HOUSE COMMITTEE ON OVERSIGHT & GOVERNMENT REFORM

OPENING STATEMENT OF CHAIRMAN EDOLPHUS TOWNS

Hearing: "Executive Compensation: How Much is Too Much?"

October 28, 2009

Good morning and thank you all for being here.

There is little doubt that executive compensation schemes were a contributing factor in the Wall Street meltdown.

Top executives had grown accustomed to receiving enormous bonuses on top of fat salaries, regardless of how their companies performed.

When their companies did well they received big bonuses. And when their companies did poorly, they still received big bonuses.

Even the Chairman of Goldman Sachs has admitted that the perverse incentives created by these schemes helped send the industry over the brink.

It's not surprising, then, that the taxpayers were outraged when they realized that their money was being used to bail out companies that still planned to pay their executives millions of dollars.

If it weren't for taxpayer bailouts, these companies would no longer be here. We wouldn't be reviewing their salary plans – we'd be reviewing their liquidation plans.

After these bailouts, and after the popular outrage last spring, you would think that the top brass would have recognized there was a problem with excessive compensation.

The Obama Administration made a good decision when they appointed a Special Master, Ken Feinberg, to review executive compensation at companies receiving taxpayer bailouts.

Mr. Feinberg performed the first review of compensation for the highest paid employees of the seven companies which received the most TARP dollars. He found what many feared: The top brass still doesn't understand. They still don't get it.

Despite record losses and near bankruptcies, the executives at these companies were still planning to cash in. I'm happy to say that Mr. Feinberg ordered substantial cuts in their pay.

No doubt there is howling in the executive suites, but I don't think the taxpayers are going to be shedding any tears over this.

These huge pay packages are offensive during these difficult times and Americans are angry about it. I hear the anger in church, on the street, and wherever average Americans meet.

And I think we saw more evidence of people's outrage at the protests at the American Banker's Association meeting in Chicago yesterday.

Some on Wall Street have justified their huge pay packages by comparing themselves to super-star athletes. But Tiger Woods and A-Rod didn't crash the economy. They haven't asked for any government bailouts, either.

Let me be clear: The issue today is <u>not</u> whether the government should dictate how much people should be allowed to earn.

The issue today is whether banks that were saved from bankruptcy only by taking billions of dollars in taxpayer money, should be rewarded with salaries that give new meaning to the word "generous."

It's a shame to have government get involved in bank compensation issues – but Wall Street can no longer be trusted to control itself.

Some constraints on these companies are necessary to protect the safety and soundness of the entire financial system. We need more than just a Special Master. We need to give the shareholders a way to get this under control.

Today we welcome Mr. Feinberg who will testify about his efforts to ensure that our tax dollars are not being squandered on excessive compensation.

I want to also thank Professors Black and Roberts who will likewise share their insight on executive compensation.

I look forward to their testimony.