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Statement of Rep. Darrell Issa, Ranking Member

"Executive Compensation: How Much is Too Much?"

October 28, 2009

Chairman Towns, thank you for holding today's hearing on the Obama Administration's efforts to control executive compensation in the private sector.

The American people are angry and they have a right to be. They're angry that Wall Street executives who made reckless bets with other people's money and were bailed out by the taxpayers while many of those same taxpayers lost their jobs.

Corporate greed and corruption isn't a sound business strategy. Bear Stearns, Lehman Brothers, and Countrywide are all examples of firms where greed for profit led to their ultimate downfall.

While the American people are angry at Wall Street, they're also angry at us. Why?

There's a saying about greed on Wall Street that once rang true: "Bulls and bears get rich, but pigs go broke."

Under the new order, pigs get a government bail out.

President Bush, President Obama, Hank Paulson, Ben Bernanke, Tim Geithner, and the United States Congress failed in their solemn responsibility to the American people. TARP is the biggest giveaway of taxpayer dollars in American history – $700 billion of taxpayer money was handed over to a bunch of companies that balked at facing the consequences for their greed and bad decisions.

Mr. Chairman, I believe in capitalism. Although it is not perfect, the American brand of capitalism has enabled the production of more wealth, spread among more people, than any system of economic organization in the history of man. Just as government bailouts of failed firms are misguided, so to are efforts to place a cap on the rewards of true innovation and success.

The rewards of success in business incentivize managers and investors to make good decisions, and the fear of failure discourages bad decisions. If you take away the freedom to fail, the entire system goes out of balance.

The series of bailout decisions made by both the Bush and Obama Administrations have insulated Big Business from the fear of failure. We have subsidized failure and mortgaged our future to do so, and it has to stop.

Building on these bad decisions, the Obama Administration has appointed a "Special Master for Compensation" who is commonly referred to as the "Pay Czar." While I appreciate the Special Master's appearance before the Committee today, I am deeply concerned that this position is an example of this Administration yet again outsourcing responsibility to unaccountable czars. According to news reports, the Special Master's rulings are final and unreviewable. He rarely consults with Secretary Geithner, and he is purposefully insulated from oversight from the White House.

While distancing themselves from the Special Master's activities may be politically expedient for President Obama and Secretary Geithner, this position represents a fundamental shirking of their responsibility to the American people. The American people have a right to know how the Pay Czar can exercise such unprecedented and unchecked power in a free society.

Before we had a pay czar and before Federal bailouts were commonplace, the United States had a system known as bankruptcy whereby failed firms could have debts dissolved, salaries of executives slashed, and in extreme cases, the firms could actually be dissolved. Executive pay was also controlled by boards of directors and shareholders.

In knowing that the existing regulatory structure failed in its responsibilities to protect shareholders, the right way to address the problem is to fix the underlying regulatory system rather than appoint a pay czar.

While I appreciate that Mr. Feinberg is concerned that taxpayer dollars aren't used to fund excessive executive compensation, I also hope he'll understand my position: we need to address problems in our financial system and get to a place where we don't need a pay czar as quickly as possible.

Mr. Chairman, those in Washington who bailed out these companies had the arrogance to say, "We know what's best. We have the special knowledge and the right to take money out of the taxpayers' pockets and give it to those who should have borne the consequences for their bad decisions." I say nothing gives us that right.

We have made these firms too big to fail. We have given them access to the public purse. And we continue to travel down the road to crony capitalism by relying on unaccountable czars to micromanage salaries at firms we should have never protected from failure in the first place.

Thank you, Mr. Chairman.