
Jeffrey Sachs: CEO Follies

There may be no group of people in the world more out of touch with U.S. ground reality than super-rich CEOs of major U.S. companies railing against [Warren Buffett's suggestion](#) that the rich should pay higher taxes. *The Wall Street Journal* today brings a somewhat surprising case in point («[My Response to Buffett and Obama](#),» by [Harvey Golub, August 22, 2011](#)). Former American Express CEO Harvey Golub, generally respected among his peers, lets loose an ill-informed screed that shows the cocoon in which many of these CEOs live their lives.

Before turning to Mr. Golub's list of particulars, let's start with the big picture. U.S. CEOs pull in compensation that is hundreds of times higher than their workers, a far higher multiple than in any other part of the world. Many of them pulled in hundreds of millions of dollars in compensation and stock options over the past decade or so. They shelter their money in endless tax loopholes; live like royalty in a country that once prided itself on being a republic; effectively set their own pay through their pals on the executive committee; and all-too-frequently drive their companies and the U.S. economy into bubbles and frauds, all the while taking tens or hundreds of millions of dollars in compensation.

Now comes Mr. Golub, reportedly with hundreds of millions of dollars in net worth, to tell us that he's upset with those asking him to pay more taxes. He's so upset indeed that half of what he says is utterly absurd. Mr. Golub is incensed that «gifts to charities are deductible but gifts to grandchildren are not.» I'm going to assign that little philosophical puzzler to my freshmen students at the start of school this fall.

It gets worse. «Do we really need an energy department or an education department at all?» Golub's confusion on energy seems to be rather primitive. He asks why the government spends money on «solar panels, windmills, and battery-operated cars when we have ample energy supplies in the country.» Golub seems to be completely unaware of some rather basic issues in the land, such as greenhouse-gas emissions, the government's role in R&D and environmental management, and the national balance sheet of energy resources. I will make Golub's energy views the second question I pose to the incoming class.

As for Golub's suggestion to close the Education Department, where should we begin? Should we begin with America's low rankings (in the 20s and 30s) in international comparisons of student performance? Or should we take notice of the low levels of educational attainment in the Southern states, where conservative leaders join Golub in hankering to end the Education Department? Or should we first note the soaring costs of college tuition, and the mass dropout rates of working-class kids who can't make it? Or perhaps we should focus on the withering job pool and falling incomes of kids without a college degree, a majority of America's young people?

What's especially absurd, however, is the phony way that Golub argues against the need for more taxes by citing spending programs that he considers wasteful and costly. We all have our list of least-favorite spending, and we should all agree that spending should be cost effective. Yet there is a fundamental falsehood at the core of Golub's rant. The budget deficit has very little to do with Golub's list.

Jeffrey Sachs: CEO Follies

Golub attacks job-training programs, alternative energy, subsidies for sugar farmers and ethanol producers, rail subsidies, unneeded post offices, and energy and education programs. This is not the place to debate the merits of this list in detail. (I can agree on sugar and ethanol, but I would disagree vehemently on most of the others.) This is the place to show the irrelevance of Golub's list.

The entire [Education Department budget in Fiscal Year 2012](#) is around \$77 billion. The entire Energy Department budget is around \$30 billion. The entire Labor Department budget is \$13 billion. Obama's rail programs are around \$8 billion. Farm subsidies, even on the most expansive definition, are in the range of \$20 billion. Even if we closed all of these departments and programs entirely (and accepted the national catastrophe that would follow), the direct budget savings would be around \$150 billion, or roughly 1 percent of GDP. Yet the federal budget deficit this year is roughly \$1.4 trillion or 9.5 percent of GDP. Golub's list is a smokescreen, not a solution to anything.

Golub's attack against outlays on education, energy, training, and other programs on the list misses the basic truth of our fiscal arithmetic. Our current tax collections don't even cover Social Security, Medicare, Medicaid, the Pentagon, and interest on the public debt, much less the programs for education, environment, energy, job training and the rest. Golub evades the real question: how the core of the budget - health, social security, defense, interest servicing -- is to be financed. Should we raise taxes and preserve these programs, or should we spare Mr. Golub and his friends of this modest burden on their great wealth, and instead eliminate the core social and health security in this country? Or perhaps Mr. Golub is calling for a default on interest payments?

I'm sure that Golub's own health care and retirement comfort are not in danger. If Golub and like-minded CEOs continue their campaign to resist the tax

revenues needed to protect the health and social security for average Americans, implying the need to slash core budget outlays, they will hear an earful. That's why Golub has taken the easy way, railing against small targets that play well in the halls of the rightwing American Enterprise Institute that he helps lead. While Golub's targets are generally phony or misguided (yes, we do need education and energy programs), such attacks are less likely to elicit a broad public rebuke than would a frontal attack on social security and health spending.

Golub is one of the most fortunate people on the entire planet. America has treated him well. He perhaps went to public schools and made his way up with plenty of benefits of American society in the middle of the 20th century. He like everybody in his generation owes his prosperity not only to his own deeds («I did earn it,» he writes) but also to the vibrancy of America during the formative years of his career. Mr. Golub's generation, and the generations that have followed, owe a great deal to the New Deal and the vigorous U.S. Federal Government that led the world in technology and rebuilding after World War II, including the promotion of science, technology, national infrastructure, social security, public health, and higher education.

In another age, Golub would be asking what he could do for his country, partly to help ensure a safe and prosperous country and planet Earth for his own children and grandchildren. Not any more. The American people will not forget the irresponsibility of CEOs who are helping to lead the country towards the cliff. Currently the American people are stunned and bewildered. In the future they will act, and act resolutely to secure the future from those who now threaten it.

Follow Jeffrey Sachs on Twitter: www.twitter.com/JeffDSachs