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The Rise and Fall of the CEOs

SACRAMENTO, CALIF. Feb. 11 (PinoyGlobal) - The Rise and Fall of the CEOs Riding the crest of the "Reagan Revolution," the corporate Chief Executive Officers (CEOs) reached the pinnacle of power in the business world. As the preeminent leaders of American capitalism, they reigned high and mighty. But after three decades of sustained economic growth, their empires are crumbling and the CEOs are falling.

If Ronald Reagan were alive today, he would be horrified to see how his "trickle-down economics" -- also known as Reaganomics -- had gone wrong during the presidency of George W. Bush. Reagan won the presidential elections in 1980 on his campaign promise to reduce government spending, reduce taxes, reduce government regulation of the economy, and reduce inflation. He did. But somewhere along the way, things had gone awry.

Reagan peddled the theory of "supply-side economics" -- a more palatable term for "trickle-down economics" -- to the American people and they bought it. Coined by journalist Jude Wanniski in 1975, "supply-side economics" is the theory that economic growth can be achieved by providing tax cuts, incentives, and other benefits to businesses to produce goods and services; thus, benefiting the people as "prosperity" trickles down to them. However, during the 1980 primary, Reagan's opponent George H.W. Bush deridingly called it "Voodoo economics." Bush lost the primary to Reagan; however, Reagan magnanimously offered him to be his vice presidential running mate.

Whether it's called trickle-down economics, supply-side economics, voodoo economics or Reaganomics, it was the vehicle that launched the Reagan Revolution. Massive capital flowed into businesses; thus, revving up the economy. Seventeen million new jobs were created from 1982 to the end of the Reagan presidency in 1988.

It was also the beginning of deregulation which removed, reduced or simplified restrictions on businesses. With hardly any government oversight, businesses burgeoned and accumulated wealth never seen before. As businesses grew, CEOs targeted smaller businesses for takeover. Others merged to kill competition and control the market. As businesses grew bigger, they became greedy. And so were their CEOs.

Soon, the CEOs started looking out for themselves. They demanded their boards of directors for bigger salaries, bigger bonuses, more perks and benefits, bigger incentives, larger expense accounts, and humongous stock options. With corporate profits going through the roof, the CEOs got what they demanded... and more. "CEO Greed" became the buzzword in the business world.

In 1997, the US economy suffered a setback during the Asian financial crisis. Many businesses downsized their operations and laid off employees. However, Business Week's executive pay survey showed that the average CEO pay went up 35% to a whopping \$7.8 million! The average

base pay for a CEO was \$150,000 a week -- 326 times more than what factory workers received.

An example was a CEO who made \$7.4 million in salary and \$223.3 million in stock options for a total of \$230.7 million -- all in one year. The previous year, he only made a meager \$94.2 million. Another CEO earned more than \$400 million in stock options -- the largest that year.

CEOs who were fired or retired as a result of downsizing received hefty severance packages. One CEO who was on the job for only 17 months received a severance pay of \$6.7 million while the company lost \$2 billion under his watch. But he wasn't too happy about the going-away package. He thought that he should have received more. Another company laid off 3,174 employees, including the CEO. The CEO received \$10.7 million in severance pay. There is only one word to describe all this -- greed.

Over the next decade, the CEOs not only survived the economic downturns, they thrived. Even after 9/11, the CEOs continued to accumulate personal wealth from their perch in the business world. The real estate boom in the early 2000's created a housing market that doubled in equity value within three years. Lenders liberally loaned money to homebuyers. Credit was driven by a scoring system -- FICO -- that defied reality. For those whose FICO scores were below the conventional level, the predatory sub-prime lenders came to the scene. And if a buyer didn't qualify, the lender would offer one from a number of creative financing programs such as No-No (No down payment, no closing cost), SISA (Stated Income, Stated Assets), Neg-Am (Negative Amortization), Four-payment Option, etc.

Then something happened in 2004. Interest rates started to go up and the median prices of homes increased considerably. By that time, home prices had increased 400% since 2000.

In 2005, in a sudden turn of events, the housing

market became stagnant. The following year, it slowed down considerably and home prices started to plummet. It was the beginning of the end.

Foreclosures started in earnest in 2007 and by 2008 more than million home owners lost their homes to foreclosure. In mid-September 2008, the "Big M" occurred -- the financial meltdown started marking the end of the Reagan Revolution. By October, the country was virtually leaderless and rudderless. President George W. Bush became the lamest duck that occupied the White House.

Barack Obama's star started to rise as he outpaced John McCain in the presidential derby. Obama won in the elections and became the 44th President of the U.S. It was the beginning of the Obama Revolution. And "Change" became the buzzword in the world.

The \$700 billion bailout for the moribund financial institutions which was passed during the waning days of the Bush administration gave them a breadth of life. Meanwhile, the CEOs kept a low profile.

President Obama has only been in office for a couple of weeks when the CEOs emerged from their burrows. They're up to their old "greed" game again. When it was exposed that the CEOs were given \$18.4 billion in bonuses, President Obama was enraged. He acted immediately and put together new policies that would require the struggling companies that get government assistance to relinquish their CEOs' "fat paychecks, corporate jets, golden parachutes and lavish junkets." Greed must be stopped or else.

And finally, the CEOs met their match in Obama who holds the key to the bailout money. The CEOs have to play by Obama's rules or face the consequences of Obama's ire. With Obama's determination to bring change to the government, the era of CEO greed may finally come to an end.

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