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Statement of Congressman André Carson
"Compensation Structure and Systemic Risk"
June 11, 2009

Thank you, Mr. Chairman for your tremendous leadership on the issue of executive compensation and for holding this important hearing today. This issue promises to be one of the most important in upcoming regulatory reform legislation.

Recently, there have been a number of interesting characterizations of efforts to reform executive compensation structures on Wall Street. In the wake of the worst economic crisis since the Great Depression, many financial industry leaders have insisted that CEO compensation is "self correcting." They urge inaction on reform, insisting that shareholder and media scrutiny has already moderated pay for leaders of poorly-performing companies. They claim if we enact stronger reforms, our financial talent will be driven overseas and our economic recovery will be delayed.

What is missing from that argument is both clarity and reason.

For the 175 executives whose companies helped fuel the current economic crisis that ultimately required hundreds of billions of dollars in taxpayer assistance, I believe a capable compensation overseer should have the discretion to determine whether or not these companies' compensation packages are reasonable. In any other industry, when someone takes excessive risks that lead to monumental failures, there are repercussions. Wall Street seems to expect a separate set of rules.

For my constituents, this double standard is nothing new. They know that thirty years ago, CEO's took home 30-40 times what average workers made and now that number has exploded to 344 times an average worker's pay. They know that while the average CEO pay dropped by a million dollars last year, many average workers were laid off. They know that the average bonus payment to Wall Street executives represents more than they hope to earn over a lifetime. And they also know that once again, Main Street is paying for the actions of Wall Street.

My hope is that industry leaders understand that calls for executive pay reform are not a retaliation for our current economic reality, but rather, an attempt to usher in a new era of real corporate responsibility. I hope that executives realize that performance incentives that are tied to the long term success and soundness of an institution are essential, if we hope to monitor systemic risk and restore confidence in our markets.

With that in mind, I look forward to working with the Administration, the Chairman, and my colleagues on this Committee to enact legislation that includes these common sense reforms. Thank you.