

Statement for the Record
Congresswoman Darlene Hooley
April 21, 2005
FSC Hearing
“The Impact of the Sarbanes-Oxley Act”

Thank you Chairman Oxley and Ranking Member Frank:

Today, as we discuss the impact of Sarbanes-Oxley, including the cost and the burden that has been placed on American businesses, our attention has been turned to executive compensation. And rightfully so, because for the sums many of America's top corporate officers are being paid, the very least we should ask of them is to certify the books in which their compensation packages are held.

In fact, the trends which we see in executive compensation are a prime example of the lack of corporate responsibility that brought about Sarbanes-Oxley. Many of these packages show a general lack of accountability to shareholders, in which the benefits to a few outweigh an honest accounting to shareholders.

In 1993, the total compensation paid to the top five executives of U.S. Public companies was 4.8% of company profits. Now, only twelve short years later, that amount has more than doubled to 10.3% of company profits.

I find the complaints of some companies about the costs of compliance with section 404 somewhat disingenuous; when many of these very same companies are spending far more on elaborate compensation packages for top five executives.

Shareholders are far more willing to foot the bill for proper accounting and continued investor confidence, than they do for providing golden parachutes to top ranked executives.

But my unease about executive compensation goes beyond the mere dollar amounts and the percentages of company profits, although that alone should be troubling enough to investors.

I'm more alarmed with the compensation that many executives receive, after turning in performances that would in many cases have landed the average employee out on the street at best, and at worst in jail.

A lack of transparency and openness in the way top corporate executives are being compensated is leaving investors worried once again. Earnings manipulation, questionable mergers and acquisitions, and camouflaged compensation are not the recipe for rebuilding investor trust.

It would be foolish to forget the enormous setback our markets faced only a few short years ago due to a lack of accountability to shareholders and badly shaken investor confidence. Public companies should keep the lessons of Sarbanes-Oxley close to heart, as they consider future compensation packages for top executives.

Thank you.