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The First Draft: Executive pay crackdown

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For a quiet day, there was surprising consensus among editors about the top news — big-time bankers who got government bailout money are going to get their paychecks slashed.

The coverage was fairly straight, but there was a certain glee about the way the story made its way to the top spot in most newspapers.

“Pay slashed at bailout firms,” the Wall Street Journal headlined its story.



America” flashed the headline “Payback: Government to limit exec. salaries.”

“U.S. will order pay cuts at firms with bailout aid,” The New York Times said.

“Obama ‘pay tsar’ to order deep cuts,” the Financial Times reported.

The networks were less charitable. CBS’s “The Early Show” flashed the headline “Big cuts for big shots” during its report, while ABC’s “Good Morning

According to unnamed Obama administration officials cited in most of the stories, the president’s adviser on executive compensation, [Ken Feinberg](#), will soon [recommend a plan](#) that would cut overall compensation in half and would slash cash salary payouts by an average 90 percent.

The plan would apply to those big banks and auto firms that received large amounts of bailout money from the federal government.

The bailout was extremely controversial with the public and triggered public anger after it was revealed that employees at some of the firms were continuing to draw multi-million dollar salaries and huge bonuses.

Under Feinberg’s plan top earners at AIG’s financial products unit, which was blamed for risky bets that threatened the stability of the insurer, would not get more than \$200,000 in individual pay.

The unit became a symbol of Wall Street insensitivity after AIG decided to pay employees in the unit \$165 million in retention bonuses despite having taken \$180 billion in taxpayer funding.

Critics of the bailout welcomed Feinberg’s plan to crack down on soaring executive pay.

“The public has a lot of questions about whether or not these dollars that were given to banks were wasted and whether or not they were squandered on bonuses and, you know, high executive compensation,” Ryan Alexander of Taxpayers for Common Sense told CBS News.

But others expressed concern that government decisions to hold down pay could lead to an exodus of top talent from the firms.

“Now that politicians have gotten the taste for trying to control the pay at some firms, what’s to stop them from imposing those rules on everyone,” Dan Mitchell, a senior fellow at Cato Institute, told CBS.

He told ABC’s “Good Morning America” the decision could lead to top positions at the companies being occupied by “second rate people” and reduce the dynamism of the U.S. economy.

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Photo credit: Reuters/Keith Bedford (Protest in New York’s Times Square last year over government bailout of financial industry)

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