***TEAM 4 Paper Proposal***

**How does a company’s performance impact the salary of the CEO?**

For our term project, we will be using the dataset “ceosal1” found in the Wooldridge data sets which is a random sample of data reported in the May 6, 1991 issue of Businessweek. The data set includes 209 observations on 12 variables, notably CEO salary, sales, return-on-equity, return-on-stock and industry. Our big question, listed above, is how a company’s performance (measured through return-on-equity and return-on-stock) affects the salary of the CEO. We also aim to investigate the effect that different industries have on the salary and salary growth of the CEO. Determining what role company performance has in a CEO’s salary can help us to understand if CEO’s are motivated to increase the performance of the company even potentially through fraud. It will also be interesting to see what the difference between return on equity and return on stock and the impact they have on the salary. We are also curious if the relationship between increasing good metrics and our assumed increase in salary has a similar impact as a decrease, or if they have an uneven impact.