

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

2009

February 4,

Remarks of President Barack Obama
Executive Compensation with Secretary Geithner

Thank you, Tim, for your hard work on this issue and on our economic recovery.

The economic crisis we face is unlike any we've seen in our lifetime. It's a crisis of falling confidence and rising debt. Of widely distributed risk and narrowly concentrated reward. A crisis written in the fine print of sub-prime mortgages, on the ledger lines of once-mighty financial institutions, and on the pink slips that have upended lives and cost the economy 2.6 million jobs last year alone.

We know that even if we do everything we should, this crisis was years in the making, and it will take more than weeks or months to turn things around.

But make no mistake:

A failure to act, and act now, will turn crisis into a catastrophe and guarantee a longer recession, a less robust recovery, and a more uncertain future. Millions more jobs will be lost. More businesses will be shuttered. More dreams will be deferred.

That's why I feel such a sense of urgency about the Economic Recovery and Reinvestment Plan that is before Congress today. With it, we can save or create more than three million jobs, doing things that will strengthen our country for generations to come. It is not merely a prescription for short-term spending - it's a strategy for long-term economic growth in areas like renewable energy, health care, and education.

Now, in the past few days I've heard criticisms of this plan that echo the very same failed theories that helped lead us into this crisis - the notion that tax cuts

alone will solve all our problems; that we can ignore fundamental challenges like energy independence and the high cost of health care and still expect our economy and our country to thrive.

I reject that theory, and so did the American people when they went to the polls in November and voted resoundingly for change. So I urge members of Congress to act without delay. No plan is perfect, and we should work to make it stronger. But let's not make the perfect the enemy of the essential. Let's show people all over our country who are looking for leadership in this difficult time that we are equal to the task.

At the same time, we know that this Recovery and Reinvestment plan is only the first part of what we need to do to restore prosperity and secure our future. We also need a strong and viable financial system to keep credit flowing to businesses and families alike. My administration will do what it takes to restore our financial system; our recovery depends upon it. And so next week, Secretary Geithner will release a new strategy to get credit moving again - a strategy that will reflect the lessons of past mistakes while laying a foundation for the future.

But in order to restore our financial system, we've got to restore trust. And in order to restore trust, we've got to make certain that taxpayer funds are not subsidizing excessive compensation packages on Wall Street.

We all need to take responsibility. And this includes executives at major financial firms who turned to the American people, hat in hand, when they were in trouble, even as they paid themselves their customary lavish bonuses. As I said last week, that's the height of irresponsibility. That's shameful. And that's exactly the kind of disregard for the costs and consequences of their actions that brought about this crisis: a culture of narrow self-interest and short-term gain at the expense of everything else.

This is America. We don't disparage wealth. We don't begrudge anybody for achieving success. And we believe that success should be rewarded. But what gets people upset - and rightfully so - are executives being rewarded for failure. Especially when those rewards are subsidized by U.S. taxpayers.

For top executives to award themselves these kinds of compensation packages in the midst of this economic crisis is not only in bad taste - it's a bad strategy - and I will not tolerate it as President. We're going to be demanding some restraint in exchange for federal aid - so that when firms seek new federal dollars, we won't find them up to the same old tricks.

As part of the reforms we are announcing today, top executives at firms receiving extraordinary help from U.S. taxpayers will have their compensation capped at \$500,000 - a fraction of the salaries that have been reported recently. And if these executives receive any additional compensation, it will come in the form of stock that can't be paid up until taxpayers are paid back for their assistance.

Companies receiving federal aid are going to have to disclose publicly all the perks and luxuries bestowed upon senior executives and provide an explanation to the taxpayers and to shareholders as to why these expenses are justified. And we're putting a stop to these kinds of massive severance packages we've all read about with disgust; we're taking the air out of the golden parachute.

We're asking these firms to take responsibility, to recognize the nature of this crisis and their role in it. We believe that what we've laid out should be viewed as fair and embraced as basic common sense.

Finally, these guidelines we're putting in place are only the beginning of a long-term effort. We're going to examine the ways in which the means and manner of executive compensation have contributed to a reckless culture and quarter-by-quarter mentality that in turn have wrought havoc in our financial system. We're going to be taking a look at broader reforms so that executives are compensated for sound risk management and rewarded for growth measured over years, not just days or weeks.

We've all got to pull together and take our share of responsibility. That's true here in Washington. That's true on Wall Street. The American people are carrying a huge burden as a result of this economic crisis: bearing the brunt of its effects as well as the costs of extraordinary measures we're taking to address it. The American people

expect and demand that we pursue policies that reflect the reality of this crisis - and that will prevent these kinds of crises in the future.

Thank you.