

1 **Neil Minow**

2 **Executive Pay**

3 *(original at <http://www.economist.com/debate/days/view/402>)*

4 Excessive executive compensation in the past decade is both a symptom and a  
5 cause of the current economic mess. And the post-meltdown bonuses are all but  
6 guaranteed to continue to create perverse incentives that will reward  
7 management and further damage the interests of shareholders and every other  
8 participant in the economy.

9 Let us look at ground zero of the current mess, Countrywide, the largest US  
10 mortgage lender, where Angelo Mozilo made more than \$550m during his time  
11 as CEO. When some directors objected to his pay levels, he hired a  
12 compensation consultant, paid for by the shareholders, to push them into giving  
13 him more. He also pushed for, and was given, shareholder subsidies, not just for  
14 his wife's travel on the corporate jet but for the taxes on the imputed income  
15 from that travel. Instead of telling Mr Mozilo that he had no business asking the  
16 shareholders to subsidise his taxes, the board meekly agreed, making it clear to  
17 everyone around the CEO that the pay-performance link was not a priority.

18 This might be just one example. Yet incentive compensation generally rewarded  
19 executives for the quantity of transactions rather than for their quality. It  
20 inevitably led to failures like the subprime disaster. Worst of all, the post-bailout  
21 bonuses and departure packages damaged the credibility of Wall Street and the  
22 American financial markets as a whole. The billions of dollars of losses do not  
23 come close to the reputational hit to American capitalism, which will increase the  
24 cost of capital for all US companies.

25 Yet, certain observers will always be able to find some metric to justify any level  
26 of pay. But the results speak for themselves.

## Questions:

- 1) What is 'executive pay'? (line 2) What other synonyms does the text use to express the same concept?
- 2) Now that you are familiar with the topic of the article, what, in your opinion, is its gist? What do you think the author wants to show?
- 3) Undoubtedly, an important part of the text is the story of Mr. Mozilo. First think about the purpose of telling this anecdote in a text like this.
- 4) Before asking you to retell the story of Mr. Mozilo in your own words, it is perhaps wise to draw your attention to some concepts. Can you give their role within a US or British company?  
CEO = Chief Executive Officer (8)  
Directors (8) = Members of the Board (of Directors)  
Consultant (9)  
Shareholders (9)
- 5) Do you know the meaning of these interesting lexical units?  
ground zero (7)  
push for (10)  
subsidies (10)  
have no business asking (12)
- 6) Now give the story of Mr. Mozilo in your own words.
- 7) What was the problem about managers' pay? (15)
- 8) What, according to the author of this article, are the most tragic consequences of excessive pay and crisis?
- 9) 'The subprime disaster' (17) refers to a concept you are all too familiar with. Which one?
- 10) Do you agree with the author? Do you think there any instances of 'excessive pay' in the Czech Republic?

## Vocabulary:

- To reward st./sb. (5)
- To object to st. (9)
- To travel **on** a jet (11)
- To come close to (19)

Přejeme Vám mnoho studijních úspěchů.

Tým jazykové skupiny Spěváček: