**Issue 2 Analysis: Are CEOs Paid What they are Worth?**

Throughout the past several decades businesses have flourished. It can be said that business is growing and profits are soaring, but the same can be said of the CEOs wallets. Acronyms are found throughout every business and governmental branch , but we are referring to one position in particular... the Chief Executive Officer of a large corporation. A typical description of this position is usually something along the lines of "The senior manager responsible for overseeing the activities of the entire company." This is a very demanding position in any business and deserves the highest pay of any of the other employees, but when is the line crossed where reasonable and excess pay are concerned? This brings us to the burning controversy of "Are CEOs Worth What they are Paid?"

The current pay rates of most CEOs are arguably excessive at best. Edgar Woolard states in his writing that there are four major myths of Executive pay, the first being that CEO pay is driven by competition. Woolard states that this is a completely false statement and goes as far as calling this claim "bull". There is a competition for businesses to keep their Executive officers in the top 50% of the pay bracket, and every year this will rise exponentially. He says that yes, there is a competitive pay rate, but it's between the other similar ranking managers, not the companies.

Compensation Committees, what are they and what is their purpose? They are the topic of the next of the four myths. Compensation committees are supposed to be an external committee of people who look into the company's financial standing, and the current salary rates of the employees and set standards for the next years salaries. These companies are supposed to be independent in theory; a company that comes in and determines the earnings of the employees through just the records and available paperwork. The whole process is supposedly unbiased, but in most cases these companies work directly with the CEO and CFOs of the company of whom sway their own earnings making them much greater than would be otherwise. So, are compensation committees independent as they are said to be? In some instances yes, but most of the time no, they work very closely with the employees to set the earnings. Its good business practice for them as they are invited back time and time again to perform the same job.

Another falsity that is common throughout major corporations is a profit gain while a CEO is in office. Woolard makes many really strong arguments throughout his writing, and this could be arguably his finest of the bunch. Yes, there is a chance that while a CEO is in office that the job was done well above and beyond its expectations and requirements, and, as Sir Isaac Newton stated "For every action there is an *equal* or opposite reaction." In this case the reaction would be equal... in the form of a profit increase. This isn't what Woolard is concerned with though, what if the CEO has made no major improvements in the company and profits increase dramatically anyway, possibly caused by a stock market bubble. This is where the stocks rise dramatically due to market participants driving the stock prices above their usual or predicted value. This has nothing to do with the performance of the executive officer, and is usually a very temporary condition. Should the CEO be paid for the added worth of the stock values while in the job or not? In theory, no, but they often play the "Look at how much wealth I've created" card, and they get paid for it anyway.

The last of the myths pointed out was "severance for failing". Should an employee be paid grossly disproportional amounts of money for failing? If your answer is "no" then you are siding with almost every other person except the one in the firing line. Why is it that when a normal, non management level employee is fired they get severance pay in proportion with their current paycheck, while a CEO hitting the chopping block gets gastronomically huge severance pay checks? The CEO is able to set this amount while in the position. They commonly set themselves up for a cushion to fall back on in times of trouble. Woolard, being slightly irked with the way big businesses are being run states a very important and practical approach to dealing with these dilemmas. If companies paid employees according to performance records there would be no issue of overpaying or underpaying an employee. If that person is performing at less than their maximum or expected capacity than award them as such. Give them a paycheck that is less than the maximum or expected value. If the performance is to par or exceeds all preconceived ideas then reward with an according paycheck.

All in all, Woolard fights a win/lose battle. The public wants to see fairness and equality brought back into the workplace by slashing excessive executive paychecks, but in the end it all boils down to what the high level executives are willing to accept.