September 18, 2013

To: SEC, Public Comments

RE: S7-07-13

There are three key reasons why this rule is necessary.

1) This ratio can be an indicator of a company's orientation towards short-term or long-term growth.

With so much of the general public's retirement invested in managed collections of securities that are so closely tied to the performance of such companies – and the securities markets as a whole – it is absolutely key that financial analysts, fund managers, and investors have the relevant information on the general orientation of some of America's companies.

A high ratio of CEO to median worker pay is indicative of a company managed with an outlook towards short-term growth. That kind of information is undeniably useful to investors who make decisions about investment funds that might require securities geared towards long-term growth (again, retirement funds are a good example).

2) American workers are not doing well, despite being more productive than ever and being in the midst of record corporate profits.

American workers are more productive than ever, and they're not being paid for it.[1] Despite a catastrophic global recession, corporate profits are at new highs, and, as demonstrated in report after report in the past several weeks, the bulk of the recovery has benefitted an ever-smaller portion of the population.[2] Income inequality is highest in the United States when compared to other advanced countries, a condition that correlates with decreased public trust, decreased social mobility, declining infrastructure, and declining public health. Those are all things that American companies should want to invest in and support if their goal is long-term growth, both for their own organizations and the country as a whole. Likewise, investors should use even intra-organizational metrics for inequality – like the ratio being proposed for this public comment – to help them make decisions about long and short-term growth.

3) It's not just about "shaming."

A national, compulsory, well-recorded account of this ratio will shed light not only on the extent of inequality, but the pervasiveness of a culture that rewards short-term gains over more measured, deliberately reasoned, and sustained growth. Public corporations are not natural entities with god-given rights. They are granted a special legal status and given special rights by various legal entities that – as a proxy for their constituents, most of them

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[1] http://bls.gov/opub/mlr/2011/01/art3full.pdf
[2] http://economix.blogs.nytimes.com/2013/09/10/the-rich-get-richer-through-the-recovery/?partner=rss&emc=rss&wpisrc=nl_wonk&_r=1

regular workers – have an authority and even a *duty* to ensure that such grants are properly respected.

As previously mentioned, productivity is now decoupled from compensation. Labor has become a cost – just like machine parts or new software – instead of an investment in human capital and society as a whole. So long as those who encourage this trend are indiscriminately rewarded precisely because they, in part, benefit from it, then inequality will continue to rise and the United States will never again be the envy of the world and a land of promise.

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Companies, their lobbyists, and even Executives themselves will almost surely protest this rule, stating that it will burden them with unnecessary costs. Similar complaints are voiced about almost every reform of similar kind, and have been voiced throughout the history of this and many other countries. Their fears have rarely borne out. Furthermore, since productivity is at an all-time high and companies in general are doing quite well, I find it hard to believe that it would be devastating to allocate one or two people to calculate this ratio.

In the words of Supreme Court Justice Louis Brandeis, "publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants".

Let's shine some light on this.

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