
Statement by Ranking Member Spencer Bachus (R-AL) Made During Floor Debate on the Rule for H. R. 1257, the Shareholder Vote on Executive Compensation Act

April 18, 2007

Mr. Speaker, I take this opportunity on the rule to simply clarify what we're debating here today.

Now, we are not debating executive compensation, because the Congress does not set executive compensation. There have been many examples just in the past month or two of what we would judge to be outrageous CEO pay packages. There have been many occasions when our constituents have said to us, isn't that \$200 million going to some executive outrageous? People hear about these pay packages which, quite frankly, I'm not here to defend. One thing they say is, are the shareholders being taken advantage of? Are the rank and file being taken advantage of? And, in many cases, the answer is probably "yes." There is no justification for many of these executive pay packages. Sometimes they are based on performance and value added to the corporation and to the shareholders and to the employees, but many times they're not. Many times they are not linked to performance.

Now, having said that, why would I have said that and then come down and oppose this legislation? The reason is this, in fact, is a mandate. This is Congress beginning to intrude on corporations.

Now, many of my colleagues on the other side would say, this is a nonbinding resolution. But it is a mandated resolution. If we pass this resolution, the shareholders in publicly traded corporations both large and small must take a position on corporate executive pay for every top executive. In every case, every shareholder must vote on every executive and say your compensation is adequate or it's not. Is it justified or not?

How many times has this Congress substituted its judgment for the American people, and for people in business? And that is again what we're doing by telling shareholders you must have this vote. This is a mandate.

Now, there is another reason that we ought to oppose this. Congress should never rush in and begin to change the free enterprise system, our system of competition between companies. During the past year the SEC directed public corporations to publish the pay, the salary, the compensation, the perks, the benefits that you give your top corporate executives, and now we're coming back with something more intrusive before we see if that works.

And the reason we did that is, once that's published and shareholders know exactly what these top executives are doing, shareholders have the right today to bring a motion before the corporation, and if the majority of shareholders agree, they can take a position on executive compensation.

Now, that is not something we oppose, and in many cases these corporations are doing it. Just last week, the shareholders of Morgan Stanley came forward with a proposal to do exactly what this resolution wants to do. And guess what? The shareholders at Morgan Stanley said "no"; the majority of shareholders said "no"; we are not going to get involved in something that might affect the excellent performance of this company.

We have had a system of corporate governance that is second to none in the world. It has made us a leader in the free world. It has evolved over centuries. It has involved over decades. It is part of our statutes.

The gentleman from Mississippi, the gentlelady from Florida, you have come up and you have said, look at some of these outrages pay packages. I agree with you, I agree with you. I have picked up the paper. I have said, what is going on here.

On many occasions I have picked up the paper a month later and seen where shareholders acted to address these issues. How many times have we been approached by constituents and we have said, well, when that law passed, we didn't intend to do this, it wasn't our intention to do this. These are unintended consequences.

Let me tell you something. When Congress becomes a second-guesser and a judge of executive pay for every corporation in America, every public corporation, ladies and gentlemen, we are getting on a slippery slope.

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