that are more responsible with respect to executive pay disclosures do not find it burdensome to calculate the typical worker's salary at the company.⁸

There can be no real recovery of our economy without the recovery of the middle class. To rebuild the middle class, we need a better understanding of the factors that have contributed to the stagnation of the wages and incomes of American workers. Accordingly, we urge you to reconsider your views on this provision and to stop shielding your member companies from revealing this basic information. Your opposition is a disservice to the American public and the shareholders of your member companies.

⁶ CEO pay data is obtained from 2011 company proxy statement.

⁷ Whoriskey, Peter. "Business Group: Public Companies Shouldn't Have to Compare CEO and Worker Pay," *The Washington Post*, June 24, 2011.

⁸ See, for example, Whole Foods Market, Inc. 2011 Proxy Statement, filed with the SEC on January 18, 2011 and MBIA, Inc. 2011 Proxy Statement, filed with the SEC on March 18, 2011.

Sincerely,



Senator Robert Merendez



Senator Tom Harkin



Senator Sherrod Brown



Senator Carl Levin