

Fat Cats versus Alley Cats

Why the Occupy Movement is Right

By Wayne Visser

The most common explanation for the global financial crisis is to point a finger at the banks. And rightly so. But I believe we also need to shine a spotlight on the greed and irresponsibility of executives, fat-cats like Lehman Brothers' former CEO Richard Fuld. These are the enriched 1% that suck the lifeblood out of the fleeced 99% and which the Occupy Movement is justifiably targeting. Naming and shaming is important, but we need to realise that this is a systemic cancer in our economic and financial system.

It is also not a new phenomenon, but worrying it is showing signs of getting worse, not better. In 2000, Enron was the 7th largest company in America, with revenues of \$111 billion and over 20,000 staff. When the company collapsed in 2001, due to various fraudulent activities fuelled by a culture of greed, the average severance payment was \$45,000, while executives received bonuses of \$55 million in the company's last year. Employees lost \$1.2 billion in pensions; retirees lost \$2 billion, but executives cashed in \$116 million in stocks.

At the end of 2007, just before the crisis went public, Lehman's CEO Fuld and president Joseph Gregory paid themselves stock bonuses of \$35 million and \$29 million respectively. At the time, Fuld lived in an enormous Greenwich mansion, over 9,000 square feet, valued at \$10 million. He had four other homes and an art collection valued at \$200 million. Hardly a picture of responsible restraint.

Taken on their own, these executive pay packages are outrageous enough. But the extent of creeping executive greed comes into even sharper focus when we look at trends in relative pay. In 1965, U.S. CEOs in major companies earned 24 times more than a typical worker, a ratio that grew to 35 in 1978 and to 71 in 1989. By 2000, it had hit 298, and despite falling to 143 in 2002 (after the post-Enron stock market slump), it bounced back again and has continued rising through the noughties (2000s).

The Institute for Policy Studies Executive Excess report reveals that the 2010 ratio between average worker and average CEO compensation leaped to 325-to-1, up from 263-to-1 in 2009. Among the nation's top firms, the S&P 500, CEO pay last year averaged \$10,762,304, up 27.8 percent over 2009. Average worker pay in 2010? That finished up at \$33,121, up just 3.3 percent over the year before.

According to Fair Economy, the average U.S. worker's salary could pay for 10 months of health insurance, 5 months of college tuition, and buy 10 percent of an average home. On the other hand, the average Fortune 500 CEO's salary could pay for 300 years of health insurance, 200 years of college tuition and buy 34.5 new homes.

But at least these CEOs are contributing through taxes, right? Wrong. In fact, corporate tax dodging has gone so out of control that 25 major U.S. corporations last year paid their chief executives more than they paid the U.S. government in federal income taxes. Citizens for Tax Justice, as part of a study on tax avoidance among the Fortune 500, has identified 12 corporations that have paid an effective rate of negative 1.5 percent on \$171 billion in profits.

It is easy to go cross-eyed or brain-fried when confronted by a barrage of numbers like that. And yet, there was one particular number that shocked me so much when I read it that it stuck in my mind. I believe I read it in Body Shop founder Anita Roddick's wonderful and feisty book, *Body and Soul*. She claimed that it would take one Haitian worker producing Disney clothes and dolls 166 years to earn as much as Disney's then president, Michael Eisner, earned in one day.

Reflecting on this, I wrote in my book *Beyond Reasonable Greed*: 'rather than spreading around the wealth for the common good, it seems to us that Adam Smith's invisible hand has a compulsive habit of feeding itself'. If decades of inaction by governments on executive pay is anything to go by, then we should not wait for our elected politicians to put restraints on the market's invisible hands.

So that leaves us – civil society. And that is why I believe the Occupy Movement is a revolution whose time has come. But they need our support; they need our determination; they, even need our outrage. If they don't get it, we will stand by shaking our self-righteous heads and watch as another generation of Wall Street fat-cats gets fatter at the expense of Main Street alley-cats – that's us by the way: we, the middle class; we the people who create the real wealth of nations; we who need to say 'enough is enough!'

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