Obama's Pay Czar to Slash Executive Compensation

Top 25 Execs of Seven Companies Receiving Taxpayer Dollars will See Their Salaries Cut by 90 Percent

By JAKE TAPPER and MATTHEW JAFFE

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Nearly a year ago, the image of chief executives of three U.S. automakers boarding private luxury jets to travel to Washington, D.C., to ask lawmakers for bailout funds touched off a firestorm among the public and politicians.

Seen as a symbol of corporate excess and arrogance, the pay and perks enjoyed by top executives were panned by politicians. And now the administration is taking aim.

The Obama administration's pay czar, Kenneth Feinberg, is set to announce that seven companies receiving "exceptional" amounts of taxpayer aid will slash the annual salaries of their 25 top executives by an average of 90 percent from 2008 levels, sources told ABC News.

Feinberg will release his determinations on executive compensation today, the Treasury Department said.

Overall, the total compensation for these 25 executives, including yearly bonuses and retirement pay, will be cut by an average of around 50 percent. Additionally, any of the 175 executives who want more than $25,000 in special perks -- such as private planes, limos, company cars or country club memberships -- will have to receive government permission first.

Combined, the executives have received almost $300 billion taxpayer dollars, more than the gross domestic product of South Africa or Portugal.

Feinberg, who was appointed at the Treasury to manage compensation issues for companies receiving federal bailout money, acknowledged that the move won't exactly make him the most popular man on Wall Street.

"I've learned about the incredible gap, the chasm between Wall Street perceptions and Main Street perceptions," Feinberg said Tuesday at a Washington, D.C., conference held by the National Association of Corporate Directors. "It is a formidable chasm that I'm not sure can be bridged, although the law requires me to attempt to bridge that gap."

"When I issue these packages, I suspect I'll move to Pluto, which will be too close to Earth," he joked.

Americans are likely to approve of the new rules. An ABC News/Washington Post poll showed that 71 percent of Americans supported such a move.

Even some conservatives, including Sen. Richard Shelby, R-Ala., who opposed the stimulus and bailout, say Feinberg is being a good steward of tax dollars.

"If these people run the companies well they should be rewarded but at the same time we shouldn't forget about who put the money in there," Shelby told ABC News. "It's not private capital, it's the U.S. taxpayers' money."

But there are critics who say the government shouldn't determine corporate salaries, even if those firms are taking taxpayer dollars.

"If you wind up having second-rate people in your companies because you can't pay them enough, that is presumably going to hurt the rest of us because our economy won't be as dynamic," said Dan Mitchell, a senior fellow at the libertarian think tank the Cato Institute.

Taking Aim at Corporate Perks

Feinberg was appointed by the administration in June to oversee executive pay at seven companies receiving what the administration has deemed "exceptional assistance" from the government bailout -- AIG, Citigroup, Bank of America, General Motors, Chrysler, GMAC and Chrysler Financial.

On Wednesday, White House Press Secretary praised Feinberg for "doing what the president put him in place to do."

When contacted by ABC News, the seven companies either declined comment entirely or said they were not willing to react to a plan that had not been publicly released.

AIG, which has received government approval for a record $180 billion in taxpayer aid, will reduce compensation for its top 25 executives to less than $200,000 total, a source told ABC News. Executives in the company's financial products unit -- which brought the insurance giant to its knees with risky deals -- will not receive any other compensation in the form of stocks or stock options, the source added.

Earlier this year, the insurance giant created a public uproar when it dished out $165 million in retention payments. In March 2010, the company was set to pay out another $198 million, which Feinberg asked them to scale back, according to a recent report by government watchdog Neil Barofsky.

The administration has been vocal in its displeasure with Wall Street pay, especially after bailout recipient Goldman Sachs said it was set to pay a record $23 billion in bonuses this year.

"The bonuses are offensive, and to the firms that still have federal TARP money, there's some jurisdiction: The pay master of Treasury is working on trying to limit that," David Axelrod, senior adviser to President Obama, said Sunday on "This Week with George Stephanopoulos." "You've seen a lot of firms go to stock rather than cash -- so at least people have a stake in the success of their company, and they're not just walking away with cash-making short-term decisions.

"They ought to think through what they are doing, and they ought to understand that a year ago a lot of these institutions were teetering on the brink and the United States government and taxpayers came to their defense," Axelrod said. "They have responsibilities and they ought to meet those responsibilities."

In a rebuke to the industry on Wall Street last month, Obama on Sept. 14 vowed, "We will not go back to the days of reckless behavior and unchecked excess at the heart of this crisis, where too many were motivated only by the appetite for quick kills and bloated bonuses."

News of Feinberg's work to reduce compensation already has emerged in recent weeks. His work with Citigroup led the bank to sell its Phibro division, run by Andrew Hall, a trader who raked in a $100 million bonus this year.

"Citigroup made a determination in its wisdom," Feinberg said Tuesday when asked about the bank's move. "All I can say is the result speaks for itself."

Meanwhile, outgoing Bank of America CEO Ken Lewis, following conversations with Feinberg, agreed to receive no salary or other pay for 2009.

"I would have been surprised if it had led to anything else in light of the unique -- or not so unique -- facts of that individual case," Feinberg said.

However, Lewis will still receive a sizable retirement package, reportedly upwards of $50 million. Bob Stickler of Bank of America was among the officials at the bailed out companies who declined to react today to the news of Feinberg's plans -- though as with officials at Chrysler Group and GMAC, he acknowledged Bank of America had been talking to Obama officials about executive pay.

"We have no comment at this time as we have not been officially notified," Stickler said. "We have been in talks about our top earners for several months."

Upon his appointment in early June, Feinberg told ABC News in an interview, "My goal is to reach out to these seven companies and meet with them and work out an acceptable compensation program -- acceptable to the business community, acceptable to the administration and hopefully acceptable to Congress and the public. It's a challenge, but I think it's do-able.

"Historically, the American people frown on the notion of government insinuating itself into the private marketplace," Feinberg said. "My answer to those critics is I understand that concern, I share that concern and the question is: How do you strike a balance between that legitimate concern and the populist outrage at prior industry compensation practices?"

In the coming weeks, the Federal Reserve also is expected to issue new guidelines on executive compensation.

ABC News' Huma Khan and Charles Herman contributed to this report.