# BUSINESS, SOCIETY & ETHICS

## Reconsidering Executive Compensation

As you read the material for our next class, keep the questions below in mind. To answer these questions you will have to reflect critically on what you have read and possibly re-read important passages. Keep in mind that there are two basic kinds of information that you need to look for in the reading:

1. What are the main points or conclusions that an author accepts with respect to a particular issue?
2. What are the reasons, important considerations, and evidence that lead the author to accept that conclusion?

For our purposes, *it is information of the second sort that will be our primary concern* since our most basic task is to *evaluate the reasons and evidence* that are offered to support accepting one possible conclusion about an issue, rather than another.

Although I strongly suggest that you write out brief answers to these questions, you do not have to turn in written responses. You do, however, need to be prepared to speak intelligently about these issues at our next class meeting.

### Reading

- Jeffrey Moriarty, "Do CEOs Get Paid Too Much?"
- *Optional*: Lawrence Mishel & Alyssa Davis, "Top CEOs Make 300 Times More than Typical Workers: Pay Growth Surpasses Stock Gains and Wage Growth of Top 0.1 Percent".

### Questions

1. "According to [what Moriarty calls] the agreement view, a wage of $8 million per year is just if and only if it results from an arm's-length negotiation between an informed CEO and an informed group of owners [the shareholders]" (p. 261). Why does Moriarty believe the agreement view does not justify such a high average CEO salary? (Note: Moriarty's numbers are from 2003. For more recent figures from 2014, see the optional reading by Mishel and Davis.)
2. "According to [what Moriarty calls] the desert view, the CEO should be paid $8 million per year if and only if he deserves to be paid $8 million per year" (p. 258). Why does Moriarty believe the desert view does not justify such a high average CEO salary when compared to the average salary of their employees?
3. "According to [what Moriarty calls] the utility view, . . . a compensation package of $8 million per year is just if and only if it maximizes firm wealth by attracting, retaining, and optimally motivating a talented CEO" (p. 258). Why does Moriarty believe the utility view is unlikely to justify such a high average CEO salary?