Journal of Business, Industry and Economics
Volume 27, Spring/Fall 2022, 24-48

Maximum Pay Laws: Is it Time?

Natalie P. Bryant[*], Michael R. White[⸸], Christine M. Newman[§], Joseph A. Newman[ζ]

Abstract: This paper addresses the large and growing pay gap between executives and employees in large corporations by considering the need for a private sector maximum wage law in the United States. The first section of the paper presents evidence that suggests the United States has a large pay gap compared to other countries and that the pay gap in the United States is growing over time. The second section of the paper presents a review of court cases and legislative actions that include the ineffectiveness of derivative lawsuits, the lack of new legal doctrines to address pay gaps, the general failure of the nonbinding say-on-pay vote to limit pay, the success of pay limits in the public sector, and various maximum pay laws that exist in different countries. The third section of the paper presents arguments for and against a private sector maximum pay law in the United States. The fourth and final section of the paper leaves the reader to decide if it is time for a private sector maximum pay law in the United States.

Key Words: Maximum Pay, Compensation, Regulation

* Troy University
⸸ Auburn University Montgomery
§ Troy University
ζ Auburn University Montgomery; retired; contact author

Introduction

Chief executive officers (CEOs) of the largest publicly traded US companies are paid more than their peers in other countries (Melin and Lu, 2017). US company CEOs were paid 265 times the average pay of their employees in 2017 (Melin and Lu, 2017). This is in stark contrast to Norway, where CEOs were paid just 20 times the average pay of their employees. A CEO pay to average employee pay ranking from 2017 for countries is shown in Table 1. Also, some CEOs in the United States are paid at much higher multiples. For example, one of the highest-paid chief executive officers in the United States is Elon Musk, whose annual pay from Tesla, Inc. in 2018 was $2.3 billion. As high as that pay might seem in nominal terms, it also seems high relative to median employee pay at Tesla. In 2018 Elon Musk was paid 40,668 times as much as the median pay of a Tesla employee (Tesla, Inc. 2019). Moreover, his pay, along with the pay of many other chief executive officers in the United States, is being noticed.

Table 1: CEO to average worker pay by country in 2017

Country	CEO to Average Worker Pay
United States	265
India	229
United Kingdom	201
South Africa	180
Netherlands	171
Switzerland	152
Canada	149
Spain	143
Germany	136
China	127
Australia	110
Hong Kong	89
Israel	85
Finland	71
France	70
Denmark	68
South Korea	66
Sweden	60
Japan	58
Singapore	56
Austria	49
Norway	20

Source: Melin and Lu, 2017

The AFL-CIO monitors and publishes CEO pay and pay gap data. The AFL-CIO website shows that in 2020, the average total pay for S&P 500 company CEOs was $15.5 million (AFL-CIO, 2022). That pay was 299 times median employee pay. The multiple is higher in some industries. For example, the consumer discretionary industry has an average CEO to employee pay multiple of 741. Other data show that CEO pay to employee pay has climbed over time in the United States (Mishel and Wolfe, 2019). Table 2 shows the climb in the United States from 1965 to 2017 (Mishel and Wolfe, 2019). CEOs were typically paid 20 times employee pay in 1965 but were paid 368 times employee pay in 2000 before dropping back to 281 times employee pay in 2017. These pay ratios show that the gap in pay between chief executive officers and employees in the United States has recently been high by historical standards.

Table 2: CEO to average worker pay ratios in the United States, by year

Year	CEO to Average Worker Pay
1965	20
1973	22
1978	39
1989	58
1995	121
2000	368
2007	346
2009	195
2016	263
2017	281

Source: Mishel and Wolfe, 2019

The high and growing gap in pay between CEOs and their employees in the United States happened in the face of efforts to control executive pay**.** In the private sector, efforts to control executive pay were made primarily through laws. For example, federal tax laws limit how much a company can expense in base pay for an individual employee to $1 million, thus discouraging companies from paying more than $1 million in base pay to any single employee. Another effort to control executive pay required that shareholders review the pay of top executives with an approval or disapproval vote known as say-on-pay. In 2017, companies were required to report the ratio of chief executive pay to the median pay of all other employees in the company in the hopes of shaming companies into reducing extremely high pay ratios.

In the US public sector, pay limits already exist. Federal employees on the General Schedule cannot be paid more than the pay rates for political appointees and others at level IV on the Executive Schedule, which effectively establishes a pay ceiling for federal employees (US Office of Personnel Management, n.d.a). The existence of a pay ceiling on federal employee pay, but the failure of tax laws, shareholder review, and the publication of pay gap ratios to limit private sector pay calls for exploring the idea of a maximum pay law (similar to the minimum wage law) that would put a ceiling on pay for all private-sector employees.

This paper explores the idea of a maximum pay law beginning with a review of legal developments and the inadequacies of limiting pay through various means, including both court cases using various legal doctrines and regulatory statutes in the United States and other countries. Then maximum pay law arguments are logically presented both for and against maximum pay law. The paper ends with a conclusion that summarizes the findings of this study and provides a few suggestions for additional research.

Legal Developments and Inadequacies

A. Derivative Lawsuit Ineffectiveness

Derivative lawsuits are one tool that shareholders have attempted to use to control executive pay, albeit with little success. Derivative suits "are commonly used to attack directors or officers engaging in conflict-of-interest transactions with the corporation or taking corporate opportunities belonging to the corporation" (Cox and Thomas, 2016). The most prevalent legal theories used by plaintiffs to challenge excessive executive pay include *corporate waste*, *unjust enrichment,* and *breach of fiduciary duties*. In many of these challenges, the defense most often proffered by those setting executive pay is an exercise of protected *business judgment.* The business judgment rule affords boards great discretion in setting executive pay absent any "disloyalty, bad faith, bad process, faulty disclosure, waste, or outright fraud" (Rhee, 2016). The discretion is so great that as long as the board makes an informed decision in good faith regarding executive pay, then any amount, regardless of how excessive, would be upheld under Delaware corporate law "subject only to the theoretical limit of the corporate waste doctrine" (Rhee, 2016). The legal mechanism through which frustrated or minority interest shareholders have resorted to challenging excessive executive pay is the filing and prosecution of a lawsuit called a "derivative" action. The basic distinction of a derivative lawsuit when compared to a direct-action lawsuit is ultimately to whom any benefits obtained are rewarded. A derivative lawsuit allows a shareholder to file a claim on behalf of the corporation. Therefore, the recovery, if any, must go to the corporation and not the individual shareholder. While derivative suits have not been successful in curbing excessive pay overall, some suits have experienced success in various stages of the litigation process, although not in the ultimate outcome (Rhee, 2016). Therefore, the threat of a derivative lawsuit has little influence on a board's decision regarding executive pay.

Procedural and substantive considerations make derivative lawsuits a weak tool for controlling excessive executive pay (Cox and Thomas, 2016). Procedurally, plaintiffs must either make a demand to the board or show cause for why the demand to the board would be futile. The judicial outcome under either option depends "on whether the court believes the board, or a subcommittee of the board, is sufficiently independent of alleged wrongdoing in the suit so that the board's opinion that the suit fails to serve a corporate interest will be upheld by the reviewing court" (Cox and Thomas, 2016). This is difficult to achieve considering that executive pay is typically determined and voted upon by a board or subcommittee of the board that contains independent directors, especially in public corporations that have several independent directors. However, in private corporations, there is a likelihood that a majority of the board of directors is not independent. In that case, the alleged wrongdoing set out in the plaintiff's complaint could be linked to the non-independent directors, thus making it more likely that the plaintiffs could show that demand on the board would be futile (Cox and Thomas, 2016). Further making derivative lawsuits a weak tool for controlling executive pay is that boards are protected from claims of excessive executive pay by immunity shields, which are provisions in the corporation's articles of incorporation that "insulates directors from liability for misconduct that is not a breach of the duty of loyalty, illegal, in bad faith, or a knowing violation of the law" (Cod and Thomas, 2016). Therefore, lawsuits claiming that directors engaged in some systematic breach of a fiduciary obligation are limited (Cox and Thomas, 2016). Additionally, it is very difficult for derivative suits to be successful considering the multi-step process in determining and approving executive pay and also considering that in-house counsel shepherds the process to ensure the board performs its due diligence (Cox and Thomas, 2016). For example, setting pay packages "involves external consultants, human resource professionals, and a deliberative process of at least a committee of the board" (Cox and Thomas, 2016).

Procedurally, if a plaintiff forgoes demand due to futility, the plaintiff must show that "either (1) the compensation is so egregious as to be beyond the protection of the business judgment rule or (2) the plaintiff has alleged with sufficient particularity that a majority of the board of directors lacks sufficient independence from the suit, or the suit's defendants, to render an impartial decision on whether the suit's continuance would be in the corporation's best interest" (Cox and Thomas, 2016). Due to substantive and procedural issues, derivative lawsuits have been ineffective at curbing excessive executive pay.

Shareholders have attempted to assert the waste theory in derivative lawsuits. Some waste theory cases have experienced limited success on the pleadings but very little success on the merits. In the 1920s and 1930s during the Great Depression, some derivative suits based on the waste theory were semi-successful by showing that an investigation into pay packages was merited. The seminal case on corporate waste, *Rogers v. Hill*, defined a standard to assess the overall reasonableness of an executive's pay package. In this decision, the court was asked to determine if the plaintiffs had sufficiently pled initial allegations to withstand a motion to dismiss filed by the recipients of the executive pay. In question was a bylaw adopted by shareholders that paid a percentage of profits to the president and vice-presidents in addition to their fixed salaries.[1] The company had experienced significant growth, and as such, a significant increase in profits. A minority shareholder became concerned about the amount being paid out to executives under the bylaw, and as a result, filed a lawsuit in equity challenging the validity of the bylaw due to the unreasonably large payouts to the executives under the bylaw.[2] The court noted that while the payouts issued as a result of a prescribed percentage in the bylaw did not give rise to an inference or actual construction of fraud, the large amount of the payouts did warrant an "investigation in equity in the interest of the company." In reaching its decision, the court stated that "if a bonus payment has no relation to the value of services for which it is given, it is in reality a gift in part, and the majority stockholders have no power to give away corporate property against the protest of the minority." Ultimately, the *Rogers* court held that "the facts alleged by plaintiff are sufficient to require that the District Court, upon a consideration of all the relevant facts brought forward by the parties, determine whether and to what extent payments to the individual defendants under the bylaws constitute misuse and waste of the money affirmed."[3] In other words, the existence of the bylaw and payments made as a result of it were in good faith

---

[1] Rogers v. Hill, 289 U.S. 582, 591 (1933).
[2] *Id.* at 785.
[3] *Id.* at 591.

and made in the best judgment of the shareholders for the corporation. However, because the payments were becoming large, the court thought it reasonable to remand the case back to the District Court to determine whether the payments made were reasonable (Murrey, 2005). As such, the court in *Rogers v. Hill* did not decide on the merits of whether the payouts prescribed by the bylaws constituted waste; however, it left open the option for lower courts to apply the waste theory to the case before it and future cases.

Essentially, "waste is a gift of corporate assets, and it occurs in one of two ways" (Murrey, 2005). "One is the payment of compensation without any requirement for the performance of any services rendered in return therefore. The other is the payment of too much compensation in return for the services received or expected to be received" (Murrey, 2005). However, whether waste occurred is a factual determination and not one that will be presumed (Murrey, 2005). Therefore, a payment made in alignment with a bylaw or board policy no matter how large is not presumed to be a corporate waste as long as the board of directors or shareholders were acting in the best interest of the corporation (Murrey, 2005). The main holding of *Rogers v. Hill* is "that the payment of compensation so large as to have no reasonable relationship to the value of services to be rendered constitutes waste, and waste may not be approved by the stockholders or the board of directors of a corporation over the objections of a minority stockholder" (Murrey, 2005). However, the holding did not make clear the pleading requirements or procedural steps for an evidentiary hearing or when a complaint alleging waste can be summarily dismissed (Murrey, 2005).

As a result of the lack of clear standards from *Rogers v. Hill*, the cases immediately following *Rogers* grappled with the exacting standards of the doctrine. Very few, if any, cases post-*Rogers* were successful on the merits of a waste claim. In a few cases, the court admonished the excessive pay of the case noting its immorality but still found the payouts legal. Additionally, several cases were dismissed because the plaintiff had failed to plead with particularity how the executive pay was unreasonable. One court even mixed the doctrine of waste with the breach of fiduciary obligations—two separate and distinct claims. However, one guiding principle from the cases is that a payout of pay by a policy established by the board of directors or shareholders does not establish waste per se. In 2000, in *Brehm v. Eisner*, the court provided a comprehensive summary of what is needed to establish waste:

> Roughly, a waste entails an exchange of corporate assets for consideration so disproportionately small as to lie beyond the range at which any reasonable person might be willing to trade. Most often the claim is associated with a transfer of corporate assets that serves no corporate purpose; or for which no consideration at all is received. Such a transfer is in effect a gift. If, however, there is any substantial consideration received by the corporation, and if there is a good faith judgment that in the circumstances the transaction is worthwhile, there should be no finding of waste, even if the fact finder would conclude ex post that the transaction was unreasonably risky.[4]

Even with this more comprehensive holding on what constitutes waste, in more recent cases plaintiffs have been unsuccessful on the merits of waste claims. However, some have experienced success on procedural points. For example, in *Weiss v. Swanson*, the court denied the defendant's motion to dismiss, noting that the shareholder sufficiently plead a corporate waste claim.[5] Despite success on procedural grounds, no cases in recent years have been successful on the merits of a waste claim. For example, the court in *In re Walt Disney Co. Derivative Litig*. held that a severance payout of $130 million to a fired executive did not constitute waste.[6] Additionally, in *Zucker v. Andreessen*, the court found a $40 million severance package not required by contract given to a fired executive did not constitute waste.[7] This history of the waste doctrine to date illustrates how difficult it is to be successful on a waste claim. As such, the waste doctrine is a weak tool for curbing excessive executive pay.

B. Lack of New Legal Doctrines

As stated previously, the great deference afforded boards through fiduciary obligations, the business judgment rule, and the corporate waste doctrine makes it nearly impossible for derivative suits based on excessive pay to be successful. Given that these doctrines are long-standing pillars of corporate law, courts are extremely hesitant to change or depart from them. Additionally, the business judgment rule provides social utility by limiting the liability of corporate officers and directors, which allows them to conduct and manage the affairs of a corporation without too much hesitancy or fear. No case exists where a court has "struck down a compensation decision solely based on the excessiveness of the pay" (Rhee, 2016). Considering

[4] Brehm v. Eisner, 746 A.2d 244, 263 (Del. 2000).
[5] 948 A.2d 433 (Del. Ch. 2008).
[6] 906 A.2d 27, 70-75 (Del. 2006).
[7] No. 6014-VCP, 2012 WL 2366448, at *3-4, *7-10 (Del. Ch. June 21, 2012).

this reality, courts have not developed any new doctrines to address the problem of excessive pay (Rhee, 2016). In the face of public dissatisfaction over executive pay, courts threatened heightened scrutiny of pay decisions; however, those threats have subsided as public dissatisfaction has waned (Rhee, 2016).

While much of Delaware's corporate law originates in statute, it is developed through the common law (Rhee, 2016). Overall, courts dislike meddling in employment contracts where the contract was a product of an arms-length negotiation process (Rhee, 2016). In the light of various doctrines discussed previously, it would be in poor judgment for a court to meddle in the contract terms of pay. Of course, courts can overturn or disregard long-standing precedents and doctrines, but it would be in contradiction to the business judgment rule deference afforded to directors when they act in good faith (Rhee, 2016). Courts and society as a whole recognize the social utility of the business judgment rule and the protection it affords officers and directors (Rhee, 2016).

However, one recent case decided in 2019, *Tornetta v. Musk*, shows that the Chancery Court of Delaware is open to setting a precedent with heightened standards in executive pay cases.[8] In *Tornetta*, Elon Musk's $55.8 billion pay plan was called into question. The matter was before the Chancery Court on a Rule 12(b)(6) motion to dismiss for failure to state a claim upon which relief should be granted. The Tesla Board had approved Musk's pay plan. However, when this pay package had been placed before the Tesla stockholders for approval, the beneficiary, Elon Musk was the controlling stockholder. The court acknowledged that the case presented a matter of first impression under Delaware law in deciding upon the appropriate standard of review. Either the court should adjudicate the matter under the fiduciary conduct doctrine and defer to the business judgment rule standard or utilize the entire fairness standard looking at the totality of circumstances. As the *Tornetta* court observed, "as pled, the Award is a transaction with a conflicted controlling stockholder and, as such, it ought to provoke heightened judicial suspicion."[9] The court went on to state that, "[i]n instances where the beneficiary of a transaction is a controlling stockholder, there is an obvious fear that even putatively independent directors may owe or feel a more-than-wholesome allegiance to the interests of the controller, rather than

[8] 250 A.3d 793 (Del. Ch. 2019).
[9] *Id.* at 797.

to the corporation and its public stockholders."[10] The concern is that the controlling shareholder will coercively exert influence over the board and other shareholders. As a result, based on similar situations in the past, a transaction with a conflicted shareholder must be reviewed for substantial fairness (Strine, 2005). In these circumstances, stockholder approval of the conflicted controller transaction, alone, will not justify business judgment deference.[11] The *Tornetta* court went on to examine the complaint's allegations under the "entirely fair" doctrine, setting a very high bar for the plaintiff. While the *Tornetta* case is a step forward in controlling excessive executive pay with new legal doctrine, it was a case of first impression, thus making it easier for the court to set a heightened standard of proof.

Despite the court's hesitancy to adopt new doctrines or change precedent that applies to executive pay, the courts have shown they can quickly develop new doctrines in other areas of corporate law (Rhee, 2016). For example, in the 1980s and 1990s, the Delaware courts developed new doctrines in the face of takeovers and buyouts. The lack of a new legal framework for executive pay cases is not for the absence of executive pay cases to review (Rhee, 2016). Thus, the "lack of existence is a juridical choice" (Rhee, 2016). While it is possible for Delaware courts to develop new legal doctrines, either by bright-line rule or a multifactor reasonableness test, the likelihood of them doing so is slim considering the politics of Delaware and its well-known reputation of being business-friendly. In fact, in the past, when Delaware courts made decisions against corporate management, the legislature acted to preempt the court's decision (Rhee, 2016).

C. Say on Pay Failures

Legislation giving shareholders a say on executive pay, known as "say-on-pay," began in the U.K. around 2006 (Rhee, 2016).[12] Simply stated, say-on-pay gives shareholders a non-binding vote on executive pay (Fisch, et al., 2018). The impetus behind say-on-pay legislation is that giving shareholders a voice "would both reduce overall pay levels and encourage boards to tie executive pay more closely to firm performance" (Fisch, et al., 2018). Soon after the U.K. passed say-on-pay legislation, other countries enacted similar laws, with the United States joining the trend on a limited basis in 2008 via TARP during the financial crisis (Rhee, 2016).

[10] *Citron v. E.I. DuPont de Nemours & Co.,* 584 A.2d 490*,* 502 (Del. Ch. 1990).
[11] *See Corwin v. KKR Fin. Hldgs. LLC,*125 A.3d 304, 306 (Del. 2015).
[12] *Id.* at 715.

However, with the passage of the Dodd-Frank Act in 2010, say-on-pay was extended to all US public companies (Rhee, 2016). Dodd-Frank requires that "companies allow shareholders to vote on to approve executive compensation packages every three years" (Rhee, 2016). Additionally, shareholders vote on the frequency of how often they vote on pay packages and on golden parachute provisions (Rhee, 2016). Shareholders vote on the pay going to the five highest-paid executives (Rhee, 2016). Notably, since the shareholder vote is not binding on the board of directors but merely advisory, "courts have predictably dismissed derivative suits based on negative shareholder say-on-pay votes in the vast majority of cases" (Rhee, 2016). Therefore, the decision on the pay package is within the board's discretion only (Rhee, 2016).

Scholars expressed skepticism toward say-on-pay, and several studies have confirmed their suspicions that say-on-pay would be an ineffective way to monitor and limit executive pay packages (Rhee, 2016). One study found there was a 91.2 percent average vote in favor of management resolutions for executive pay (Rhee, 2016). For the companies that did not receive a majority vote for the executive pay resolutions, the study found that the negative votes "stemmed from shareholder discontent arising from a perceived disconnected between pay and performance" (Rhee, 2016) Based on this study, it appears that say-on-pay lacks effectiveness (Rhee, 2016). One of the reasons for this ineffectiveness may be that shareholders are unwilling to review and analyze executive pay on an individual basis. As such, the issue with say-on-pay is shareholder apathy (Rhee, 2016). Shareholders likely see little benefit in investing the time it would cost them to make an informed decision (Rhee, 2016). Based on the foregoing, say-on-pay alone is insufficient to control executive pay.

D. Statutory Pay Limitations Using Taxpayer Funds

One area where governments have considered executive pay limits has been the expenditure of taxpayer funds for the provision of healthcare services. In the state of New York, Governor Cuomo issued Executive Order 38 (EO38) in January 2012 in response to media reports of high executive pay within nonprofit healthcare organizations funded in part by Medicaid. Executive Order 38 directed agencies (including the Commissioner of Health) providing state funding to service providers to regulate executive pay and administrative costs. Goals were set for administrative cost reimbursement at 15 percent by the year 2015 and limits on reimbursement by state funds for executive pay by a provider to $199,000.[13] Regulations were promulgated by the New York Department of Health in 2013 consistent with these goals.[14] One of the executive pay limits sought to go beyond just reimbursement by state funds at $199,000 and set limits on pay related to the 75th percentile of pay provided to comparable executives in similar size providers in a comparable geographic area. The limits were challenged by two healthcare-related groups in separate declaratory judgment actions which were consolidated into one case decision on appeal. The above facts were developed from the consolidated opinion offered by Chief Judge DiFiore on October 18, 2018, from the *Leadingage* case.[15]

Ultimately, the *Leadingage* court upheld the "hard cap" $199,000 limits on healthcare executive pay reimbursement using state funds but felt the promulgated regulations went too far in the provisions attempting to set pay limits based on the 75th percentile comparison in the same program service sector. In defining to whom the limit would apply, the court quoted the relevant regulation, "Both executive compensation caps apply to compensation paid to a 'covered executive,' defined in the regulations as 'a compensated director, trustee, managing partner, or officer,' or 'key employee' whose compensation exceeded $199,000 during the reporting period, whose salary and/or benefits, in whole or in part, are administrative expenses."[16] The court felt the limiting regulations were consistent with the legislature's role because they were grounded in the statutory mandate of "administer[ing] taxpayer fund[ed] programs efficiently to get the biggest bang for the buck in the delivery of health care and services."[17] The New York Supreme Court also held that the hard cap regulations were not arbitrary and capricious, noting that the regulations were promulgated based on task force research and after public comment, and that the definitional thresholds, exclusions, and the decision to apply the regulations only to providers receiving state funding were not irrational.[18] Therefore the New York appellate courts upheld the limits on healthcare executive pay that grew from an executive order and promulgated regulations by state agencies consistent with their legislative mandate to manage taxpayer funds efficiently.

---

[13] *See* N.Y. COMP. CODES R. & REGS. tit. 9, § 8.38 (2012).
[14] *See* N.Y. COMP. CODES R. & REGS. tit. 10, § 1002 (2013).
[15] *See* Leadingage New York, Inc., et al. v. Shah, 32 N.Y.3d 249 (N.Y. Ct. App. 2018).
[16] *Id.* at 256.
[17] *Id.* at 258.
[18] *Id.*

Although it has not been litigated in the courts as of this writing, the impact of the COVID 19 coronavirus led to the passage of federal laws intended to help the economy of the United States. The stated goal of leaders is to support the businesses and workers victimized by mandated closings and social distancing in mitigation efforts. A common theme in these relief bills is to prevent the taxpayer funds from being used to support executive pay above certain limits. The *Coronavirus Aid, Relief and Economic Security Act of 2020* (the *CARES Act*) was signed into law by President Trump on March 27, 2020.[19] Along with other initiatives of the several trillion dollar relief packages, Congress expressly placed limits on executive pay for those entities seeking relief through participation in these federal programs. Companies must voluntarily enter into agreements to abide by these executive pay limits as a condition of participation in these relief programs, yet the reality of the shutdown of so much of the US economy made participation in these relief programs far less voluntary and much more mandatory for businesses struggling to survive. Section 1106 of the *CARES Act* only allows forgiveness of SBA loans to borrowers when executive pay does not exceed $100,000.[20] Therefore any executive compensation above the limit is not protected when seeking forgiveness of loan indebtedness. Section 4004 further imposes requirements for executives with pay levels exceeding $425,000 per calendar year. Participation in the program meant their pay levels remained stable for the next year. In other provisions found in Section 4116 applying to airlines and related contractors, those executives who were paid more than $3,000,000 in the calendar year 2019 are "capped" at the $3,000,000 plus 50 percent of that portion of their 2019 pay that exceeded the $3,000,000 base. The law also has limits on the severance or buy-out provisions for executives in these pay levels. Total pay under Section 4116(b) includes salary, bonuses, awards of stock, and other financial benefits provided by an eligible business to an officer or employee of that business.[21]

The *American Rescue Plan Act of 2021(ARP Act)* signed into law by President Biden on March 11, 2021, was a subsequent effort by Congress to address the economic environment during and following the COVID-19 pandemic.[22] In Section 7201 of the *ARP Act* assistance was provided primarily to airline employees who earned less than $200,000 annually with

[19] Pub. L. No. 116-136 (2020).
[20] *Id.*
[21] *Id.*
[22] Pub. L. No. 117-2 (2021).

supplemental funds to their employers to keep them employed and not permanently discharged during the pandemic. Congress recognized the impact on those who worked for the airlines and supporting efforts critical to the infrastructure of the industry. Section 7202 of the *ARP Act* allows agreements to help fund this group of employees for up to 6 months. Just as is contained in the *CARES Act*, the *ARP Act* has similar restrictions in Section 7301 for executive pay above the $425,000 annual level. Restrictions for executives being paid $3,000,000 or higher annually in the airline industry and related contractors mirror the sentiments found in the *CARES Act*.

The inclusion of limits on executive pay when it comes to the use of taxpayer resources in these important laws suggests it is reasonable to believe that greater receptiveness resides within both the legislative and executive branches of government to consider further incentives to reign in excessive executive pay. However, the judicial branch, in numerous rulings, has displayed consistent reluctance to substitute a court's judgment on executive pay in the absence of a clear legislative or executive mandate justifying such substitution.

E. Maximum Pay Laws in Various Countries

Many countries have enacted laws that indirectly or directly limit executive pay. Indirect limits typically involve nonbinding shareholder votes to approve or disapprove pay. Direct limits can be laws that require binding shareholder votes on pay, specific limits on public or private sector executive pay, or government authorities who must approve executive pay. Table 3 provides a summary of countries with a law that provides indirect or direct limits on executive pay. Maximum pay laws use terms such as "salary," "bonus," "benefits," "stock," or "options," and may also use generic terms such as "remuneration" or "compensation" to refer to pay. In this paper, only "pay" is used and refers to the different types of pay.

Table 3 shows sixteen countries with indirect or direct limits on executive pay. Indirect limits in fourteen of those countries require shareholders to have a least a nonbinding vote to approve or disapprove executive pay and are considered by some to be effective limits on pay because companies usually respond to disapproval votes by lowering pay. Direct limits in ten countries provide legal mechanisms to limit executive pay, either with a binding shareholder vote on pay, a specific pay limit, or pay subject to regulatory approval. For example, Canada limits increases in executive pay for some public sector entities to approved guidelines (Broader Public Sector Executive Compensation Act, 2014) and requires government approval of the executive pay plan for a newly created employer (Bill 100, Protecting What Matters Most Act (Budget

Measures), 2019). China gives shareholders authority to approve director and supervisor pay (Lin, 2016) and limits the base salary for state-owned enterprise executives to twice the prior-year average worker's wage of state-owned enterprises (Lin, 2018). France gives shareholders a binding vote on executive pay policy and a binding vote on prior-year executive pay (Pietrancosta, 2017).

Table 3: Maximum Pay Laws by Country

Country	Vote	Cap	Reference
Australia	Yes	No	Corporations Amendment [Improving Accountability on Director and Executive Remuneration] Bill 2011, 2011
Austria	Yes	No	Glass, Lewis & Co., 2020a
Canada	No	Yes	Broader Public Sector Executive Compensation Act, 2014; Bill 100, Protecting What Matters Most Act (Budget Measures), 2019
China	Yes	Yes	Lin, 2016; Lin, 2018
Finland	Yes	No	Ilmonen and Marjamaki, n.d.
France	Yes	Yes	Pietrancosta, 2017
Germany	Yes	No	VM Datenservice, n.d.
India	No	Yes	Raithatha and Komera, 2016
Israel	Yes	Yes	Licht et al., 2013; Scheer, 2016
Netherlands	Yes	Yes	Van der Elst and Lafarre, 2017
Norway	Yes	No	Simonnaes and Aarbakke, 2021
South Korea	Yes	Yes	Ahn et al., 2020; Gwon and Moon, 2019
Spain	Yes	No	Sanchez-Marin et l., 2017
Sweden	Yes	Yes	Glass, Lewis & Co., 2020b
Switzerland	Yes	Yes	Palmer, 2013
United States	Yes	Yes	Quinnell, 2018; Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010; An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the

			budget for fiscal year 2018, 2017; Coronavirus Aid, Relief and Economic Security Act of 2020; American Rescue Plan Act of 2021

In Table 3 if the "Vote" is "Yes," then shareholders have at least a nonbinding vote on director or executive pay. If "Cap" is "Yes," there is at least a binding shareholder vote, a specific limit on pay, or pay subject to regulatory approval.

In the United States, shareholders have the right to a nonbinding vote on executive pay (Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010). Also, US companies are restricted by the US Internal Revenue Code to a $1 million expense for pay in salary, bonus, and stock grants for each of the top five executives in a company (Quinnell, 2018). In addition, the US Internal Revenue Code imposes a 21 percent surtax on tax-exempt organizations that pay any executive more than $1 million (An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, 2017). Furthermore, maximum pay limits exist for US federal employees, where the Level 1 limit as of January 2021 is $221,400 (US Office of Personnel Management, n.d.b). However, there is no strict limit on executive pay for private-sector for-profit organizations for pay in the form of non-equity incentive plans, stock options, stock appreciation rights, pensions, and deferred compensation (U.S. Department of the Treasury, n.d.).

Maximum Pay Law Arguments

A. Arguments for a Maximum Pay Law

The unequal increase in real incomes in the United States that has disproportionately favored those with high incomes could be addressed with a maximum pay law. From 1980 to 2014, the average pretax income of the bottom 50 percent of adults has stagnated at about $16,000 per adult (in constant 2014 dollars, using the national income deflator), while the average pretax income of the top 1 percent of adults rose from $420,000 to about $1.3 million in 2014. In 1980, the top 1 percent of adults earned on average 27 times more than the bottom 50 percent of adults before tax, while they earned 81 times more in 2014. (Piketty, Saez and Zucman, 2018). This shows a greater portion of total income going to those with high incomes, but a maximum pay law should serve to limit further disproportionate increases in the real incomes of top earners and help to distribute income more evenly.

Implementing a maximum pay law is simple if linked to the existing minimum wage (Pizzigati, 2018). Tying maximum pay to the minimum wage could be done as a multiple. For example, at the current US minimum wage of $7.25 per hour, a person working 40 hours per week every week of the year could make $15,080. If the multiple was one hundred times that minimum wage, the maximum annual pay would be $1,508,000. To enforce the maximum, any annual income above that amount could be subject to a one hundred percent tax. Applying the maximum annual pay to all income sources should prevent loopholes. A distinct advantage of this approach is that it ties the fortunes of the lowest earners to those of the highest earners because the only way for the highest earners to increase their income would be to increase the income of the lowest earners.

A maximum pay law could eventually result in a more equal distribution of incomes and wealth to help prevent massive and violent disruptions of society possibly caused by concentrations of incomes and wealth (Scheidel, 2017). Throughout history, concentrations of incomes and wealth seem to be natural consequences of organized societies. These concentrations were dispersed in almost every case by one or more events: mass mobilization warfare; transformative revolutions; state failure; and lethal pandemics. Examples are countries subjected to destruction by war and the communist overthrow of their governments during the 1900s. While it is not widely agreed that concentrations of income and wealth caused these events, it is clear the events dispersed incomes and wealth, and a maximum pay law could remove any wealth and income redistribution impetus for these events.

A maximum pay law is likely to reduce negative economic consequences thought to be the result of income and wealth inequality (Scheidel, 2017). Studies report lower economic growth rates are associated with higher levels of inequality (Easterly, 2007; Cingano, 2014; Ostry, Berg, and Tsangarides, 2014). This association appears especially strong in developed economies. Furthermore, economic downturns could be triggered by lower-income households trying to overcome income and wealth inequality through excessive borrowing. For example, some argue that lower-income households borrowing from wealthy households to keep up with the perceived consumption patterns of affluent groups triggered the Great Recession of 2008.

A maximum pay law would replace and strengthen the impetus behind the say-on-pay requirement. Say-on-pay in the United States was supposed to help limit outlandish executive pay by giving shareholders a non-binding vote to approve or disapprove executive pay but did not provide any guidance on an appropriate level of executive pay. Most votes cast approve executive pay, and even when most votes disapprove, companies are not required to reduce executive pay. When there is evidence of a reduction in pay associated with say-on-pay, the effect is small (Newman and Newman, 2018; Newman et al, 2019). With a maximum pay law, the limited impact of say-on-pay on executive pay could be effectively replaced by an enforceable and strict limit on pay.

A maximum pay law would overcome the roadblock to controlling executive pay brought on by recognizing the impact of the Prisoner's Dilemma (Anginer et al., 2019) To apply the Prisoner's Dilemma problem to executive pay, imagine that CEOs of two different companies are suspected of helping each other take excessive pay by serving on each other's board and supporting each other's pay. Each CEO is told by suspecting board members to confess or remain silent. A confession with the other CEO silent results in a moderate reduction in pay for the CEO who confessed and a large reduction in pay for the silent CEO. The CEOs are also told that if they both confess, they will both take a moderate reduction in pay. However, if both remain silent, both will only be subjected to limits on future pay raises. To avoid any reduction in current pay, each CEO will remain silent, and the struggle and controversy over excessive pay will continue.

A maximum pay law would help address natural tendencies that perpetuate high concentrations of wealth (Scheidel, 2017). A natural tendency is for people to reluctantly share their wealth with low-income members of society, especially if the low-income members belong to ethnic minorities. For example, European countries are experiencing a reluctance of native populations to share their wealth with immigrants arriving from the Middle East and Africa. Another tendency is assortative mating which widens income and wealth disparities. For example, as high-income people mate with other high-income people, they and their children have access to more elitist education. They also have more access to healthcare advances that give them an even greater ability to outperform others less fortunate. Therefore, without a maximum pay law, natural tendencies will lead to even greater pay disparities between various societal groups.

Maximum pay limits have already been imposed for US federal employees. For example, the highest amount of aggregate pay to a federal employee cannot exceed the maximum pay for Level 1 of the Executive Schedule. According to the US Office of Personnel Management:

> A GS employee may not receive any portion of any allowance, differential, bonus, award, or other similar payment under title 5, United States Code, in any calendar year, which when combined with the employee's basic pay would cause the employee's aggregate compensation (including premium pay) to exceed the rate for level I of the Executive Schedule at the end of the calendar year (U.S. Office of Personnel Management, n.d.a)

The Level 1 limit as of January 2021 was $221,400 (US Office of Personnel Management, n.d.b). The method used to arrive at this pay limit for federal employees might serve as a method to establish a pay limit for private-sector employees.

A maximum pay law should not be a roadblock to employing competent people, given limited yet compelling evidence from Berkshire Hathaway. Berkshire Hathaway directors are paid token fees, typically $1,200 per year, whereas directors of like-sized companies average $250,000 per year (Cunningham and Cuba, 2020). This example suggests that if Warren Buffett can obtain highly competent directors for Berkshire Hathaway at a small fraction of what other companies pay their directors, then executives in other corporate positions, such as chief executive officer, might also work for far less than typical current levels of pay. Even Warren Buffet, as CEO of Berkshire Hathaway, is paid just $100,000 annually (Berkshire Hathaway, Inc., 2021). Thus, a maximum pay law might not impede the hiring of competent people based on the example of Berkshire Hathaway.

Finally, a maximum pay law would overcome the deference displayed in the courts to corporate boards in pay disputes. As mentioned previously, the judicial branch, in numerous rulings, has displayed consistent reluctance to substitute a court’s judgment on executive pay in the absence of a clear legislative or executive mandate justifying such substitution. This has been the case both with derivative lawsuits brought by shareholders, as well as bankruptcy courts in which the court has argued for limits on pay. Since both types of court actions have had little success at limiting what some would argue as excessive pay, such disputes would obtain a clear direction for resolution, and maybe even be altogether avoided with a legislative mandate creating a standard of fairness through a maximum pay law.

B. Arguments Against Maximum Pay Laws

Possibly the most significant argument against maximum pay laws is the problem of setting the limit on pay. This problem is part of the fundamental question of what is considered a "normal" level of inequality in incomes (Scheidel, 2017; Bourguignon, 2015). Pay differences have changed over time. Inequality in pay might be high relative to a decade ago but not high relative to a century ago. Therefore, the problem of setting the limit on pay is compounded by the issue of the appropriate timespan to be used.

Another argument against a maximum wage has to do with the difficulty of predicting the future based on the past (Scheidel, 2017). History may point to negative economic consequences and other detrimental effects of income inequality, but those lessons may not be pertinent today. Compared to much of the history of civilization, low-income groups today in both developed and least developed countries live better than their ancestors. Governments today typically provide some sort of safety net for low-income groups. Thus, a concern for society being disrupted by violence due to income inequality may no longer be pertinent because of the safety nets that governments provide.

From the perspective of labor economics, a maximum pay law that lowers existing levels of CEO pay would have an adverse impact on the supply of qualified CEO labor. This assumes that the CEO labor market is perfectly competitive without any influence on the demand and supply of qualified CEO labor other than pay and that the market is currently in equilibrium. Limiting pay below the equilibrium to lower CEO pay would then restrict the supply of qualified CEO labor and cause fewer qualified CEOs to offer their services. On the other hand, if maximum pay was set at or above equilibrium pay, CEO pay would remain at the current equilibrium without having any impact on the pay gap between CEOs and their employees. Thus, labor economics suggests that limiting CEO pay to reduce the pay gap would reduce the pay gap at the expense of leaving some companies without a qualified CEO, which is arguably an adverse unintended consequence that is an argument against enacting a maximum pay law.

A final argument against enacting a maximum pay law is that most of the seemingly high pay to executives is paid by stockholders, who usually approve the pay (Breheny et al., 2021). Pay to top executives consists mostly of shares of stock and stock options. Newly issued shares of stock and options used for executive pay dilute the value of existing shares. Dilution diminishes stockholder wealth. Yet executive pay is subject to a nonbinding shareholder vote that companies usually take seriously. Objection to pay often results in a reduction in pay. Thus, if pay is usually approved, pay may not be of concern to most of those whose wealth is used as the payment, making a maximum pay law unnecessary.

Conclusion

Pay disparity is a growing concern. Existing mechanisms to control pay such as lawsuits and shareholder reviews of executive pay have had little or no significant impact on the growing divergence between executive pay and median employee pay. A possible solution is a maximum pay law. However, a maximum pay law to prevent excessive pay faces many challenges. First, identifying the level of pay considered excessive is a problem that is probably much more challenging than identifying pay that is considered minimally adequate. Second, expecting guidance from court cases has proven illusory. Third, the existence of the problem is debatable, since say-on-pay gives stockholders, who would be most likely negatively impacted by excessive executive pay, a vote on pay that usually approves pay. However, the increasing gap between the typical worker and executive pay may signal a moral imperative to limit private sector executive pay in a way like that imposed on US federal workers. Simply showing that something has not been accomplished through either legislation or the courts does not imply that existing and rising pay disparities are appropriate. Ultimately, people must decide if it is time for a comprehensive maximum pay law.

Research should continue to discover more agreeable alternatives to a maximum pay law. Also, research should look for more arguments for and against using a maximum pay law. For example, the moral implications of a maximum pay law could be investigated. Finally, at a minimum, pay data should be examined as it becomes available to determine the extent to which pay divergences between top executives and their typical employees are changing to see how divergences are trending. Regardless, this paper hopefully sheds some light on the issue of the executive pay controversy and might provide some useful ideas for those interested in evaluating the viability of a maximum pay law.

References

AFL-CIO. 2022. Executive Paywatch. Retrieved from https://aflcio.org/executive-paywatch.

Ahn, C. S., B.E. Joo, and D. Kim. January 1, 2020. Corporate governance and directors' duties in South Korea: overview. Thomson Reuters Practical Law. https://uk.practicallaw.thomsonreuters.com/8-209-

5002?transitionType=Default&contextData=(sc.Default)&firstPage=true#co_anchor_a865202An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018. 2017. Pub. L. No. 115-97. https://www.congress.gov/bill/115th-congress/house-bill/1/text

Anginer, D., J. Liu, C. A. Schipani, and H. N. Seyhun. 2019. Should the CEO Pay Ratio be Regulated? *The Journal of Corporation Law,* 45(2): 471-514.

Berkshire Hathaway, Inc. 2021. United States Securities and Exchange Commission Schedule 14a Information. https://www.sec.gov/Archives/edgar/data/1067983/000119312521080418/d938053ddef14a.htm.

Bill 100, Protecting What Matters Most Act (Budget Measures), 2019. Statutes of Ontario 2019, chapter 7 (2019). Bill 100, Protecting What Matters Most Act (Budget Measures), 2019 - Legislative Assembly of Ontario (ola.org)

Bourguignon, Francois. 2015. The Globalization of Inequality. Princeton University Press, Princeton, New Jersey.

Breheny, B. V., J. M. Yaffe, and C. S. Kim. January 6, 2021. *Say-on-Pay votes and Compensation Disclosures.* Harvard Law School Forum on Corporate Governance. https://corpgov.law.harvard.edu/2021/01/06/say-on-pay-votes-and-compensation-disclosures/

Broader Public Sector Executive Compensation Act, 2014, S.O. 2014 c. 13, Sched. 1. 2014. Broader Public Sector Executive Compensation Act, 2014, S.O. 2014, c. 13, Sched. 1 (ontario.ca)

Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011. 2011. Parliament of Australia. https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r4520

Cunningham, L. and S. Cuba. 2020. *Margin of Trust: The Berkshire Business Model.* Columbia Business School Publishing.

Cingano, Federico. 2014. Trends in Income Inequality and its Impact on Economic Growth, *OECD Social, Employment and Migration Working Papers,* No. 163, OECD Publishing. Retrieved from https://www.oecd.org/els/soc/trends-in-income-inequality-and-its-impact-on-economic-growth-SEM-WP163.pdf

Congress.gov. "Text - H.R.4173 - 111th Congress (2009-2010): Dodd-Frank Wall Street Reform and Consumer Protection Act." July 21, 2010. https://www.congress.gov/bill/111th-congress/house-bill/4173/text.

Congress.gov. "Titles - H.R.1 - 115th Congress (2017-2018): An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018." December 22, 2017. https://www.congress.gov/bill/115th-congress/house-bill/1/titles.

Congress.gov. "H.R.748 - 116th Congress (2019-2020): CARES Act." March 27, 2020. https://www.congress.gov/bill/116th-congress/house-bill/748.

Congress.gov. "Text - H.R.1319 - 117th Congress (2021-2022): American Rescue Plan Act of 2021." March 11, 2021. https://www.congress.gov/bill/117th-congress/house-bill/1319/text.

Cox, J.D., and R.S. Thomas. 2016. Corporate Darwinism: Discipling Managers in a World with Weak Shareholder Litigation. *North Carolina Law Review*, 95: 43-48.

Easterly, William. 2007. Inequality does cause underdevelopment: Insights from a new instrument. *Journal of Development Economics,* 84(2): 755-776.

Fisch, J.E., D. Palia, and S.D. Solomon. 2018. Is Say on Pay All About Pay? The Impact of Firm Performance. *Harvard Business Law Review*, 8: 101-129.

Glass Lewis & Co. 2020a. *2020 Proxy Paper Guidelines: An overview of the Glass Lewis Approach to Proxy Advice - Austria*. Guidelines_AUSTRIA.pdf (glasslewis.com)

Glass, Lewis & Co. 2020b. *2020 Proxy Paper Guidelines: An overview of the Glass Lewis Approach to Proxy Advice - Sweden*. Retrieved from Guidelines_SWEDEN.pdf (glasslewis.com)

Gwon, J. H., and B. S. Moon. 2019. Executive Compensation in Korea: Evidence from a New Mandatory Disclosure. *The Journal of Asian Finance, Economics and Business,* 6(3), 91–101. https://doi.org/10.13106/JAFEB.2019.VOL6.NO3.91

Ilmonen, K., and L. Marjamaki. n.d. *Finland: Corporate Governance Laws and Regulations 2021*. ICLG. https://iclg.com/practice-areas/corporate-governance-laws-and-regulations/finland

Licht, A., R. Talmore, and H. Sachs. January 7, 2013. *Israel's Executive Compensation Reform.* Harvard Law School Forum on Corporate Governance. https://corpgov.law.harvard.edu/2013/01/07/israels-executive-compensation-reform/

Lin, Li-Wen. 2016. Behind the numbers: State capitalism and executive compensation in China. *University of Pennsylvania Asian Law Review*, 12(2): 140-179.

Lin, Li-Wen. 2018. Revisiting Executive Pay of China's State-Owned Enterprises: Formal Design, Fresh Data, and Further Doubts. *UC Davis Business Law Journal*, 19(1): 27-66.

Melin, A. and W. Lu. December 28, 2017. CEOs in US, India earn the most compared with average workers, *The Economic Times.* Retrieved from https://economictimes.indiatimes.com/news/company/corporate-trends/ceos-in-us-india-earn-the-most-compared-with-average-workers/articleshow/62282196.cms

Mishel, L. and J. Wolfe. August 14, 2019. CEO compensation has grown 940% since 1978, Typical worker compensation has risen only 12%. *Economic Policy Institute.* Retrieved from https://www.epi.org/publication/ceo-compensation-2018/

Murrey, J.W. 2005. Excessive Compensation in Publicly Held Corporations: Is the Doctrine of Waste Still Applicable. *West Virginia Law Review*, 108: 433-445.

Newman, Christine M. and Joseph A. Newman. 2018. Top Management Team Pay and Company Performance Before and After Say-on-Pay, *The Journal of Business Inquiry,* 18(2): 143-161.

Newman, C. M., K. Banning, R. M. Johnson, and J. A. Newman. 2019. The Say-on-Pay impact on Executive Pay: An Analysis of Pay Ratios, *Journal of Business and Behavioral Sciences,* 31(2): 192-205.

Ostry, Jonathan D., Andrew Berg, and Charalambos G. Tsangarides. 2014. Redistribution, Inequality, and Growth. IMF Staff Discussion Note, International Monetary Fund, 1-30. Retrieved from https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf

Palmer, E. March 27, 2013. *Switzerland: Referendum on executive pay.* Library of Congress. Retrieved from Switzerland: Referendum on Executive Pay | Library of Congress (loc.gov)

Pietrancosta, A. November 30, 2017. *Say On Pay: The New French Legal Regime in light of the Shareholders' Rights Directive II.* University of Oxford, Faculty of Law. Retrieved from Say On Pay: The New French Legal Regime in light of the Shareholders' Rights Directive II | Oxford Law Faculty

Piketty, Thomas, Emmanuel Saez, and Gabriel Zucman. 2018. Distributional National Accounts: Methods and Estimates for the United States. *The Quarterly Journal of Economics,* 133(2): 553-609.

Pizzigati, S. 2018. *The Case for a Maximum Wage.* Polity Press.

Quinnell, K. 2018. Executive Paywatch 2018: The Gap Between CEO and Worker Compensation Continues to Grow. *Corporate Greed.* Retrieved from https://aflcio.org/2018/5/22/executive-paywatch-2018-gap-between-ceo-and-worker-compensation-continues-grow

Raithatha, M., and S. Komera. 2016. Executive compensation and firm performance: Evidence from Indian firms. *IIMB Management Review*, 28(3): 160-169.

Rhee, R. J. 2016. Intrafirm Monitoring of Executive Compensation. *Vanderbilt Law Review*, 69: 709-719.

Sanchez-Marin, G., G. Lozano-Reina, J. S. Baixauli-Soler and M. E. Lucas-Perez. 2017. Say on pay effectiveness, corporate governance mechanisms, and CEO compensation alignment. *BRQ Business Research Quarterly*, 20(4): 226-239.

Scheidel, W. 2017. *The Great Leveler: Violence and the History of Inequality from the Stone Age to the Twenty-First Century.* Princeton University Press.

Scheer, S. March 29, 2016. *Israel passes law to cap bankers' salaries.* Reuters. Retrieved from Israel passes law to cap bankers' salaries Reuters

Simonnaes, S. G. and A. Aarbakke. August 26, 2021. *Norway: Corporate Governance Laws and Regulations 2021.* ICLG. Retrieved from https://iclg.com/practice-areas/corporate-governance-laws-and-regulations/norway

Strine, L.E. 2005. The Delaware Way: How We Do Corporate Law and Some of the New Challenges We (and Europe) Face. Delaware Journal of Corporate Law, 30: 673-696.

Tesla, Inc. 2019. United States Securities and Exchange Commission Schedule 14a Information. Retrieved from https://www.sec.gov/Archives/edgar/data/1318605/000156459019012121/tsla-pre14a_20190611.htm.

U.S. Department of the Treasury. n.d. *Revenue Consequences of 162(m).* Retrieved from https://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/Firms-Exceeding-162m.pdf

U.S. Office of Personnel Management. n.d.a. *Policy, Data, Oversight, Pay & Leave Fact Sheet:Maximum GS Pay Limitations.* Retrieved September 15, 2021 from https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/maximum-gs-pay-limitations/

U.S. Office of Personnel Management. n.d.b. *Salary Table No. 2021-EX Rates of Basic Pay for the Executive Schedule (EX)*. Retrieved September 15, 2021 from https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2021/EX.pdf

Van der Elst, C., and A. Lafarre. 2017. Shareholder voice on executive pay: A decade of Dutch Say on Pay. *European Business Organization Law Review*, 18(1): 51-83.

VM Datenservice. n.d. *ARUG II – Act Implementing the Second Shareholders' Rights Directive into German Law.* Retrieved August 31, 2021 from ARUG II | Glossary | WM-SRD-HUB