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Obama, Clinton, Edwards Back Measure Curbing Executive Pay

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By Alison Vekshin



May 11 (Bloomberg) -- Democratic presidential candidates may have come across a new campaign issue: spotlighting excessive executive compensation.

Senator [Barack Obama](#) of Illinois introduced a measure last month allowing public-company shareholders to hold an annual, non-binding vote on executive pay. New York Senator [Hillary](#)

[Clinton](#) and former North Carolina Senator [John Edwards](#) said yesterday they support his bill.

"We now have the greatest income inequality since the Great Depression," Edwards, 53, said in a statement. "This bill will be a major step forward in the fight to make sure shareholders get a real voice in how executives are paid."

President [George W. Bush](#) opposes the measure, which passed the U.S. House of Representatives last month. Leading Republican presidential candidates voiced skepticism over giving shareholders more say in determining executive pay.

Clinton, 59, Obama, 45, and Edwards are the top three Democratic candidates, according to polls. Their positions reflect growing public concern about the financial gap between lavishly paid corporate executives and working families.

The executive-pay measure, which was shepherded through the House by Financial Services Committee Chairman [Barney Frank](#), is now being considered by the Senate.

Senate Banking Committee Chairman [Christopher Dodd](#), a Connecticut Democrat, hasn't taken action on the issue, saying that he is looking at the legislation. Dodd, 62, is also running for president.

White House Opposition

One obstacle is the White House. The Bush administration says legislation isn't needed and wants time for new Securities and Exchange Commission rules on pay disclosure to take effect.

"A legislative solution isn't the best route to take," Bush spokesman [Tony Fratto](#) said in an interview. An April 17 White House statement said Congress shouldn't "mandate the process" by which executives are paid.

Dodd wondered "why the White House is getting so exercised over" the executive-pay measure, which is voluntary. It doesn't obligate companies to follow the shareholder votes.

"Some executives in America are making more than entire towns and communities,"

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Dodd said in a statement. "As Chairman, I take this issue seriously, and I welcome the input of other members of Congress on this issue."

The top Republican candidates haven't favored the measure. Arizona Senator [John McCain](#), 70, says he's mindful of high levels of executive compensation, yet is "concerned about congressional meddling in this matter," spokeswoman [Eileen McMenamin](#) said.

Romney, Giuliani

Kevin Madden, a spokesman for former Massachusetts Governor [Mitt Romney](#), 60, referred a reporter to comments Romney made saying shareholders already had the right to set the rules for companies. [Maria Comella](#), spokeswoman for former New York mayor [Rudy Giuliani](#), 62, had no immediate comment.

Frank, 67, a Massachusetts Democrat and a critic of high executive salaries, has made the issue a priority since taking over in January as chairman of the committee that oversees the SEC. Democrats said the legislation would help keep corporate salaries in check, especially among executives whose performance doesn't measure up to their pay.

"I think it reflects their understanding of what the majority of the people in the country feel about economic inequality," Frank, in an interview, said about the support of Obama, Clinton and Edwards.

Home Depot

His legislation, which passed the House 269-134 on April 20, followed the ouster of Home Depot Inc. Chief Executive Officer [Robert Nardelli](#), who left the Atlanta-based company in January after investors criticized him for collecting \$225 million in pay while the company's stock fell over his six-year tenure. Nardelli's severance package included \$210 million in cash, benefits and stock. In 2006 Home Depot shares fell 2.6 percent compared with an 11.8 percent gain for the Standard and Poor's 500 Index that year.

Median pay for 944 chief executive officers of U.S. companies rose 9.3 percent to \$2 million in 2006, according to the Corporate Library, a Portland, Maine-based corporate-governance research firm.

The pay disparity is resonating with the public. A Bloomberg/Los Angeles Times poll taken in December found that almost three-quarters of Americans believe the gap between those with more and those with less is a major issue. The poll found the greatest levels of concern among Democrats and independent voters, but even a majority of Republicans -- 55 percent -- called the situation serious.

"Senator Obama is confident that with such strong public support, this bill will advance" through Congress, spokesman Ben LaBolt said in a statement. The measure may "strengthen investors' confidence in our market system," Clinton spokesman Philippe Reines said in a statement.

Opponents said the measure would drive talented executives to private companies and empower activist investors angling to advance their own agendas.

A non-binding shareholder vote on pay could have negative ramifications, "turning the current structure upside-down where shareholders have a vote on day-to-day business decisions," said [Scott Talbott](#), senior vice president of government affairs at the Financial Services Roundtable, a Washington-based group that represents banks, insurers and securities firms.

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