AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

SALARY OF THE PRESIDENT OF THE UNITED STATES

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

MAY 24, 1999

Serial No. 106–91

Printed for the use of the Committee on Government Reform

Available via the World Wide Web: http://www.gpo.gov/congress/house
http://www.house.gov/reform

U.S. GOVERNMENT PRINTING OFFICE

62–932 CC WASHINGTON : 2000

COMMITTEE ON GOVERNMENT REFORM

DAN BURTON, Indiana, *Chairman*

BENJAMIN A. GILMAN, New York
CONSTANCE A. MORELLA, Maryland
CHRISTOPHER SHAYS, Connecticut
ILEANA ROS-LEHTINEN, Florida
JOHN M. MCHUGH, New York
STEPHEN HORN, California
JOHN L. MICA, Florida
THOMAS M. DAVIS, Virginia
DAVID M. MCINTOSH, Indiana
MARK E. SOUDER, Indiana
JOE SCARBOROUGH, Florida
STEVEN C. LATOURETTE, Ohio
MARSHALL "MARK" SANFORD, South Carolina
BOB BARR, Georgia
DAN MILLER, Florida
ASA HUTCHINSON, Arkansas
LEE TERRY, Nebraska
JUDY BIGGERT, Illinois
GREG WALDEN, Oregon
DOUG OSE, California
PAUL RYAN, Wisconsin
JOHN T. DOOLITTLE, California
HELEN CHENOWETH, Idaho

HENRY A. WAXMAN, California
TOM LANTOS, California
ROBERT E. WISE, JR., West Virginia
MAJOR R. OWENS, New York
EDOLPHUS TOWNS, New York
PAUL E. KANJORSKI, Pennsylvania
PATSY T. MINK, Hawaii
CAROLYN B. MALONEY, New York
ELEANOR HOLMES NORTON, Washington, DC
CHAKA FATTAH, Pennsylvania
ELIJAH E. CUMMINGS, Maryland
DENNIS J. KUCINICH, Ohio
ROD R. BLAGOJEVICH, Illinois
DANNY K. DAVIS, Illinois
JOHN F. TIERNEY, Massachusetts
JIM TURNER, Texas
THOMAS H. ALLEN, Maine
HAROLD E. FORD, JR., Tennessee
JANICE D. SCHAKOWSKY, Illinois

BERNARD SANDERS, Vermont (Independent)

KEVIN BINGER, *Staff Director*
DANIEL R. MOLL, *Deputy Staff Director*
DAVID A. KASS, *Deputy Counsel and Parliamentarian*
CARLA J. MARTIN, *Chief Clerk*
PHIL SCHILIRO, *Minority Staff Director*

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

STEPHEN HORN, California, *Chairman*

JUDY BIGGERT, Illinois
THOMAS M. DAVIS, Virginia
GREG WALDEN, Oregon
DOUG OSE, California
PAUL RYAN, Wisconsin

JIM TURNER, Texas
PAUL E. KANJORSKI, Pennsylvania
MAJOR R. OWENS, New York
PATSY T. MINK, Hawaii
CAROLYN B. MALONEY, New York

EX OFFICIO

DAN BURTON, Indiana

HENRY A. WAXMAN, California

J. RUSSELL GEORGE, *Staff Director and Chief Counsel*
BONNIE HEALD, *Director of Communications*
MASON ALINGER, *Clerk*
FAITH WEISS, *Minority Counsel*

CONTENTS

	Page
Hearing held on May 24, 1999	1
Statement of:	
Ferracone, Robin, chair, Executive Compensation Advisory Board, American Compensation Association; Jane Weizmann, consultant, Watson Wyatt Worldwide; and David Hofrichter, vice president and managing director, Hay Group	105
Gressle, Sharon, specialist, American National Government, Congressional Research Services; Gary Ruskin, executive director, Congressional Accountability Project; Paul Light, director, Center for Public Service, the Brookings Institution; and Donald Simon, acting president, Common Cause	55
Jones, Ambassador James R., counsel, Manatt, Phelps & Philips, former Special Assistant to President Johnson; General Alexander Haig, chairman, Worldwide Associates, former Chief of Staff to President Nixon; Robert T. Hartmann, former Counsel to President Ford; Kenneth Duberstein, chairman, the Duberstein Group, former Chief of Staff to President Reagan; Governor John H. Sununu, president, JHS Associates, former Chief of Staff to President Bush; Samuel Skinner, co-chair, Hopkins & Sutter, former Chief of Staff to President Bush; and Thomas F. "Mack" McLarty III, chairman, McLarty International, former Chief of Staff to President Clinton	7
Letters, statements, et cetera, submitted for the record by:	
Duberstein, Kenneth, chairman, the Duberstein Group, former Chief of Staff to President Reagan, prepared statement of	26
Ferracone, Robin, chair, Executive Compensation Advisory Board, American Compensation Association, prepared statement of	107
Gressle, Sharon, specialist, American National Government, Congressional Research Services, prepared statement of	58
Haig, General Alexander, chairman, Worldwide Associates, former Chief of Staff to President Nixon, prepared statement of	11
Hartmann, Robert T., former Counsel to President Ford, prepared statement of	22
Hofrichter, David, vice president and managing director, Hay Group, prepared statement of	124
Horn, Hon. Stephen, a Representative in Congress from the State of California:	
History of presidential pay	144
Letter dated May 21, 1999	139
Letter dated May 24, 1999	134
Memo dated April 21, 1999	136
Prepared statement of	3
Prepared statement of James F. Vivian	151
Light, Paul, director, Center for Public Service, the Brookings Institution, prepared statement of	71
McLarty, Thomas F. "Mack" III, chairman, McLarty International, former Chief of Staff to President Clinton, prepared statement of	41
Ruskin, Gary, executive director, Congressional Accountability Project, prepared statement of	64
Simon, Donald, acting president, Common Cause, prepared statement of	77
Skinner, Samuel, co-chair, Hopkins & Sutter, former Chief of Staff to President Bush, prepared statement of	34
Sununu, Governor John H., president, JHS Associates, former Chief of Staff to President Bush, prepared statement of	30

Page

Letters, statements, et cetera, submitted for the record by—Continued
Weizmann, Jane, consultant, Watson Wyatt Worldwide, prepared statement of 116

SALARY OF THE PRESIDENT OF THE UNITED STATES

MONDAY, MAY 24, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:30 p.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Turner, and Kanjorski.

Staff present: Russell George, staff director/chief counsel; Matthew Ebert, policy advisor; Bonnie Heald, director of communications; Faith Weiss, minority counsel; Ellen Rayner, minority chief clerk; and Earley Green, minority staff assistant.

Mr. HORN. A quorum being present, this hearing of the Subcommittee on Government Management, Information, and Technology will come to order.

Thirty years ago, the salary of the President of the United States was set at its current level of $200,000 a year. I'm sure that to most Americans a salary of that amount seems like a lot of money. It is. However, it is pay for one of the most difficult, demanding and important jobs on the face of the Earth.

The President's salary, unchanged in 3 decades, serves as a ceiling for almost every other salary in the Federal Government. I said "almost" every other salary because, as will be discussed during this hearing, it could soon be surpassed by a limited number of government officials.

This hearing is not about whether President Clinton should get a pay raise. The Constitution prohibits Presidential pay changes until the end of the current President's term in office.

Article II, Section 1 of the Constitution states:

> The President shall, at stated Times, receive for his Services, a Compensation, which shall neither be increased nor diminished during the Period for which he shall have been elected, and he shall not receive within that Period any other Emolument from the United States, or any of them.

In other words, the President's salary cannot be changed during his term in office. The effect of that prohibition is that if no action is taken before the next President is sworn into office, he or she could be paid less than the Vice President.

Vice President Gore as well as the Chief Justice of the United States and the Speaker of the House currently earn $175,400 a year. These officials also receive cost-of-living adjustments to their

salaries. As we will hear today, the Vice President, the Chief Justice and the Speaker of the House could earn each more than the President before the next Presidential term ends in 2005.

When President George Washington took office in the year 1789, the salary of the President was established at $25,000 a year. At that time, Vice President John Adams earned $5,000 a year, Chief Justice John Jay earned $4,000 a year, and members of the President's Cabinet made $3,500 a year.

According to computations made by the Congressional Research Service, by one measure President Washington's $25,000 salary equates to more than $4.5 million today. Now a number of the witnesses have made that calculation, and I was reminded of President Truman's great comment that I want a one-armed economist here because they're always saying on the one hand or the other hand, and he was tired of listening to it. And we have several figures in the record today. But, in any case, we know that it was substantial; and $4.5 million is certainly a significant figure.

On May 14th, the House Appropriations Subcommittee on Treasury, Postal Service and General Government included a provision in the Treasury appropriations bill that would increase the President's salary to $400,000, effective January 20, 2001. The full Committee on Appropriations is expected to act on this recommendation shortly.

And at today's hearing we will hear from the most distinguished assortment of witnesses who will testify about whether the President's salary should be changed.

Before I introduce the first panel, I'll yield to the ranking member, Mr. Turner of Texas, for an opening statement. Mr. Turner.

[The prepared statement of Hon. Stephen Horn follows:]

DAN BURTON, INDIANA
CHAIRMAN
BENJAMIN A. GILMAN, NEW YORK
CONSTANCE A. MORELLA, MARYLAND
CHRISTOPHER SHAYS, CONNECTICUT
ILEANA ROS-LEHTINEN, FLORIDA
JOHN M. McHUGH, NEW YORK
STEPHEN HORN, CALIFORNIA
JOHN L. MICA, FLORIDA
THOMAS M. DAVIS III, VIRGINIA
DAVID M. McINTOSH, INDIANA
MARK E. SOUDER, INDIANA
JOE SCARBOROUGH, FLORIDA
STEVEN C. LaTOURETTE, OHIO
MARSHALL "MARK" SANFORD, SOUTH CAROLINA
BOB BARR, GEORGIA
DAN MILLER, FLORIDA
ASA HUTCHINSON, ARKANSAS
LEE TERRY, NEBRASKA
JUDY BIGGERT, ILLINOIS
GREG WALDEN, OREGON
DOUG OSE, CALIFORNIA
PAUL RYAN, WISCONSIN
JOHN T. DOOLITTLE, CALIFORNIA
HELEN CHENOWETH, IDAHO

ONE HUNDRED SIXTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
MINORITY (202) 225–5051
TTY (202) 225–6852

HENRY A. WAXMAN, CALIFORNIA
RANKING MINORITY MEMBER
TOM LANTOS, CALIFORNIA
ROBERT E. WISE, Jr., WEST VIRGINIA
MAJOR R. OWENS, NEW YORK
EDOLPHUS TOWNS, NEW YORK
PAUL E. KANJORSKI, PENNSYLVANIA
PATSY T. MINK, HAWAII
CAROLYN B. MALONEY, NEW YORK
ELEANOR HOLMES NORTON
DISTRICT OF COLUMBIA
CHAKA FATTAH, PENNSYLVANIA
ELIJAH E. CUMMINGS, MARYLAND
DENNIS J. KUCINICH, OHIO
ROD R. BLAGOJEVICH, ILLINOIS
DANNY K. DAVIS, ILLINOIS
JOHN F. TIERNEY, MASSACHUSETTS
JIM TURNER, TEXAS
THOMAS H. ALLEN, MAINE
HAROLD E. FORD, Jr., TENNESSEE
JANICE D. SCHAKOWSKY, ILLINOIS

BERNARD SANDERS, VERMONT,
INDEPENDENT

"Salary of the President of the United States"
May 24, 1999
OPENING STATEMENT
REPRESENTATIVE STEPHEN HORN (R-CA)
Chairman, Subcommittee on Government Management, Information, and Technology

A quorum being present, this hearing of the Subcommittee on Government Management, Information, and Technology will come to order.

Thirty years ago, the salary of the President of the United States was set at its current level of $200,000 a year. I am sure that to most Americans, a salary of that amount seems to be a lot of money ... and it is. However, it is the pay for one of the most difficult, demanding, and important jobs on the face of the Earth.

The President's salary, unchanged in three decades, serves as a ceiling for almost every other salary in the Federal Government. I said almost every salary because, as will be discussed during the hearing, it could soon be surpassed by a limited number of Government officials.

This hearing is not about whether President Clinton should get a pay raise. The Constitution prohibits presidential pay changes until the end of the current president's term in office.

Article II, Section 1 of the Constitution states: "The President shall, at stated Times, receive for his Services, a Compensation, which shall neither be increased nor diminished during the Period for which he shall have been elected, and he shall not receive within that Period any other Emolument from the United States, or any of them."

In other words, the President's salary cannot be changed during his term in office. The effect of that prohibition is that if no action is taken before the next President is sworn into office, he or she could be paid less than the Vice President.

Vice President Gore as well as the Chief Justice and the Speaker of the House currently earn $175,400 a year. These officials also receive cost-of-living adjustments to their salaries. As we will hear today, the Vice President, the Chief Justice and the Speaker of the House could each earn more than the President before the next presidential term ends in 2005.

When President George Washington took office in the year 1789, the salary of the President was established at $25,000 a year. At the time, Vice President John Adams earned $5,000 a year, Chief Justice John Jay earned $4,000 a year, and members of the President's cabinet made $3,500 a year.

According to computations made by the Congressional Research Service, by one measure, President Washington's $25,000 salary equates to more than $4.5 million today.

The President's salary was next increased at the beginning of President Grant's second term in office in 1873 when it was raised to $50,000. The next change in pay occurred as President William Howard Taft assumed office in 1909. It was set at $75,000.

In 1949, President Harry Truman received a pay raise to $100,000 a year, and, as I noted earlier, the current presidential salary was established in 1969.

On May 14, the House Appropriations Subcommittee on Treasury, Postal Service, and General Government included a provision in the Treasury appropriations bill that would increase the President's salary to $400,000, effective January 20, 2001. The full Committee on Appropriations is expected to act on this recommendation shortly.

At today's hearing, we will hear from a most distinguished assortment of witnesses who will testify about whether the President's salary should be changed. Before I introduce the first panel, I will yield to the Ranking Member, Mr. Turner of Texas for an opening statement.

Mr. TURNER. Thank you, Mr. Chairman.

It's interesting to note that when Babe Ruth was asked in the early 1930's how in the world he could ask for a higher salary than President Hoover's, he replied, "I had a better year than he did." And of course that was true because Babe Ruth had 46 home runs in 1929 and Hoover presided over the crash of the stock market.

I guess that's a humorous example of problems inherent in trying to compare private sector pay with the President's salary. Clearly, the factors considered while negotiating salary with baseball players differ significantly from those considered setting the President's. But, nonetheless, it is true that the salaries of typical chief executive officers in this country are increasing rapidly, while the salary of our President remains static.

People enter public service, of course, for reasons other than financial compensation, as all of us understand. Clearly individuals with qualifications and contacts to be elected as President could garner extremely high salaries in the competitive business market, yet they choose not to do so.

Presidents run for office because they believe in making a difference and improving the lives of American citizens. In fact, President George Washington announced that he would forego his constitutional compensation, declaring that his sense of duty required him to serve the country without pay. Congress didn't allow him to do so, however, and passed a statute setting his pay at $25,000 per year.

John Page of Virginia stated at the time that the Constitution requires that the President shall receive compensation, and it's our duty to provide it. The constitutional intent is to assure the financial independence of the President so that he would not be impoverished and not be susceptible to corruption which might jeopardize the public interest.

Alexander Hamilton noted in the Federalist Papers, "Power over a man's support is power over his will." The restriction against increasing the President's salary during an administration ensures that the Congress cannot influence the President by appealing to his avarice. Certainly the past concerns of our Founding Fathers remain true today, and the question of whether the current level of salary would likely make the President susceptible to corrupt influences should be explored.

The prospect of the Vice President's salary overtaking that of the President will also be discussed, and there is reason to learn the lessons of history on this point as well. While the Constitution said nothing about the Vice President's salary, it did create the office; and the first Congress made it clear that some compensation was necessary. Fisher Ames, one of the first Members of Congress, suggested that if competent support is not allowed for the Vice President, the choice will be confined to opulent characters. This is an aristocratic idea and contravenes, I think, the spirit of the Constitution.

When a House committee proposed paying the Vice President $5,000 a year, John White of Virginia objected to the princely sum; and Representative Page responded that he would never have created the Office of the Vice President, but since we've got him, he said, we must maintain him.

From these comments we can draw two additional important conclusions. First, the salary provided to the President and the Vice President, indeed to all high-level Federal officials, should be adequate to maintain qualified individuals; and, second, the salary should allow for those who are not independently wealthy to serve in these positions.

I think these two simple principles should guide us in our consideration of the President's compensation: the assurance that a President's financial condition will not make him or her susceptible to corruption, and the allowance for those who are qualified and not independently wealthy to hold office if so elected or appointed.

Having said that, I look forward, Mr. Chairman, to the distinguished panel that you have gathered here before us today.

Mr. HORN. I thank the gentleman.

And let me just note the way the procedure will follow. The witnesses have been arranged so that the earliest, shall we say, of the group in the Johnson administration would be the first witness, and the last in the group will be the current administration. I will do an introduction on each one of you before you speak.

This is an investigating subcommittee of the full Committee on Government Reform, and our tradition is to swear in all witnesses. So you've taken the oath many times. And if you all will stand we'll swear you in and then begin.

[Witnesses affirmed.]

Mr. HORN. The clerk will note that all the witnesses have affirmed the oath.

We will begin with the first witness, from the Johnson administration, Ambassador James R. Jones.

Now, when I introduce you, your full statement is automatically part of the record and any attachments you want to add to it. And then we'd like to have mostly a dialog when you're all done. And if you would like to summarize, we would not be offended by that.

Ambassador Jones a number of us have known for 30 years. He was a Member of Congress. And I remember when I was in Education he did a wonderful job to help get the budget moving for higher education in this country. And he began his career at the White House, which was very unusual. Usually, it's a more senior person that begins the career there, after they're 30 or 40 or 50.

He graduated from law school and then became staff assistant to President Lyndon Johnson. At the age of 28, he was appointed Special Assistant and Appointment Secretary to the President. He was the youngest person to ever hold that post.

After leaving the White House, he represented his Oklahoma congressional district for 7 terms in the House of Representatives. While a Member of the House, he served as chairman of the Budget Committee and a member of the Ways and Means Committee, the most prestigious committee in the House, and the one that goes back the furthest in our constitutional history.

He was then appointed Ambassador to Mexico in 1993 and during his 4-year Ambassadorship Mexico faced serious economic crisis with the devaluation of the peso and other economic challenges involving implementation of the North Atlantic Fair Trade Agreement, otherwise known as NAFTA.

The Ambassador has been honored by both the United States and the Mexican Governments for his leadership. We welcome you, Mr. Ambassador, to what was once your home here; and we look forward to your testimony.

STATEMENTS OF AMBASSADOR JAMES R. JONES, COUNSEL, MANATT, PHELPS & PHILIPS, FORMER SPECIAL ASSISTANT TO PRESIDENT JOHNSON; GENERAL ALEXANDER HAIG, CHAIRMAN, WORLDWIDE ASSOCIATES, FORMER CHIEF OF STAFF TO PRESIDENT NIXON; ROBERT T. HARTMANN, FORMER COUNSEL TO PRESIDENT FORD; KENNETH DUBERSTEIN, CHAIRMAN, THE DUBERSTEIN GROUP, FORMER CHIEF OF STAFF TO PRESIDENT REAGAN; GOVERNOR JOHN H. SUNUNU, PRESIDENT, JHS ASSOCIATES, FORMER CHIEF OF STAFF TO PRESIDENT BUSH; SAMUEL SKINNER, CO-CHAIR, HOPKINS & SUTTER, FORMER CHIEF OF STAFF TO PRESIDENT BUSH; AND THOMAS F. "MACK" MCLARTY III, CHAIRMAN, MCLARTY INTERNATIONAL, FORMER CHIEF OF STAFF TO PRESIDENT CLINTON

Mr. JONES. Thank you very much, Mr. Chairman, members of the committee, for giving me an opportunity to testify.

In brief, let me just state that the proposal to double the President's salary to $400,000 is something I totally support. I will tell you that in my 14 years in Congress, this is the first time I've had to take the oath to testify in that pay raise proposal. But I do believe it's a great favor to do so.

Basically, there are two or three reasons why I think the committee and the Congress should move rapidly and approve this proposal. The last budget of the Johnson administration, 31 years ago, was the last time the President received a pay raise. This took effect the first year of President Nixon's administration. And it is high time after 30 years that it be revisited for a number of reasons.

No. 1 is the symbolism of the respect we have for that office. Having been in the private sector now for several years since leaving the Congress, I can tell you that the President's salary would rank at about mid-level management of an average company in the United States; and if you raised it to $400,000, it would be about equivalent to the CEO's salary of a mid-level company in the United States.

Now, as was said by Mr. Turner, people don't go into public service for the salary, for the wages, the benefits; you go in to serve. But the fact of the matter is, in this country, particularly with business having such a dominant part in our lives, people do respect or not respect an office based upon what we consider that office's worth to the person who holds it.

Second, there are expenses incurred when you're President; and those expenses are both the living in the White House, in addition to what is provided to the President, but also in maintaining your outside commitments, whether that be a personal home or payments for education, all the things that go with the normal family.

Presidents have those expenses, and even if most Presidents can fully afford to pay them themselves, there ought to be some rec-

ognition that those who cannot should be able to be President and meet their expenses.

The final reason that I think is very important is the effect that the President's salary has on other incomes. I have served as a Member of Congress, as you say. As an ambassador and as a Member of Congress virtually every year, every month. We breathed a sigh of relief when my wife and I made it over the line, were able to educate our kids, et cetera, without having to borrow a lot of money, et cetera.

Before being an ambassador, I had had time in the private sector and was able to afford the costs that most Ambassadors pay from their personal resources to meet the regular expenses of running an embassy and representing the United States. I think that's clearly true of most people in public office. And if the President's salary is not raised, as was pointed out in your opening remarks, other incomes of high-level officials in our Federal Government will start bumping up or exceeding the President's salary, and there will be no opportunity for another 4 years to raise that and to raise the other salaries.

I personally think that if you took the salaries of all Federal officials from the President throughout, and including Members of Congress, at the time the salaries were established and brought them forward with nothing more than cost-of-living adjustments, also adjusting for times of depression when you have a depreciation, everyone in the Federal Government would be substantially underpaid on that particular scale.

So, I think the effect on the salaries of other Federal officials of holding the line of the President's salary is terribly important, because we do want to attract the most competent, the best people we can to public service. And when these public servants have to support sometimes two homes, et cetera, and all the expenses of living, you need to pay those competent people what they're worth.

Mr. HORN. I thank you very much, Ambassador.

We will now introduce General Alexander M. Haig, Jr., a very long and distinguished career that most Americans know about. He served more than 3 decades in the U.S. Army and rose to be a four star General. That included tours in Japan, Korea, Europe, and Vietnam, highly decorated for all of the posts he held in the military.

And in 1969 he was assigned to the staff of Dr. Henry Kissinger, then the assistant to the President for national security affairs in the Nixon administration. During that tenure in the White House, General Haig made about 14 trips to Southeast Asia on behalf of the President to negotiate the Vietnam cease-fire and the return of United States prisoners of war.

He resigned from the military service when President Nixon appointed him White House Chief of Staff. General Haig remained in that position until 1974 when President Ford recalled him to active duty as Commander in Chief of the United States European Command and later as Supreme Allied Commander in Europe.

Two years after he retired from the Army, General Haig became the Nation's 59th Secretary of State in the Cabinet of President Ronald Reagan.

Mr. HORN. We welcome you, General. We look forward to your testimony.

General HAIG. Thank you very much, Chairman Horn. I want to compliment the subcommittee for holding these very timely sessions which I think are overdue. I hope they will result in action.

The only complaint I have is you should put me in the first chair because I sat alongside General Douglas MacArthur during his telecon discussions with President Harry Truman at the time of the North Korean invasion of South Korea. So I go back through eight Presidents, seven of whom I served fairly closely, four at intimate range. The most learning experience I got with President Nixon, during 18 months of Watergate.

I also served with Bob Hartmann here during the transition of President Ford. I served President Kennedy as a member of his Cuban Coordinating Committee, where a lot of nefarious actions took place that they are only recently being written about. I also served as Pentagon liaison to the Johnson administration and knew President Johnson well and admired him greatly.

Beyond that, as NATO Commander, President Ford and, of course, President Carter, and I met almost monthly. So I think I knew some of the Presidential travails. And finally, I served as Secretary of State for President Reagan.

All of these gentlemen testifying today bear scar tissue, but I think I have the largest load of it. And, having said that, I heartily endorse everything Ambassador Jones has said. I'm not going to repeat any of the points he made.

I will say that I think today the Presidency is more unique, more challenging and more complex than it has ever been historically; and, in that context, what I mean to say is that Presidents are learning these complexities. They don't have the luxury of choosing between foreign affairs and domestic affairs in the conduct of their office. As the last two Presidents have learned you have got to deal with both foreign affairs and domestic affairs simultaneously, and you can't succeed in one if you fail in the other.

So that's a reality which has added to the complication in a new world in which globalization is the native of this world.

Second is the impact of the explosion of information sciences on the institution of the Presidency. Today, the President lives in a world of real time. Whether it be video or voice, people demand answers almost instantaneously to every national crisis that develops or any international crisis that develops.

Needless to say this has not had what I call a complimentary impact on the institution of the Presidency. It means that todays President has got to proceed almost immediately to make decisions on things that should be thought about for weeks, if not months; and it leads to what I call miscalculations and misjudgments by our chief executive.

Also, I think it has developed a new character to the Office of the Presidency. It has produced the modern populist, the fellow that has to run his office with his finger to the wind, rather than bequided by the principles and values which he brought with him into the job.

Now, having said all that, I can tell you, as a former chief executive or chief operating officer of one of our Fortune 500 multi-

national companies, that government pay is very, very poor. Also today the thought of a Vice President or Chief Justice or someone else in the government exceeding in pay the President of the United States is just simply unacceptable.

To give you an idea of poor pay in government service—when I was with United Technologies Corp., left command of—5 million active and reserve troops in Europe, I received a 20-fold pay increase in moving from four star General to Chief Operating Officer of United Technologies Corp. Had I stayed with that job and been successful, today I would be being paid over $3.5 million in annual salary with hundreds of millions of dollars in stock options, to say nothing of a retirement pay built on about $20 million of interest-producing revenue which is guaranteed and insured.

However, we know we can't pay Presidents in accordance with their unique job requirements. There is no tougher job in the world than the Presidency of the United States. He is not just head of state, he is also head of government. So both operations and also presentation of values and heritage are all mingled into one job. If you fail, you fail. You are the one that's held responsible. When Truman said the buck stops here, he wasn't off the mark.

I don't think we can match what private sector presidents earn. We know Presidents don't seek the job because of the emoluments that it brings. But I do think we have to guarantee the dignity of the individual. And that means his clothing, his family monetary requirements, the education of his children if he has them; and, above all, we shouldn't put in jeopardy what assets the Presidents bring to the office.

I served one President who left $400,000 in debt having to pay the legal fees that sometimes develop during the modern Presidency. So I think we have got to move and move promptly. In that sense I would strongly recommend that we go even above the Appropriations Committee recommended salary to a level of $500,000, which is very low compared to comparable commercial salaries.

If this committee believes that it would be quicker and a bipartisan consensus could be developed and it would be more efficiently done, than $400,000 is better than nothing.

I also believe that the legislature, the Congress has got to look at the President's retirement pay, which is also less by a large measure than what it should be.

And, finally, I would suggest that these benefits or allowances be reviewed in the third term of every Presidency to be sure that pay is keeping pace with the dynamics of our economy. That's my feeling, Mr. Chairman.

Mr. HORN. Thank you very much, General.

[The prepared statement of General Haig follows:]

STATEMENT BY GENERAL ALEXANDER M. HAIG, JR.

BEFORE THE SUBCOMMITTEE ON

GOVERNMENT MANAGEMENT,

INFORMATION AND TECHNOLOGY

OF THE COMMITTEE ON GOVERNMENT REFORM

OF THE HOUSE OF REPRESENTATIVES

ON THE SUBJECT OF "THE PRESIDENT'S SALARY"

MAY 24, 1999

Thank you Mr. Chairman. I am pleased to participate along with this panel of individuals who are knowledgeable on the duties and responsibilities of our nation's chief executive. Today I will briefly provide a summary of my views on the subject of United States presidential compensation. Because presidential salaries have not been adjusted for 30 years, I believe it is appropriate that the Congress, through this subcommittee and your parent committee, consider this matter before the next election and I compliment you, Mr. Chairman, and the members of the subcommittee for holding this timely hearing.

General Haig's Qualifications to Testify:

As a member of the executive branch both in and out of uniform, I have known personally and served directly seven Presidents of the U.S. These include:

- **My most extensive and intimate experience with the presidency resulted from 18 months service as White House Chief of Staff under President Nixon and several additional months as Chief of Staff during the transition to the Ford Administration.**

- I also served as President Nixon's Deputy National Security Advisor throughout most of the first term of the Nixon presidency. I served as Supreme Allied Commander Europe and United States European Commander during the terms of President Ford and President Carter until my retirement in June of 1979, meeting with each President almost monthly. I was also a member of President Kennedy's Cuban Coordinating Committee established following the Cuban Missile Crisis up to the President's assassination and the early period of the Johnson Administration. I served as the Pentagon's Liaison Officer with the White House of President Johnson in 1964 and 1965 at the outset of the Vietnam conflict. Finally, I was President Reagan's first Secretary of State serving some 18 months.

- Beyond public service I have served as President and Chief Operating Officer of United Technologies Corporation from 1979 until President Reagan asked me to serve as Secretary of State in 1981. Following the 18 months as Secretary of State, I built my own private business working in such fields as

international marketing, corporate strategic planning and venture capital. During this period and before, I served on a number of corporate boards and chaired a number of compensation committees as well.

Presidential Compensation:

In general, presidential compensation can be divided into two broad categories: salary and benefits provided during actual incumbency, and pay and allowances provided during the lifetime of a former President in both retired pay and additional benefits. It is my understanding that the main focus of this subcommittee is the salary or actual pay of an acting President. Included below are brief comments on salary and benefits to a serving President as well as retirement pay and allowances.

Presidential Responsibilities:

As both the head of state and head of government, presidential responsibilities are awesome and unparalleled. As the titular and actual Chief Executive of one of the world's most powerful states, it is the

President who is held accountable both domestically and internationally for all the United States does or fails to do. As we have seen in the past two administrations Presidents must pay equal and simultaneous attention to both domestic and international affairs. The President operates on the global clock or simply put, he is on call 24 hours a day, 7 days a week. However, my own experiences with the institution of the presidency impressed me, not so much because of the power of the office, but rather on the limitations on this power. Under the separation of powers provided by the Constitution, these limitations are exercised by the courts, but especially America's bicameral legislature. Finally, the President is also Commander-in-Chief of our armed forces. In sum, the President leads the nation in the making and the implementation of national power ranging inter alia from the national security, to the economy, and domestic affairs from agriculture to education and the environment. As head of state, he must preserve the nation's heritage and uphold its values at home and abroad. Above all the President is both the custodian and the protector of the national interests of the American people.

Since the post-colonial days and the drafting of the Constitution, the

role of the President has greatly expanded; influenced in large measure by the explosion in information sciences. For example, in the era of instantaneous, real time, voice and video communications, the President is expected to be immediately "on top of all issues". The impact of modern information science has profoundly complicated the conduct of statecraft and even more heavily burdened the role of the President. Certainly it has changed the character of the office and the style of its occupant. Contemporary history must render its judgments on the impact this has had on the modern presidency. I for one believe it has reduced the quality of presidential leadership.

How Much Is Enough?

It is very clear that individuals who seek and enter the presidency are not motivated by monetary compensation issues. The honor, prestige and enormous satisfaction associated with the US presidency is in and of itself more than sufficient compensation. Individuals who seek and occupy the office of the President do so not for monetary gain, but rather out of an underlying patriotism and love of country combined with personal conviction that their own talents and aspirations can improve the state of

the nation. This involves enhancement of the welfare of our people and in the nuclear age preservation of peace and the strengthening of international rule of law.

Additionally, the utilization of commercial compensation criteria would produce astronomical compensation figures which in political terms are practically unrealistic. For example, when I retired from the U.S. Army as Supreme Commander Europe in which I was responsible for some 5 million allied active and reserve personnel, I received a twenty fold pay increase for joining United Technologies Corporation as its number two executive. Had I remained with UTC and not returned to government as Secretary of State, assuming success, my annual compensation today would have been over $3 million in pay and bonuses and literally hundreds of millions of dollars in stock. Retirement pay would be drawn from an insured interest producing base of well over $20 million.

Thus, on both motivational and practical terms presidential and commercial comparability is, and indeed should be, simply out of the question.

It is hardly challengeable that presidential compensation should be sufficient to insure that the chief executive can pursue his duties unencumbered by concerns for his dignity, the financial assets he brought to the job and above all for the welfare in monetary terms of his family and dependents. This favors regular legislative assessments of changing conditions as they effect presidential pay and allowances. Therefore, I recommend that the President's pay be adjusted upward immediately, certainly before the next election so as to avoid further delays in presidential salary until the year 2005. I would also encourage that the Congress review and amend the applicable Former Presidents Act to modestly increase the next President's annual retirement salary. Finally, with respect to expense allowances for serving as a retired President, I recommend that these compensation levels should be assessed in the third year of each four year term.

What To Do?

It is my opinion that the President of the United States should receive an annual cash salary of no less than $500,000 per annum. However, in view of the recent House Appropriation Subcommittee draft legislation

calling for an increase in the salary of the next President to $400,000 per annum, if legislative exigencies, speed of implementation and bipartisan support by the House leadership favor this amount, I would support that outcome.

Thank you for the opportunity to participate in this hearing and I look forward to responding to any questions the members may wish to pose.

Mr. HORN. We now move to Mr. Robert T. Hartmann, highly acclaimed reporter and writer before his 1974 appointment by President Gerald Ford as counselor to the President.

During his tenure in the Cabinet-level position, Mr. Hartmann participated in White House policymaking sessions, accompanied the President on numerous campaign trips and visits to Europe, the Far East and Soviet Union. In addition, Mr. Hartmann oversaw the research and correspondence writing staffs at the White House, personally drafted and edited most of President Ford's statements and speeches.

Before joining the President's staff, Mr. Hartmann spent more than 2 decades as a journalist for the Los Angeles Times; and he was the Washington Bureau head here in the late 1950's and 1960's. Before he became the Times Washington Bureau Chief, he covered Congress and the White House, later established the newspaper's Mediterranean and Middle East Bureau in Rome, Italy; and throughout his career in journalism Mr. Hartmann has received numerous honors for his reporting and writing.

We're glad to welcome you today, Mr. Hartmann.

Mr. HARTMANN. Thank you, Mr. Chairman, members of the committee.

Although President Ford's term as President was one of the shortest in our history, I hope to approach the subject from a somewhat broader perspective than that of the White House I spent a great deal of time covering the Hill and working on the Hill when he was the minority leader of the Congress of the House.

When I arrived in Washington the year was 1954. It was sort of a general understanding that I was going to be paid about the same as a Member of Congress. At that time, this sum was $2,500. President Eisenhower got $100,000. The Chief Justice, former California Governor Earl Warren got $35,500; and Vice President Nixon, also a Californian, was cut $500 and got $35,000 even. I expect that annoyed him quite a bit.

I detail all this to make the point that's already been made, that Federal salaries, in Washington particularly, depend on the President's pay. The President's pay helps set the benchmarks for almost everybody else in town.

A dozen years after I got here to serve as chief of the Los Angeles Times Washington Bureau, I went to work for Gerry Ford, who had just been elected House minority leader; he and a group of relatively young, Republican Congressmen hoped to create a new, more vigorous and more progressive image for their party than had been represented by Charlie Halleck and Ev Dirksen, who appeared on television every week to conduct "The Ev and Charlie Show," as it was called.

Now, Ford had just succeeded Halleck, and was waging an uphill battle trying to get equal time with Dirksen, which wasn't easy. I didn't volunteer to offer to help win that one. But we did shift the battlefield by challenging President Johnson himself at every opportunity. We even demanded equal time from the networks to put on our reply or rebuttal to the President's annual State of the Union message.

I must add that I was in no way responsible for the public's prompt abbreviation of our constructive Republican alternative proposals.

Now, a few thoughts about how we should pay our Presidents. Some of them have already been uttered, but I can't revise my script now.

First, you can never match the President's salary, to the depth and degree of responsibility that he carries in that job. It is a totally consuming responsibility without any equal of which I'm aware and of a magnitude which can be appreciated only by another President.

Second, the compensations of the office are considerable, but money is really only a minor one of them. Power, perks, pensions, protection and a place in history loom much larger in most Presidents' minds.

As the minority leader in the House, Congressman Ford was debating Vice President Hubert Humphrey before the Gridiron Club's annual dinner, and he assured Humphrey that he had absolutely no designs on the Vice Presidency. Nevertheless, Ford admitted, every evening as he drove by the White House on his way home, he heard a small voice saying, "If you lived here, you'd be home now."

I expect he's still using that joke.

In 1969, after the President had remained at $100,000 for 2 decades, Congress doubled that sum to $200,000 and fixed its own pay at $42,500. This gave me a welcome $6,500 raise as an assistant here on the Hill, and it also raised almost everybody else's.

Now, after 30 years, you are considering doubling this to $400,000 because the salaries of other Federal officials not limited by the Constitution are pushing upward on the chief executive's.

I won't say that public servants—as we love to style ourselves—are poorly paid or that their pensions are miserly. As Richard Nixon was wont to say, that would not be right. But the question before you today is not primarily about the next President's pay; it is about everybody's pay who works for the government. If I may paraphrase a wise old paraphrase, we have seen the government, and it is us.

Thank you, Mr. Chairman, and members of the committee.

Mr. HORN. Thank you very much. We appreciate your comments.

[The prepared statement of Mr. Hartmann follows:]

ROBERT T. HARTMANN

5001 BALTIMORE AVENUE BETHESDA, MD. 20816 TELEPHONE (301) 229-7616

NOTES ON PRESIDENTIAL PAY

The 895-day Presidency of Jerry Ford was one of the shortest in our history, except for those cut short by death. Ford was never elected either as President or Vice President. He became Vice President through the resignation of Spiro Agnew and the first use of the 25th Amendment to the Constitution. For the first time this mandated the filling of a vacancy in the Vice Presidency by Presidential nomination and confirmation by both Senate and House. Previously, when a Vice President died, resigned or otherwise disappeared, the Republic somehow survived until the next national election.

When I arrived in the capital to take over the Washington Bureau of the Los Angeles Times, I was supposed to be paid about the same as a member of Congress. This was 1954, and the sum was $22,500. President Eisenhower got $100,000. The Chief Justice -- our former California governor Earl Warren -- was paid $35,500, and Vice President Nixon $35,000. I detail all this to make the point that Federal salaries, and particularly Presidential pay, set the benchmarks for everybody else in Washington.

A dozen years later, I went to work for Jerry Ford and the relatively young Republican leadership in the House. They hoped to create a more vigorous, progressive image for their party than that projected by the weekly televised news conference of Everett McKinley Dirksen and Charlie Halleck, the Senate and House Minority Leaders. Ford, the former Michigan football star, had just succeeded Halleck but -- to put it mildly -- he was waging an uphill battle getting equal time with Dirksen from the media. I wasn't going to help him win that one, but we did shift the battlefield to challenging President Johnson at every opportunity. We demanded equal time from the networks to deliver a Republican reply on the State of the Union. (I'm happy to say this has now become a tradition.)

I must add that I was in no way responsible for the prompt abbreviation of such Constructive Republican Alternative Proposals to their initials .... C.R.A.P.

May I offer a few thoughts about how much we should pay our Presidents?

First, you can never match his (or her) salary to the depth and degree of responsibility implicit in the job. An American president carries an endless, totally consuming responsibility without any equal of which I am aware, of a magnitute which can be appreciated only by another president.

ROBERT T. HARTMANN

5001 BALTIMORE AVENUE BETHESDA, MD. 20816 TELEPHONE (301) 229-7616

Second, the compensations of the office are considerable, but money is really a minor one. Power, perks, pensions, protection and a place in history loom much larger.

As the Minority Leader in the House, Congressman Ford was debating Hubert Humphrey before the Gridiron Club's annual dinner. He assured the Vice President he had absolutely no designs on his job.

Nevertheless, Ford conceded, every evening as his limousine passed the White House he could hear a small voice saying:

"If you lived here, you'd be home now."

In 1969, after the President's salary had remained at $100,000 for two decades, the Congress doubled it to $200,000 and fixed its own at $42,500. This gave me a welcome $6,500 raise, along with scores of other top aides..

Now, after 30 years, you are considering another doubling to $400,000 for the next President because the salaries of other Federal officials, not limited by the Constitution, are pushing upward on the Chief Executive's.

I won't say public servants, as we love to style ourselves, are poorly paid, or that their pensions are miserly. As Richard Nixon was wont to say, "That would not be right."

But with regard to the question before the house today, it is not primarily about the next President's pay. It is about everybody's pay who works for the government.

And if I may paraphrase a wise paraphrase, "We have seen the government, and it is us."

Thank you, Mr. Chairman and members of the committee...

###

Mr. HORN. Our next representative is well known in Washington. Mr. Kenneth M. Duberstein is chairman and chief executive of the Duberstein Group, and he served as chief of staff to President Ronald Reagan. Since then, I might say, he's regarded as one of the most effective advocates on Capitol Hill. So he learned a lot, and he brings a great deal of experience to this particular panel.

Prior to assuming the post in 1987, Mr. Duberstein had served as an advisor to the President on legislative affairs. Although he came from the private sector, he was no stranger to public service; and from 1972 to 1976 he held the position of Director of Congressional Intergovernmental Affairs for the General Services Administration, later served as Deputy Under Secretary of Labor during the Ford administration. He was awarded the President's Citizen Medal by President Reagan in 1989.

And as well as presiding over his Washington-based consulting firm, he's a member of the Council on Foreign Affairs and Foreign Relations and serves on the Board of Governors of the American Stock Exchange and vice chairman of the Kennedy Center for the Performing Arts, one of the great centers of performing arts in our Nation.

Mr. HORN. We're glad to welcome you back and look forward to your testimony, Mr. Duberstein.

Mr. DUBERSTEIN. Thank you, Chairman Horn, Congressman Turner. It's a pleasure to be here; and it's a privilege to be on this panel with so many distinguished colleagues, all of whom were taller, much taller before each served as a White House Chief of Staff.

I am pleased to testify today strongly in favor of a long-overdue substantial salary increase to $400,000 for the next President of the United States. This is not even a close call, Mr. Chairman. This needs to be addressed now. It is a case of simple equity. This is not about a President, this is about the Presidency. This is about the compensation of the leader of the free world, not about the salary of the chief of a not-very-well-run small startup company or the head of a Third World country.

This is about our chief executive officer, not the retired chairman of the board who has been put out to pasture. This is about the stature and prestige of the leader of the government of the United States and the person charged with truly awesome responsibilities, here at home and throughout the world.

To put this in some perspective, the salary of the President of the United States has not been increased since those long-ago days when the Dow Jones average was below $1,000, Neil Armstrong had not yet walked on the moon, the "Amazin" Mets hadn't won their first World Series, Strom Thurmond was a mere child of 66, Charles DeGaulle was President of France, and Golda Meir was the Prime Minister of Israel.

It was the age of Aquarius, before Woodstock, before the Concorde's maiden flight, and construction of Walt Disney World in Orlando, FL. It was a much easier time before C–SPAN, cable TV, the Internet, and 24 continuous news cycles.

No one should run for the Presidency for the money. But it deserves remuneration well beyond public housing, public transportation, and maid service.

Keeping up with the inflation alone since 1969 should result in a sizable pay increase. I support strongly, Mr. Chairman, the proposal for a $400,000 salary for the President.

I am concerned, as other members of the panel have stated as well, with the pay compression for senior executive service personnel as well as for the Vice President, the Chief Justice, and others.

I hope this committee and the Congress will move expeditiously to increase the salary of the Presidency beginning in January 2001. Thank you very much.

Mr. HORN. Thank you. Appreciate your testimony.

[The prepared statement of Mr. Duberstein follows:]

ORAL STATEMENT OF KENNETH M. DUBERSTEIN
PRESIDENT REAGAN'S CHIEF OF STAFF, 1988-89
BEFORE THE SUBCOMMITTEE ON
GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
May 24, 1999

It's a special pleasure and privilege to be on this panel with so many distinguished colleagues, all of whom were taller, much taller, before each served as White House chief of staff.

I am pleased to testify today strongly in favor of a long overdue, substantial salary increase for the next President of the United States. This is not even a close call — this needs to be addressed now. It is a case of simple equity.

This is not about a President. This is about the presidency.

This is about the compensation of the leader of the free world, not about the salary of the chief of a small start up company or the head of a third world country.

This is about our chief executive officer, not the retired chairman of the board who's been put out to pasture.

This is about the stature and prestige of the leader of the government of the United States and the person charged with truly awesome responsibilities here at home and throughout the world.

The salary of the President has not been increased since the long ago days when the Dow Jones average was below 1000, Neil Armstrong hadn't walked on the moon, the "Amazin" Mets had not yet won their first World Series, Strom Thurmond was a mere child of 66, and Charles DeGaulle was President of France and Golda Meir was Israel's prime minister. It was the Age of Aquarius, before Woodstock, the Concorde's maiden flight and construction of Walt Disney World in Orlando. It was a much easier time before C-Span, cable TV, the internet and the 24-hour continuous news cycle.

No one should run for the presidency for the money. But it deserves remuneration well beyond public housing, public transportation and maid service.

Keeping up with inflation alone since 1969 should result in a sizeable pay increase.

I am concerned as well with the pay compression for Senior Executive service personnel as well as the Vice President, Chief Justice and others.

I hope this committee and the Congress will move expeditiously to increase the salary of the presidency beginning in January 2001.

Mr. HORN. Our next speaker is probably fairly widely known across the country. That's Governor John H. Sununu, former Governor of New Hampshire. He served as Chief of Staff to President George Bush from 1989 to 1991. In his high-level advisory position, he oversaw the daily operations of the White House and its staff. He also served as Counselor to the President, remains a member of the Board of Trustees for the George Bush Presidential Library Foundation.

Before joining the President's staff, Governor Sununu served three consecutive terms as New Hampshire's 93rd Governor. He gained regional and national recognition as chairman of the Coalition of Northeastern Governors, chairman of the Republican Governors Association, and chairman of the National Governors Association.

From 1968 until 1973, the Governor, who holds a doctorate degree in mechanical engineering from probably our leading institution of science and engineering, the Massachusetts Institute of Technology, served as Associate Dean of the College of Engineering at Tufts and Associate Professor of Mechanical Engineering. So he's had experience in the academic world which some would say is tougher than the political world because they never forget.

But he took the easy route. He elected himself three times as Governor of New Hampshire; and he follows in a great tradition of one Sherman Adams, who was also a great Governor of New Hampshire and Chief of Staff to President Eisenhower.

Welcome, Governor Sununu.

Mr. SUNUNU. Thank you very much Chairman Horn, Mr. Turner. I, too, appreciate this opportunity to talk about an issue that I do believe is a very significant one. I have no disagreement with any of the comments made by my colleagues on the panel. I just want to emphasize a couple of points and then make one what I hope is an additional point for your consideration.

Mr. Chairman, the $4.5 million that the $25,000 salary that George Washington received in 1789 represents merely a 2.5 percent inflation rate on an annual basis, and as we look around at historic inflation rates we realize that we are patting ourselves on the back when we keep it that low. So it is an underestimate of what that might have been scaled up to if it had continued to be scaled in a fair way.

I think it's important to recognize, though, that the issue before you, if we look at it in economic terms, we would come with these huge salaries. But you are sensitive, as I think all of us here on the panel have to be sensitive, to the fact that we are talking about a political issue; and, therefore, I believe that you will be forced and, in fact, will have to examine the level of this salary in the context of what is politically acceptable to the public of the United States at this time.

And, therefore, in the paper I presented as my prepared remarks, I had a number of—which was selected before you focused on the $400,000. I suggested a number of $500,000. But I can wholeheartedly endorse the $400,000 that you are examining as a specific increase.

But the second point I would like to make is that I do suggest that one of the problems—we have reached this position of a lack

of equity is that the review in the change of the salary of the President of the United States has incurred, in fact, too infrequently; and, therefore, I would recommend to the committee that they seek a way to establish in law a statutory review period which would require the Congress not to raise the salary on a periodic basis but to review the salary for the possibility of raising it on a periodic basis. And I would suggest that a statutory obligation of an 8- or 12-year period be established for that review.

I would suggest that with the obligation of review on that periodic basis and what we would hope would be a series of enlightened Congresses that would follow that over a period of time a salary that is politically acceptable would begin to approach one that is economically appropriate for this, which is arguably the position of responsibility which deserves probably the highest salary of anyone in the world.

It is, I think, that mechanism which I present for your consideration which could begin to alleviate the historic disparity that seems to exist in the salary of the President and comparable levels of responsibility around the world.

Thank you very much, Mr. Chairman.

Mr. HORN. Thank you.

[The prepared statement of Mr. Sununu follows:]

May 24, 1999

Testimony by John H. Sununu
Before the
Committee on Government Reform
Subcommittee on Government Management,
Information, and Technology

Chairman Horn and Members of the Committee:

Thank you very much for this opportunity to comment on proposals to adjust the salary of the President of the United States.

I expect that the detailed statistical history of the salary has already been made part of the record. However, I would like to highlight a few aspects of that data which I believe sets the premise for both the need and the fairness of a significant increase at this time.

The initial salary was set at $25,000 per year in 1789. If that salary, which was deemed to be fair, just and proper by our Founding Fathers, was adjusted to reflect a nominal 2 ½% rate of increase compounded annually from that time to the present it would have grown to an annual salary of more than $4 million today. In fact, however, there have only been four adjustments since then: an increase to $50,000 in 1873, to $75,000 in 1909, to $100,000 in 1949 and to $200,000 (the current level) in January of 1969. It is over thirty years since the Office of the President of the United States has had a pay raise. (I realize that if we want to be partisan some would suggest there were years when a raise was deserved, and years when one was not!).

Obviously, there are a number of parameters which need be considered to determine an equitable and fair salary for any position, in either the private sector or public life. Those parameters include level of responsibility, complexity of the job, experience required, demands on time, and importance of the position. I believe that I, and my colleagues here this afternoon, former Chiefs of Staff to the President of the United States, would be unanimous in suggesting to you that on each and every one of these points the Office of the President of the United States could arguably demand the highest salary of any position in the world.

But, of course, this is a public office and therefore there are some issues that go beyond a Personnel Office or Human Resource Evaluation checklist. This is a political position. It is probably a position that anyone in American would be willing to serve in for no salary at all. Of course, any salary increase at any given

time for every public office must meet the real test of being seen as reasonable by the citizens of this country.

If we look at various was of creating a consistent ratio for scaling the President's salary either on the basis of inflation, or in comparison to executive, legislative or judicial branch employees, or whether we just compare it to private sector CEO's, we could easily arrive at suggested salaries well over $1million per year. My personal opinion is that an increase to that level would be neither acceptable nor politically appropriate.

Therefore, I suggest that although we recognize that the reality of all the data suggests that any salary less than $1 million per year would not, in absolute terms, be adequate or fair, we must be clever enough and pragmatic enough to recognize that this is primarily a political issue and not a question of economic equity. But we should also be constructive enough to create a mechanism, which over time might reconcile fairness and appropriateness with political reality.

Therefore, it is my recommendation that any new legislation being enacted contains two specific provisions. The first provision should be an increase in salary. I think an increase to $500,000 per year falls within the range of what the public would feel is an acceptable increase, after thirty years of no pay increase at all.

Since I believe that even my proposal of $500,000 per year would fall short in absolute terms of what would be appropriate to the magnitude of the Office and the responsibility and demands of the Office of the President of the United States I, therefore, also believe there is a need for a second provision of be enacted providing a specific regular time period for review of that salary. This review period should be clearly established to be a period much shorter than the thirty years since the last adjustment. More specifically, I propose that since under the Constitution the President's salary may not be increased during a Presidents term in office, a review period of three presidential terms, or every twelve years, be the appropriate period for statutory review.

It is my feeling that with such an adjustment in the salary level, and a commitment for periodic review, with what we expect will be a continued series of enlightened Congresses in the future, a salary which is politically acceptable may begin to approach a salary that is economically acceptable and fair.

Thank you again for the opportunity to appear before you. I applaud you for addressing the important and yet politically sensitive issue.

Mr. HORN. Our next panelist is Mr. Samuel K. Skinner, who served President George Bush both as the President's Chief of Staff and the Secretary of Transportation. As a Senior Aide to the President, Mr. Skinner coordinated the President's activities and managed the White House staff.

During his service in the President's Cabinet, Mr. Skinner was responsible for overseeing the Department of Transportation's $30 billion budget and 105,000 employees. He's been credited with numerous successes in transportation policy, including the development of the President's national transportation policy and passage of the landmark aviation and surface transportation legislation.

Mr. Skinner also developed the administration's open skies policy, which liberalized the Nation's international aviation policy and significantly increased the number of international flights to and from the United States.

We welcome you, Mr. Skinner; and we look forward to your testimony.

Mr. SKINNER. Thank you, Mr. Chairman, Congressman Turner. I'm delighted to be here as one of the latest to serve as Chief of Staff to the President. I also think I can bring a little different perspective to this discussion because, while I agree with what everybody has said, I have had the opportunity to be in and out of government on several occasions.

In 1968, as a salesman at IBM making $50,000 a year I left to join public service for $7,500 a year with a wife and three children. Some would say that was foolish, but it was clearly one of the best things I ever did in my life.

I think any comparison of corporate salaries or private sector income to the salary of the President of the United States is basically irrelevant. You don't do it for the money. The benefits and the rewards that you get go well beyond that. While there is great disparities, I think there will continue to be disparities.

I do, however, think that the standard that we have to set deals with basically two factors. No. 1, we should not have a salary that is so low that people who are serving in government who have not had the opportunity to go in and out of government will not be able to serve as President or offer themselves as a candidate for President because they have no money and it is impossible to meet the requirements absent compromising one's integrity or going without.

I have a 3 year old and a 5 year old. I can afford to educate those children because my wife and I both work. Most people in government today, many of them in this room and others come from a family where both couples work. It's very hard for the spouse of a President to work. So if you take those two incomes together, we may actually require a family to take a cut from current salaries and compensation to serve as President if they don't have independent income.

A President needs to educate his children or her children. To put money away for education today is no small challenge unless you have independent wealth.

In Illinois as I left today, the schools in Illinois—and President Horn would be familiar with this—they all announced they were raising their tuition in the State by about 5 percent, and one raised the tuition 15 percent. Tuition is increasing at a rate greater than

the rate of inflation, and our President should have the right and the ability to at least send his children to college with some assistance as well.

And, finally, we should avoid the appearance of impropriety. And the idea that a President should have to accept gratuities or put himself or herself in a situation where they have to take dresses or gifts or suits or ties or free tuition or anything like that to make ends meet is not what we want the President to find themselves in that situation. He must meet—he or she must meet basic individual needs, personal living expenses, and they're greater than normal Americans.

And, No. 2, he should be able or she should be able to conduct themselves in their office without worrying every moment about how they're going to meet basic financial needs.

And, finally, obviously when you raise the President's salary every 30 years, unless we're going to change the mechanism as Governor Sununu suggested, which I think is worthy of serious consideration, you have got to bump it up at a level sufficient enough so what we don't find ourselves in the same situation without any kind of remedy 5 years from now.

What that amount is, is somewhat controversial. I have been conducting my own independent poll the last several days. And while I don't live my life by polls, I asked—I read my remarks to my wife, and I suggested $500,000 to my wife, and she reminded me that that was a substantial amount of money, that a lot of other people weren't making that money and that, you know, that it might not be acceptable, politically, or practical.

I then had the opportunity to fly last week—this weekend with a distinguished public servant who will remain anonymous because he may run for elected office or reelection again, but he suggested the number of $500,000.

And then, of course, I flew out this morning and conducted the final leg of the poll, which was a management consultant who serves both in government and private sector; and, ironically, he came up with the number of $500,000 which Governor Sununu had mentioned in his earlier remarks.

The point is, it is a very politically sensitive number. But if you're going to do it, let's do it in a way that accomplishes what we want to accomplish; and that is allow the President to serve and others to run for the Presidency and meet their basic minimal expenses of a personal nature as well as their family educational expenses. Lift it high enough so that we can really avoid the wage compression that exists for other government officials who are similarly situated. And, No. 3, put it at a level that will be acceptable to the American people. I believe they understand the need for a significant change.

And I applaud this committee for the political strength it takes to even have this hearing, let alone take a position on what can be a very controversial issue; and I welcome your questions.

Mr. HORN. Thank you very much for those thoughtful comments.

[The prepared statement of Mr. Skinner follows:]

Testimony before the Congress of the United States

House of Representatives Committee on Government Reform

Subcommittee on Government Management, Information, and Technology

Regarding the President's Salary

May 24, 1999

By: Samuel K. Skinner

Former Chief of Staff to President George H. W. Bush

K22371-1

I am delighted to be here before the House Subcommittee on Government Management, Information, and Technology, and to present testimony regarding this important, and most timely matter regarding the appropriate level of compensation for the President of the United States.

Quite simply, there is no job comparable to the office of the President of the United States. A comparison of the president's salary to top executives in the private sector, however, demonstrates a huge difference in compensation. For example, in 1998, Texaco paid its top executive, Peter I. Bijur a base salary of $925,000;[1] General Electric paid its top executive, John F. Welch, Jr., a salary of $2,800,000;[2] M. Douglas Ivester, the top executive at Coca-Cola earned $1,053,800;[3] Chase Manhattan paid its top executive, Walter V. Shipley $1,030,800;[4] and Arthur C. Martinez, Sears-Roebuck's top executive earned $1,150,000. These five executives' average base salary was $1,211,920 in 1998. The median total compensation for top executives at 350 major U.S. companies in 1998 was $1,569,184.[5] In 1998, the top eight executive earners received an average total compensation package of more than $150 million.[6] While this may not be very relevant, it is worthy of some consideration.

The salary of the President should be set at a level that allows him to meet, with a degree of comfort, the living expenses that the President faces. For example, the

---

[1] The base salary consists of the base salary earned in fiscal 1998 regardless of whether it was deferred or paid in common or restricted common stock, or stock options. *See* Executive Pay Survey, Wall St. J., Apr. 8, 1999 at R12.
[2] *See id.* at R14.
[3] *See id.*
[4] *See id.* at R15.
[5] *See* Executive Pay, Wall St. J., Apr. 8, 1999 at R1.
[6] This amount includes the executives' salary and bonus, the value of their restricted-stock grants as well as gains from exercising stock options and other long-term payouts. *See* Who Made the Biggest Bucks, Wall St. J., Apr. 8, 1999 at R1.

President traditionally maintains a personal residence while living in the White House. He must pay his family's personal expenses while serving. He is also responsible for his children's education, and numerous other personal expenses. Many of these personal expenses are significantly greater than those of normal Americans. The inability to provide adequately for one's family should not prevent qualified individuals from seeking the office of the Presidency. For those individuals who are too young to have amassed personal wealth, or have chosen to dedicate their professional lives to the public sector, the current level of Presidential compensation would appear to be inadequate to support the President and his family through his years in office. Many of our Presidents have had great personal wealth. Tremendous personal wealth should not be a prerequisite for qualified individuals seeking the Presidency; nor should serving as President put an individual at risk of accumulating excessive personal debt. One must also remember that a majority of married couples are both employed outside the home. This is true of many public servants and their spouses as well. The spouse of the President, due to the demands of the Presidency does not have that opportunity. Therefore, the family of a public servant, whose spouse currently works, would end up taking a significant pay cut if one were elected President. Considering these factors, I believe the salary for the President should be significantly increased.

The President's ability to earn significant amounts of money upon leaving the White House should play no role in determining his salary while in office. The President should not be under a financial burden to assume positions or take jobs merely because of a need to make money in order to cover the debt he accumulated while in office. The President's choices of what avenues to pursue at the end of his tenure should not be motivated solely by the need to make money nor should a former

President be placed under a financial burden to make choices that might demean his former office in order to make up for financial debt accrued during his years in the White House.

Adopting a higher salary for the President will also alleviate the critical problems of salary compression for other government officials. To preserve a differential between the President's salary and the salaries of other federal officials, the compensation of top officials has remained frozen at an inappropriately low level or has increased in miniscule increments. While Congress might find it politically expedient to keep a tight rein on Congressional salaries, Congress must not transfer this sentiment to their determination of the salaries of the other branches. Increasing the salary of the President, thus, would give Congress more flexibility to raise the level of compensation for other federal officials as they feel appropriate.

Pay in the public sector will never match pay in the private sector and never should. However, it is crucial that the President receive a salary adequate to sustain him through his years in office. We must also allow all qualified individuals to offer themselves to the American people as candidates for President. Therefore, Congress should respond by increasing the President's salary to a level which allows future Presidents to meet their personal financial responsibilities as they serve. In doing so, Congress will also allow the Government more flexibility in setting compensation for other valued public servants.

Thank you for allowing me the opportunity to testify in front of you today.

Mr. HORN. Our last panelist is Thomas F. McLarty III. He is well known on Capitol Hill and highly respected by members in both parties in his initial job in the Clinton administration as Chief of Staff and then Counselor to the President and then Special Envoy for the Americas.

After joining the White House as President Clinton's Chief of Staff, Mr. McLarty helped enact the 1993 deficit reduction package, the North Atlantic Fair Trade Agreement [NAFTA], Free Trade Agreement, and the family and medical leave law, which didn't quite get eliminated, I mean, or passed.

In 1994, Mr. McLarty organized the Summit of the Americas in Miami. He played a critical role in structuring the 1995 Mexican peso stabilization program; and in his role as Special Envoy for the Americas Mr. McLarty made more than 50 trips to the region, planned U.S. participation in the 1998 Summit of the Americas in Santiago. In addition, he's participated in several G–7 summits and traveled to the Persian Gulf on the President's behalf to build financial support for the Bosnian peace process.

Before his White House tenure, Mr. McLarty served in the Arkansas State Legislature at the age of 23, which is probably the all-time record, and as chairman of the Arkansas State Democratic party and also the chairman of one of the major utilities in Arkansas.

Mr. HORN. We welcome you, Mr. McLarty, and look forward to your testimony.

Mr. MCLARTY. Mr. Chairman, thank you very much, Congressman Turner. It is certainly a privilege for me to appear before you today for this very timely, very important hearing; and I certainly appreciate the opportunity to do so, particularly with my distinguished colleagues from previous administrations.

It is an honor to serve one's country; and we do not and should not expect, any of us, to profit or become rich from government service. But sometimes I wonder if we're having the opposite effect.

Secretary Bob Rubin used to joke that the only way to leave Washington with a small fortune is to arrive with a large one. And while I'm not worried about Mr. Rubin's personal finances, his humor I think has a ring of truth to it.

Mr. Chairman, as you noted, I am a product of the private sector, both from a third generation family business endeavor which we are still active in and having the privilege to serve as chairman and chief executive of a publicly traded Fortune 500 natural gas company before I came to Washington.

I am truly grateful for the opportunity to serve the people of our country. But I think it's fair to say the opportunity costs are high and they are increasing, and I am worried that we are attracting fewer citizens who have proven successful careers in private life to serve our country.

This committee has documented a number of concerns about the effect of a fixed Presidential salary. Lloyd Cutler, who served with distinction both in the Clinton administration and the Carter administration, led a commission 10 years ago that recommended the President's salary be raised to $350,000. Congressman Jim Kolbe's committee I believe has suggested an increase by the year 2001 to $400,000, a figure that we have discussed today.

While I was privileged to serve President Bush on two Presidential commissions and, of course, served President Clinton in the White House, my primary concern is not about the personal income of them or any future President, although I think that's important. My colleagues have pointed out the reasons very eloquently and thoughtfully. But I am particularly concerned with the fixed Presidential salary compressing the wages for others who serve in the public sector; and that goes from the civil service to the military, General Haig, and certainly to political appointees.

I think all of us would agree very strongly that the best government is one that attracts talented people from all walks of life. You certainly should not have to be independently wealthy to serve in government. But we have raised the cost of serving in government rather dramatically.

Detailed filings that we all have to make for appointed positions can literally cost thousands upon thousands of dollars. You have to sever existing business relations, which others have spoken of; and I think that's proper. But I think these are very real costs, including the cost of relocation that should be included when we evaluate government service.

In short, whether it be career civil servants, our men and women in uniform or the people who serve in appointed offices, all of these people are real American families with mortgages and tuitions and all of the other challenges of modern life; and the bottom line is that private sector salaries are increasing and government salaries are not; and we should really not put people in the position of making a difficult choice between their family and their country.

Now, Congressman Turner has already suggested that it was big news when Babe Ruth earned more than the President, and I'm not suggesting that we should pay Presidents as much as major league athletes or even CEOs. That is not the real reason one seeks public service. But I do think that, as has been pointed out, that the President's salary should reflect the importance the American people place on this job.

As you have noted, Mr. Chairman, the President's salary has been fixed since the Johnson administration. There are a number of calculations we can make, including the George Washington calculation. But if we adjust it for the gross domestic product from 1969, we would have a salary of about $1.7 million. If we did that on a per capita basis, it would be about $1.3 million. A more modest suggestion is the President's salary should increase along with average hourly wages. Other measures might reflect inflation of the size of the economy, but no measure perhaps reflects the importance of the connection of the President to American families.

Since 1969, the last time the President's salary was changed, average hourly wages have increased 425 percent; and that would equate to about $850,000. Now, again, I'm not wedded to any one number. I fully support the $400,000 figure that has been talked about in the appropriation bill, and perhaps a larger number is justified, and I think it is an appropriate one for the challenge and responsibility and the demands that we make on public people that serve in public life today.

Mr. Chairman, common sense I think tells us that Presidential salaries should not be fixed for 30 years. Fairness suggests that we

end the pay compression for other public servants, and the economic reality is that government competes with the private sector for talent and experience, and we should recognize that.

I commend you and this committee for holding this hearing on a very important matter, and I hope Congress will move forward to address this issue in a timely fashion. Thank you.

Mr. HORN. Well, thank you for your very helpful remarks.

[The prepared statement of Mr. McLarty follows:]

TESTIMONY OF THOMAS F. "MACK" MCLARTY, III
HOUSE COMMITTEE ON GOVERNMENT REFORM,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT
MAY 24, 1999

Mr. Chairman and Members of the Committee, it is a privilege for me to appear before you for this timely and important hearing, and I appreciate the opportunity to do so, particularly with my distinguished colleagues from previous Administrations.

It is an honor to serve one's country, and we do not and should not expect anyone to profit or become rich from government service. But I sometimes wonder if we are trying to have the opposite effect. Secretary Rubin used to joke that the only way to leave Washington with a small fortune is to arrive with a large fortune. While I'm not worried about Bob Rubin's personal finances, the joke has a ring of truth to it.

As you know, Mr. Chairman, I come from the private sector, where I led a third-generation family business and then was Chairman and CEO of a Fortune 500 energy firm before I came to Washington. I am truly grateful for the opportunity to serve, but the opportunity costs were high, and they are increasing. I worry that we are attracting fewer citizens who have successful careers in private life to serve their country.

I learned in the private sector that you get what you pay for.

This Committee has documented a number of concerns about the effect of a fixed Presidential salary. Lloyd Cutler led a commission ten years ago that recommended the President's salary be raised to $350,000. Congressman Jim Kolbe's committee has suggested an increase in 2001 to $400,000. While I was privileged to serve President Bush on two commissions and President Clinton in the White House – and I respect them both– I am not primarily concerned about their personal income or any future President. I am most concerned that the fixed Presidential salary compresses wages for other government workers.

In the civil service, promotions often don't mean a raise for people at the top levels of the Senior Executive Service. With little or no prospect for an increase in salary, our best and most experienced civil servants – when faced with mortgage payments, college tuition, and other rising costs – find it hard to stay on.

In the military we have the same problem, where senior military officers are retiring at an alarming rate. By compressing salaries at the top we have eliminated many of the incentives for people to stay. The simple fact is that the private sector competes with the government for our most effective soldiers. Raising the Commander-in-chief's salary will allow us to reward our military's best performers and help keep some of our most dedicated men and women in uniform.

Finally, I am concerned about the burden on political appointees. I believe very strongly that the best government is one that attracts talented people from all walks of life. You should not have to be independently wealthy to serve in government. But we have raised the costs of government service dramatically.

We require incredibly detailed financial disclosure for all nominees seeking Senate confirmation, and many have to place their assets in blind trusts. That can cost thousands and thousands of dollars in accountants bills and legal fees. Appointees must sever existing business relationships and forgo future income or benefits such as stock options. We also ask people to uproot their families and relocate to the

Washington area for jobs that last just two or three years on average. These are very real costs, and they should be included when evaluating government compensation.

In short, career civil servants, our men and women in uniform, and the people who serve in appointed office are real American families with mortgages, tuition, and all of the other challenges of modern life. Private sector salaries are increasing, government salaries are not. We should not force people to choose between their families and their country.

In the 1930s it was big news when Babe Ruth earned more than President Hoover. When the immortal slugger was asked about this he said, "Hey, I had a better year." I don't think we should pay Presidents as much as top major league athletes, or even what the CEOs of major corporations make. But I do think the President's salary should reflect the importance the American people place on the job.

As you have noted, Mr. Chairman, the President's salary has been fixed since the Johnson Administration. If we adjusted for Gross Domestic Product from 1969, the President's salary would be $1.7 million. If we adjusted for GDP per capita, it would be $1.3 million.

A more modest suggestion is that the President's salary should increase along with average hourly wages. Other measures might reflect inflation more accurately, or the size of the economy, but no other measure reflects the important connection of the President to American families. Since 1969, the last time the President's salary was changed, average hourly wages have increased 425%. That means, in my view, that the President should now be making $850,000. That's a large number, to be sure, but an appropriate one for the challenge, the responsibility, and the demands we make of people in public life today.

Mr. Chairman, common sense tells us that the President's salary should not be fixed for thirty years. Fairness demands an end to pay compression for other public servants. And the economic reality is that the government competes with the private sector for talent and experience.

I commend this Committee for holding a hearing on this important manner, and I hope Congress will move forward to address this in a timely fashion.

Economic Indicator	1969	1998	Change	Implied Presidential Salary today
GDP ($ billions)	982.2	8,600	876%	$1,751,171
GDP per capita	$4,843	$31,852	658%	$1,315,383
Avg. Hourly Wage (current dollars)	$3.04	$12.98	427%	$853,947

Economic Indicators from the Council of Economic Advisors, 1999

Mr. HORN. Let me just go down and have you all hear each colleague. I will like to start with Ambassador Jones and say did anybody convince you here that you ought to move from $400,000 to $500,000? That's one part of the question. The other is Governor Sununu's point of we should have a system that reviews this on an automatic basis of either every two terms or 10 years or 15 years, whatever.

In the case of the Comptroller General of the United States, for example, he gets one salary, and that salary follows him into retirement—he has a 15-year term, et cetera, and we haven't gotten into the retirement yet, but we will. Let's start with you, Ambassador.

Mr. JONES. Well, on both of those points, I will opt for a higher level of salary increase to at least $500,000; but recognizing as the others have, the political difficulty, $400,000 would be the minimum. As far as an annual review, I think Governor Sununu makes a very good recommendation and at least as we review the census every 10 years, we ought to review Presidential salaries, and the impact of that salary on the rest of government, at least every 10 years, if not earlier.

Mr. HORN. General, what's your feeling?

General HAIG. I recommend the third year of every term of every President you should take a look at this subject. I would hope that the committee would look at the $500,000 level. But, again, there has to be an assessment of the possible and what can be most efficiently done in a bipartisan way.

Mr. HORN. Mr. Hartmann.

Mr. HARTMANN. I can't think of anything more.

Mr. HORN. OK. Do you agree with the $500,000?

Mr. HARTMANN. I agree with it.

Mr. HORN. And the review that Governor Sununu is talking about?

Mr. HARTMANN. Yes.

Mr. HORN. OK. Mr. Duberstein.

Mr. DUBERSTEIN. I would support $500,000, but my vote isn't the one that is important; I think you have to look both to the American people and your colleagues in the Congress of whether doubling to $400,000 is more politically feasible than $500,000.

On the second issue on John's suggested review, the quadrennial commission is not charged with responsibility for a President's salary; but certainly looking forward every 4 years, I think, makes the ultimate sense as Al Haig said in the third year of a President, looking forward to the next Presidential term. So I would strongly support a regular review of Presidential salary.

Mr. HORN. Governor.

Mr. SUNUNU. I came in to propose $500,000. I yielded to the $400,000 that you have, but if you twist my arm, I will go back to the $500,000. I don't have any argument with utilizing an existing mechanism like the quadrennial commission or whatever—I picked 8 years or 12 years as a period—because thinking in terms of either two or three Presidential terms. But whatever the period is, I think we can go a long way to regularizing the process and that's the key to it.

Mr. HORN. OK. Mr. Skinner, you started all of this with that vast universe of polling that you told us about.

Mr. SKINNER. No, you know where I stand. I would say that if you're going to set a mechanism in place, which I agree should be set, we ought to do it right. The idea of putting this on some bill that, you know, is a trailer of some sort, rather than, you know, really giving some thought to the mechanism so that it will go through a regular review, I think is most appropriate so we don't find ourselves in the situation that where every 30 years and it's subject to all of these others.

We've done that with Federal pay a number of years ago. It works. There has been a pay compression problem because of some other issues. But clearly—and I think that mechanism ought to be in place and it ought to be adhered to.

I would also add I have a number of friends that sit on the Federal judiciary, served with me in the U.S. Attorney's Office and other places, and this compression problem has also created a very major problem there where we're just not—we're attracting candidates, but we're not attracting really qualified candidates because of that.

And the compression would help there, too, but what has happened is sometimes we don't go through it. We set the mechanism in place and for one reason or another, because it's tied to congressional salaries, we don't go through it, and I don't think anything we set should be tied to congressional salaries. That's an issue that Congress has got to work through themselves.

But all of these other people should not be tied to those salaries, because I think that creates the same compression problem you have otherwise.

Mr. HORN. Any change in your position, Mr. McLarty?

Mr. MCLARTY. No, there's not. I think I can certainly support $500,000. It's got to be tempered, obviously, with political judgment. I think you can make a case for greater than that. I strongly support some type of review that is thoughtful and appropriate. I think that would be a great deal of help in this situation.

Mr. HORN. I now yield to the ranking member on the committee, Mr. Turner of Texas, for questioning.

Mr. TURNER. Thank you, Mr. Chairman.

Mr. McLarty, I think you were the last to mention the problem of compression of Federal salaries. It's interesting to know that the Congress legislated a freeze on congressional salaries which also applied to the top Federal office, the top Federal positions as well, not only in 1994, 1995, 1996, 1997. There was a pay increase in 1998 and in 1999.

And, in fact, if Congress had not legislated that freeze and had allowed the automatic adjustment, the cost-of-living adjustment to take place, if my math is correct, the Vice President would be making the same as the President is today. So it is a problem that we should address.

Obviously, the Congress has been part of the problem in trying to deal with it, and I certainly think it reflects the political charge of nature of the issue to note that for all of those years that I mentioned the Congress denied itself and the other top level Federal officials a pay raise.

And I guess the question I would want to ask each of you is what's the best way to explain this problem to the American people? We're going to hear on one of our next panels testimony that shares some results from a Pew Research Center poll which basically says that the people of this country understand the President's entitled to a pay raise, but the majority of them think it's somewhere in the range of $10,000 to $20,000. And in fact, there appear to be virtually no support for a doubling of the President's salary.

So to help us through this issue, which obviously is fraught with political minefields, would any of you like to offer up a suggestion as to how to best make the case for this kind of change?

Ambassador, would you like to start helping me on that one?

Mr. JONES. It was very difficult. There's never a good time for a congressional pay raise. There's never a good time for a government pay raise in general, politically speaking. And it's very difficult to convince the American people that one is deserved. Part of that, I think, Congress brings on itself by raving and ranting against a pay raise and not giving the kind of respect that this institution of Congress deserves.

I think that carries over to the American people and the respect they have for the institution. It was attempted a few years ago back to make an independent method of assessing what congressional salaries and other salaries should be, so that they could occur automatically.

The problem is the appropriations process denies that. It seems to me some sort of independent mechanism that would give an independent review and an assessment of Federal salaries is a better approach, something that would equate to the independence of our Federal judiciary.

But it's going to have to be something that's proactive. It's going to have to be something that you can constitutionally mandate the appropriations process to fulfill.

Whether it's in some form of a trust fund, I'm not sure, but I think that you're never going to get around the political obstacles as long as Congress goes through the regular annual debate on a pay raise. So some sort of independent mechanism is the way that I think you can go about doing it.

Mr. TURNER. Mr. Haig, do you have a suggestion for us?

General HAIG. I just suggest to you that we've had every member of this panel recommend $500,000 or $400,000. I don't think it's the job of the Congress any more than it is the job of the President to be dictated to by polls. I think the American people are ready to take this, if it's given to them, with the factual data that was presented here at this hearing.

And if it's done and the Congress moves courageously. I think it will get through.

Mr. TURNER. Thank you. Mr. Hartmann, do you have a suggestion?

Mr. HARTMANN. I have nothing to add.

Mr. TURNER. Mr. Duberstein.

Mr. DUBERSTEIN. I want to echo what General Haig said. I think this is not a business of polling; this is a question of equity. I think the American people will, in fact, support a significant pay raise for

the President of the United States. I don't think the selling job has been done, as far as there being no pay raise since 1969. That's why I used the examples that I used.

I think people will understand $10,000 or $20,000, but only in the sense of a year or two. If you talk about 30 years, I think people will understand the fundamental change in the Office of the Presidency with C–SPAN, with cable television, with the 24-hour news site, et cetera. And I think it is not a losing issue.

Mr. TURNER. Governor.

Mr. SUNUNU. Mr. Turner, I think it is an issue that the public can be educated on. But going back to your poll, I suggest, like all polls, there is a problem in the question not in the answer. And the question was probably the President of the United States makes $200,000. What do you think a good pay raise for the President would be? $20,000 is an absolutely appropriate answer to that question.

But if the question was not even how much should we pay this President of the United States, but how much should we pay the next President of the United States, what is a fair salary for the next President of the United States? I suggest to you the poll would probably come in with numbers around $1 million. And so with all due respect, there are polls and there are polls and there are polls. $500,000 I think is a good compromise.

I think that's an educable number, and I commend the committee for having the hearings. And I think you will have no trouble selling that point.

Mr. TURNER. Thank you. Mr. Skinner.

Mr. SKINNER. Well, every once in a while in government you've got to follow the slogan I think Nike has, "Just Do It." And I think this is one of those issues that, if we sit around waiting for all of the input and everybody else and full education, you will miss this opportunity. I mean, this is really the first realistic time in 30 years that Congress has addressed this. And I think you've got the ball moving.

You've got, certainly, a record; and I think if Governor Sununu's point—if you also said the President of the United States, the Office of President of the United States salary has not been raised for 30 years, how much do you think the next President should make if we're not going to raise it for another 30 years? I think you might get a far different answer than $20,000.

Mr. TURNER. Thank you. Mr. McLarty.

Mr. MCLARTY. I would agree with the comments that have been made. I think it should be approached in a very direct, straightforward manner. I don't think most people realize the President's pay has not been raised for over 30 years, and I think that's the first point. And I think common sense and equity will be a strong point to make. It certainly should be done in a bipartisan manner. I think that will go a long way in terms of how people react to the proposal.

Mr. TURNER. Mr. McLarty, I know that most Americans and to all of us $200,000 is a lot of money. Most people don't make that kind of money. But one of the issues I raised in my opening remarks was my belief that the President's salary should be sufficient so that he would not be susceptible to corruption.

And you've been there most recently of this panel. It seems our current President has had a lot of expenses come his way for various reasons. He's had to raise money privately to cover legal costs.

Could you describe for us just from your own personal experience the kind of pressure that exists in the White House today with regard to finances for a President and the First Lady or First Spouse?

Mr. MCLARTY. I don't think some of the pressures are singular, Mr. Turner, for this administration. I think it's probably been building over the last several terms of the Presidency. I think, clearly, disclosure is one of the areas that I noted, and I think certainly from an overview or a legal side that the expenses have grown over the years. But I think we have seen that growing over the years.

It's a very real number, but I think it's a very large number. But I think it also, of course, reflects not just the President but those that serve in government as well. And that was part of the point I was trying to make. I don't think this particular measure should have as its focus the legal bills or anything of that aspect.

I think that the cost of public service, of serving in public service, should be the focus of that. There's no question that the point you raise is a valid one. It is expensive, not only in terms of real costs, in many cases moving to Washington.

It is certainly expensive in terms of opportunity costs. And I think the last thing we want, whether it be at the Presidential level or anywhere in the government, is to have any kind of setting for less than fully appropriate conduct.

And I think in the President's case—you have also seen with President Carter—there is great ability to do great public works after tenure as President. So I think that should go into play as well. And there is other Presidents as well, not just singling out President Carter.

But there is no question there are stresses. I think Mr. Duberstein and others have pointed out many of the reasons for that, and they in all likelihood will continue to grow, whether we have a Democrat or a Republican in the White House.

Mr. TURNER. Thank you. Thank you, Mr. Chairman.

Mr. HORN. I now yield time to the gentleman from Pennsylvania, Mr. Kanjorski, for the questioning of witnesses.

Mr. KANJORSKI. Thank you very much. Does anyone on the panel know what the President's salary would be today if we took all the inflation over the last 30 years into consideration? Have they done the math on any of that?

Mr. HORN. We will have in the next panel.

Mr. SKINNER. In the last 30 years, sir?

Mr. KANJORSKI. I am just wondering when we think of the 1970's when we had double-digit inflation, where we would be today if every year we increased the President.

Mr. SUNUNU. A little under a million.

Mr. KANJORSKI. A little under a million.

Do any of the presidents of our major universities, would it be reasonable to say that they are certainly in the $400,000 or $500,000 range?

Mr. SUNUNU. And some higher, I believe.

Mr. KANJORSKI. I know one of our universities in Pennsylvania is so high the legislature is not allowed to know it.

Mr. SKINNER. Good pay for a coach is a million a year. It all packages a year. Some coaches in major institutions have a total compensation package of $1 million or $1.2 million.

Mr. KANJORSKI. It seems that those who criticize this the most appear on the media on a regular basis. It seems to me that we in Congress should think about making sure that if they appear on a licensed television or radio station, the commentators' salaries should be disclosed.

When you have a newscaster being paid $7, $10, $12 million a year, it seems hypocritical for him to start the ball rolling against these unusual high political salaries. Most people are completely unaware of the fact that these media celebrities are paid these extraordinary amounts of money.

I do not know who made the observation—I think my good friend Mr. Jones how we tend to beat ourselves to death up here. It will be a pleasure to know sometimes we get down there and it is only one or two Members of Congress.

Invariably, someone is running for Senate or somebody is running for Governor and they see a political opportunity and get out there and criticize public salaries, whether they be judges or Congress or the President.

WHile it will happen again, I tend to agree with the panel, Mr. Chairman. We just have to bite this bullet, and we should not play around with the fact. Quite frankly, I think we ought to pay the President of the United States $1 million a year.

If anyone is not worth $1 million a year to lead this country, he or she probably should not be President of the United States. As we all know, it is a 25-year commitment to rise to the level to aspire to that office. It is not just a convention meeting. As we all know—those conventions do not meet that way.

It is a long protracted loss of income in private life that people would have. On the judiciary level, I have been a little annoyed with the idea of my friends in the legal profession who entertain seven-figure salaries on a regular basis, and they are very difficult to persuade to sit on the bench, whether it be a district court or an appeals court or a supreme court for that matter.

It seems now almost the only people that will decide to sit on a supreme court already have amassed sufficient money, that they are relevantly independent, several millions of dollars in net assets. That's unfortunate because some people will not have that opportunity and therefore have to make terrible choices.

Talking of this President and being familiar with tuitions, I am sure Stanford University is not cheap. To my knowledge, elected officials do not get the opportunity to have any scholarships, et cetera, so they pay the full tuition. That amounts to probably $160,000 after-tax income, just to educate one child.

If a President has three or four children, as I think the next President may have, not to state who that may be, that could be a very difficult expenditure.

I am also interested in the President's staff. Assume we pay $1 million a year to the President or half a million dollars to the President. How are we going to attract people of your caliber to

leave private life in seven-figure incomes and come into administrations and serve for 4, 8 years and then sometimes have to spend $1 million to defend yourselves with the litigation now that is almost endemic to the system?

There is one other thing I would like the panel to answer. Have you given any thought about giving an exemption or a moratorium to a civil lawsuit to the President of the United States while he serves in office so these extraordinary expenses are not required to be incurred when, quite frankly, I would say anybody that stands in a rope line to get to shake the hand of the President could sue the President for assault and battery if they were willing to go through that process.

It would necessitate hundreds of thousands, if not millions, of dollars in legal expenses to go through the legal process at this point. Address just what type of insulation we should give to the Office of the President and these inordinate expenses that are a new political phenomena in our society? Let's start with Al and move down the panel.

Mr. JONES. With regard to your last recommendation, yes, I think Congress should give some consideration to an appropriate constitutionally proper exemption, I mean, deferment of civil suits against a President.

Obviously, Congress will have to do it if it's going to be done, because the Supreme Court has ruled on this question. And so I think that's something that Congress should consider.

With regard to attracting people to other levels at the White House, et cetera, I think the salary is important, and it should go up somewhat. But I think you're going to have to change the attitudes about public service and the people who come to public service and their motivations. My experience is that people are truly properly motivated to serve the public when they leave private sector and come into government service.

But when you fill out the forms and when you answer all of the questions, the assumption is that somehow you're going to try to cheat, lie, and steal; and in order to prevent you from doing that, you answer a number of questions that leaves you open to tremendous legal liability if politically motivated suits are desired.

And then second, you are required in many instances to divest of whatever you have accumulated for yourself and your family, as opposed to a total blind trust or something else.

So I think the presumption that many people who would come into public service and would be asked by a President is that somehow they think I'm a crook and just going to try to cheat. I think that presumption needs to be changed, because my experience is just the opposite is true.

Mr. KANJORSKI. General.

General HAIG. I would like to add also the observation I think I'm the only one at this table who actually ran for President, or at least tried to run. It probably cost me $2 million of my own personal funds to do that, despite the money that was raised in the campaign. I got into the legal disputes with the Federal Election Commission. If you really wish to look at something which makes lawyers rich for little, that Commission is a very, very good thing to look at.

But having said that, I know there are candidates running this year who are willing to give $20, $25 million of their own personal money for the opportunity, the honor, and the challenge of leading this land.

I don't think the money side of it is nearly as important as ensuring that the incumbent can live in dignity, educate his children, et cetera. As you quite rightly pointed out, we most recognize that these are very dynamic amounts that must be assessed regularly so that we assure that the incumbent is paid in a way that he can enter that office and not draw down on the assets he brought with him.

That gets right back to what you said, Mr. Turner, that, by God, it's not a rich man's club. It's got to be an office open to every individual in this land. So I just don't want to get too astronomical because I'm afraid if $1 million went up there you would get the regurgitation that we're talking about, although it is justified.

Mr. HARTMANN. Well, I would make the observation that government——

Mr. HORN. Do you want to get the microphone a little closer? Thank you.

Mr. HARTMANN. I would make the observation that it seems to me that right now we're in a period of our history in which government service is at a rather low ebb in public opinion. I won't say that government service is necessarily to blame for that, but I do think that when you start waving around half a million dollars or $1 million in the face of ordinary people, they aren't going to like it.

I mean we've made very persuasive arguments here for why it is necessary in the case of government people and particularly at the top level of government people. But I don't think the public is going to buy it, not in its present mood. If you want to get an Eisenhower in here to propose it, you might succeed. I don't think you're going to succeed right now.

Mr. HORN. Mr. Duberstein.

Mr. DUBERSTEIN. Congressman Kanjorski, I don't think salary is the issue. Government service shouldn't be a punishment; government service should be the highest calling. The idea of attracting people who have to run the maze of a confirmation process in the other body deters so many now. I'm not talking about the elected officials; I'm talking about those of us who have been appointed to either confirmable jobs or nonconfirmable ones.

The price you pay, your family pays, is astronomical; but it's worth it if you can make a difference. If the salary had been $10,000 higher when President Reagan asked me to be his chief of staff, it wouldn't have made any difference. It's the opportunity to make a difference to serve. That's what it has to be all about.

Mr. SUNUNU. I think Ken makes a very important point. When I had to go out and solicit potential Members of the Cabinet for President Bush, the issue was never salary. The issue was abuse in the public domain; and, therefore, that is the biggest deterrent to participation in government by good people.

I don't mean to suggest that salary is not any factor at all. I remember my news conference in May 1988 when I announced I wasn't going to run for a fourth term and the press asked me how

come, and my answer was when you send $20,000 a year to MIT and $20,000 a year to Stanford and $20,000 a year to the IRS, it doesn't leave much from a $60,000-a-year salary.

So there are times in which the salary issue is an important one, but in terms of what we're addressing at the Cabinet level for the President, I don't think it is the issue.

Mr. KANJORSKI. Mr. Skinner.

Mr. SKINNER. Well, I have done it twice. The first time I took a 60, 80 percent pay cut, and the last time about the same. But every time I did it, I knew I wasn't going to do it for life. I knew I wasn't going to be excluded from having an opportunity to go back to the private sector to make up for the costs, as well as maybe to even, frankly, enhance one's position.

And so I think in recruiting people at the very top for a relatively short period of time, it's not a problem. I do, however, agree with your comments with the judiciary; and as the only, I guess, practicing lawyer, at least at the table here today now, I know; and having been a U.S. attorney and been recruited for that job, it wasn't. But I, again, knew I was going to go back to the private sector.

When we recruit judges, we recruit for life or good behavior; and only three, I think, have been removed in the last 30 years. We are recruiting good judges who are good lawyers. I think it is very difficult, except for the Supreme Court, to recruit great lawyers with great experience for the judiciary.

And I think it is very difficult to keep great judges on the judiciary for an extended period of time because of the opportunity that exists or the impossibility to educate, because we're recruiting them at a time when they have all of these expenses building up.

And as we recruit younger candidates to run for the Presidency, they have educational expenses that some of the others don't. So I think as all of this plays a role, we've got to give them the ability at least to minimally meet the expenses that Governor Sununu and others talked about.

Mr. MCLARTY. I believe we have two or three issues related here: one is the Presidential pay, which I think really just goes to the appropriateness and dignity of the office which we've all spoken to.

I think, second, it is clearly more difficult to recruit people of standing, of accomplishment, from the private sector, whether they be from industry or academia or wherever to serve than it was 5, 10 years ago. I think that probably regrettably will continue.

Perhaps there's some way we could at least evaluate some of the findings required, but I think all of us are for transparency and openness and none of us would—we would want to be very careful of how we did that. I do think the salary level makes a difference, however, in some of the civil servants and some of the younger people in government, not so much recruited at a Cabinet level, but in a working level.

I think that does make a difference, and I've seen that time and time again where very capable, bright young people come into government and just really determine they cannot stay because of the financial requirements or burdens of the responsibility. And I think in that case the Presidential salary does drive that equation to some extent.

Mr. HORN. I thank the gentleman. Let me followup on some of this. The compression problem without question does have a real effect on the ability and capacity of an administration to staff the executive branch, particularly, with the political appointees. And I certainly remember that under President Eisenhower when the Secretary of Labor asked me, as his Assistant, to go out and check them out for solicitor.

There was a year and a half to go into the administration, and you face a real problem trying to recruit in the last year and a half of any administration, and you also face the salary problem.

I think the way your heads nod, you all agree that this is a problem we have to deal with here, if we're going to get people for the last half of the administration. I think the figures used to be that Cabinet officers sort of stick it out for 4 years; Under Secretaries maybe you've got 3 years; Assistant Secretaries are maybe 2, 2½ years. I think all of you have faced that problem, if you have been in your role as chief of staff.

Do you have any further advice to us? I've got one more question then.

OK, one more question, retirement, and how we deal with it. President Truman once said, and I think he's right on the mark, when he's out of the Presidency, a lot of boards wanted him to serve, and so forth. He said they don't want me, they want the Presidency. I think he's absolutely right. Now the question is, if we pay the President adequately, if we tie his retirement or her retirement to it, should we say, OK, you've got that retirement, you've been President of the United States, the highest honor any citizen of the United States can give. Can we say you aren't going to serve on private boards?

What do you think? I know you've been on that, General. We're not picking on generals; we're just saying Presidents.

General HAIG. Well, I think you ought to be very careful about that, because every President is of a different mold. Some are older and have been through their careers and hopefully we will not forget that wisdom sometimes pays off. Some are younger and more visionary and have a whole life ahead of them when they leave the Presidency.

I would be very careful. I think we should look at the retirement pay of the President on the same cycle that we look at his salary on active duty: there should be a relationship.

But most Presidents are pretty well taken care of. If I'm looking at the figures that the committee gave us in preparation for this, in retirement. And I think maybe a very modest increase is all that's in order. I think it's about $150,000-some and then it gets aumented with allowances and benefits, up to a rather substantial number with recent Presidents.

But it requires more. You know, even an ex-public servant is—every day I have five or six letters a day that I have to answer and send out and I have to have a staff to handle for me.

If I were an ex-President, I would be getting thousands of letters a week. This is a huge burden. And we've got to handle it, but I don't think I would want to put any ground rules other than to link active and retirement pay in a responsible way.

Mr. HORN. Any other comments on this?

Mr. SUNUNU. Mr. Horn, I would not attempt to limit what a President does, either in public service or private service afterwards. I just think the act of doing that suggests to the public a conventionality that is not there. And I just would recommend that that probably carries more of a public service burden than benefit in the long run.

Mr. HORN. Mr. Skinner.

Mr. SKINNER. Well, I think that the retirement should take into consideration his service and length of service to our government in many cases, and it should be an appropriate level. I don't think we should penalize him by giving his retirement less than what that person would have gotten had they saved the full time.

Most Presidents don't serve on any significant public boards. I think they've got plenty of opportunities, as we know in today's world, to take care of some of the financial responsibilities they have late in life and still have a comfortable life; and many, like President Carter and others, have decided to devote their time in a very, very meaningful way in the public sector.

And they should have that opportunity. And I think a fair retirement program consistent with government retirement programs is appropriate.

Mr. HORN. Well, in the 19th century we had the problem with many Presidential spouses had hardly any means to exist and continue once their husband died. I mean should we look at that also?

Mr. SKINNER. I think we still have that problem with the Federal judiciary. We allow someone to retire from the Federal judiciary, and they keep their compensation for life and can serve as a senior status in a less active role and continue to maintain their salary and all that goes with it. But as I recall, the pension for widows is basically nonexistent. And that is just an additional price of public service that's unwarranted, in my opinion.

We should treat people, you know, consistently as they serve in government, and I think in doing that, we ought to have a consistent, fair retirement program for all public servants.

Obviously, it won't be at the level that some of these huge, you know, programs that exist from the private sector—I'm the beneficiary of one of those, so I appreciate that—but it ought to be at a level that recognizes their contribution and allows them to serve out the rest of their life and their family and the rest of their life with some dignity.

Mr. HORN. Mr. Duberstein.

Mr. DUBERSTEIN. Mr. Chairman, I think that on retirement, on retirement benefits, it should be looked at periodically as the President's salary is reviewed as well. As far as postemployment limitations, I would strongly advise you not to do that and place anything, any curtailment, on a former President of the United States.

Mr. HORN. Any other thoughts?

Mr. KANJORSKI. Mr. Chairman, while we have this distinguished panel, may I ask something totally unrelated to the hearing?

Mr. HORN. OK. You will have one last question.

Mr. KANJORSKI. All of you have dealt with the Office of the President and the Congress and the various committees and their jurisdictions. Do you think this would be an appropriate time for the Congress to form a commission to reorganize the executive and leg-

islative branches of government and take the advantage of three living Presidents, and have that commission return sometime in the next term so that functionally we can line up the Congress with the executive branch of government?

Have you found that frustrating in your experiences as chief of staff that your officials have to be testifying before seven or eight different committees and the games we play up here to draft legislation to get the specific committees and avoid others, the pit stops?

Do you think this would be an appropriate time for us to put a Hoover Commission together, both for the executive branch and for the legislative branch, do it together, get the advantage of your experiences now and the living Presidents while they are here?

Mr. JONES. I chaired a committee for the National Academy of Public Administration several years back on this very subject and made some recommendations in that respect. And I think those recommendations are still sound. I'm not sure that a full Presidential—or a commission needs to be organized to study this. I think this is something your relevant committees and the Congress should deal with on a regular basis, seek the administration's opinion.

But you put your finger on two of the most frustrating or the most frustrating problem, is the proliferation of jurisdiction that overlaps and forces one Cabinet officer to spend most of his or her time on the Hill testifying basically the same testimony. But I think that's something that Congress ought to look at itself.

General HAIG. I would comment just briefly, we hear a lot about the power of the Presidency; and having served as many as I have, I left that experience with my main concern focused on the limitations on the power of the Presidency, which today have gotten out of hand, whether it stems from the courts or, more importantly, the legislature.

So I would love to see the legislature examine itself and let the executive branch examine itself rather than to get into a partisan branch brouhaha that is also bureaucratic in character; but your question is very well taken and long overdue.

Mr. HORN. Mr. Duberstein, any comment? Then, Governor.

Mr. DUBERSTEIN. No, I agree with Al. I think doing it separately, the legislative branch and executive branch is the way to do it rather than forming one Presidential commission. I agree. I think it is long overdue. I think it should be looked at, and what better committee of the Congress to do it than this committee.

Mr. HORN. I'm tempted to say that you're suggesting we rewrite the Constitution as in 1787. But go ahead, Governor.

Mr. SUNUNU. I support the idea of separate branch review. I think with all due respect to the question asked by Mr. Kanjorski that I suspect any Congress will be clever enough that no matter what structure you come up with that in about two congressional cycles they will figure out how to reparcel it out to the committees and create the same problem all over again.

But in terms of improving efficiency and bringing government into a modern structure, I think there is a great need for it.

Mr. HORN. Mr. Skinner.

Mr. SKINNER. Well, having served as a statutory Cabinet officer of a pretty big department with a lot of different jurisdictions, I did not find that an insurmountable program. I was able to work with most of the committees. I did take probably a little more time than necessary.

You do become concerned, although I think General Haig said, is are we really in balance and have we by the creation of multiple commissions—I mean, multicommittees with multiple jurisdictions, have we kind of thrown the balance of powers, which I thought was three equal branches of government, a little off kilter.

And if a joint effort would solve that problem, rather than an independent effort, I would be all for it, because I think it is a good idea to visit on occasion whether or not we've got that constitutionally provided balance of power really and balance—and sometimes it gets out of kilter.

Mr. HORN. Any comments, Mr. McLarty?

Mr. MCLARTY. Well, I think we were asked to address a very serious and heavy list of a subject in the one we've discussed. This is an equally, I think, serious one. I believe there's a more efficient, effective way to do it, the vehicle, whether it's legislative or joint. I think I would leave this an open question.

But I do think that there's got to be a bit more effective way than we're currently doing it, stopping short of rewriting the Constitution, Mr. Chairman.

Mr. HORN. Well, thank you gentlemen. We really appreciate you coming here. We might have some followup questions if you wouldn't mind, but thank you. Your perspective and experience is a real help to us. And that's why we have the committee system in the Congress of the United States, be it weird sometimes. OK, thank you very much.

Panel two will come forward.

You might know the routine, and first we will give you the oath. So please stand and raise your right hands.

[Witnesses affirmed.]

Mr. HORN. The clerk will note all four affirmed.

And we will begin with Sharon Gressle, the specialist in American National Government of the Congressional Research Service, which is part of our great Library of Congress, and they are part of the legislative branch of the government. And we're glad to have you here.

STATEMENTS SHARON GRESSLE, SPECIALIST, AMERICAN NATIONAL GOVERNMENT, CONGRESSIONAL RESEARCH SERVICES; GARY RUSKIN, EXECUTIVE DIRECTOR, CONGRESSIONAL ACCOUNTABILITY PROJECT; PAUL LIGHT, DIRECTOR, CENTER FOR PUBLIC SERVICE, THE BROOKINGS INSTITUTION; AND DONALD SIMON, ACTING PRESIDENT, COMMON CAUSE

Ms. GRESSLE. Thank you, Mr. Chairman, Members of the committee. I would like to just place a short historical context for our discussions today. I will not make a lengthy statement.

In the previous changes of salary for the Presidency, we had—of course, the first for President Washington, that was in legislation for the President and the Vice President, that was the only

time in which the salary was not set immediately prior to the change of administration.

The 1873 and 1909 changes were both part of general government appropriations, as is this proposal now for treasury appropriations to change it to $400,000. In 1949, it was legislation that focused pretty much on top officials' salaries, but it was taken in the context of a larger discussion following the Hoover Commission on the whole scheme of Federal salaries.

In fact, our general schedule which we have today was created pursuant to those discussions in a separate piece of legislature. And, of course, in 1969—that was a stand-alone piece of legislation—it only changed the compensation of the Presidency. And as you know, we are now at a situation where the next possible change in that compensation is January 2001.

No one has mentioned the expense allowance that is available to the President on an annual basis yet today, that is, a sum of $50,000. It was set in 1949 at that sum. And at this point in time, it is changed as to whether or not it was funds directly to the President and whether or not it was taxable.

At the current time, it is to be used for official purposes only. Any sums not used for that purpose would revert to the Treasury; and it is not taxable, because it's not considered to be personal sums to the Presidency.

I won't go into, unless you want me to, detail on what might be considered some of the specific perks of the Presidency. We have touched upon the issue of the pension, however, that has been in place on a systemic basis only since 1958.

At the present time, that pension is key to the salary of the Cabinet secretary. When that salary is increased, so too is the pension of the President. And at current, it is $151,800.

Along with that comes the staff allowance and office space as well as security. There's currently a proposal in the 106th Congress to make some changes in that system.

When we are talking about the relationship of the President's salary to other Federal salaries, I think that it's sort of interesting to look at how it started out.

The Vice President's salary, for example, was 20 percent of the President's; the chief justices was 16 percent. And in 1856, when Members first came into an annual pay salary, that salary was set at 12 percent.

In 1949, the Vice President's salary was 30 percent, and the chief justice's was 25½ percent of the Presidency. The 1969 salary changes resulted in 31 percent differentials for the Vice President and the Chief Justice.

And while there's been some changes, for the most part those two positions, as well as the Speaker now, are on a par pretty much with one another and have traveled forward to the point where they are almost at 90 percent of the President's salary.

And, of course, the question is, whether there is an appropriate differential between those salaries? If we were to look at OPM figures, using an inflator of 3½ percent would put those three salaries above the salary of the President by the year 2003, which means, of course, if there's no change in 2001, we will have a problem.

The question is, then, do we keep those two down and not change the Presidency, or do we change the President's salary, allow those salaries to progress, or is there a decision made that the salary of the President shouldn't bear relationship to salaries of other officials in the government?

At the current time, if you want to open the discussion of compression, the senior executive service, which is our standard core of executives both in management and in their technical expertise, most of whom, 90 percent, are career employees and not political.

We have in some localities in the country four of the six levels of the senior executive service being paid at the same rate. They are capped out at level three of the executive schedule.

The base rate for the senior executive service has three of those six levels frozen. It has not yet reached the general schedule. The general schedule top level of a GS–15 currently, depending on which locality you're talking about, ranges from $102,000 to almost $110,000 at the current time.

The Office of Personnel Management has done a little bit of thrust in terms of projections. We will get into that discussion on their behalf today, and, that is, if they took the 1969 $200,000 mark, and they were to bring it forward based on the CPI, they would estimate a little over $900,000 for 1999.

If you were to take what has happened with the general schedule adjustments from 1969 on and apply those to the $200,000, you would get a little over $685,000 as salary, and if you were to take it in terms of the executive schedule for the Cabinet secretaries, there you would reach $506,000.

One of our economists over in CRS took the different salaries at the different points in history and brought forward using a differential—arrived at CPU, if you would, because those measures did not exist back in the 18th century.

But they figure that the $25,000 salary would range—would be about $240,000 using a very base inflator. As you said, we also arrived at the figure $4.5 million based on other counts. If you use the CPI, you would take the $50,000 in effect in 1873, would bring it to over $679,000; the 1909 $75,000 figure would be $1.4 million; the 1949 $100,000 figure would be back down to $684,000; and the 1969 rate of $200,000 would be at just over $888,000. And that, of course, would reflect fluctuations in price costs and inflation and so on and so forth. But that just gives a bare bones.

We talk about the Commission on Executive, Legislative, and Judicial Salaries and their recommendations. In 1969, it was that group which recommended the $200,000 increase for the President's salary, and the time was right. The climate was right, and that did go into effect through legislation.

The fiscal 1989 commission was the last time the quadrennial commission was activated, and their recommendation at that time was $350,000, as has been entered in the record today.

Basically, that wraps up my statement, sir.

Mr. HORN. That's a very helpful statement. And thank you for all the research. And all of those appropriate documents will be put in the record at this point.

[The prepared statement of Ms. Gressle follows:]

Presidential Salary Policy

Subcommittee on Government Management, Information, and Technology
Committee on Government Reform
U.S. House of Representatives

Hearings
May 24, 1999

Testimony by
Sharon S. Gressle
Specialist in American National Government
Government and Finance Division
Congressional Research Service
Library of Congress

The Constitution of the United States requires that the President be compensated for his services. It also requires that there be neither an increase nor a decrease in that salary during the period for which he was elected.

President George Washington was paid a salary of $25,000 *per annum*. Since then, the salary has been increased four times: In 1873, to $50,000, when President Ulysses S. Grant began his second term; in 1909, to $75,000, as President William Howard Taft was inaugurated; in 1949, to $100,000, at the beginning of President Harry S. Truman's full term in office; and in 1969, to $200,000, as President Richard M. Nixon commenced his first term.

The next possible opportunity for a change in salary to go into effect is January 20, 2001. If there were no adjustment to the salary at that time, it could not be changed until January 20, 2005.

The purpose of my presentation is to provide a context for the discussions surrounding the issue of raising the salary of the President.

Current Compensation

Often the discussion of salaries for high federal officials includes reference to psychic income, generally referring to aspects of prestige, power, and the satisfaction of performing public service. Certainly the presidency has the potential to provide those in full measure.

In terms of monetary compensation, as noted above, the salary for the office is currently $200,000 *per annum*. Section 102, Title 3, of *United States Code* Title 3

provides the authority for that salary and provides for an expense allowance of $50,000. (The expense allowance has been set at that rate since it was first established in 1949.) The salary is fully taxable under statute. However, the expense allowance is restricted to official expenditures and is not subject to an income tax liability. If there are unexpended funds in the expense allowance account at the close of the year, they revert to the Treasury.

There are, of course, considerable perquisites which are available to the President and other members of the First Family. The White House is provided as a residence for the family. First-class health care is available. The facility at Camp David is staffed year round and available for either pleasure or business, as the President may determine. The plane that usually carries the designation of Air Force One is appointed in a manner deemed appropriate to serve the comfort and convenience of the President. Luxury motor vehicles and Marine helicopters are available as needed. The government provides the President and the First Lady with security and staff. While it is possible to establish the cost of many of the services and facilities at the President's disposal, it really is not possible to determine definitively a comprehensive monetary value.

Since 1958, a pension has been available to the President. It is set at a rate equal to the salary for a cabinet secretary, currently $151,800, and is adjusted automatically whenever there is an adjustment in Executive Schedule Level I salaries. Office space, security and staff allowances are also provided to former Presidents.

Costs to the First Family

The President lives in the White House on a rent-free basis. However, the costs associated with the maintenance of his family are charged to him. Meals, private entertaining, and personal service costs are expected to be borne by the First Family.

President's Salary in Relation to Other Federal Salaries

The salaries of other federal officials, such as the Vice President, the Chief Justice, and the Speaker of the House of Representatives, are not constitutionally restricted as to the timing of increases. They are, in fact, under a statutory system which, unless Congress acts to deny it, provides for an annual salary adjustment based on indices of change in private sector wages and salaries. In 1789, Congress determined that the Vice President's salary would be equal to 20% of the President's salary, with the Chief Justice's salary at 16%. When congressional salaries were established on an annual basis in 1856, a Member's salary was 12% of the President's. For most of the next 100 years, the salary differentials for the Vice President and the Chief Justice ranged from 20% to 30%. In 1949, the Vice President's salary was at 30% and the Chief Justice's at 25.5%.

Just previous to the 1969 change in presidential salary, the Vice President's salary was 43% of the President's, and the Chief Justice received a salary equal to

40% of the President's. The 1969 salary changes for all of the officials resulted in 31.2% and 31.25% differentials, respectively. Currently, the Vice President, the Chief Justice, and the Speaker are paid $175,400 which is 87.7% of the President's salary.,

Possibly, a determination needs to be made as to whether there is an appropriate differential between the President's salary and the salaries of these top officials. If there were no change in the President's salary, Congress might be faced with a series of decisions. If there were no change in the President's salary, and if the other salaries were to be increased at a rate of 3% per year, those salaries would overtake the President's in 2004. The Office of Personnel Management has projected, using annual rates of 3.5%, that such an event could occur in 2003. The projected January 2000 salary adjustment for the officials, based on the statutory pay adjustment mechanism, is 3.4%.

If there were no change in the President's salary and there were no pay adjustment for federal officials, as has been the case in five of the last six years, the salary freeze in the lower ranks of the federal executive corps would become even more extensive. The Senior Executive Service and other senior executive pay systems are affected directly by the lack of movement in top officials' salaries. At the current time, there are localities in which four of the six senior executive salary levels are paid at the same rate. Their salaries are administratively set by the President, and locality-based payments have been extended to them. However, they are experiencing a situation in which the majority of senior executives are being paid at the same rate, regardless of level of authority or responsibility. Currently, compression is not reaching the General Schedule salaries.

Appropriate Salary Rate

By what means should the appropriate salary rate be determined? While President Washington's $25,000 salary was likely to have been considered a significant salary in the late 18th century, Professor James F. Vivian, in his book *The President's Salary*, notes that Mr. Washington was expected to cover substantial official expenses with that sum. In fact, President Washington is said to have supplemented the income with his personal funds. Presidents are now supported by significant appropriations for the executive residence and for staff.

Although there was no measure comparable to the Consumer Price Index (CPI) in President Washington's time, it was a matter of some curiosity as to what $25,000 would be in today's dollars. Using various measures, estimates ranging from about $245,000 to over $4 million were developed. At the subcommittee's request, a CRS economist determined that the 1873 $50,000 rate would be $679,167 in 1998 dollars; the 1909 $75,000 rate would be $1,358,333; the 1949 $100,000 rate would be $684,874; and the 1969 rate of $200,000 would be $888,283. If that last number were to be taken with a 3% inflator for 1999, the salary would equal $914,931.

The Office of Personnel Management developed various salary rates using measures such as the CPI, the General Schedule adjustments, and Level I of the Executive Schedule (cabinet secretary salary rates). Their CPI calculations would put the $200,000 salary at just over $914,000. If the $200,000 had been adjusted at the same rate as General Schedule salaries since 1969, it would now be $685,257. And had the President's salary, since 1969, received the same raises as the cabinet secretaries', it would be $505,999.

Process for Changing the Salary

Congress, through the regular legislative process, has changed the salary of the President four times since 1789. The two most recent changes, in 1949 and 1969, were made after the election and immediately before inauguration.

The 1949 legislation was a measure which contained salary changes for several of the federal pay systems. The 1947-1949 Commission on Organization of the Executive Branch of the Government, chaired by former President Herbert Hoover, having completed its study of the organization of the executive branch, recommended that the entire pay administration be overhauled. Mr. Hoover lent his direct support to an increase in presidential salary.

The newly established quadrennial Commission on Executive, Legislative, and Judicial Salaries recommended the $200,000 salary in its December 1968 report. Legislation was enacted (P.L. 91-1) solely for that purpose and was approved by President Lyndon B. Johnson on January 17, 1969, three days before President Nixon took office.

Although the study of the President's salary was not within the mandate of the Commission on Executive, Legislative, and Judicial Salaries, the fiscal 1989 commission also recommended a change in the President's salary. They recommended a salary of $350,000, which would have been effective January 20, 1993. The commission indicated that the figure of $350,000 reflected adjustments for inflation for the calendar years 1989-1992.

Mr. HORN. Mr. Ruskin. Mr. Ruskin is the executive director of the Congressional Accountability Project. You might, you know, mention to us what is the focus of that group.

Mr. RUSKIN. The Congressional Accountability Project works primarily on corruption in the Congress.

Thank you for inviting me to testify today regarding whether the salary of the President of the United States should be increased. The President's salary has remained unchanged for more than 30 years, since January 20, 1969. The President earns a salary of $200,000 per year with a generous pension, perquisites, a $50,000 expense allowance, living expense benefits that befit a king, plus a near-certain prospect, if desired, of becoming a multimillionaire upon leaving office.

The value of the Presidential pension is $152,000 annually in fiscal year 1999. Since the founding of our Republic, that has been customary for the President who is the chief executive of our Federal Government to receive the highest salary in the Federal Government, as other top Federal Government salaries have risen to approach an unchanged Presidential salary.

The Presidential salary now increasingly functions as a cap on the salaries of Members of Congress and Federal judges. Some Federal judges and Members of Congress now criticize that cap. They complain of pay compression at the top of the Federal pay scale. They want a raise, presumably a large one. That's why we're here today. The real question for today's hearing is, does the Presidential salary cap serve the citizens well? I think it does.

The Congressional Accountability Project opposes the Presidential pay raise, not only because the President does not need a raise, but because, more importantly, it would decrease the President's moral authority to govern, lift the salary cap at the top of the Federal pay scale, which restrains the energetic efforts of Members of Congress and Federal judges who wish to further raise their salaries at taxpayer expense.

Of course, the public does not clamor for Presidential pay raise. It would be wrong if the President's salary were set so low that it discourages the best, most honorable Americans from running for President; but to the overwhelming part of Americans, $200,000 a year plus enormous living expenses, benefits, is a great sum of money.

The President suffers no real privations. The President does not need more money except to pay legal bills. We have no lack of exceptionally bright and talented people in this country who would be happy to serve as President for $200,000 a year.

Those people who would serve as President only if the salary were higher are less interested in doing service than in getting to be rich. We have no need for the greedy in the highest offices of the Federal Government. In fact, we ought to weed them out aggressively. Good riddance.

Let them be will wealthy captains of industry or lobbyists on K Street. The honest pleasures of serving the public, of diligently attending to their needs and earning their respect as well as the generous $200,000 salary is adequate compensation for the President. It is mostly the people who have adopted the values of the corporation call for this pay raise.

But the public sector is very different from the private sector. This makes comparisons between the President's salary and of corporate CEOs a case of apples and oranges.

The President's salary and benefits are furnished by the taxpayers, more than 99 percent who earn far less than the President. The taxpayers work hard to fill the coffers of the Federal Government, which is wrong for the differential between the Presidential salary and the medium Americans to grow larger than it is, because such a high Presidential compensation package begins to look as if the President were taking advantage of the taxpayers. It erodes the President's moral authority to govern.

To make matters worse, the Presidential pay-raise boosters propose a 100 percent increase in the President's salary. The raise is not to $250,000 or $300,000 or even $350,000 per year, but a full doubling of the President's salary. Try explaining that to a worker who hasn't seen a real salary increase in a generation. Everything the President does sets the moral tone for America.

What tone will the President set, profligate or self-restraint? The country is crying out for leadership by example. The President draws a salary from a Federal Government that is currently $5.6 trillion in debt. If we are to reduce the Federal debt, the upper reaches of government must lead by example and sacrifice for the good of our country. That means the President first.

Our Nation's frugality should begin in the President's home. Citizens are pleased when their elected leaders show some dignified self-restraint and humility and forego a pay raise. Their wallets are thinner, but their moral authority grows. This intangible virtue is very important.

As I mentioned before, this effort to increase the President's salary is driven by Members of Congress and Federal judges who wish to lift the President's salary cap, which Members of Congress currently earn a salary of $136,700 per year with general perks, pensions, and benefits. Federal district court judges earn the same. And appellate court judges, $145,000 per year.

Many Members of Congress and Federal judges chafe under these salaries, even though they are lavish. In March, a wave of avarice swept the upper reaches of our Federal Government. The U.S. Judicial Conference announced that it would "vigorously seek" pay raises for the Federal judges, and it would also seek to increase the salaries for Members of Congress and the President, the same time the public was met with news reports that some House Members want to raise their salaries and cash benefits by as much as 25,000 per year.

The Presidential salary cap serves as a useful public function in counteracting such efforts. It should not be lifted. This is especially true with regarding its effect on congressional salaries.

The President, Members of Congress, and the Federal judges ought to lead by example and sacrifice so that their moral authority might grow. They will be the richer for it and so will the citizenry in a way that is far more important than money. Thank you.

Mr. HORN. Thank you very much. We appreciate having your perspective.

[The prepared statement of Mr. Ruskin follows:]

Testimony of Gary Ruskin
Director of the Congressional Accountability Project
Before the U.S. House of Representatives
Committee on Government Reform
Subcommittee on Government Management, Information and Technology

Thank you for inviting me to testify before the Subcommittee on Government Management, Information and Technology regarding whether the salary of the President of the United States should be increased.

The President's salary has remained unchanged for more than thirty years -- since January 20, 1969. The President earns a salary of $200,000 per year, with a generous pension, perquisites, a $50,000 expense allowance, living expense benefits that befit a king, plus a near certain prospect, if desired, of becoming a multimillionaire upon leaving office. The value of a presidential pension is $152,000 annually in fiscal year 1999.[1]

On May 14, the House Appropriations Subcommittee on Treasury, Postal Service and General Government approved a chairman's mark with a provision to double the President's salary to $400,000 per year. That pay raise, if approved, would take effect in 2001, because the Constitution forbids the President's salary to be adjusted during his or her term of office.[2]

Since the founding of the Republic, it has been customary for the President, who is the chief executive of the federal government, to receive the highest salary in the federal government. As other top federal government salaries have risen to approach an unchanged presidential salary, the President's salary now increasingly functions as a cap on the salaries of Members of Congress and federal judges. Some federal judges and Members of Congress criticize the cap. They complain of "pay compression" at the top of the federal pay scale.[3] They want a raise -- presumably a large one.

That is why we are here today. The real question for today's hearing is: does the presidential salary cap serve citizens well?

I think it does. The Congressional Accountability Project opposes a presidential pay raise, not only because the President does not need a raise, but, more importantly, because it would

---

[1] Stephanie Smith, "Former Presidents: Federal Pension and Retirement Benefits." Congressional Research Service report 98-249 GOV, updated January 4, 1999.

[2] U.S. Constitution, Article II, Section 1: "The President shall, at stated Times, receive for his Services, a Compensation, which shall neither be encreased nor diminished during the Period for which he shall have been elected, and he shall not receive within that Period any other Emolument from the United States, or any of them."

[3] Joan Biskupic, "Judicial Group Favors One Less D.C. Judgeship; 69 New Court Seats Urged, Along With Resource Shift." *The Washington Post*, March 17, 1999.

decrease the President's moral authority to govern, and lift the salary cap at the top of the federal pay scale, which restrains the energetic efforts of Members of Congress and federal judges who wish to further raise their salaries at taxpayer expense.

The public is best served by a presidential salary level that draws the most talented, good-hearted and public-spirited people to the presidency. The level should not be so low as to predispose a President to fall prey to the highest bribery. Nor should it be so low as to exclude all but the wealthiest citizens. But these problems do not affect the presidency at this time.

The complaints of "pay compression" occur against a backdrop of overgenerous and rising salaries for corporate CEO's[4] and many corporate lawyers,[5] but stagnant salaries and wages for a great many Americans. Of course, the public does not clamor to raise the President's salary. Neither does President Clinton, for that matter.

It would be wrong if the President's salary were so low that it discouraged the best, most honorable Americans from running for President. But, to the overwhelming majority of Americans, $200,000 per year plus enormous living expense benefits is a great sum of money. The President suffers no real privations. The President does not need more money, except to pay legal bills. We have no lack of exceptionally bright and talented people in this country who would be happy to serve as President for $200,000 per year.

Those people who would serve as President only if the salary were higher are less interested in doing service than in getting rich. We have no need for the greedy in the highest offices of our federal government. In fact, we ought to weed them out aggressively. Good riddance. Let them be the wealthy captains of industry, or lobbyists on K street. The honest pleasures of serving the public, of diligently attending to their needs, and earning their respect, as well as a generous $200,000 annual salary, is adequate compensation for the President.

It is mostly people who have adopted the values of the corporation who call for this pay raise. But the public sector is very different from the private sector. This makes comparisons

---

[4] "Thanks to a pay structure that has linked most executive compensation to the stock market through huge option grants, the head honcho at a large public company made an average $10.6 million last year. That's a 36% hike over 1997 -- and an astounding 442% increase over the average paycheck of $ 2 million pocketed in 1990." Jennifer Reingold and Ronald Grover, "Executive Pay." *Business Week*, April 19, 1999.

[5] "Good news for in-house lawyers: corporate counsel positions in New York are more lucrative than ever....A survey of chief legal officers in Manhattan corporations shows median total cash compensation of salary and bonus rising over the past six years to $487,500 last year, up 60 percent from 1993." Anna Snider, "In-House Pay Rises; Salary Plus Bonus Equals Hefty Compensation." *New York Law Journal*, February 11, 1999. See also Susan Orenstein, "Down & Out On $100,000 A Year." *The American Lawyer*, October, 1998

between the President's salary and a corporate CEO's a case of apples and oranges.

The President's salary and benefits are furnished by the taxpayers, more than 99% of whom earn far less than the President. The taxpayers work hard to fill the coffers of the federal government. It is wrong for the differential between the President's salary and the median American's to grow larger than it is, because such a high Presidential compensation package begins to look as if the President were taking advantage of the taxpayers. It erodes the President's moral authority to govern.

To make matters worse, the pay raise boosters propose a 100% increase in the President's salary. This raise is not to $250,000, or $300,000, or even $350,000 per year -- but a full doubling of the President's salary. Try explaining that to a worker who hasn't seen a real salary increase in a generation.

Everything the President does sets the moral tone for America. What tone will the President set -- profligate or self-restrained? This country is crying out for leadership by example. The President draws a salary from a federal government that is currently $5.6 trillion in debt. If we are to reduce the federal debt, the upper reaches of government must lead by example, and sacrifice for the good of our country. That means the President first. Our nation's frugality should begin in the President's home.

Citizens are pleased when their elected leaders show some dignified self-restraint and humility, and forgo a pay raise. Their wallets are thinner, but their moral authority grows. This intangible virtue is very important.

As I mentioned before, this effort to increase the President's salary is driven by Members of Congress and federal judges who wish to lift the presidential salary cap. Members of Congress currently earn an annual salary of $136,700, plus generous perks, pensions and benefits. Federal district court judges earn the same. Appellate court judges earn $145,000 per year. Many Members of Congress and federal judges chafe under these salaries, even though they are lavish.

In March, a wave of avarice swept the upper reaches of our federal government. The U.S. Judicial Conference announced that it would "vigorously seek" pay raises for federal judges, and that it also would work to increase the salaries for Members of Congress and the President.[6]

At the same time, the public was met with news reports that some House Members want to raise their salaries and cash benefits by as much as $25,000 per year. House Administration Committee Chairman Bill Thomas wants to allow House Members to receive a tax-free $125 per

---

[6] Joan Biskupic, "Judicial Group Favors One Less D.C. Judgeship; 69 New Court Seats Urged, Along With Resource Shift." *The Washington Post*, March 17, 1999.

diem, worth perhaps $18,000 to $20,000 per year, from their congressional office budgets.[7] The Thomas per diem plan would amend the rules governing Members Representational Allowances. It could be approved in the Administration Committee, and would not require a House floor vote.

In addition, both House Speaker Dennis Hastert and Minority Leader Richard Gephardt are also supporting a proposed $4,600 pay raise for Congress this year.[8] On May 16th, House Majority Whip Tom DeLay said that "we're working very hard" to pass this congressional pay raise.[9]

The presidential salary cap serves a useful public function in counteracting such efforts. It should not be lifted. That is especially true regarding its effect on congressional salaries.

Congressional salaries are already so high that they attract not only the most honorable people to Congress. It is perhaps inevitable that the power of Congress lures not only candidates who are wise and honest, but also those who wish to exercise power. When congressional salary is set too high, as it is now, it lures the greedy, selfish and the power-hungry, in addition to those who merely wish to serve their country, and are deserving of the public trust.

Many Members of Congress receive large raises when they come to Congress. A 1996 *Roll Call* study found that "all but six of the 73 newly elected House Members will receive large pay hikes when they take office" compared with their previous employment.[10]

At this time, any further increase in Congressional salaries would lead to decreased quality of candidates for Congress. This negative effect of excessive congressional salaries on the quality of our Members of Congress is not so strong as the negative effects of our corrupt campaign finance system, but we ought to be concerned about it.

During the last ten years, House Members gave themselves five pay raises, Senators six.

---

[7] A. B. Stoddard, "Rep. Thomas Urges Tax-free Per Diem." *The Hill*, March 17, 1999. Faye Fiore, "The Washington Connection; Paying the Price" *Los Angeles Times*, March 30, 1999.

[8] Jim VandeHei, "Hastert, Gephardt Want COLA Quiet Effort May Lead to Pay Raise For Members." *Roll Call*, March 15, 1999. Juliet Eilperin, "House Studies Cost-of-Living Pay Increase; Plan to Add Per Diems Is Also Under Review." *The Washington Post*, March 19, 1999. Jim VandeHei, "Majority in House Likely to Favor COLA Informal Counts Show Support; Vote Months Away." *Roll Call*, March 22, 1999.

[9] NBC News Transcripts, Interview with Representative Tom DeLay. *Meet the Press*, May 16, 1999.

[10] Amy Keller, "Winning Means A Pay Raise For Most Freshmen." *Roll Call*, November 11, 1996

Congressional salaries grew by $47,200 -- more than $15,000 *above* inflation. In 1989, the base congressional salary was $89,500.

Many Americans haven't been so fortunate. The median income for full-time, year-round male workers was higher in 1970 ($35,691) adjusted for inflation, than it was in 1997 ($35,248).[11] The median income in families where the wife is not in the paid labor force was higher in 1969 ($36,170) adjusted for inflation, than it was in 1997 ($36,027).[12] That means many families haven't had a real wage increase in more than a generation. If so many Americans have not received a real salary increase for so long, then Members of Congress do not deserve yet another raise either.

The President, Members of Congress and federal judges ought to lead by example, and sacrifice so that their moral authority might grow. They will be the richer for it, and so will the citizenry, in a way that is far more important than money.

Thank you.

---

[11] U.S. Census Bureau, Historical Income Tables -- People, March Current Population Survey, Table P-29, <http://www.census.gov/hhes/income/histinc/p29.html>. Figures in 1997 CPI-U adjusted dollars.

[12] U.S. Census Bureau, Historical Income Tables -- Families, March Current Population Survey, Table F-7, <http://www.census.gov/hhes/income/histinc/f07.html>. Figures in 1997 CPI-U adjusted dollars.

Mr. HORN. Mr. Paul Light is director of the Center for Public Service at the Brookings Institution in Washington, DC. Professor Light.

Mr. LIGHT. It's wonderful to be before you again on arguably the most difficult issue that Congress faces regarding ultimately its pay and the President's pay. I appreciate the opportunity to talk about a subject that is so important and a subject that appears to be frozen in amber as we struggle to figure out a way to deal with this effort to provide a salary that's commensurate with responsibility. As you have in my statement, which I would like to revise and submit to be the record, especially since it has been pointed out to me that there is some very good scholarship on this question——

Mr. HORN. Without objection, all the statements are subject to your revision for another week.

Mr. LIGHT. Thank you very much. I would say that I do endorse the effort to raise the President's salary. I listened to hearings and have listened through this hearing as we struggle for a rational calculus by which to set the President's salary, is it CPE, is it some other CPI, is it some other index of wage growth, is it George Washington's salary adjusted for inflation, plus living expenses, et cetera. But ultimately those calculus, the search for calculus fails us because there really is none. It's a question of how we value the institution itself. Once we've raised the issue of raising the salary we confront ourselves with a pressure to talk about the value of this office, which no doubt everybody in this room would agree has been tarnished over the last period of history. And we need to address that issue. What is a fair salary to pay the President is less about Consumer Price Index, less about the recruitment of millionaires or not millionaires, it's about how we value this institution and it's a symbolic gesture of where we think this great and important office belongs.

On the corporate salary scale, which most Americans say we ought not to use, the Presidency right now would rank No. 785 on a list of the top 800 salaries. Is that good? Is that bad? Is it an abuse of our authority to argue that the President should move up ever so slightly on that list? Today, Congressmen, by raising to $400,000 we would move the President all the way up to position 670 or so.

We don't intend that the President should be paid as much as Michael Eisner or the other CEOs at the very top of that chart. That would be an outrage. Some in this body and elsewhere around this country might argue that it's an outrage that Michael Eisner and his colleagues make so much already. But all we argue here today is a slight movement in the President in relative terms to suggest a greater valuing of the office during this period of extraordinary run-up in those salaries.

In terms of the reasons for increase one can talk about comparability. I think that's reasonable. One can talk about compression, the coupling of the President's salary to other important offices. That's reasonable.

One can talk about the impact of pay on public service, but I would argue to you that there's very little data to suggest that pay is a motivator for the distinguished public servants who serve in

this city and elsewhere in this country. Ultimately for me it's the symbolic impact of valuing this office properly during a period of significant run-up in other offices. And most Americans actually acknowledge this. They do believe that the President's salary should be raised rather more frequently than once every 30 years.

My caveats about my recommendation are clear in my testimony. We need to make general note that the higher we raise the President's salary the more we move away from the experience of ordinary Americans, which is what my colleague Mr. Ruskin argues. Ironically the general public reaction of the proposal for pay increases actually struck me as quite reasonable and more supportive than I would have expected given the 15 to 20 years of stated decline in trust in government. The general division of opinion among the American public toward the increase is about 45 to 45. When you ask Americans, as our colleagues recommended here just a bit ago, nuanced questions about the salary increase, you do get some breaks. When you tell Americans only that the salary has not been increased since 1969, 49 percent of Americans say it's time for salary increase. When you tell Americans that the President's salary is currently $200,000 a year, the amount of support drops to 41 percent favorable. And yet in this particular climate 41 percent favorable is really quite extraordinary. I expected in the 20 to 15 percent, 10 percent range. I expected to find no support. Americans tend to be moved, I think, here, if you talk about strategy, toward the notion that occasionally you ought to address this issue. Occasionally you ought to address the President's salary to keep pace at some distant level with what we're rewarding others in this country, while at the same time the American public is also telling us don't let the President get too far away from us. Don't let the President move so far away that he or she won't know what a grocery store scanner is for.

At any rate, we have the data from the Pew Research Center for the people and the press to peruse and discuss if you wish. My conclusion is that symbolically we've raised the issue. Now we need to more forward, that by not acting we'll send a powerful signal not to the public servants who seek the Presidency, lord knows several of them, $200,000 pay increase would be rather somewhat of a rounding error in their household budgets, but because we've made a symbolic statement here that we value the institution. And that's why in my testimony, without going into it, I suggest that perhaps we ought to link the Presidential pay increase with other ways of burnishing the prestige of this great office, including campaign finance reform. But I know I'm preaching to the choir on that issue and I shall be silent.

Thank you for the opportunity to speak.

[The prepared statement of Mr. Light follows:]

RAISING THE PRESIDENT'S SALARY

TESTIMONY BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON MANAGEMENT, INFORMATION, AND TECHNOLOGY

PAUL C. LIGHT

THE BROOKINGS INSTITUTION

MAY 24, 1999

I am delighted to appear before the Subcommittee today to discuss the proposed increase in the president's salary. As the distinguished chairman might have guessed, the president's salary is not a subject of much scholarly activity. In fact, I know of no research of any kind of the topic. The fact is that there have been so few increases spaced at such long intervals that scholars have rightly concluded that one would be better off studying almost any other topic, however narrow. Thus, there is no literature one can draw on to make the case for or against an increase, or for that matter on whether an increase would make any difference in restoring some of the polish to a tarnished institution.

Nevertheless, I believe there are good reasons to endorse a salary increase, if only to signal that the American political system values its chief executive enough to occasionally boost the base salary. By almost any benchmark chosen, the president's salary has lost ground over the past thirty years. The president's current salary would put him at number 785 on the list of the 800 highest paid corporate chief executive officers, well below Walt Disney's Michael Eisner who receives a package worth $589 million, but far ahead of Steve Jobs, who is making exactly $0 but stands to receive much more should Apple make its long turnaround. Even adding in the value of the White House lodgings, Air Force One, 24-hour security, putting green, and food, the president's total compensation is an embarrassment. Had Congress indexed the 1969 increase to inflation, the president would already be at $915,000 or so.

While I support an increase, it is important to note that a $400,000 annual salary would put the president far ahead of just about every top job *outside* corporate America. Three quarters of the nation's nonprofit executives make less than $135,000, high school principals make an average $72,400, county managers $86,700, medical school deans $201,200, marketing managers $46,000, and funeral directors $21,775. The higher the president's salary goes on the corporate ladder, the further it moves away from the experience of ordinary America.

Ordinary America is not as sharply opposed to an increase as one might hypothesize, however. Forty-five percent of the public interviewed just two weekends ago by the Pew Research Center for The People & The Press said the president should get a raise, most of whom simply felt that the president deserved more. But the numbers vary greatly depending on whether respondents know what the president currently makes. When half the Pew respondents were first told that the president's salary has not gone up since 1969, but not that the current salary is still $200,000, 55 percent said the president should get the bump. But when the other half was only told that the current figure, the number that endorsed a raise fell to just 39 percent. (A copy of the Pew Research Center report is available at www.people-press.org.)

Despite the fact that the proposed salary increase would not apply to the current incumbent, public support for a salary increase varies with the president's job approval. Among those who approve of President Clinton's handling of his job as president, 55 percent approve of a pay increase; among those who disapprove, 57 percent oppose. Public support also varies with trust in government. Among those who say they trust the government "always" or "sometimes" in Washington, 55 percent approve of a pay increase; among those who say they trust the government only "sometimes" or "never," support reverses again to 50 percent oppose.

One need not put too much weight on the hidden link between trust and pay, however, for the Pew Research Center also asked respondents why they opposed a pay increase. Only 9 percent of opponents answered that presidents are not doing a good job, compared to 54 percent who said that presidents already earn enough.

Indeed, all of the respondents, opponents and supporters alike, have a somewhat different level of increase in mind than the figure currently under consideration. Asked how large an increase should be *if it is increased*, almost half (48 percent) of the Pew Research Center sample say $10,000 or less, another 15 percent said $20,000, 4 percent $30,000, 12 percent $50,000, and just 9 percent endorsed $75,000. We can only surmise that there would have been virtually no support for an increase of $200,000.

In this climate of falling trust in government, the numbers are actually quite high. Americans seem to recognize that being president is one tough job, and that the occupant suffers enough already. Asked a few years ago whether they would rather be president or spend four years in jail, the majority of Americans picked jail. I do not have any data on the public's view of being a member of this distinguished body, but I rather suspect the figures are similar.

It is important to note that the public does not question the need for an occasional increase for presidents and members of Congress. According to the Pew Research Center, the vast majority of Americans believe the presidents salary should increase at least once every 10 years, and a substantial plurality endorses an increase every 2-5 years. Public support for congressional pay increases are slightly higher.

The chairman will not be surprised that I believe a presidential pay increase should be linked to other reforms currently on the congressional agenda. If the House truly wants to send a signal of its high regard for the American presidency, it might tie the presidential salary increase to a complete ban on the unregulated soft money that is doing so much to weaken public confidence in the democratic process. As we note that the chief executives of other nations make more money than the U.S. president, we must also note that few of those chief executives must go tin-cup in hand to corporate executives to raise soft money for their political parties.

Congress might also be wise to link the proposed increase to long-overdue civil service reform, including the tattered outline of the administration's pay-for-performance proposal. It is tempting to recommend that the president's salary increase be included in the same pay-for-performance system being designed by the Vice President. How much of the $200,000 should be tied to the same customer satisfaction measures that will affect front-line bonuses? How much to agency implementation of the Government Performance and Results Act? To some reasonable measure of shareholder value?

At a minimum, I believe a more reasonable pro quo for the quid would be a faster, slimmer presidential appointments process. There are simply too many positions to be filled, too many forms to be filed, and too many delays to surmount. The easiest way to fix the system is to cut the number of senior positions, starting with a long overdue cut in Schedule C personal and

confidential assistants, many of whom are starting to burrow down into the bureaucracy in advance of the 2000 election. The White House continues to argue that every last one of the 3,000 top jobs is essential to the president's leadership even as it defends a 25 percent vacancy rate as no real threat to government performance.

Addressing soft money while fixing the presidential appointments process would give the next president a chance to earn his or her a keep *and* keep his or her honor. That is the kind of pay increase every president could endorse, even ones who most certainly do not need the money.

Once increased, the question is whether to index the president's salary to inflation. Although indexation would certainly eliminate the need for this kind of legislative conversation, I believe that the president's salary is of sufficient import to require just this kind of hearing. We ought to occasionally ask ourselves whether our institutions are working well, how they compare to the private and nonprofit sectors, and whether we can feel confident that our chief executive measures up in the analysis. I am convinced that the president deserves a higher salary, not because he or she will need it, most certainly not because they will want it, but because the institution is worthy of a chief executive who stands slightly higher than the prevailing salaries that surround the Presidency.

Mr. HORN. Well, thank you. We always enjoy your testimony.

Mr. Donald Simon is the acting president of Common Cause. Mr. Simon.

Mr. SIMON. Thank you, Mr. Chairman. I appreciate the opportunity to testify before you today on the views of Common Cause regarding a salary increase for the President.

Common Cause has always taken a keen interest in the issue of compensation for public officials because we strongly believe that the public should be the sole source of compensation for public officials, a belief that reflects our deeply held view that public officials should be accountable and beholden exclusively to the public whom they are privileged to serve.

We also strongly believe that our government officials should be paid an adequate salary commensurate to their vital responsibilities as our Nation's leaders. For this reason we have in the past supported pay increases for Members of Congress and other government officials. In the 30 years since 1969, when the President's salary was last raised, the Consumer Price Index, as others have noted, has increased by approximately 350 percent.

Private sector wages have climbed, compensation for our Nation's corporate executives has soared, and salaries of other high ranking officials in all three branches of the Federal Government have increased to an unprecedented percentage of what the President makes, now, 88 percent in the case of the Vice President and the Speaker.

As a result, it is our view that the President's current salary no longer reflects the high place of office in our Nation. It no longer compares as favorably as it should to salaries of other Federal officials and it threatens to cause compression in salaries throughout the Federal Government, a phenomenon in the past that has caused serious problems in recruiting and retaining talented and experienced individuals in Federal public service.

For all these reasons, Common Cause strongly recommends that Congress act now to significantly increase the President's salary.

Now, there are several ways to approach the question of how much the increase should be. One approach would be simply to apply increases in the Consumer Price Index to the President's salary since the last adjustment in 1969. This increase, approximately 350 percent, would result in a Presidential salary of about $900,000. Another approach would be to reset the President's salary relative to congressional salaries at the same differential it was set at in 1969. Then congressional salaries of $42,500 were set at approximately 21 percent of the President's salary of $200,000. Applying the same adjustment today, the President's salary would be increased to $640,000.

Although each of these calculations is supported by some logic, they both result in salary adjustments that would probably be higher than what the public would accept as appropriate. We believe a simpler approach is just to do again what Congress did last time it faced this question after a long hiatus, which is to double the President's salary.

Now, doubling the President's salary to $400,000 is certainly a significant increase. But we do not believe this increase is too great. This figure approximates the recommendation of the 1989

Quadrennial Commission to raise the salary to $350,000. And if cost of living adjustments since 1989 are taken into account, that recommendation today would approach $400,000.

The $400,000 figure we believe also reestablishes an appropriate differential between the President's salary and that of the Congress and other high ranking Federal officials. It would also alleviate the problem of compression in the salaries of other Federal employees, and it would again set the President's salary at a level that clearly reflects the importance of the office as compared to the salaries paid to other public officials.

Finally, it's important that Congress create a statutory mechanism to provide for more frequent, more regular and more modest increases in Presidential salary. The President's salary should not be increased only once every three decades and then under extraordinary pressures and by extraordinary amounts. Congress instead should add the President's salary to those of other high ranking Federal officials, including Congress, which are periodically adjusted for inflation, in order to make increases in Presidential salaries more routine.

Now, admittedly the mechanisms to produce regular modest increases for congressional salaries have not worked entirely as intended. But they have resulted in more frequent and reasonable pay raises—12 increases since the congressional pay mechanism was initially established in 1969—than has been the case with the Presidency, which has been afforded no salary increase whatsoever over the same period.

In sum, Common Cause strongly urges Congress to significantly increase the salary of the President at this point by doubling it from its current amount, to enact the increase now so that it can take effect when our next President assumes office, and to create a regular legislative mechanism to avoid lengthy periods in the future without an increase.

Thank you.

[The prepared statement of Mr. Simon follows:]

Common Cause

DEREK BOK
Chairman

ANN MCBRIDE
President

ARCHIBALD COX
Chairman Emeritus

JOHN GARDNER
Founding Chairman

Testimony of Donald J. Simon
Acting President
Common Cause

on

A Salary Increase For
The President of the United States

before the

House Subcommittee on Government
Management, Information and Technology
of the House Government Reform Committee

May 24, 1999

1250 CONNECTICUT AVENUE, NW ◆ WASHINGTON, D.C. 20036
PHONE: (202) 833-1200 ◆ FAX: (202) 659-3716 ◆ www.commoncause.org
recycled paper

Mr. Chairman, Members of the Subcommittee, I appreciate the opportunity to testify before you today regarding the views of Common Cause on whether the salary for the President of the United States should be increased.

Common Cause has always taken a keen interest in the issue of compensation for public officials because we strongly believe that the public should be the sole source of compensation for public officials – a belief that reflects our deeply held view that public officials should be accountable and beholden exclusively to the public whom they are privileged to serve.

We also strongly believe that our government officials should be paid an adequate salary commensurate to their vital responsibilities as our nation's leaders. In this, we agree with W.J. Michael Cody and Richardson R. Lynn, in their book *Honest Government*, that the public has an obligation to provide fair and adequate compensation to public officials:

> Taxpayers and voters have ethical obligations, too. They have a duty to adequately compensate public servants with money, benefits, and appropriate working conditions. Legislators and executive officials have the duty to seek adequate funding for those purposes, even if such efforts are politically unpopular.[1]

The President's salary is now $200,000. Above and beyond the salary, of course, the President is afforded many perquisites – including luxurious housing, board, transportation, and a significant expense allowance. But even considering the entirety of this compensation package, we believe that the President's current salary of $200,000 is too low.

In the 30 years since 1969 when the salary was last raised, the consumer price index has increased by approximately 350 percent, private sector wages have climbed, compensation for our nation's top corporate executives has soared, and the salaries of high-ranking officials in all three branches of the federal government have increased to an unprecedented percentage of what the President makes – now 88 percent in the case of the Vice President and Speaker of the House.[2]

As a result, it is our view that the President's current salary no longer reflects the high place of the office in our nation; it no longer compares as favorably as it should to salaries of other federal government officials; and it threatens to cause compression in salaries throughout the federal government – a phenomenon that in the past has caused serious problems in recruiting and retaining talented and experienced individuals in federal public service. **For all these reasons, Common Cause strongly recommends that Congress act now to significantly increase the President's salary.**

Common Cause urges Congress to pass legislation providing for a presidential salary increase as soon as possible. Passage in this Congress is critical because Article II, Section 1 of the Constitution states that the President's salary cannot be increased or

diminished during the term of office for which a President is elected.* Accordingly, if the presidential salary is not increased during the 106th Congress, prior to the next President assuming office, no adjustment in the salary – if legislated by the 107th or 108th Congresses – could take effect until the year 2005, after the 2004 Presidential elections. In the intervening years, the pressures creating the current need for a Presidential salary increase will only worsen. Thus, Congress should act on the increase now.

At the same time, it is important that Congress create a statutory mechanism to provide for more frequent, more regular and more modest increases in the Presidential salary. The President's salary should not be increased only once every three decades, and then under extraordinary pressures and by an extraordinary amount. Admittedly, similar mechanisms to produce regular, modest increases for congressional salaries have not worked entirely as intended, but they have resulted in more frequent and reasonable pay raises – 12 increases since a congressional pay mechanism was initially established in 1969 – than has been the case with the Presidency, which has been afforded no salary increase whatsoever over the same period.[3]

Finally, in order to win public acceptance of a significant salary increase for the President, we believe that the Congress must also restore integrity to the process by which our Presidents are elected. The campaign finance scandals of the 1996 election graphically demonstrate that the presidential campaign finance system, enacted in 1974,

---

* In Article II, Section 1, the Constitution states, "The President shall, at stated Times, receive for his Services, a Compensation, which shall neither be increased nor diminished during the Period for which he shall have been elected, and he shall not receive within that Period any other Emolument from the United States, or any of them."

has been grievously damaged by the exploding growth of soft money and the use of phony "issue ads" as a means to avoid the campaign finance laws. Congress must address these problems – by banning soft money and enacting other reforms necessary to repair the system of financing presidential campaigns – in order for the Presidency to once again command the confidence and respect of the American people.

Common Cause's Past Support Of Pay Raises for Public Officials

Common Cause has long recognized that the level, source, and nature of compensation for public officials is a critical element in achieving effective, well-functioning government that is truly open, accountable and responsive to citizens.

While we believe, in principle, that public officials should be justly compensated for their important responsibilities as leaders of our nation, we also believe that decisions on compensation must respect two additional principles: 1) that private sources of support be prevented from making public officials beholden to interests other than the public interest, and 2) that compensation increases for public officials be awarded in a manner that is open and accountable to the public.

In 1977, we actively supported the 29-percent pay increase for Congress that was enacted along with new rules requiring Members of Congress to publicly disclose their finances and limit the income they earn from outside sources.[4] In the late 1980s and early 1990s, we again supported significant salary increases for public officials, while fighting to ban the practice of Members accepting honoraria from outside private interests. By

1992, with our strong support, the House and Senate had banned honoraria in their respective chambers and had voted their Members relatively large salary increases.

In these and other cases in which we supported pay increases, we also fought to make sure that compensation increases for public officials were awarded in a publicly open and accountable manner – not through "backdoor" means intended to conceal the increases from the public. In 1982, we were involved in the successful effort to repeal a special tax break that Congress passed in 1981, which significantly increased the amount that Members could deduct from their income taxes for expenses incurred while living in Washington. And earlier this year, Common Cause supported a cost-of-living adjustment (COLA) for Members and other high-ranking officials, but we strongly opposed a proposal to allow Members to draw $20,000 annually in *per diem* payments out of the Members' Representational Allowances (MRA). In both these cases, our objections went to the attempt to camouflage a compensation increase from the public, not to the increase in compensation itself.

The Need For An Increase In The President's Salary

The President's salary needs to be increased for three primary reasons:

1. The salary no longer reflects the important place of the office in our nation, as measured by other public sector and private sector salaries;
2. The salary is no longer commensurate to the tremendous powers and responsibilities of the office, relative to the salaries and responsibilities of other high-ranking federal officials, and
3. The salary now threatens to compress federal government salaries and prevent talented and experienced individuals throughout the government from being paid appropriately for the important work they do.

1. The President's salary no longer reflects the important place of the office in our nation, as measured by other public sector and private sector salaries.

The President's salary should at least symbolically affirm that the Presidency is the most important leadership position in our country. The notion which has often surfaced in past debates about congressional salaries – that public servants should make no more than the average family whom they serve – ignores the paramount responsibilities that high-ranking officials bear and the special knowledge, skills and talents their jobs require.

The current Presidential salary fails to reflect the scope and gravity of the office. If the current salary level is compared to the private sector, the President's salary is about the same as, for instance, the median compensation of a partner at a large corporate law firm (about $210,000 in 1998) or a CEO of a hospital (about $175,000 in 1997). In other words, the President makes a salary similar to that made by a law firm partner or a hospital executive in the middle of the income hierarchy for his/her profession.[5]

Compared to top positions in the public and non-profit sector, the President's salary plainly does not reflect its place as our nation's highest public office. The mayors of Chicago, New York, Houston, and Detroit all make more than $150,000 per year.[6] And the top officials at many of our nation's colleges and universities make more than the President. For example, the salaries of the chancellors at University of North Carolina (Chapel Hill) and North Carolina State were set at $235,767 and $228,900 respectively in 1998.[7]

On the other hand, the President's salary should not be set to match the salaries of top corporate executives in the private sector, for two reasons. First, given current corporate compensation practices, it is wholly impractical to do so. In 1996, for instance, the CEO of Green Tree Financial (a diversified finance company) made $102 million, the CEO of Conseco (insurance) made almost $14 million, and the CEO of HealthSouth (health care) made more than $11 million, and these figures include only salaries and bonuses. If long-term compensation is included in the calculation of their 1996 pay, the CEOs of Intel, Travelers Group, Gateway 2000, H.J. Heinz, and Sterling Software all made more than $50 million dollars.[8] Obviously, a salary of similar magnitude is out of the question for the President.

And second, holding high public office comes with invaluable non-pecuniary rewards like public prestige, the esteem of the citizenry, and the satisfaction of working on behalf of the entire nation. As Common Cause has testified before: "Compensation for top federal officials cannot – and should not – be competitive with similar leadership positions in the private sector. The opportunity to serve this country in a high-level government position is a special privilege not awarded to most citizens. The notion that this kind of public service constitutes a personal sacrifice is one we categorically reject." Because financial rewards should not be the sole factor that motivates citizens to perform public service, the President and other officials need not be paid a salary similar to that paid top officers of large organizations in the private sector.

In sum, while an adjustment to the President's salary cannot and should not be made to match top salaries of private sector positions, it should reflect the vast degree of responsibility and trust that resides in the Office of the Presidency, as compared to the salaries of other public and non-profit sector officials.

2. ***The President's salary is no longer commensurate to the tremendous powers and responsibilities of the office, relative to the salaries and responsibilities of other high-ranking federal officials.***

Since 1969, salaries for Members of Congress, federal judges, and high-ranking officials in the executive branch have increased while the President's salary has remained static. Thus, the salaries of these other federal officials are now an unprecedented and inappropriate percentage of the President's salary.

Prior to 1949, the Vice President had never in our history made more than about 32 percent of the President's salary, the Chief Justice never more than 34 percent, and Members of Congress never more than 20 percent.

In 1949, Congress increased the salary of the President from $75,000, where it had been set in 1909, to $100,000. With concomitant increases for other government officials also enacted in 1949, Congress set the salary of the Vice President at 30 percent, the Chief Justice at about 26 percent, and Members of Congress at about 13 percent of the President's salary.

In 1969, when Congress last adjusted the President's salary, it set the Vice President's and Chief Justice's salaries at 31 percent, and the salaries for Members of Congress at 21 percent of the President's new $200,000 salary.[9]

Today, because of the interim salary increases for these other federal officials, the Vice President, Speaker of the House of Representatives, and the Chief Justice of the Supreme Court make $175,400 annually – 88 percent of the President's $200,000 salary. The majority and minority leaders of the House and Senate, along with Level I of the Executive Schedule and the President Pro Tempore of the Senate, make approximately $152,000 or 76 percent of $200,000. And House and Senate Members, U.S. District Court Judges, Level II of the Executive Schedule, as well as some other positions, earn $136,700 or 68 percent of the President's salary.[10]

The Constitution, of course, does not provide a relative pay scale for the highest offices in our federal government, and any such scale, were it constructed today, would be wholly arbitrary. Nonetheless, the historically unfavorable comparability of the current presidential salary to the salaries of other high-ranking officials signals the need for a significant adjustment. The President's salary should be increased to reflect in compensation the special powers and responsibilities of the office as compared to other high level federal officials.

3. ***The President's salary now threatens to compress all federal government salaries, which could then prevent talented and experienced individuals throughout the government from being paid appropriately for the important work they do.***

In the past, salary compression in the federal government has resulted from the interaction of three factors: 1) Congress keeping salaries at the top of the federal government static by failing to regularly raise its own salary and therefore the salaries of other high-ranking government officials whose compensation has been linked to congressional salaries (these positions have included the Vice President and Executive

Schedule officials in the executive branch, and Supreme Court Justices, US District Judges and others in the judicial branch); 2) General Schedule federal employees receiving by law an annual "comparability" salary increase based on pay rates for comparable jobs in the private sector; and, 3) Federal law preventing the salaries of these General Schedule employees from exceeding the salary of Executive Level V officials whose salaries, as noted above, are linked to congressional salaries.

Thus, because Congress failed to raise its own salary and therefore suppressed the Executive Level salaries linked to it, and because General Schedule salaries increased automatically through comparability increases, salaries for the higher levels of the General Schedule bumped up against Executive Level V salaries and could not be increased without exceeding those salaries. This created periods in which promotions to a higher level job came with more responsibility but no salary increase, and in which there were financial incentives for federal employees to retire early because their projected retirement annuity remained static with their salary. In addition to resulting in federal workers retiring in the prime of their careers, this compression of the federal salary structure caused the obvious morale problems that accompany a failure to reward employees financially for their hard work and assumption of increased responsibility.[11]

Today, the $175,400 salaries of the Speaker of the House, Vice President, and Chief Justice of the Supreme Court are approaching the President's $200,000. If the COLAs for top federal officials, set forth by the 1989 Act, were to average approximately 2.7-percent over the next five years and if Congress were to award the COLAs, the

salaries for these three officials would exceed the current Presidential salary by 2004. It is possible, therefore, that Congress could face an unfortunate choice in the 107th and 108th Congresses – a choice either to hold salaries for top officials more static than the cost-of-living or to allow the President's salary to fall below that of other federal officials.[12]

Assuming it is unlikely that Congress would allow the salaries of other top federal officials to exceed that of the President, the $200,000 presidential salary now threatens to compress salaries in all three branches of the federal government. This could create the following scenario: Congress will keep the salaries of top executive, legislative and judicial branch officials static to avoid surpassing the presidential salary; General Schedule salaries will continue to rise in accordance with comparability increases; but the highest levels of the General Schedule will hit a ceiling created by the static salaries above. Starting at the top with the Vice President, Speaker of the House, and Chief Justice of the Supreme Court, but then following a ripple effect below, salaries for the high ranking officials in all three branches will be kept from rising over time to their appropriate levels.

Anticipating this problem, the U.S. Judicial Conference, the policy-making arm of the federal court system, voted at its March conference to urge Congress to increase the President's salary.[13]

The President's Salary Should Be Doubled From Its Current Level

For the foregoing reasons, we believe there is a strong case for a significant increase in the President's salary in order to better reflect the overriding national

significance of the position as compared to other public and non-profit sector salaries, and in order to avoid the problem of federal salary compression.

There is no clear benchmark for determining what the President's increased salary should be. In considering the size of the salary increase, we urge Congress to be guided by the following principles:

1. The U.S. Treasury must remain the sole source of the President's compensation, so that the President is accountable and beholden to the public alone for his/her support;
2. The President's salary must be set at a level commensurate with the tremendous powers and responsibilities of the office as compared to those both in the private sector and to other high ranking government officials;
3. The salary must allow for appropriate salaries for other federal jobs and not unduly compress other federal government salaries; and
4. The salary should be set high enough to attract qualified candidates, and to avoid deterring citizens from running for the office due to lack of personal wealth or existing financial responsibilities.

Of course, any increase guided by these principles will ultimately be limited by what the American public is willing to accept as an appropriate salary increase for an elected official.

In applying these general principles, several formulae are plausible. For instance, one approach would be to simply apply the increases in the Consumer Price Index to the President's salary since the last adjustment in 1969. This increase – approximately 350 percent – would result in a Presidential salary of about $900,000.

Another approach would be to reset the President's salary relative to congressional salaries at the same differential it was set at in 1969. Then, congressional salaries (of

$42,500) were set at approximately 21 percent of the President's salary (of $200,000). Applying the same adjustment today, the President's salary would be increased to approximately $650,000.

Although each of these calculations is supported by some logic, they both result in salary adjustments that might be higher than what the public would accept as appropriate. We believe a simpler approach is simply to do again what Congress did last time when it faced this question after a long hiatus: to double the President's salary.

Raising the President's salary to $400,000 is a significant increase. But we do not believe this increase is too great. This figure approximates the recommendation of the 1989 Quadrennial Commission to raise the salary to $350,000. If cost-of-living adjustments since 1989 are taken into account, that recommendation is now approximate to $400,000.[14]

The $400,000 figure, we believe, also reestablishes an appropriate differential between the President's salary and that of the Congress and other high ranking federal officials. It would also alleviate the problem of compression in the salaries of other federal employees. And it would again set the President's salary at a level that clearly reflects the importance of the office as compared to the salaries paid to other public officials.

Nor do we believe, as some might argue, that a doubling of the salary to $400,000 still sets the salary too low. Although it is less than a simple inflationary adjustment since 1969 would provide, the $400,000 salary level must be viewed in the context of the

significant perquisites and benefits provided to the President and his family. And as noted above, the significant non-pecuniary rewards to the President in serving as the highest elected official in the nation distinguish the President from private sector corporate executives who are paid far more, and provide intangible benefits to the President that are literally invaluable. Finally, we believe a greater increase in the President's salary at this time would lack public acceptance.

For all these reasons, we recommend that the President's salary be doubled by this Congress to $400,000, to take effect when the new President assumes office in January, 2001.

The Need For More Regular Adjustments Of The President's Salary

Finally, we also recommend that the Congress act now to avoid this problem in the future, by putting in place a mechanism to regularly adjust the President's salary.

The effects of inflation and the failure to raise the presidential salary more regularly create moments like the current one in which the President's salary no longer reflects the powers and responsibilities of the office, and threatens to cause compression of federal salaries. The failure to enact regular salary increases also creates the need for raises of extraordinary amounts on infrequent occasions. A large presidential salary increase in one lump sum does little to advance public trust and faith in government, as citizens will inevitably and understandably question the propriety of a 100 percent raise for an elected official, even if such an increase is well grounded.

This situation, which we are facing today, could be at least partially avoided in the future if Congress were to more regularly raise presidential compensation. Common Cause recommends that the President's salary be increased in a manner similar to the way salaries for Members of Congress and other high-ranking officials are raised – through provisions for automatic quadrennial adjustments based on increases in private sector salaries, subject to the authority of Congress to affirmatively reject them. In the case of the President, of course, no increase would be effective until a successive presidential term begins.

It is important to acknowledge in making this recommendation that the efforts by Congress over the last 30 years to produce more regular, modest salary increases for Members of Congress and other high-ranking federal officials have had mixed results. While these efforts have failed to yield yearly increases that mirror inflation, the various legislative mechanisms that have been in place since 1969 have at least served to avoid excessively long periods without salary adjustments for Congress and other federal officials.

The initial mechanism for providing regular increases in congressional pay was put in place in 1967. Responding to intense political difficulties that Congress faced in raising its salary since the founding of the country, the Federal Salary Act of 1967 attempted to remove Congress from the task of raising its own salary. It established the nine-member Commission on Executive, Legislative, and Judicial Salaries – commonly known as the Quadrennial Commission.

The Quadrennial Commission was to meet every four years beginning in 1968 to review salaries of Members of Congress, federal judges, and high-ranking executive branch officials. Until it was discontinued by the Ethics Reform Act of 1989, the Commission made recommendations to the President for salary changes for top officials in all three branches of government. The President could ignore, modify or accept the recommendations and submit them to Congress. The President's recommendations would then take effect unless Congress acted to stop them. While the process for congressional review of the President's salary recommendations changed over the years, the results remained more or less the same – Congress often rejected the increases.[15]

By 1989, salaries of Members of Congress and other high-ranking officials had dipped to 65- to 70-percent of what those salaries were worth in constant dollars at the time the 1969 increases took effect.[16] The Ethics Reform Act of 1989, which followed many of the Quadrennial Commission's recommendations, included both significant increases in salaries for high-ranking officials and a new attempt to remove politics from congressional pay raises.

The Act made annual COLAs – based on an indicator of private industry wage and salary increases – automatic for Members of Congress and other high-ranking officials; only an affirmative rejection by Congress would prevent the increase. But even this mechanism has not been fail-safe.[17] Congress accepted COLAs in 1992 and 1993, but has rejected them each year since, except in 1997. We are hopeful that the COLA will once again be implemented this year.

In view of the record of the past 30 years, therefore, we recognize the reality that adding the President's salary to those which receive automatic COLAs subject to the authority of Congress will not necessarily lead to each Presidency beginning with a salary increase that fully reflects cost-of-living increases over the previous four years. However, doing so will at least provide Congress with regular opportunities to raise the salary of the succeeding President, and should at a minimum prevent 30 years from passing without an adjustment.

We therefore recommend that, in addition to the significant one-time increase to the President's salary that should be made at this time, Congress should also take the important step of adding the President's salary to those which are periodically adjusted for inflation in order to make increases in Presidential salaries more routine.

Conclusion

For a government to be effective, open and accountable to its citizens, it must compensate public servants at a level that is commensurate to their vital leadership roles, and it must prevent private sources of support from causing public officials to sacrifice their duty and obligation to the public interest. Common Cause has worked for 29 years to these ends.

Today, the salary of the highest office in the land — the President of the United States — no longer reflects the awesome powers and responsibilities of the office and the trust that the public places in its occupant. The President's current salary also

threatens to prevent the talented and experienced individuals who serve the public throughout the ranks of the federal government from receiving an appropriate salary.

Common Cause strongly urges Congress to significantly increase the salary of the President by doubling it from its current amount, to enact the increase now so that it will take effect when our next President assumes office, and to create a regular legislative mechanism to avoid lengthy periods without an increase in the future.

Notes

[1] W.J. Michael Cody and Richardson R. Lynn, Honest Government (Westport, CT: Praeger, 1992) 93.

[2] United States, Bureau of Labor Statistics web site, calculates the percentage change in the consumer price index (CPI) from January 1969 to January 1999 at 361.4 percent (using *CPI — all urban consumers*).

[3] Sharon Stiver Gressle, "Salaries, Executive," Encyclopedia of the American Presidency, vol. 4, ed. Louis Fisher and Leonard W. Levy (New York: Simon & Schuster, 1994), 1345.

[4] Congressional Quarterly, Congressional Pay and Perquisites (Washington, DC: Congressional Quarterly, Inc., 1992) 7.

[5] College of Healthcare Information Management Executives web site, "Median base salary and total cash compensation," reprint of data from 1997 Hay Hospital Compensation Survey; Wall Street Journal web site, reprint of data from 1998 Survey of Law Firm Economics (Newton Square, PA: Altman Weil Publications Inc, 1998).

[6] The US Conference of Mayors, "Salary Information of Mayors of 100 Most Populous US Cities," list provided by the information services department.

[7] Jane Stancill, "Raises approved for chancellors, administrators," The Raleigh News & Observer 10 October 1998.

[8] Jennifer Reingold, "Executive Pay," Business Week 21 April 1997.

[9] Gressle 1345.

[10] United States, Office of Personnel Management, web site.

[11] Robert W. Hartman, "The Effects of Top Officials' Pay on Other Federal Employees," The Rewards of Public Service, ed. Robert W. Hartman and Arnold R. Weber (Washington, DC: The Brookings Institution, 1980) 203-229.

[12] Using the Vice President's current salary, a 2.70661 percent annual increase from 2000 to 2004 (five yearly increases) would result in the Vice President's salary exceeding $200,000 with the increase effected in 2004.

[13] Richard Carelli, "Federal judges, seeking their own pay hike, support raise for president," Associated Press 16 March 1999.

[14] United States, Commission on Executive, Legislative and Judicial Salaries, Fairness For Our Public Servants: The Report of the 1989 Commission on Executive Legislative and Judicial Salaries (Washington, DC: Government Printing Office, 1988) 3.

[15] Congressional Quarterly 1-18.

[16] United States. Commission on Executive. Legislative and Judicial Salaries 1.

[17] Sharon S. Gressle. Projected Salary Rates and Costs Under the Government Ethics Reform Act of 1989 (Congressional Research Service Report for Congress. 89-634 GOV. 1989).

Mr. HORN. Thank you very much. We appreciate that.

Now I'll yield to the ranking member Mr. Turner to begin the questioning.

Mr. TURNER. Thank you, Mr. Chairman.

Mr. Light, in your testimony, in your written testimony, you mentioned in a little more detail the results of the Pew Research Center survey than you mentioned in your oral testimony. Reading your testimony and the details of that survey, it would seem that the American people agree with Mr. Ruskin.

Am I correct in reading that I believe one of your statements here is we can only surmise that there would have been virtually no support for an increase of $200,000? Is that what the Pew study shows?

Mr. LIGHT. Well, I can't speak for the fine scholars at the Pew Research Center. As an interpreter of public opinion, when the respondents were asked what size of increase they would be comfortable with, there was no support at all for anything in that range.

I read in the general result that there is support for some sort of increase, well rationalized and well argued. But when you start asking Americans sort of what a standard increase might be the notion of a $200,000 salary increase is beyond the realm of most respondents to endorse. There would have been no one who said $200,000. It just would have been beyond the pale.

Now, when you ask them—when you tell them that the President is currently making $200,000 and do you support the notion of a doubling of the pay, actually 41 percent in the Pew Research Center sample said yes. And I found that to be an extraordinarily high response. So as we know from public opinion research, sometimes the way the question is worded and presented produces a different result. I find in these data more support for the increase than I expected. But in the specific question that you point to, significant problems when you actually ask Americans how much to give, my goodness, a $200,000 salary increase is beyond the comprehensible for most Americans who would be interviewed in a survey like this.

Mr. TURNER. I notice in your written testimony you stated that half of the respondents in the poll were first told that the President's salary had not gone up since 1969 but they weren't told what the current salary was. And 55 percent of those said the President should get an increase. But when the other half was only told the current figure, the number that endorsed the raise fell to just 39 percent. So does that tell me that even advising the respondents that the President's salary hadn't gone up in 30 years didn't seem to help a whole lot?

Mr. LIGHT. Well, actually, I have the data in front of me. And the final analysis by the Pew Research Center was that if the respondent was just told that the salary had not been increased since 1969, 49 percent favored an increase. When they were told that the President now earns $200,000 plus housing and travel expenses and that the President's salary has not been increased since 1969, the number who supported was 49—41 percent.

You know, some can take a look at that and say there's little public support for pay increase. Given my view of what might have been, I was kind of surprised by the rather significant support. I

think you go forward and talk about this with the American public in terms of what the institution needs, not what the occupant needs.

These figures vary to a rather significant extent by whether you think the President is doing a good job right now and whether you trust government in Washington. You're going to get this wrapped up in partisanship and attitudes toward the current incumbent in office if you don't talk broadly about the need to make sure that the institution of the Presidency, which Americans of both parties and of various ideological leanings support, that this is important for the institution itself. That's how I would talk with the American public about it.

Mr. TURNER. I suppose it is true that if you're going to support an increase in the salary you have to look at it in terms of what the institution deserves. I think Mr. Ruskin is probably correct the salary hasn't kept anybody from running for office.

Mr. LIGHT. Correct.

Mr. TURNER. I'm not sure what effect it may be having on preventing corruption in the office. In the earlier panel I was trying to ask Mr. McLarty what his personal experience had been working in the Clinton administration in terms of the financial pressures that exist there today. Some suggest that we may have a President who very well could leave office bankrupt because of legal expenses. But it is important, I think, to be sure that a President does not have undue pressure to cause him to want to seek funds from outside sources just to ensure his financial future.

And there may be some pressures there. But it does seem in the final analysis looking at it in terms of what the office deserves, it may be the right way to do it.

Mr. Ruskin, you placed some emphasis on the fact that you believed the President's current salary serves as a salary cap to hold down all other high level government salaries. And I read between the lines that one of the things you fear is if we raise the President's salary somehow all these other salaries are going to be following shortly thereafter in an upward spiral and cost the taxpayers a lot more money than just simply increasing the President's salary.

Realizing that 30 years ago the Vice President was making $60,000-something while the President was making $200,000 and today the Vice President is at $175,000, almost as much as the President, it does seem like we need a little larger difference between the salary of the President and the Vice President than we have currently.

Do you have any historical precedents to suggest that when the President's salary is increased all these other salaries are going to shortly thereafter spiral upward as well? Or could we do something to prevent that from happening to assure the public that that's not what is going to take place here.

Mr. RUSKIN. Well, I think that's plainly the history here, that once the Presidential salary goes up, so as well do other salaries, maybe not exactly at the same time, but that's clearly what is afoot here. This is primarily, you could tell, an effort by the Federal judges and some powerful Members of Congress to get a raise.

I want to point out that, you know, congressional salaries are already so high that any increase in the congressional salary I think brings a decrease in quality of Members of Congress, because you get more and more people who are in it for the money as opposed to in it for doing service.

I also want to note that many Members of Congress receive large raises when they get to Congress. There was a study done in 1996 by the newspaper Roll Call that found that all but 6 of 73 newly elected House members will receive large pay hikes when they take office compared with their previous employment. During the last 10 years House Members gave themselves five pay raises, Senators gave themselves six pay raises. Congressional salaries grew by $47,200, which is more than $15,000 above inflation. In 1989 the base congressional salary was $89,500 a year. It's come a long way from there. So given that history, Members of Congress don't need a raise, the President doesn't need one either.

Mr. TURNER. Ms. Gressle, how do you respond to Mr. Ruskin's argument that the President's salary serves as a salary cap and that if we raise it then we're going to see all these other salaries follow right on up the ladder rapidly as well?

Ms. GRESSLE. I don't know how rapidly you would see them go.

Mr. HORN. Please get the microphone directly in front of you.

Ms. GRESSLE. I think that it's fair to say that if the President's salary is increased, then that provides an opportunity within which the salaries for other Federal officials can be a little more flexible in terms of a rise. I would not fear that there would be a grand and rapid rise in the salaries of other Federal officials.

Congress is constantly faced with a political expedient in terms of their own salary, and I think if there were nothing else to put the brakes on that somewhat, that would serve.

As I recall, about the only time in history that you can look at the President's salary in conjunction with other Federal officials' salaries all coming together in sort of a crisis point was in 1873, when the President's salary was increased. That was part of a larger pay increase for many, many Federal officials, and there was quite extreme reaction to it. In fact, there was an attempt to decrease the President's salary after that. And largely, as I understand it, the reason that they wanted to decrease the President's salary was because of the reaction they got to increasing the Members' salaries at that time.

But in terms of if the President's salary were increased today, would everyone else's salary take a rapid gain, I don't think so. I don't think that it would happen any faster than it would just in the normal automatic mechanisms in place under statute right now.

Mr. TURNER. What do you think is primarily responsible for the reluctance of the Congress—and I've only been here two terms—but I noted in the last 6 years in 5 of those years the Congress has received no pay increase and has declined even a cost of living adjustment. From your perspective, what do you think accounts for the fact that the Congress seems to be even more sensitive in recent years to increasing its own pay than it has in years previous?

Ms. GRESSLE. A personal observation would be that it could very well be a combination of looking at the office of a Member of Con-

gress as an opportunity to serve and not one to which there should be a great deal of monetary recompense. And that in combination with, again, the political expediency of going to the constituents and saying we're going to be raising our salary. We've seen over time that it's difficult for Members to really explain what the costs of serving in Washington are, in terms of the two domiciles that they must maintain, the travel expenses and so on and so forth.

Some Members have lost their election because they bought into a pay raise. You know, history proves that out. And so I think that with political expediency, it is a very value-laden, shall we say, experience to raise a salary on the part of a Member of Congress. But I think those two things encompass in combination one with another, help explain the hesitancy.

Mr. TURNER. Thank you, Mr. Chairman.

Mr. HORN. Thank you. And I now yield 5 minutes to Mr. Kanjorski for questioning.

Mr. KANJORSKI. Mr. Ruskin, your argument is interesting. Moral force goes with lower salaries. You think if we were to do away with any salary for the President it would make the office more respected?

Mr. RUSKIN. Absolutely not. I think that the President ought to be paid. There are compelling reasons for the President to be paid a fair salary so that they don't fall prey to the highest bribery, and that they're paid enough so that we can attract the most honorable people to the Presidency. So——

Mr. KANJORSKI. What do you think of the candidate who runs for President and because they are independently wealthy they announce they will not accept a salary. That becomes very appealing to the electorate people. They think they are getting something for nothing. You think they really are getting something for nothing when we allow people to politically mix the salary of the President or the salary of a Member of Congress, whether they are going to receive it or not. Would you prefer most Members of Congress to have no salary?

Mr. RUSKIN. No, I think Members of Congress ought to be paid, though I think they ought to take a pay cut. And I think it was wrong——

Mr. KANJORSKI. Do you think they ought to take a pay cut now or pay cut when they get elected to office?

Mr. RUSKIN. I think Members of Congress are overpaid right now. I think $136,700 plus perks, pensions and benefits is too much.

Mr. KANJORSKI. You are familiar with the practice of law. Would you be aware of the fact that a 4-year member of a major law firm in Washington DC, exceeds the salary of a Member of Congress or Member of the Supreme Court? Would that surprise you or disappoint you?

Mr. RUSKIN. No, it doesn't surprise me. The issue here is not the respect that we pay to our Congress or to our President, but rather the respect that the President and Members of Congress pay to the taxpayers, who work exceedingly hard to fill the coffers of this Federal Government.

Mr. KANJORSKI. I understand that perfectly well. Mr. Turner refers to the relationship of potential corruption and salaries. Do you see a relationship there?

Mr. RUSKIN. Absolutely yes. That's why we don't want to pay our Members of Congress or our President too little so that they would fall prey to temptation of bribery. However, I don't think that is a problem with the Presidential salary right now. I don't think you can come up with evidence.

Mr. KANJORSKI. You made a point in your testimony to say that there are a large number of people that would clearly come down to Washington and serve as our President with the salary of $200,000, and I tend to agree with you because it has nothing to do with salary. But that is like an argument that there are an awful lot of doctors that will perform brain surgery at a lower price than a brain surgeon. Do you see the relationship?

Mr. RUSKIN. I don't think so——

Mr. KANJORSKI [continuing]. Trying to attract to both the Presidency and to the judiciary and other high appointed and elected offices. Sometimes it is the best and the brightest if we can. And we are competing with the private sector at different stages of people's lives. I tend to agree with you that if you want to fill the halls of Congress with 28 and 30-year-old lawyers who are just getting started in their profession, the salary of a Member of Congress appeals to them because it is about the same as what they would be getting in a successful law practice. But if you are trying to get members of the bar who are people in the private sector who have—in their 40's or 50's who have now gone into a stage in life where they are relatively successful, it would be highly unlikely. I do not know that the chairman is, but we do have some former presidents of universities here. I would tend to say there is not one of those that has not had to take a significant decrease in salary. And for the record will say that I still do not earn as a Member of Congress what I did 15 years ago as a private practitioner in the profession of law. You come up with these statistics that say all Members of Congress are overpaid, and Presidents are potentially overpaid, and appointed officials, I do not see that.

I see what's happening is that those people who can afford to aspire to elective office, whether it be the Presidency or appointed office, whether it be a Cabinet position or something, they are being constrained with their personal net worth and finances. If they are independently wealthy, they have a much more likely opportunity for putting in public service as opposed to if they are just average people coming out of average walks of life.

And you're not making a distinction there. I am sure Mr. Forbes has no difficulty coming to the Presidency and accepting no salary, as Mr. Kennedy did. But Mr. Truman would have a very difficult opportunity to do that because he just did not have the personal net worth to do that.

I remember when Mr. Eisenhower came to the Presidency the Congress of the United States had to pass special legislation to allow him not to pay taxes on his book so that he could get a commensurate amount of money to feel free to carry on the Office of the Presidency, which I think is a 24 hour a day job. I do not think I want the President worrying about his electric bill or his gas bill

or his children's tuition. I would prefer he would be worrying about whether or not we are going to put planes in the air to bomb a country or whether or not we're going to attend to some emergency in the country. You do not see those distinctions in your testimony.

Mr. RUSKIN. No, the main point that we're trying to make here is that, look, $200,000 a year, plus pension and other benefits is a great deal of money. You know, I just don't buy the theory that the President is down and out on $200,000 a year and is in need of some kind of dramatic raise. Just like I think that the, you know, Members of Congress are not down and out on $136,700 a year plus pension and perks and other benefits. So, you know, this is just the fundamental.

Mr. KANJORSKI. Well, they are not down and out, but you want your elected officials to be down and out?

Mr. RUSKIN. Absolutely not. But there's no question that a Member of Congress earning $136,700 plus perks and pensions——

Mr. KANJORSKI. What are all these perks and pensions you are talking about? I do not quite understand.

Mr. RUSKIN. For example, many Members of Congress retire with pensions of $80,000, $90,000, $100,000 a year. Members of Congress get gifts, they get excellent medical benefits.

Mr. KANJORSKI. What gifts?

Mr. HORN. Wait a minute. You are not up on the laws, I guess.

Mr. KANJORSKI. Since 1989.

Mr. HORN. That is something that arouses me.

Mr. KANJORSKI. I hear these things roll out of your mouth. The fact of the matter is, Members of Congress—I am going to address Members of Congress because I think you brought that into the issue. If a Member of Congress were in business in the United States and didn't have the restriction of a $3,000 a year tax write-off, he could write off the cost of his living expenses in Washington DC. He cannot do that. But if you as a business person came to Washington and had a second home, you could write that off as a business expense. So there is actually not a perk there, there is an anti-perk. There is a denial of that expense.

Now, I know most Members of Congress have to expend $20 to $25,000 a year to live in this community as a second home. You do not put any value on that.

Mr. RUSKIN. Well, I think simply that $136,700 is a great deal of money. And I just think that, you know, you all seem to exist on a different planet. But back in planet America, $200,000 a year or $136,700 plus generous benefits is——

Mr. KANJORSKI. Generous benefits, so that we can address that, we have had the pension reform in Congress. To my knowledge there is no one that can retire from Congress that served in the last 10 years that could ever get $89,000 a year. It would take you, what, 65 years service or something to get to that level.

So, I mean, I think it is important that we take some of the emotionally charged testimony as you have given today and comments such as that out of the realm if we are really going to address this. I do not think that I am suggesting that if we raise the President's salary, we are doing it to save him from hunger. I think it is very essential that we send a message that the President of the United States, who to my knowledge exercises the greatest power in the

entire world, should be free of monetary considerations for his family and his household while he serves in the Office of President. Certainly to compare him to the upper 1 percent of the population of the United States is not unreasonable. Would you agree?

Mr. RUSKIN. To compare him to the upper——

Mr. KANJORSKI. The upper 1 percent of the population of the United States. The upper 1 percent of the population of the United States earns in excess of what the President of the United States earns.

Mr. RUSKIN. Yes, but with benefits the President is well in the upper 1 percent.

Mr. KANJORSKI. Are you talking about the retirement benefits?

Mr. RUSKIN. Well, retirement benefits you know plus the long list of living——

Mr. KANJORSKI. Well, we could do away with that, Mr. Ruskin. The point is when Mr. Truman was getting ready to retire and these benefits were put into place, it was done for the purpose that we would not have someone in poverty living in Independence, MO, who was called the former President of the United States. The only way you can overcome that, and quite frankly, most of the men that occupy the Office of President, are multimillionaires. So that they will be able to sustain themselves. But every now and then we get a very talented person in America who the American people desire to make President of the United States and he has to make a terrible selection and decision, to spend 25 years of his life in going after the Presidency, and foregoing personal wealth or to end up without the benefits that we provide him, the minimum benefits that he will put his family in poverty once he exercises the role of being President of the United States. You don't seem to put any relationship on that. I am trying to make it possible if we pass this that someone like yourself could aspire to be President of the United States.

Mr. RUSKIN. Well, I think you're not talking about the reality that I know. I mean, most people when they are President and when they leave the Presidency they clearly have the opportunity to become multimillionaires when they leave. In addition——

Mr. KANJORSKI [continuing]. I am glad you brought that point up. Aren't you annoyed that a President of the United States will leave the Presidency and agree to make a $2 million speech, that we may have to go and spend $3 or $4 million to guard his security so that he could earn that $2 million? Wouldn't it be much wiser to pay him a sufficient salary and pension so he would not have to engage in that type of opportunity? And potentially, or at least for impressions, compromise his office position of the Presidency? Wouldn't you prefer that?

Mr. RUSKIN. Of course the Presidents and former Presidents ought not to compromise their position. But given $200,000 a year salary while they're in office plus $152,000 pension while they're out of office, there should be no need for compromise.

Mr. HORN. The gentleman's time has expired on the questions. Are there any further comments from the ranking member?

Well, we thank you all for coming. We deeply appreciate it. We will be asking the next panel some questions on compensation which we would also like you to respond to, but given the shortage

of time I think we're going to do it by letter. And please file it. It will go with the record either at this point or in panel three's point, because some of them are basic national comparisons to be made.

Thank you very much, all of you.

Panel three will come forward, please. Ms. Ferracone, Ms. Weizmann, and Mr. Hofrichter..

If you would stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note that three witnesses have affirmed the oath. And we will proceed with Ms. Robin Ferracone, chair of the Executive Compensation Advisory Board of the American Compensation Association. Tell us a little bit about the organization and then we all have your statements and we've all read them. If you would like to summarize them, please feel free to. Because I don't want to hear them all read because we just don't have the time for it. But we want you to feel free to make your key points. And then we would like to open it up to dialog of the Members with you. So Ms. Ferracone.

STATEMENTS OF ROBIN FERRACONE, CHAIR, EXECUTIVE COMPENSATION ADVISORY BOARD, AMERICAN COMPENSATION ASSOCIATION; JANE WEIZMANN, CONSULTANT, WATSON WYATT WORLDWIDE; AND DAVID HOFRICHTER, VICE PRESIDENT AND MANAGING DIRECTOR, HAY GROUP

Ms. FERRACONE. Mr. Chairman, members of the committee, thank you for the opportunity to address the issue. As you requested, I would like to start with a little background about the American Compensation Association as a context for my remarks. The association was founded in 1955. It's an international association with more than 25,000 individual members. These members design and administer employee compensation and benefits programs for their organizations.

Our membership includes compensation and benefits to professionals from Fortune 1000 companies as well as other organizations of all types, sizes and industries. And this includes people from government entities as well as educational institutions.

The work of our members impacts the pay and benefits of every employee in the United States and has significant impact beyond our borders as well. The ACA is nonpartisan, a not for profit organization that does not lobby. It's dedicated to maximizing the effectiveness of total rewards to enable people and their organizations to achieve their full potential.

As a result, my testimony today is intended to provide information as a reference point for the subcommittee as you consider this issue. It is not advocating for or against raising the President's pay. However, ACA is uniquely positioned to provide an objective factual basis for your decisionmaking and consideration.

The first step that compensation professionals use in determining appropriate levels of compensation is to essentially establish a pay philosophy and strategy. Typically this pay philosophy addresses such issues as external pay positioning to attract and retain needed talents, fairness of pay or internal equity within the organization as well as a variety of other factors. And if we consider in-

ternal equity you are faced with considerable compression, which has been discussed today.

In the private sector, a CEO receives a salary of approximately 1.5 times the next highest paid position. Applying this multiple to the Vice President's salary, the President would need to earn approximately $260,000 a year to preserve this relationship.

The current compression between the President's pay level and that of senior officials is because the President's salary has not been adjusted since 1969. And as a reference point most organizations review their salary budgets annually to ensure that they remain current, competitive and equitable.

Each year for the past 25 years ACA has surveyed its members to measure changes in salaries. ACA projected the values of the President's $200,000 salary today as if it had increased commensurate with other executive salaries from 1969 to 1999. Calculated on this basis, the salary today would be slightly over $1 million.

ACA also projected the value of the $200,000 salary as if it had kept pace with inflation, as measured by the Consumer Price Index. And we calculate the salary would be about $935,000 today calculated on this basis.

In addition, you may want to consider the external marketplace for this position; for example, the pay of other world leaders or executives in the private sector. In the private sector, for your reference, the median salary for a CEO of a large U.S. company is approximately $1.15 million today.

When deciding compensation levels for any employee, including the Nation's chief executive, it's also important to look at the total package of compensation; that is, not only the financial package but the indirect components of compensation as well or employee benefits. Indirect compensation elements include protection programs such as insurance and retirement, pay for time not worked such as paid vacations and employee services and perquisites such as Air Force One or the White House. The many perquisites and privileges while in the office as well as benefits should be factored into the equation for the President. There is also the "psychic income" not found in many other jobs as well as the substantial future stream of income.

In conclusion, we consider—we encourage you to consider the following critical factors in evaluating the President's salary: One, the Federal Government's pay philosophy; two, the internal equity of the President's pay relative to other senior Federal servants; three, the erosion in value of the current salary during the past 30 years; and four, the significant indirect compensation component available to the incumbent in the position.

While these are important considerations, the position of the U.S. President is clearly unique. Pay is a small component and there are no formula solutions. Still the principles I have outlined today should provide some useful guideposts. As an educational, not for profit, objective entity, the American Compensation Association would be pleased to provide additional information to help this committee formulate an appropriate response to this challenging issue. Thank you for your—for the opportunity to assist.

[The prepared statement of Ms. Ferracone follows:]

TESTIMONY OF AMERICAN COMPENSATION ASSOCIATION

TO

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY

ACA REPRESENTATIVE ROBIN A. FERRACONE

CHAIR, ACA EXECUTIVE COMPENSATION NATIONAL ADVISORY BOARD

MAY 24, 1999

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE... ON BEHALF OF THE MEMBERSHIP AND LEADERS OF THE AMERICAN COMPENSATION ASSOCIATION, THANK YOU FOR THIS OPPORTUNITY TO ADDRESS THIS IMPORTANT ISSUE.

I'D LIKE TO TELL YOU A LITTLE BIT ABOUT ACA TO PROVIDE SOME CONTEXT FOR MY TESTIMONY TODAY. FOUNDED IN 1955, ACA IS AN INTERNATIONAL ASSOCIATION WITH MORE THAN 25,000 INDIVIDUAL MEMBERS WHO DESIGN AND ADMINISTER EMPLOYEE COMPENSATION AND BENEFITS PROGRAMS FOR THEIR ORGANIZATIONS. OUR MEMBERSHIP INCLUDES COMPENSATION AND BENEFITS PRACTITIONERS AND CONSULTANTS FROM FORTUNE 1000 COMPANIES AS WELL AS OTHER COMPANIES AND ORGANIZATIONS OF ALL TYPES, SIZES AND INDUSTRIES. OUR MEMBERS ALSO REPRESENT GOVERNMENT ENTITIES AND EDUCATIONAL INSTITUTIONS. THE WORK OF OUR MEMBERS IMPACTS THE PAY AND BENEFITS OF EVERY EMPLOYEE IN THE UNITED STATES, AND HAS SIGNIFICANT IMPACT BEYOND OUR BORDERS AS WELL.

AS A NONPARTISAN, NOT-FOR-PROFIT ORGANIZATION THAT DOES NOT LOBBY, ACA IS DEDICATED TO MAXIMIZING THE EFFECTIVENESS OF TOTAL REWARDS TO ENABLE PEOPLE AND THEIR ORGANIZATIONS TO ACHIEVE THEIR FULL POTENTIAL. OUR ASSOCIATION PROVIDES EDUCATIONAL OPPORTUNITIES FOR HUMAN RESOURCES PROFESSIONALS TO LEARN HOW TO DESIGN AND ADMINISTER EFFECTIVE PROGRAMS. OUR CONFERENCES, PUBLICATIONS AND NETWORKING EVENTS PROVIDE AN OPPORTUNITY FOR PROFESSIONALS IN THIS FIELD TO ADVANCE THE STATE OF THE ART OF REWARDS MANAGEMENT.

MY TESTIMONY TODAY IS INTENDED TO PROVIDE INFORMATION AS A REFERENCE POINT FOR THE SUBCOMMITTEE AS YOU CONSIDER THIS IMPORTANT ISSUE. ACA IS NOT ADVOCATING FOR OR AGAINST RAISING THE PRESIDENT'S PAY. HOWEVER, ACA IS UNIQUELY POSITIONED TO PROVIDE AN OBJECTIVE, FACTUAL BASIS FOR YOUR DECISION-MAKING.

AS YOU ARE AWARE, THE MARKETPLACE FOR WORKERS TODAY IS EXTREMELY TIGHT. COMPENSATION AND BENEFITS PROGRAMS HAVE TAKEN ON ADDED STRATEGIC IMPORTANCE FOR ORGANIZATIONS IN ATTRACTING AND RETAINING THE CRITICAL TALENT REQUIRED TO CARRY OUT THEIR MISSION.

THE FIRST STEP IN DETERMINING APPROPRIATE LEVELS OF COMPENSATION IS ESTABLISHING A PHILOSOPHY AND STRATEGY. MOST ORGANIZATIONS HAVE A STATED COMPENSATION PHILOSOPHY THAT DRIVES THE DESIGN OF THEIR PAY OR REWARDS PROGRAMS. THIS PHILOSOPHY WILL ADDRESS SUCH ISSUES AS THEIR ORGANIZATION'S POSITIONING TO BE EXTERNALLY COMPETITIVE FOR THE TALENT THEY ARE ATTEMPTING TO ATTRACT AND RETAIN, AND TO BE INTERNALLY EQUITABLE WITHIN THEIR OWN ORGANIZATION, AS WELL AS A VARIETY OF OTHER FACTORS.

SPEAKING OF INTERNAL EQUITY...IN THE CASE OF THE PRESIDENT, YOU'RE FACED WITH SIGNIFICANT COMPRESSION, WITH OTHER TOP GOVERNMENT SALARIES RAPIDLY APPROACHING THE CHIEF EXECUTIVE'S PAY LEVEL. COMPRESSION OCCURS WHEN THE DIFFERENCE BETWEEN THE PAY LEVEL OF DIFFERENT JOBS IS TOO SMALL TO BE CONSIDERED EQUITABLE. AS

PART OF THE GOVERNMENT'S OVERALL COMPENSATION PHILOSOPHY, YOU'LL NEED TO CONSIDER THE PRESIDENT'S PAY LEVEL RELATIVE TO OTHER GOVERNMENT EMPLOYEES AT ALL LEVELS, AND PARTICULARLY WITH OTHER SENIOR GOVERNMENT-SECTOR POSITIONS. IN THE PRIVATE SECTOR, A TYPICAL CEO'S CASH COMPENSATION IN A $25 BILLION COMPANY IS ABOUT $1.15 MILLION, AND THE NEXT-HIGHEST POSITION IN SUCH A COMPANY PAYS ABOUT 65 PERCENT OF THAT, OR $750,000.

THE CURRENT COMPRESSION BETWEEN THE PRESIDENT'S PAY LEVEL AND THAT OF SENIOR GOVERNMENT OFFICIALS HAS BEEN CAUSED BY CONTINUOUS EROSION IN THE VALUE OF THE PRESIDENT'S DIRECT COMPENSATION BECAUSE IT HAS NOT BEEN ADJUSTED SINCE 1969. MOST ORGANIZATIONS REVIEW THEIR SALARY BUDGETS AND PAY LEVELS ANNUALLY TO ENSURE THAT THEY REMAIN CURRENT, COMPETITIVE AND EQUITABLE.

EACH YEAR FOR THE PAST 25 YEARS, ACA HAS SURVEYED ITS MEMBERS TO MEASURE CHANGES IN SALARIES. FOR OFFICERS AND EXECUTIVES, THE PERCENT INCREASE HAS RANGED FROM A HIGH OF 10.6 PERCENT IN 1981 TO A LOW OF 4.1 PERCENT IN 1994 AND 1995. THIS YEAR'S INCREASE AMOUNT IS PROJECTED TO BE 4.6 PERCENT. ACA PROJECTED THE VALUE OF THE PRESIDENT'S $200,000 SALARY TODAY IF IT HAD INCREASED COMMENSURATE WITH ALL OFFICER/EXECUTIVE SALARIES FROM 1969 TO 1999. THE SALARY TODAY WOULD BE SLIGHTLY OVER A MILLION DOLLARS ($1,028,809). THIS NUMBER IS ONLY A TIME-ADJUSTED GUIDEPOST, AND CERTAINLY NOT A SPECIFIC RECOMMENDATION.

ACA ALSO LOOKED AT THE EROSION IN THE VALUE OF THE SALARY CAUSED SOLELY BY INFLATION. USING THE CONSUMER PRICE INDEX FROM 1969-1999, THE VALUE OF THE $200,000 SALARY TODAY IS $45,367. STATED IN REVERSE, IF THE $200,000 1969 SALARY HAD KEPT PACE WITH INFLATION, TODAY'S SALARY LEVEL WOULD BE ABOUT $935,000 ($936,338).

IN ADDITION TO CONSIDERING THE PRESIDENT'S CURRENT SALARY AND GENERAL SALARY TRENDS AS A BASELINE, YOU MAY WANT TO CONSIDER THE MARKETPLACE FOR THIS POSITION. IS THERE A COMPARABLE MARKETPLACE? DOES THE PRESIDENT HAVE A PEER GROUP? IF SO, WOULD THIS BE OTHER WORLD LEADERS OR EXECUTIVE POSITIONS IN THE PRIVATE SECTOR? COMPENSATION PROFESSIONALS REGULARLY REVIEW THE MARKETPLACE OF THE LABOR POOL THAT THEY WILL DRAW UPON TO FILL A PARTICULAR POSITION. THIS PROVIDES AN EXTERNAL MEASURE OF COMPARISON.

WHEN DECIDING COMPENSATION LEVELS FOR ANY EMPLOYEE – INCLUDING THE NATION'S CHIEF EXECUTIVE – COMPENSATION AND BENEFITS PROFESSIONALS ALSO WILL ADVISE YOU TO LOOK AT THE TOTAL PACKAGE...WHAT WE CALL TOTAL REWARDS. THERE IS THE DIRECT COMPENSATION COMPONENT, WHICH INCLUDES THE PAYCHECK AND OTHER FINANCIAL COMPONENTS OF THE PACKAGE, AND THE INDIRECT COMPENSATION COMPONENT, OR EMPLOYEE BENEFITS. INDIRECT COMPENSATION ELEMENTS INCLUDE:

- PROTECTION PROGRAMS, SUCH AS INSURANCE AND RETIREMENT BENEFITS

- PAY FOR TIME NOT WORKED, SUCH AS PAID VACATIONS AND HOLIDAYS, AND
- EMPLOYEE SERVICES AND PERQUISITES, SUCH AS AIR FORCE ONE AND HOUSING.

TOTAL BENEFIT COSTS AS A PERCENT OF PAYROLL ARE 41.3 PERCENT, ACCORDING TO THE U.S. CHAMBER OF COMMERCE. CERTAINLY FOR THE PRESIDENT, THIS MAY BE A DIFFERENT PERCENTAGE. THE MANY PERQUISITES AND PRIVILEGES WHILE IN THE OFFICE, AS WELL AS BENEFITS, SUCH AS A SUBSTANTIAL PENSION, SHOULD BE FACTORED INTO THE EQUATION FOR THE PRESIDENT. THERE ALSO IS THE "PSYCHIC INCOME" NOT FOUND IN MANY OTHER JOBS, AS WELL AS A SUBSTANTIAL FUTURE STREAM OF INCOME ONCE OUT OF OFFICE FOR SPEECHES, BOOKS AND OTHER ENGAGEMENTS.

IN CONCLUSION, WE ENCOURAGE YOU TO CONSIDER THE FOLLOWING CRITICAL FACTORS WHEN EVALUATING THE PRESIDENT'S CASH COMPENSATION:

- THE FEDERAL GOVERNMENT'S PAY PHILOSOPHY – WHAT OBJECTIVES YOU WISH TO ACHIEVE IN ATTRACTING AND REWARDING THE NATION'S CHIEF EXECUTIVE, AND WHAT UNIQUE FACTORS COME TO BEAR
- THE INTERNAL EQUITY OF THE PRESIDENT'S PAY RELATIVE TO OTHER SENIOR FEDERAL PUBLIC SERVANTS
- THE EROSION IN VALUE OF THE CURRENT SALARY DURING THE PAST 30 YEARS

- AND, THE SIGNIFICANT INDIRECT COMPENSATION COMPONENT AVAILABLE TO THE INCUMBENT IN THE POSITION.

WHILE THESE ARE IMPORTANT CONSIDERATIONS, THE POSITION OF UNITED STATES PRESIDENT IS CLEARLY UNIQUE. PAY IS A SMALL COMPONENT OF ATTRACTION AND RETENTION, AND THERE ARE NO FORMULA SOLUTIONS TO ESTABLISHING THE PRESIDENT'S COMPENSATION. STILL, THE PRINCIPLES I HAVE OUTLINED TODAY SHOULD PROVIDE SOME USEFUL GUIDEPOSTS FOR YOUR CONSIDERATION.

AS AN EDUCATIONAL, NOT-FOR-PROFIT, OBJECTIVE ENTITY, THE AMERICAN COMPENSATION ASSOCIATION WOULD BE PLEASED TO PROVIDE ADDITIONAL INFORMATION TO HELP THIS COMMITTEE FORMULATE AN APPROPRIATE RESPONSE TO THIS CHALLENGING ISSUE.

THANK YOU ONCE AGAIN FOR THE OPPORTUNITY TO BE OF ASSISTANCE.

Jane has recently worked with such clients as Society for Human Resource Management, Baltimore Gas & Electric, Bank of Bermuda, National Cooperative Bank, Mobil Chemical, University of Virginia Medical Center, Virginia Power, Hughes Aircraft, Hughes Information Systems, America Online, AMTRAK, Alcatel Data Networks, Mercy Medical Center, Federal Deposit Insurance Corporation, and University of Maryland Medical System. Jane has been associated with Watson Wyatt Worldwide since 1989.

Prior to joining Wyatt, Jane held significant administrative positions with the U.S. Department of Labor; was Compensation Manager at both The University of Maryland at Baltimore and Thomas Jefferson University in Philadelphia; and held the position of compensation consultant for Hay Associates.

Jane is a member of the American Compensation Association, the Society for Human Resource Management and the Washington Technical Personnel Forum. She holds a Master's degree from Eastern Michigan University and a Bachelor's degree from Ohio University. Additionally, Jane has recently completed the Harvard Leadership Development Program.

Mr. HORN. Well, thank you. Because your data is very helpful to us and we appreciate that, we're assuming we're going to have some of the same from the next two witnesses. Ms. Jane Weizmann is consultant to Watson Wyatt Worldwide.

Ms. WEIZMANN. Good afternoon.

Mr. HORN. Please put the microphone a little closer. It's not your fault. It's just the way this hearing room was designed.

Ms. WEIZMANN. Thank you. Is that better?

Mr. HORN. Move it still closer. Great.

Ms. WEIZMANN. Thank you. This is indeed an honor and not typically, as an executive compensation and senior compensation consultant, something that I do often. But it has really caused me to look at the congressional research information that you have assembled and the history and really put together what I believe to be benchmark recommendations really in a rationale for determining appropriateness of pay of the President and senior officials.

Basically I'm here to present a rationale and really have four broad categories of recommendations. First, I concur with all the other testimony we've heard this afternoon. Presidential pay should be set to be competitive with the level of accomplishment, status and standard of living of similarly accomplished professionals. If you use that as a guide, some of the ACA recommendations, you then begin to stand back and say, then what are the benchmarks.

In thinking about benchmarking, how do you determine what is the appropriate pay of similarly accomplished professionals. You might begin to think about a proxy of benchmark occupations and work against, perhaps, some pay level differentials, inflation indices, including the Consumer Price Index or the Employment Change Index, to come up with a methodology against which to gauge appropriateness of pay.

And from my own consulting experience and the issue I know best, I'm here to say that I believe that to the extent that Presidential pay is set below competitive market levels, it does serve as a cap to other Federal pay levels and truly does impede the attraction and retention of the talented not only elected officials, but career professionals that this country needs and deserves in the highest offices.

I would be here to say I believe that Federal pay levels are at a national crisis point in terms of the ability to bring in the technical skills, know-how, and capability required of present day technology and required of the issues that they deal with.

Finally, the fourth point I would like to make is it seems counterproductive to put this in a political realm at the change of every term. It's very hard to separate this discussion from performance, as I think ACA would also concur is one of the issues that often goes into considering pay.

I would fully recommend that some methodology be established as you go forward with considering this recommendation that uses an index or a process by which you gauge change in the economy, change in pay levels and therefore the appropriate recommendation for future pay increases.

That basically concludes my testimony. Thank you.

[The prepared statement of Ms. Weizmann follows:]

Testimony Covering the Competitiveness of Presidential Pay

May 24, 1999

Prepared By:
Jane K. Weizmann
Senior Consultant
Watson Wyatt Worldwide
1717 H Street, NW
Washington, DC 20006
202-715-7294

Background

The salary of the President of the United States was last set at $200,000 in 1969. At issue is the competitiveness of Presidential pay as well as the differential between Presidential pay and the pay of other federal officials. The purpose of this testimony is to present recommendations to enhance the competitive market standing of Presidential pay as well as the pay for top federal officials.

This testimony presents the following rationale and suggestions for increasing Presidential pay:

- Presidential pay should be set to be competitive with the level of accomplishment, status and standard of living of similarly accomplished professionals.
- The utilization of "proxy benchmark occupations", pay leveling differentials and inflation indices such as the consumer price index and/or the employment cost index are appropriate mechanisms to determine presidential pay adjustments.
- To the extent that presidential pay is set below competitive market levels, and it is used to "cap" federal pay levels, it impedes the attraction and retention of talented career professionals who are in great demand in the private sector.

The Determination of Pay Competitiveness

Pay competitiveness is determined by considering:

- Competition for talent
- Peer organizations
- Performance

Typically, larger and more complex organizations pay more to attract executives with the appropriate experience to lead them. Additionally, in today's market, although not a reasonable alternative for Presidential pay, the top position is highly leveraged with cash and stock incentives tied to performance. While measuring Presidential performance may be America's national pastime, it is difficult to use as the pay setting mechanism. Certainly, the pay of other world leaders or the pay of top executives of leading, global organizations is one horizon for considering the competitiveness of Presidential pay. However, these data points do not represent "peer organizations" nor the competitive labor market from which candidates are drawn.

There is not relevant benchmark data for determining one for one pay comparability for the job of the President of the United States. As such, the evaluation of pay becomes a measure of magnitude considering the lifestyle afforded, responsibility, status and level of professional accomplishment. The utilization of "proxy benchmark occupations", pay leveling differentials and inflation indices such as the consumer price index and/or the employment cost index are appropriate mechanisms to determine pay adjustments.

By way of comparison, proxy benchmark occupations for considering Presidential pay includes:

- In 1998, CEOs of the large companies in the United States earned between $1 million to $7.9 million in total cash compensation each year.
- In 1998, the total cash compensation of executives of the largest non-profit organizations averaged between $300,000 and $360,000 a year.
- The application of Consumer Price Index to the current presidential pay level of $200,000 to account for CPI change in the 30 year period since the last pay adjustment, renders an annual presidential salary of $923,000.

Pay Relationships and Differentials

Presidential compensation is currently causing compression in the ranks of other federal pay systems:

- Effective January, 1999, three of the six levels of the Senior Executive Service are capped at the same rate extending to critical senior career personnel in banking, treasury, foreign service, medicine, law enforcement and other critical professions.

- Currently, both the Vice President of the United States and Chief Justice of the United States Supreme Court are paid within 12% of the President's annual compensation. If Presidential salary is not increased by January 2001, the pay of the Vice President and the Chief Justice, assuming modest cost of living adjustments, will likely overtake the President's pay before the end of the four year term.

- During the first administration in 1789, the Vice President's salary was 20% of the President's salary, and the Chief Justice's salary was 16% of the President's salary.

Presidential Pay Levels and The Impact on Attraction of Key Talent to Other Governmental Positions

Although salary level may not be the first factor that people consider when deciding to go into the public sector, it most certainly impacts career deliberations. Study after study indicates that the federal system is unable to attract the critical skills needed in leadership positions in the areas of technology, medicine and related fields. Similarly, the gap between executive level private sector and senior federal pay levels precludes mid-career, private sector employees from considering federal leadership roles. Increased Presidential pay, thereby enabling the removal of "caps" from the senior executive level salaries, will improve the ability of the government to attract and retain talented leadership in official positions.

Watson Wyatt Worldwide

Watson Wyatt is a world leader in human resources consulting. Our purpose is to help clients align their people and financial strategies to meet their business objectives, and to succeed through the management of their people and their risks. Based upon our comprehensive assignments with area public and private sector organizations, we are frequently requested to consult with organizations on issues related to compensation and performance management program design.

Watson Wyatt employs over 5,000 associates in 36 countries around the world and has over 90 offices. We work with organizations of all sizes and types, from the largest multinationals to public employers to non-profits. Our associates include consultants, actuaries, attorneys and other specialists in the areas

of human resources, health care, finance, risk management, communications, insurance, investments and systems.

We are a privately held corporation owned by our active associates. No one outside Watson Wyatt owns any shares of the firm. Most of our 5,000 associates, not just selected principals, are owners. As owners, our associates are committed to the highest quality of work and exceptional service--the key ingredients in developing long-term client relationships.

Watson Wyatt's vision statement defines our corporate goals and values for both clients and associates. It provides a framework for each of us to understand and anticipate the events that will shape our future. Watson Wyatt's ability to anticipate and prepare for the future is directly linked to our desire and ability to hear what our clients are saying. To make our Vision a reality, it is not enough to merely meet our client's expectations. We must constantly exceed them.

Delivering the highest quality services to our clients is Watson Wyatt's primary goal. To achieve this goal, it is important for all Watson Wyatt associates to share a common view of what this represents. This view is a one-firm perspective that is consistent from office to office. Associates must first think globally, rather than in terms of local or regional office. There is only one Watson Wyatt.

Jane K. Weizmann

Jane Weizmann is a senior consultant and manager in the Human Capital Group in Watson Wyatt's Washington, DC office. In this role, she consults with clients on all aspects of their compensation and performance management programs with special emphasis on strategic design, competency program development, salary planning, administration and incentive program design.

Mr. HORN. Well, thank you very much. Our last panelist on this particular panel is Mr. David Hofrichter.

Mr. HOFRICHTER. Hofrichter.

Mr. HORN. Vice president and managing director of the Hay Group. You might tell us a little bit about the Hay Group and what the focus is.

Mr. HOFRICHTER. Thank you. Thank you, Mr. Chairman. It's a pleasure to be with you today. The Hay Group is one of the oldest compensation consulting firms in the world. We operate through a series of offices now in four countries around the world and conduct some of the most comprehensive studies of executive as well as all forms of compensation.

I think that you have the statement that we prepared. I think that there are a couple of points I would like to reiterate and then move to the recommendations. We approached this as something of a consulting project. What would be the recommendations that we would make to this body in looking at the data, and realizing that this is, in fact, clearly a political situation.

We've all heard that if you took the CPI and moved it forward, you would be looking at a salary in the neighborhood of $900,000. If you took CEO pay and just applied those indicators to it, on just base salary alone, you would be looking at approximately $1.2 million just on base salary.

When we look at CEO pay as a general kind of concept—and I purposely in some of the data that I provided to you removed the very largest corporations in the world, namely those over $10 billion, which is significant—the average remuneration for a CEO in total is approximately $3.1 million. Now, that's made up of a salary, of an annual incentive, of a long term incentive program, as well as the benefits and perquisites.

Now, the importance of talking about that is relevant in this context. While it is clearly understood that people do not become the President for money alone, it is on a measurable basis the largest executive position in the entire world. On a measurable content basis it's larger than General Electric, Microsoft, et al, put together. So when we look at the complexities of doing the job, we have to really understand what goes into it. And so while clearly running the United States is not the same as running a public corporation, it is worthwhile to visit those numbers and to understand what we're talking about.

The movement of the salary of the President to the $400,000 to $500,000 range is the equivalent of paying the President at the 10th to 25th percentile of a CEO running a $1 to $2 billion company.

Now, to put that in perspective, I mean, when we think about the size and complexity of the United States, it dwarfs that size organization in every respect. So it's an important avenue to look at.

Another thing has been—that has been discussed today—has been the compression, and compression is a very real phenomenon. And within the government there are jobs who of their own complexity, size, and contribution are worthy of $200,000 plus in their own right today on a full-market value.

So the compression is a significant problem and it's not just historical relationships that need to be looked at, it's the fact that, you

know, those jobs comparably found in other parts of the world would be significantly—would be paid more.

Besides the disadvantage that that creates, there is also one rule of thumb in compensation that has proven true. And that is that the larger the compensation arrangements—and I understand these have to be tempered by judgment and public will and so forth—but the greater is the pool of the people with the right set of competencies to do the job, and I think that's an important consideration when we think about the highest office in the land.

So, in summary, we would like to recommend in our testimony four points for consideration. One, that the movement to $400,000 be at least the minimum movement and we clearly could support movement in the neighborhood of $500,000. $400,000 would be 45 percent of the current CPI adjusted rate and about 35 percent of the real market adjusted rate. So we're hardly making an egregious adjustment over those 30 years.

The second piece of the testimony recommendation would be one that was raised before, that this is a process that should be looked at far more frequently. And we would recommend, again, that it be reviewed once every 4 years. If possible we would even like to see it reviewed earlier, but we understand the constraints on that, but at least once every 4 years for two reasons. One is I think it would certainly be more appropriate as a policy matter to do it that—in that timeframe. And, second, I think the adjustments would start to mirror a lot more what people have seen in their average paycheck, the general public as well.

The third issue is perhaps a little controversial, but that's the question of considering the uncoupling of other Federal pay rates to that of the President. There is actually precedent in public service for that occurring. In my own city, my own hometown of Chicago, that was done a number of years ago so that the direct report to the mayor could in fact be market priced, realizing the symbolic nature of the role of mayor.

And last we think that a formal compensation review as outlined by my colleague Ms. Ferracone from ACA where there would be a statement of what is the particular compensation philosophy and how do we move the entire Federal pay schedule in a more orderly way, not just from a budget standpoint of how much is available, but rather from a hard look at what is the market for the various positions.

I thank you for your time.

[The prepared statement of Mr. Hofrichter follows:]

Statement by the Hay Group, Inc

to the

Congress of the United States
House of Representatives

Subcommittee on Government Management, Information, and Technology of the Committee on Government Reform

Subject: The Potential Change of the President of the United States' Annual Salary

May 24, 1999

Presented by:

David A. Hofrichter, Ph.D.
Vice President and Managing Director
Hay Group, Inc.

Good afternoon. On behalf of the Hay Group, it is a pleasure for me to address the Subcommittee on this important topic.

I am David A. Hofrichter, Vice President and Managing Director of the Hay Group. I have spent 22 years as a compensation consultant working with every form of organization from large multi-nationals to small family-owned enterprises, from emergent technology companies to non-profits, from government agencies to our leading medical and research organizations. In all of these assignments over the years, I have helped these different companies find the solutions to their compensation and business issues. I am also the author of *People, Performance and Pay* which outlines how new approaches to compensation can be designed for our changing organizational needs, economics, and strategies.

Before delving into this issue, let me take a moment to present the Hay Group so that you will understand our perspective and capability. The Hay Group was founded in Philadelphia in 1943 and now operates through 70 offices in 34 countries around the world. We possess the world's largest compensation databases in all these countries as well as capacity to generate specialized information "cuts" by industry sector, size of organization, various performance criteria, type of position, the organizational level of job or any combination that proves informative to searching out the right compensation solution.

In addition, we at Hay deal with *total remuneration* not just base salary. Total remuneration means the total value of all elements of the compensation arrangement, namely: salary, annual incentives, long-term incentives, benefits and perquisites. Organizations today are reviewing the total remuneration provided to their executives and workers alike in order to understand the full economic impact of the compensation programs, the messages they send and the performance they require in order to be funded. Compensation has evolved from simply being a cost of doing business to being viewed, by the most progressive organizations, as an **investment in people**. The return on that investment is an ongoing, critical issue that today's organizations are continually assessing. The Hay Group is the world's leader in providing these comprehensive data and information, the tracking of global changes in pay practices, and the development of creative solutions to today's total remuneration issues.

Understanding the Context

Before providing our recommendations on the matter before this Subcommittee, we believe that there are a series of principle issues that need to be explored to fully appreciate the context of such a remuneration question.

The President's salary was last changed in 1969.

The current salary for the President of the United States is $200,000 per year, which was last changed in 1969. While we understand the political complexities of moving the President's salary and the legislative processes involved, the cumulative market movement for executive salaries over this same 30-year period has been significant. In addition, the movement of the CPI during this same 30-year timeframe has also moved considerably. *(Please see the accompanying table of market and CPI movement for this 30-year period and its effect on compensation.)*

Thus, assuming competent performance for the past 30 years, if the various Presidents had been in general industry and received average increases for this same period, their current salary would be $1,147,036. If the $200,000 had been adjusted by the CPI alone, the current salary would now be $888,283.

The above new salary levels assume basic competent performance during this period. In the economic marketplace for talent, there are variations around these average percentages based upon the performance of the incumbent. People who have demonstrated exceptional performance would have received greater than market increases which would have added to the compounding effect over time. Conversely, those with less than the required performance levels would have received less than average market increases.

While the assessment of performance of our various Presidents during this 30-year period would certainly be a subject of heated debate and varying views, the fact

remains that the compensation market place has moved significantly over this period. Assuming the $200,000 was the correct answer in 1969, the correct answer for 1999 would be $888,283 to $1,147,036 depending upon which factor (market movement or CPI) you chose. Clearly, the present $200,000 salary is inadequate.

The average total annual pay for a U.S. Chief Executive Officer is $3,120,325.

During this same 30-year period, the compensation of Chief Executive Officers in the United States (as well as globally) has risen steadily. While the President of the United States is not precisely comparable to the CEO of a public corporation since the government does not own the assets of the United States, it is informative to explore these pay practices and trends.

CEO's current compensation is made up of a base salary, an annual incentive plan, a long-term incentive plan (spanning multiple years), a package of benefits and selected perquisites of the office. This point on total remuneration should not be lost. While we are here today to talk about salary, there are a series of other compensations that attend to the office of President both while in office and after one's service is completed. These benefits and perquisites have value and should be taken into account when attempting to determine the salary for the President.

Let's look at the present levels of CEO compensation. While there is a considerable variation in the size of the companies in the sample (and company size has a direct effect on the pay practices for executives), the current average CEO total pay package across general industry would be:

Salary	Annual Incentive	Long-Term Incentive (Present Value)	Benefits & Perquisites Value	Total Remuneration
$657,700	$635,600	$1,662,600	$164,425	**$3,120,325**

Understand that this is the average of a sample of U.S. executives in varying sized organizations. There are those running very large companies whose compensation would dwarf these amounts as well as those who would be under these averages. *(See attached chart that further breaks out compensation based upon company size parameters.)* When we take this entire sample and average all the data, we arrive at the numbers presented above.

CEO compensation has changed significantly over this 30-year period. While salaries have increased as noted, the real change has been in the variable or incentive portions of the compensation package. Today's typical CEO has more of his/her pay, as a percentage of the total, in incentives rather than in salary. More and more of executive compensation is being put "at risk" so that executives' compensation mirrors the value created for shareholders. That is, the more value

that is created for the shareholders, the more the executive can share in that value creation. Despite the perennial headlines about huge compensation packages and the lack of performance of certain organizations, most Boards of Directors are sensitive to this issue and are working to keep pay in alignment with the performance of the company on the one hand and the need to attract and retain key talent on the other.

The point of this review is to determine that the average salary across this CEO population would be $657,700 and there would have been considerable additional opportunity presented through various annual and long-term incentive plans to accumulate compensation beyond salary alone. These variable forms of compensation (annual and long-term incentive) are not available to the President of the United States. Again, these data would directionally suggest that $200,000 is an inadequate level of salary for the President's role and responsibilities.

The President's salary sets the cap for all Federal Government salaries.

The practice in the Federal Government is to pay no one more than the President since this is, defacto, the largest job in the Government. The lack of attention to adjusting the pay of the President on a more frequent basis creates a condition known in compensation theory and practice as "compression". *Compression is the artificial depressing of the pay of smaller jobs by keeping the larger position's compensation below market levels.*

While it is assumed that people do not become President for the money, this lack of attention to the President's salary generates the phenomenon of compression for all the positions in the Federal System below the President. This is clearly an area of concern since:

- Many of these positions are significant in size, complexity and impact and would have real market-determined salaries greater than $200,000 in their own right.

- The ability to attract and retain people with real executive competencies and skills is put at a severe disadvantage to the opportunities presented for comparable work in the private sector.

- This overwelming low level of compensation for these significant positions alters the quantity and quality of the pool from which the government has to choose for its senior most employees/executives.

Thus, it is our opinion that the movement of the President's salary is something that not only needs attention in its own right, but needs to be addressed to enable the salaries of other Federal Government positions to move more in sync with real market changes. While government service is not all about money and there are

significant benefit programs, there should not be such a major disconnect with the realities of the compensation marketplace as it exists today.

Recommendations

The following four recommendations are presented for the Subcommittee's consideration:

1.) Based upon the above analysis, we would recommend the adjustment of the President's salary from its current level of $200,000. While it may be politically challenging to bring it up to an appropriate 1999 level in one step, we would recommend doubling of the salary to at least $400,000. It is recognized that even this is a political and public relations challenge. However, to let this go unattended is to do a significant injustice to the value of the role and what we as Americans expect of our Chief Executive. Moving the salary to $400,000 would be 45% of the current CPI adjusted rate and 35% of the real market-adjusted rate.

2.) We would also recommend establishing a more formal market review process so as to address the President's salary adjustment issue every four years as a regular part of the Congress' business. This would enable the process to be orderly and specific adjustments would be more in line with the public's expectations and what they see in their own paychecks.

3.) We would recommend that consideration be given to "uncoupling" the linkage of the President's salary to every other salary in the Federal Government. As noted, being President is not just about the money. The same cannot be said about other workers for whom this is their entire career. This uncoupling would enable the salaries for the very largest positions in the government to move more in sync with the market and expand the available pool of talent of qualified people for these positions.

4.) We recommend that there be a formal compensation review process of all government salaries on a more regular basis. The government should learn from general industry and conduct an annual review of the market, determine the available budget parameters for salary range changes, and make adjustments based upon individual merit and performance. This is not simply a budget review. It would entail looking at specific survey data to assess the competitiveness of compensation and changes in the market.

We thank the Subcommittee for the opportunity to present our views and recommendations. We at the Hay Group stand ready to assist in any way possible.

Attachments:
Average Yearly Change in Base Salary for Executives in Industrial Organizations Compared to Yearly Changes in the Consumer Price Index 1969-1998
Total Remuneration Data for Chief Executive Officers in Industrial Organizations

Average Yearly Change in Base Salary for Executives in Industrial Organizations Compared to Yearly Change in the Consumer Price Index 1969 - 1998

Year	Salary % Change	Dollar Growth Using Salary Yearly Change	CPI % Change	Dollar Growth Using CPI Yearly Change
1969	-	$200,000	-	$200,000
1970	6.4%	$212,775	5.7%	$211,444
1971	4.7%	$222,720	4.4%	$220,708
1972	4.4%	$232,485	3.2%	$227,793
1973	3.1%	$239,652	6.2%	$241,962
1974	6.6%	$255,349	11.0%	$268,665
1975	8.2%	$276,166	9.1%	$293,188
1976	7.4%	$296,620	5.8%	$310,082
1977	7.9%	$320,053	6.5%	$330,245
1978	7.7%	$344,679	7.6%	$355,313
1979	7.6%	$370,749	11.3%	$395,640
1980	9.0%	$404,116	13.5%	$449,046
1981	11.4%	$450,186	10.3%	$495,368
1982	12.5%	$506,459	6.2%	$525,886
1983	4.9%	$531,275	3.2%	$542,779
1984	7.8%	$572,715	4.3%	$566,213
1985	8.1%	$619,105	3.6%	$586,376
1986	6.6%	$659,966	1.9%	$597,275
1987	4.6%	$690,324	3.6%	$619,074
1988	4.9%	$724,150	4.1%	$644,687
1989	4.0%	$753,116	4.8%	$675,749
1990	6.3%	$800,562	5.4%	$712,262
1991	5.2%	$842,191	4.2%	$742,234
1992	4.3%	$878,406	3.0%	$764,578
1993	6.1%	$931,988	3.0%	$787,466
1994	4.0%	$969,268	2.6%	$807,629
1995	4.0%	$1,008,039	2.8%	$830,518
1996	4.2%	$1,050,376	3.0%	$855,041
1997	4.6%	$1,098,693	2.3%	$874,659
1998	4.4%	**$1,147,036**	1.6%	**$888,283**

* Salary data from the 1969 - 1998 *Hay Compensation Report - Industrial Management USA;*
Consumer Price Index, All Urban Consumers, US City Average data from the U.S. Department of Labor, Bureau of Labor Statistics

HayGroup

Total Remuneration Data for Chief Executive Officers in Industrial Organizations

		Base Salary	Annual Incentive	Present Value of Long-Term Incentives	Value of Benefits/ Perquisites	Total Remuneration
All Organizations	Avg	$657,700	$635,600	$1,662,600	$164,425	$3,120,325
Industrial Organizations with Revenues of Over $10 Billion	P90	$1,350,000	$2,100,000	$7,626,200	$337,500	$11,413,700
	P75	$1,210,000	$1,500,000	$5,631,100	$302,500	$8,643,600
	P50	$1,000,000	$1,102,000	$3,824,100	$250,000	$6,176,100
	P25	$910,000	$700,000	$1,913,100	$227,500	$3,750,600
	P10	$765,000	$232,300	$419,600	$191,250	$1,608,150
	Avg	$1,068,100	$1,206,900	$4,307,200	$267,025	$6,849,225
Industrial Organizations with Revenues of $2.5 Billion to $10 Billion	P90	$1,000,000	$1,615,000	$4,378,100	$250,000	$7,243,100
	P75	$900,000	$900,000	$1,729,400	$225,000	$3,754,400
	P50	$800,000	$740,000	$933,100	$200,000	$2,673,100
	P25	$685,000	$382,100	$536,300	$171,250	$1,774,650
	P10	$600,000	$295,700	$27,900	$150,000	$1,073,600
	Avg	$826,500	$796,100	$1,706,700	$206,625	$3,535,925
Industrial Organizations with Revenues of $1 Billion to $2.5 Billion	P90	$850,000	$1,000,000	$1,880,900	$212,500	$3,943,400
	P75	$750,000	$562,400	$1,179,100	$187,500	$2,679,000
	P50	$653,600	$404,800	$789,200	$163,400	$2,011,000
	P25	$550,000	$267,700	$374,600	$137,500	$1,329,800
	P10	$380,000	$75,000	$0	$95,000	$550,000
	Avg	$647,000	$547,000	$846,900	$161,750	$2,202,650
Industrial Organizations with Revenues of $300 Million to $1 Billion	P90	$600,000	$690,500	$1,732,200	$150,000	$3,172,700
	P75	$520,000	$456,100	$977,400	$130,000	$2,083,500
	P50	$467,500	$255,800	$255,500	$116,875	$1,095,675
	P25	$300,000	$99,300	$119,400	$75,000	$593,700
	P10	$255,000	$0	$53,500	$63,750	$372,250
	Avg	$444,200	$318,300	$648,800	$111,050	$1,522,350
Industrial Organizations with Revenues of Under $300 Million	P90	$357,500	$245,400	*	$89,375	$692,275
	P75	$320,000	$199,700	*	$80,000	$599,700
	P50	$266,500	$70,100	$43,100	$66,625	$446,325
	P25	$225,000	$0	*	$56,250	$281,250
	P10	$186,300	$0	*	$46,575	$232,875
	Avg	$280,300	$105,700	$78,400	$70,075	$534,475

* Data from the *1998 Hay Executive Compensation Report - Industrial Management USA*
* All data as of May 1, 1998

HayGroup

Mr. HORN. Well, thank you. Let me start with a question for all three of you. This is the question that I want to ask the previous panel but we'll do it in writing because we just didn't have the time. But, what is the relationship that ought to exist between one's salary during active years as a CEO or as President of the United States and the retirement pay that follows that? Is there any particular formula the private sector uses on this?

Mr. HOFRICHTER. In general we tend to see in the neighborhood of 50 to 60 percent of final pay being represented in the retirement. And that would be all in, meaning, you know, including social security as well as other forms of retirement benefit.

Mr. HORN. Ms. Weizmann, do you agree with that?

Ms. WEIZMANN. Yes, I would concur.

Ms. FERRACONE. I would as well.

Mr. HORN. OK. One of the questions, obviously, that comes up in this situation, is the spouse. Spouses, if they're female usually outlive us all, but who knows what's going to happen in the next century, there will be several women Presidents, maybe they'll all be. And the question is what do you do with the spouse in terms of retirement. That was the question that faced General Grant as he wrote his last chapter of his memoirs to make sure his wife could live at least in the semi-decent house that they had at the time in New York.

Is that just the job of the retired CEO, usually male in this country, their worry and not the company's worry? Any thoughts on this?

Ms. FERRACONE. Well, many executive retirement programs provide for the spouse. So that retirement will apply not only to the executive who served the company while he or she was alive but also to the spouse, and it applies to a second-to-die kind of format. In addition we also see life insurance policy benefits working this way as well.

Mr. HORN. Ms. Weizmann.

Ms. WEIZMANN. That's certainly a traditional way to follow and certainly a good way to think about. I think that the uniqueness of the position of being President of the United States and while the spouse is not an employee, certainly is a figurehead and begins to cause all of us to stand back and think that naturally some provision does need to be thought of. So in addition to the traditional kind of coverages I would think it would be well in the purview of the Congress to think through surviving benefits and what an appropriate standard of living would mean for a spouse of the President.

Mr. HORN. Let's get two facts on the table. Presidential pensions basically are at $151,800. That's the pension not only for former Presidents of the United States, but there's also those pensions in the judiciary and in the Vice Presidential situation.

Now, the Presidential widow, and there's only one right now, Lady Bird Johnson, is provided a $20,000 annual lifetime pension and franking privileges. That's one way to get your Christmas cards out. I'm sure that's appreciated. That doesn't sound like too much. Now, some are going to be millionaires in their own right, some aren't. And the question is given the duties that we impose on the First Lady, and if there's a First Man or gentleman or what-

ever in the next century, the fact is that that isn't too much. Because we don't pay them for 4 years. They give free work to the people. And that is a tough job. There's a lot of things to do in the President's chief of state role with all the foreign visitors and all the rest and the spouses that have to be taken care of. And the First Ladies have done a great job in this century. And that's not very much to solve some of the problems they might have in retirement. But I would be interested in any of the thoughts you might have. Obviously, what goes with the person when they're President isn't to be matched in retirement.

President Nixon as I remember dismissed the Secret Service when he was in retirement and paid the Pinkertons out of his own pocket and his royalties from memoirs and books and so forth.

We've had different millionaire situations, nonmillionaire situations. What we're trying to do is get some rational way to think about the compensation world. And that's why you're here because you do that every day of your life. And so we would welcome any thoughts. I now yield 5 or 10 minutes to the gentleman from Texas, Mr. Turner, the ranking member.

Mr. TURNER. Thank you, Mr. Chairman. Ms. Ferracone, I believe it was in your testimony when you applied the Consumer Price Index to the President's $200,000 salary which was set in 1969 and you said that if the salary kept pace with the CPI, it would be $935,000 today.

And I think one of your testimonies I think shared what the salary would be if it just kept up with executive compensation, it was higher than that, by a little over $1 million. You know, this is a difficult area. And I think every one of us here on this committee and perhaps in the Congress still believe that serving the public office is public service. And therefore, we don't really expect to apply the traditional compensation schedules of CEO's in the private sector to public service.

I thought it was interesting—and there's a chart in one of your testimonies that really broke down that the $3 million average CEO salary and to the actual salary versus the benefits versus the long term stock options or whatever. In this presentation actual salary itself was about $600,000 or so.

Seems to me that perhaps the bottom line of what we've heard today is that the President's salary has not been raised in 30 years and it deserves to be increased after that period of time. But how we get to it, obviously the testimony you've offered to us is helpful, and yet from a political perspective, in terms of trying to preserve all of these offices as positions of public service, we are going to temper that obviously with that concept as well.

Furthermore, what about a CEO's earning capacity after they leave the position? I believe that there was reference to the fact that the President has some income potential after he leaves office as well.

Am I correct, did one of you make reference to benefits after you leave the position?

Mr. RUSKIN. I made reference to it, but didn't quantify it.

Mr. TURNER. I see. And it seems to me that a President in some cases may very well have substantial earning capacity through publications of books, memoirs, and things like that; but I think

the important thing for us to keep in mind is that, though we have to respect the office and we understand that we must acknowledge that the President is running a big business and deserves to be compensated for it, it is still a position of public service, that we want to somehow maintain that concept as well.

Now, I think you've been very helpful to provide us the analysis that you've done. I get a little nervous when I see these numbers about increases in CEO's salaries over the last 30 years, so I sometimes wondered if they're justified in terms of how they compare with average workers' pay increases during the same period of time.

Mr. Chairman, I don't have any specific questions, just those observations.

Mr. HORN. Before yielding to Mr. Kanjorski, I just wanted to note the American Federation of Government Employees AFL–CIO has given us a very interesting proposal as to the situation in the civil service of—and the failure, really, to conform to the Federal Employees Pay Comparability Act of 1990. And without objection, it will go in the record at this point. I think we should look in our final report on some of the interesting suggestions that group has noted.

I'm also going to put in the record at this point a letter from Joseph A. Califano. He served in the Kennedy, Johnson, and Carter administrations. And his comments will be available.

[The information referred to follows:]

The National Center on
Addiction and Substance Abuse
at Columbia University

May 24, 1999

The Honorable Steve Horn
U.S. House of Representatives
438 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Horn:

I write today to express my support for the proposal to increase the salary of the President to $400,000 beginning in 2001.

It has been thirty years since the last presidential pay increase despite a marked increase in the cost of living. Over the years we have seen fit to increase congressional and judicial salaries. The time has come for a similar cost-of-living adjustment for our Commander in Chief.

As one who has worked in the Kennedy, Johnson and Carter Administrations, I know well the strains and pressures that a president faces. The leader of our nation should be compensated equitably for this most important 24 hour a day, seven day a week job.

Sincerely,

Joseph A. Califano, Jr.

152 West 57th Street
New York, NY 10019-5510

phone 212 841 5200
fax 212 956 8020
www.casacolumbia.org

Board of Directors

Joseph A. Califano, Jr.
Chairman and President

Kenneth I. Chenault
James Dimon
Mary Fisher
Douglas A. Fraser
Leo-Arthur Kelmenson
Donald B. Keough
David A. Kessler, M.D.
LaSalle D. Leffall, Jr., M.D.
Manuel T. Pacheco, Ph.D.
Joseph J. Plumeri, II
Nancy Reagan
E. John Rosenwald, Jr.
George Rupp, Ph.D.
Michael P. Schulhof
Louis W. Sullivan, M.D.
Michael A. Wiener

Founding Directors

James E. Burke (1992-1997)
Betty Ford (1992-1998)
Barbara C. Jordan (1992-1996)
Lindy Johnson Bird (1992-1996)
Michael J. Severn (1992-1995)
Frank G. Wells (1992-1994)

Mr. HORN. I will also put in the record at this point a memo from Gail Makinen, specialist in economic policy, government and finance division, Re: presidential pay. Gail Makinen is with the Congressional Research Service of the Library of Congress.

[The information referred to follows:]

Congressional Research Service • Library of Congress • Washington, D.C. 20540

Memorandum April 21, 1999

TO :

FROM : Gail E. Makinen
Specialist in Economic Policy
Government and Finance Division

SUBJECT : Presidential Pay

This memorandum is written in response to your request for computations relating increases in the cost of living and labor productivity to the compensation of the President of the United States.

I have made three computations in response to your request. The first assumes only that the salary of the President is adjusted to compensate for changes in the cost of living. The second not only adjusts for changes in the cost of living, but, in addition, includes an adjustment to reflect changes in labor productivity since wages and salaries for the general population increase over time in response both factors. The third computation serves as a check on the second and attempts to relate the President's salary in 1800 to that of an average professional person compared to what a similar relationship might yield today.

1. The presidential salary in 1800 was $25,000. The average of the Consumer Price Index in that year stood at 17 (based on 1982-1984 = 100). In 1998, the average of the CPI was 163. Thus, it would take approximately $240,000 to buy in 1998 what $25,000 purchased in 1800 (this is obtained by multiplying $25,000 by 163 and dividing the product by 17). This computation assumes that a consistent market basket existed on the two dates in question which, of course, in not true. Thus, it must be regarded as a very rough approximation.

2. To allow the real salary of the president computed in (1) above ($240,000) to share in the gains in labor productivity, we must know how fast labor productivity on average has grown over this period. Unfortunately, the data necessary for such a computation do not exist. However, data do exist for computations over a shorter period of time. Prof. J. Bradford DeLong of the University of California at Berkeley, one of the nation's experts on economic growth and productivity, has calculated that labor productivity on average rose 1.6% per year from the end of the Civil War until the present. If we assume that this relationship was approximately true from 1800 to 1860, and we increase the president's real salary of

$240,000 by 1.5% per year to reflect the growth in productivity, it yields a salary in 1998 of approximately $4.6 million.

3. While there are no data on average annual income for professional people in 1800, there are some fragmentary data on wages paid to various types of occupations. One such series contains the average daily wage paid to **artisans** in the Philadelphia area.[1] If we take this average of $1.64 per day and multiple it by 300 days, it yields an average annual income in 1800 of $500.[2] The president's annual salary in 1800 was then 50 times this "average" salary. To put this in today's terms, I have multiplied the median annual income of male lawyers and judges in 1998, which was approximately $70,000, by 50.[3] This yields a "comparable" presidential salary of $3.5 million for 1998. Given the computations made above, it is possible to "back out" of them the implied rate of productivity growth. This is done be solving the relationship that asks: "by how much, on average, must a real salary of $240,000 in 1800 increase to yield a salary of $3.5 million in 1998?" This average growth rate is the implicit or "backed out" measure of the growth in labor productivity. This rate is 1.36% per year.[4] It is less than DeLongs' data suggests for the period 1860-1998, but given the very fragmentary nature of the data on which this computation is based, it isn't too bad. $3.5 million could, perhaps, be regarded as the lower bound of the computations presented in this memo.

Should you have additional questions relating to these computations, please to not hesitate to call me on 7-7797.

---

[1] The historical wage series for this computation also includes wages of laborers and agricultural workers.

[2] 300 days were used in this computation since it was common at that time for people to work 6 days per week.

[3] The annual median salary in 1998 for all full time male professionals was $46,540. The Department of Labor reports median salary data rather than the average. However, since these computations are only suggestive, comparing a median relationship to one based on a crudely calculated "average" shouldn't present problems.

[4] Had the annual median salary for all full time male professionals of $46,540 been used, the implied average annual rate of productivity growth would have been 1.15%.

Mr. HORN. We also have a letter here from Michael J. Lyle, the general counsel in the executive Office of the President, Office of Administration, and attached is Mark Lindsay's statement to his letter of transmittal on behalf of the executive Office of the President.

Let me just read the relevant amount here, where they note:

> In the last 30 years the President's salary has eroded significantly in relation to the cost of living and salaries of other government officials. For example, if the President's 1969 salary had been adjusted to reflect increases in the Consumer Price Index for urban consumers, the 1999 salary would be over $900,000.
>
> Had the President's salary been adjusted to reflect increases in the salary levels of General Schedule employees in the Washington metropolitan area, the 1999 salary would be nearly $700,000. If the President's salary had been adjusted to reflect increases in the salary levels for Executive Level I employees . . .

Those are the Cabinet, the Director of Management and Budget, so forth

> the 1999 salary would be approximately $500,000. In fact, by 2003, assuming a modest increase of 3.5 percent per year, the salaries of certain high-level government officials will exceed that of the President.

That point of course has been made by other witnesses.

And Mark Lindsay's statement goes on here:

> If the President's salary is not increased before the next President takes office in 2001, the Constitution dictates it cannot be increased until January of 2005. By then, the salaries of numerous other high-level government officials, such as Cabinet officials may begin to approach that of the President.
>
> This is likely to exacerbate the existing salary compression for senior government officials and judges, creating a disincentive to government service and reducing our ability to attract and retain qualified individuals.

That, I might add, is a major concern in at least the last four administrations in terms of trying to get someone who has experience, who has maturity, who has some wisdom and isn't just out of school. Are they going to give up everything and come to be a Federal judge, one of the most important positions in our society? We need to address that, and hopefully this situation will be addressed.

So he goes on to note:

> Thus, given the erosion of the President's salary over the past 30 years relative to the cost of living and the wages of other government workers, we believe an increase is well warranted. More importantly, if not addressed now, this salary erosion and compression will likely spread to other senior government officials until we are no longer able to attract and retain the most qualified individuals to government service.

As I mentioned earlier, from my own experience in the late 1950's, you try to staff an administration in the last year or 1½ or 2 years and they say, "What, I've got to move to Washington?" and, you know, I really like to do that, Mr. President, Under Secretary, Assistant Secretary. Those are the people that make sure the administration policies are carried out and are the ones that run a good part of the Washington establishment. So we need to realize what Presidents go through in that situation.

[The information referred to follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION
WASHINGTON, D.C. 20503

May 21, 1999

The Honorable Stephen Horn
Chairman, Subcommittee on Government
Management, Information and Technology
U.S. House of Representatives
B373 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Horn:

Attached is Mark Lindsay's statement on behalf of the Executive Office of the President regarding the upcoming hearing on Presidential compensation. If you have any questions, please feel free to contact me at (202) 395-1269. Thank you very much for your assistance with this matter.

Sincerely,

Michael J. Lyle
General Counsel

cc: The Honorable Jim Turner
Ranking Minority Member

Attachment

STATEMENT OF
MARK LINDSAY, DIRECTOR
OFFICE OF ADMINISTRATION
ON BEHALF OF
THE EXECUTIVE OFFICE OF THE PRESIDENT

Mr. Chairman and members of the Subcommittee:

The Executive Office of the President is pleased to submit a Statement for the Record expressing the Administration's support for the proposed increase in compensation for future Presidents. As this Subcommittee knows, the President's salary was set at $25,000 per year in 1789 and has been adjusted only four times in U.S. history – to $50,000 in 1873, $75,000 in 1909, $100,000 in 1949, and $200,000 in 1969.

In the last thirty years, the President's salary has eroded significantly in relation to the cost of living and the salaries of other government officials. For example, if the President's 1969 salary had been adjusted to reflect increases in the Consumer Price Index for urban consumers, the 1999 salary would be over $900,000. Had the President's salary been adjusted to reflect increases in the salary levels of General Schedule employees in the Washington metropolitan area, the 1999 salary

would be nearly $700,000. If the President's salary had been adjusted to reflect increases in the salary levels for Executive Level I employees, the 1999 salary would be approximately $500.000. In fact, by 2003, assuming a modest increase of 3.5% per year, the salaries of certain high-level Government officials will exceed that of the President.

If the President's salary is not increased before the next President takes office in 2001, the Constitution dictates that it cannot be increased until January 2005. By then, the salaries of numerous other high-level Government officials such as cabinet officers may begin to approach that of the President. This is likely to exacerbate existing salary compression for senior Government officials and judges, creating a disincentive to Government service and reducing our ability to attract and retain qualified individuals.

Thus, given the erosion of the President's salary over the past thirty years relative to the cost of living and the wages of other Government workers, we believe an increase is well warranted. More importantly, if not addressed now, this salary erosion and compression will likely spread to other senior Government officials until we are no longer able to attract and retain the most qualified individuals to Government service.

Mr. HORN. And so now I yield 5 to 10 minutes to the gentleman from Pennsylvania, Mr. Kanjorski.

Mr. KANJORSKI. Mr. Chairman, I want to congratulate you for holding this hearing and taking this important issue up. I know from some of the prior testimony that we have had there will be some who will take advantage of this from a political standpoint or from an emotional standpoint with the average citizen, because we are talking about an unusual set of circumstances were caused to consider that the $200,000 salary is not an acceptable salary.

But I think that the witnesses who have testified on this last panel certainly are clear in their statement that if we were to compare this to anything in the private sector, we would be talking in the seven figures quite clearly.

I would just like to make the observation that too often our constituents are not familiar with some of the problems of compression and pay raises in our society. But most recently, I have had the occasion to visit with some university leaders and national laboratory leaders; and some of the major problems that they are facing is the departure of scientists and highly competent faculty members who, in some instances, are on pay schedules are actually paid less than their graduating seniors that are going off to new jobs.

Our failure to recognize that or to attempt to socialize income at that level is contradictory to our system. Our system is one that compensates for capacity and ability. And it is competitive, using salary as a competitive feature, not as much certainly in politics and in public office; but I remember having the testimony of the Chief Justice 1 day before our committee some 8 years ago, and he was calling our attention to the fact that it's extremely difficult to serve as Chief Justice when your students that are under you and writing are leaving their positions to go to a salary twice what you are receiving as Chief Justice of the United States.

And at that time I think he called our attention to the fact that Chief Justice was being paid less than 30 percent of the practicing members of the bar in the United States. Keeping these things relative and in their proper perspective is extremely difficult. Again I congratulate you and the majority for taking on what is considered a tough political issue in this time.

And I want to compliment the Members, not to delay them with further questions; but the fact you came forward and gave us a perspective from the private sector is vitally important for us to have to make a political decision. Thank you.

Mr. HORN. I thank the gentleman. And the fact is we will hear a lot of demagoguery both within the House and without the House, but that's life.

Mr. Turner, do you have some closing questions?

Mr. TURNER. Well, thank you. It might be important to restate what we have stated earlier and, that is, whatever the Congress does to change the salary of the President—that $200,000 has been in place since 1969—it would not be effective until the election of a new President in 2001.

So with that, Mr. Chairman, I think this has been a very productive hearing, and we certainly have had a distinguished group of witnesses on all three panels. And I thank the chairman for the

manner in which the subject has been dealt with in such a thorough manner, and perhaps it has moved the discussion forward.

Thank you very much, Mr. Chairman.

Mr. HORN. Well, I thank you.

I'm going to insert in the record at this point a short history of executive pay increases, which came from the Office of Personnel Management, which many might remember was the Civil Service Commission.

[The information referred to follows:]

PRESIDENT'S SALARY

ISSUE: The President's salary of $200,000 has remained unchanged since 1969. Left unchanged, and assuming annual inflationary adjustments to the salaries of the Vice President, the Chief Justice and the Speaker of the House, these salaries will exceed the President's salary on January 1, 2003 ***(see attached chart)***. Under the Constitution[1], the salary of the President can be adjusted only at the change of Administrations. Given this Constitutional constraint, any increase between now and January, 2005, would have to be enacted to be effective as of noon on January 20, 2001.

History of Presidential Pay

- Initially set at $25,000 per year in 1789;
- Increased to $50,000 in 1873;
- Increased to $75,000 in 1909;
- At the initiation of Congressional leaders, the President's salary was increased to $100,000 in 1949; at the same time, Congress authorized an annual expense allowance of $50,000.
- In 1968, the Commission on Executive, Legislative and Judicial Salaries[2] recommended that the President's salary be increased to $200,000. Despite recommendations from the Commission for President Johnson to bring the matter of Presidential salaries to the attention of Congress, CRS found no formal communication between the President and Congress on this matter. Congress initiated action on January 3, 1969 and on January 17, 1969 PL 91-1 was signed into law. Effective at noon on January 20, 1969 (Nixon), the President's salary was increased to $200,000. There was no increase to the annual expense allowance.
- In 1989, the Commission on Executive, Legislative and Judicial Salaries recommended that the President's salary be increased from $200,000 to $350,000. Based on a review of CRS documents, there is no indication that this recommendation was forwarded to Congress by the President.

---

[1] Constitution of the US, Article II, Section 1: "The President shall, at stated Times, receive for his Services, a Compensation, which shall neither be increased nor diminished during the Period for which he shall have been elected, and he shall not receive within that Period any other Emolument from the United States, or any of them."

[2] Also known as the "Quad Commission", and created in 1967, the Commission is authorized to meet every four years for the purpose of studying and making recommendations to the President on compensation to top officials of the Executive, Legislative and Judicial branches. The Commission has met 7 times, most recently in 1989. The Ethics Reform Act of 1989 renamed the Commission the "Citizens' Commission on Public Service and Compensation". Scheduled to meet in 1993 (with funds being appropriated through the TPO Appropriations bill), the Commission was never activated; funds for the Commission were rescinded in fiscal year 1994. Although the Commission is not specifically required to make recommendations on the President's salary, on two occasions (1968 and 1989), it has done just that.

Expense Allowance

The annual Expense Allowance of $50,000 is solely for the use of the President, at his discretion, for any purpose associated with the discharge of his official duties as President. Any unused portion reverts back to the Treasury; funds that are used are considered non taxable income.

Although the authorizing language doesn't specifically define allowable expenses, historical hearing records (Treasury Appropriations) show examples of permissible expenditures, including:

- gifts to official and distinguished Americans made on behalf of the government;
- official entertainment expenses not reimbursed from other government funds;
- travel expenses of members of the family whose presence is required for official purposes;
- cards, greetings or mementos sent to officials or to prominent citizens which would not be sent in a personal or political capacity;
- costs of special clothing acquired and used solely in public appearances; and expenses of the private home which would not be required except to permit the President to carry out his official functions.

Since 1980, no President has expended the total amount authorized and appropriated ***(see attached chart for historical expenditures***).

Between 1949 and 1951, the President was authorized to retain any unused portion of the $50,000 expense allowance as **non-taxable** personal income. Between 1951 and 1980, the President was authorized to retain any unused portion of the $50,000 expense allowance as **taxable** personal income.

In FY 1980, an amendment offered to the House reported Treasury Appropriations bill (by Mr. Bauman of Maryland) to limit the use of the expense allowance to official duties of the President, revert any unused portion back to the Treasury, and to consider the expenditure of these official funds as non-taxable income to the President was agreed to. A modified version of the Bauman amendment was included in the conference agreement. To date, the Treasury Appropriations bill includes this amendment ***(see attached bill language)***.

PRESIDENT'S SALARY

	Current Salary 1999	Election November 2000	Inauguration January 2001	2002	2003	Election November 2004	Inauguration January 2005	2006	2007	Election November 2008	Inauguration January 2009
[illegible]		1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
Vice President	175,400	180,662	186,082	191,664	197,414	203,337	209,437	215,720	222,191	228,857	235,723
Chief Justice	175,400	180,662	186,082	191,664	197,414	203,337	209,437	215,720	222,191	228,857	235,723
Members of Congress	136,700	140,801	145,025	149,376	153,857	158,473	163,227	168,124	173,167	178,362	183,713
Speaker of the House	175,400	180,662	186,082	191,664	197,414	203,337	209,437	215,720	222,191	228,857	235,723
Pres Pro Tem, Senate	151,800	156,354	161,045	165,876	170,852	175,978	181,257	186,695	192,296	198,065	204,007
Min & Maj Leaders	151,800	156,354	161,045	165,876	170,852	175,978	181,257	186,695	192,296	198,065	204,007
Cabinet Members	151,800	156,354	161,045	165,876	170,852	175,978	181,257	186,695	192,296	198,065	204,007
President	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955	268,783
[illegible]		1.038	1.036	1.032	1.030	1.026	1.027	1.027	1.027	1.027	1.028
Vice President	175,400	182,065	188,620	194,655	200,495	205,708	211,262	216,966	222,824	228,840	235,248
Chief Justice	175,400	182,065	188,620	194,655	200,495	205,708	211,262	216,966	222,824	228,840	235,248
Members of Congress	136,700	141,895	147,003	151,707	156,258	160,321	164,649	169,095	173,661	178,349	183,343
Speaker of the House	175,400	182,065	188,620	194,655	200,495	205,708	211,262	216,966	222,824	228,840	235,248
Pres Pro Tem, Senate	151,800	157,568	163,241	168,465	173,519	178,030	182,837	187,773	192,843	198,050	203,595
Min & Maj Leaders	151,800	157,568	163,241	168,465	173,519	178,030	182,837	187,773	192,843	198,050	203,595
Cabinet Members	151,800	157,568	163,241	168,465	173,519	178,030	182,837	187,773	192,843	198,050	203,595
President	200,000	207,600	215,074	221,956	228,615	234,559	240,892	247,396	254,075	260,935	268,242

[illegible]										
1970	212,000	**1991**	553,420	**1970**	200,000	**1991**	585,831			
1971	224,720	**1992**	576,664	**1971**	200,000	**1992**	606,335	**1989**	350,000	
1972	249,214	**1993**	598,000	**1972**	200,000	**1993**	625,737	**1990**	362,600	
1973	261,177	**1994**	623,296	**1973**	200,000	**1994**	625,737	**1991**	377,467	
1974	275,541	**1995**	643,366	**1974**	200,000	**1995**	625,737	**1992**	393,320	
1975	289,319	**1996**	659,707	**1975**	210,000	**1996**	625,737	**1993**	407,873	
1976	303,206	**1997**	681,676	**1976**	210,000	**1997**	625,737	**1994**	407,873	
1977	324,733	**1998**	698,377	**1977**	270,690	**1998**	640,129	**1995**	416,031	
1978	342,594	**1999**	723,518	**1978**	270,690	**1999**	640,129	**1996**	424,351	
1979	366,575			**1979**	285,578			**1997**	434,111	
1980	399,934			**1980**	285,578			**1998**	444,096	
1981	419,131			**1981**	285,578			**1999**	457,863	
1982	435,896			**1982**	328,415					
1983	435,896	***Note: includes locality pay**		**1983**	328,415					
1984	453,332			**1984**	341,551			***Note: does not include locality pay**		
1985	469,198			**1985**	353,506					
1986	469,198			**1986**	353,506					
1987	483,274			**1987**	419,258					
1988	492,940			**1988**	419,258					
1989	513,150			**1989**	419,258					
1990	531,624			**1990**	452,379					

Prepared by House Appropriations
Majority Staff

PRESIDENTIAL EXPENSE ALLOWANCE

FISCAL YEAR	TOTAL OBLIGATIONS
1980	50,000
1981	39,000
1987	24,000
1988	28,000
1989	39,000
1990	17,000
1991	20,000
1992	7,000
1993	8,000
1994	10,000
1995	5,000
1996	7,000
1997	7,000
1998	5,000

Note: FY 1980 was the last year unused dollars could be retained by the President (considered taxable income)

TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT

Fiscal Year 1999: Compensation of the President

TITLE III—EXECUTIVE OFFICE OF THE PRESIDENT AND FUNDS APPROPRIATED TO THE PRESIDENT

COMPENSATION OF THE PRESIDENT AND THE WHITE HOUSE OFFICE

COMPENSATION OF THE PRESIDENT

For compensation of the President, including an expense allowance at the rate of $50,000 per annum as authorized by 3 U.S.C. 102, $250,000: *Provided*, That none of the funds made available for official expenses shall be expended for any other purpose and any unused amount shall revert to the Treasury pursuant to section 1552 of title 31, United States Code: *Provided further*, That none of the funds made available for official expenses shall be considered as taxable to the President.

Salary Comparison for Selected Heads of State
(Amounts listed in US$)

United States	$200,000
Singapore	$465,450
Hong Kong (1998)	$405,450
Japan	$378,200
Taiwan	$303,500
Switzerland (approx.)	$230,000
United Kingdom	$164,400[1]
South Korea	$75,550

[1] Prime Minister Blair elected to accept only $96,267 for FY 1998/1999

Mr. HORN. But I also want to read portions of the very interesting statement from James F. Vivian, who could not make it here today. He's the author of the only book that we know on this subject, which is, "The President's Salary: A Study in Constitutional Declension," 1789 to 1990, published in New York by the Garland Publishers and he published that in 1993. And we really appreciate his summary here.

And he notes the two—in part:

The two most recent revisions, those of 1949 and 1969, proceeded almost entirely from the merits of the proposal. They served to strengthen the standing precedents for doubling the existing salary, for retaining the separate travel/expense allowance and for acknowledging the good will of the incumbent President towards the succeeding administration, regardless of its as yet unelected identity. Taken together, the four revisions tend to suggest that certain minimum conditions must also obtain among other minor observations. The supportive conditions include an ambiance of economic prosperity, national self-confidence, the laggard value of the salary as gauged by most familiar and ordinary standards, and the control of both Congress and the executive by the same political party.

The absence of this latter condition went far toward explaining the declension that had grown all too apparent, if not 1988, certainly by 1992. Never had the salary been of less importance.

Mr. Vivian concluded.

Never had the difference between it and the next highest salary been more narrow. Never have others' salaries been proportionately higher in relation to it. A bipartisan consensus sufficient to overcome the obstacles inherent in an era of divided government can prevail.

Should the proposed adjustment of the President's salary to $400,000 gain congressional approval, as I trust it will, one of my principal theses will have been destroyed. No matter. History is more easily revised than the salary, it would seem.

There is, after all, a quite practical consideration looming. Without an upward revision, the Presidency continues risking the dilution of an important distinction, namely, the preeminent compensation in the central government.

[The information referred to follows:]

STATEMENT OF JAMES F. VIVIAN

"A successful revision of the president's salary is a difficult and occasional occurrence," I wrote in my book on the subject, published in 1993. (The President's Salary: A Study in Constitutional Declension, 1789-1990 [NY: Garland Publishers].) Indeed, there have been but four such revisions to date, following upon the original stipulation of the salary in 1789. None of these revisions has been accomplished within less than 20 years of another. A full 83 years was required in the longest instance. The average interval between the revisions stands at 45 years. The current, and not untimely, proposal comes after a lapse of 30 years, as has been well published.

Clearly, there must be reasons to account for this curious and erratic record. One of them belongs to the Constitutional Convention of 1787, where the recurring tension first developed between those who pressed for a "respectable," possibly "imposing," salary clashed with those who sought to promote the culture of what a later generation would call "republican simplicity." The former group, led by Alexander Hamilton, may have carried the day, but the minority, represented by Benjamin Franklin, continues to wield persuasive influence, however muted its language. Which should most impress the office---the salary allowed its occupant or the amenities, expenses, and perquisites surrounding it? The question remains no less salient today than when it emerged 212 years ago. And a balance is not casually achieved.

A second reason deals with the interpretive complications that attended the three earliest revisions. All of them stemmed from the Framers' directive and its phrasing, as prescribed in Article II, Section 1, of the ratified Constitution:

> The President shall, at stated Times, receive for his Services a Compensation, which shall neither be increased nor diminished during the Period for which

> he shall have been elected, and he shall not receive within that Period any other Emolument from the United States, or any of them.

Events would show that the authors' care and precision afterward and inadvertently produced ambiguity and doubt.

The somewhat indirect revision of the salary under President U. S. Grant succeeded in part because of his own defensible application of the clause. Critics attempted in 1873 to equate the use of the word "period" to mean the whole of Grant's two elected, consecutive terms of office, and thus to deny him a doubled salary between terms. A presidential veto proved necessary in the end, both in deciding the issue and preserving an institutional integrity. No one today argues the contrary. It enable President Harry S. Truman to approve the bill in 1949 that raised his salary at mid-term. His action was not challenged.

The meaning of the word "emolument" required clarification in President Theodore Roosevelt's time, in connection with affording the White House a fixed travel allowance. As debated at length through several congressional sessions, notably under President William Howard Taft, the issue explains the oddity in salary revisions: stipulation of $75,000 even as precedent already spoke for doubling it from the previous $50,000. Contemporaries accepted the salary and the newly authorized travel allowance as one, totaling in combination $100,000. This sum became the revised salary in fact in 1949, under President Truman, with a doubling of the travel/allowance to $50,000.

Meantime, all the presidents between Woodrow Wilson and Franklin D. Roosevelt wondered, privately and silently, at the taxability of the salary in consequence of the adoption of the Sixteenth Amendment in 1913. Congress,

especially the Senate, usually insisted on the suitability of taxation. The Federal courts, ultimately the Supreme Court, held otherwise. President Warren G. Harding, for example, volunteered income taxes owed upon his salary, only to see the Internal Revenue Service order the amount rebated to his estate following a ruling from the Attorney General. Resolution of the conundrum was finally accomplished during President Roosevelt's second term, when the Supreme Court reversed earlier judgments, and Congress, in turn, reconciled them with the Revenue Acts legislated not long before the nation's involvement in World War II.

The two most recent revisions, those of 1949 and 1969, proceeded almost entirely from the merits of the proposal. They served to strengthen the standing precedents for doubling the existing salary, for retaining the separate travel/expense allowance, and for acknowledging the good will of the incumbent president toward the succeeding administration, regardless of its as yet unelected identity. Taken together, the four revisions tend to suggest that certain minimum conditions must also obtain, among some minor observations. The supportive conditions include an ambience of economic prosperity and national self-confidence, the laggard value of the salary as gauged by most familiar and ordinary standards, and the control of both Congress and the Executive by the same political party.

The absence of this latter condition went far toward explaining the declension that had grown all too apparent, if not by 1988, certainly by 1992. Never had the salary "been of less importance," I concluded. "Never had the difference between it and the next highest salary been more narrow. Never have others' salaries been proportionately higher in relation to it." A bipartisan consensus sufficient to overcome

the obstacles inherent in an era of divided government can prevail. Should the proposed adjustment of the president's salary to $400,000 gain congressional approval, as I trust it will, one of my principal theses will have been destroyed. No matter. History is more easily revised than the salary, it would seem.

There is, after all, a quite practical consideration looming. Without an upward revision, the presidency continues risking the dilution of an important distinction---namely, the pre-eminent compensation in the central government.

Mr. HORN. We will also be asking Ms. Gressle to come back and tell us a little bit about the salaries abroad. And we would just like that, at this point, in the record and then we will close it out. What we're interested in is just some of the comparisons abroad. I know some are a lot lower.

Ms. GRESSLE. Right.

Mr. HORN. But they are not the United States of America, and some are higher and some are the same.

Ms. GRESSLE. Right. And we have no idea about the relationship of the so-called perks of their salaries, for example whether they have had housing. These data are based on a very informal telephone survey that was conducted a couple of weeks ago.

Those which exceed the President's would be the chief executive of Hong Kong at—the figures I will give you are converted to United States dollars. So the chief executive in Hong Kong would be $418,182 a year.

Mr. HORN. And that's United States money, not Hong Kong?

Ms. GRESSLE. That's right.

Mr. HORN. Yes.

Ms. GRESSLE. Japan, $381,000. Panama actually is lower, but it is $180,000. We thought that was sort of an interesting figure.

Mr. HORN. Now those are both the chiefs of government, aren't they?

Ms. GRESSLE. The President of Panama and the Prime Minister of Japan, that's right.

Mr. HORN. And where is the President of the United States, chief of state as well as chief of government?

Ms. GRESSLE. That's correct. The prime minister in Singapore is at $496,941 a year. The President of Taiwan is $303,500 a year. If there are any others in which you are particularly interested—the United Kingdom's prime minister converts to $165,000 a year.

Mr. HORN. Well, that's very helpful. And we're going to put all of your figures in the record at this point.

Ms. GRESSLE. Thank you.

Mr. HORN. Thank you so much.

We've heard some very compelling testimony that has been supportive of raising the pay of the President of the United States. Clearly it would be impossible to compensate adequately any man or woman who will next hold the most powerful and difficult job in the United States, indeed, in the world.

The fact is that the last pay raise for a President of the United States was in 1969. Surely few corporate chief executives would accept such compensation.

I agree with many of our witnesses, however, that such comparisons may not be relevant. Few seek the Office of President for its generous salary, because it isn't that generous; and many others could, if they're interested in money, go, as was suggested in the private sector or other places. Nevertheless, being a millionaire is not a constitutionally endorsed requirement for Presidential candidates. Although a lot are simply for what was brought up by many witnesses that increasingly we have millionaires running for office, and that's fine. Everybody has got a right to run.

But the fact is that they don't need the salary, but the ones that aren't millionaires, and if they win, they need it; if they don't win,

they don't need it. And we just should be equalizing the amount of competition in our society, by having an appropriate, fair reasonable effective salary for the President of the United States, so they don't have to try to pull any punches while they're President at least, and that's why I stress the retirement.

It seems to me when you go around sort of begging for Presidential library money while you're still President of the United States, that you might well favor the millionaires that are going to give you a million and that bothers me, and that's why I suggested earlier that maybe the retirement ought to be adequate so that you don't have to go on boards and all the rest of it to try to recoup what it has cost you over the years.

Presidents, regardless of their personal income, ought to be able to independently and adequately support their families—and needless to say a few college tuitions were mentioned here today.

But, it is a very real problem when, as the current President has a child going to a prestigious school that does not come cheap.

So let me just thank now those who have prepared this hearing: J. Russell George, he's our staff director and chief counsel; Matthew Ebert, policy advisor, down at the end of the bench there. And Bonnie Heald, the director of communications, Mason Alinger, the clerk; and for the Democratic side, Faith Weiss, counsel; and Julia Thomas, who is our court reporter, as is Cindy Sebo.

And with that, I thank you all on this panel. And with that, we are adjourned.

[Whereupon, at 4:47 p.m., the subcommittee was adjourned.]

○