Talk of the Nation

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NEAL CONAN, host:

This is TALK OF THE NATION. I'm Neal Conan in Washington.

When a company's earnings improve, its CEO can expect rewards: better salary, generous bonuses, stock options. It's called pay for performance. But what happens when earnings drop or the company goes bust? Recently, the chief executive of troubled US Airways led the company into a second bankruptcy, imposed cuts in pay and benefits on just about every employee, except himself.

Another controversial case is Franklin Raines, the CEO of Fannie Mae. Earnings at the government-backed mortgage finance company may be reduced by $9 billion after two federal agencies found discrepancies in the company's accounting. Raines was forced to retire, but despite what some see as gross mismanagement, he will leave with a highly lucrative retirement package; so will his chief financial officer. Whether Raines will be allowed to keep any or all of it is now in dispute, but wasn't Enron supposed to bring an end to these scandals? Later in the program, the link between development and disaster and some widely publicized biblical antiquities turn out to be forgeries.

But first, pay, performance, accountability and reform. If you have questions about how CEO salaries and benefits are set, about whether they're worth it, or about post-Enron reforms, our number here in Washington is (800) 989-8255. That's (800) 989-TALK. The e-mail address is totn@npr.org.

And joining us now is John McKinnon, a reporter for The Wall Street Journal. He's been covering the story on Fannie Mae. He's with us here in Studio 3A. Thanks very much for coming in today.

Mr. JOHN McKINNON (The Wall Street Journal): Sure. Hi, Neal.

CONAN: Could you explain to us exactly what happened at Fannie Mae?

Mr. McKINNON: Fannie Mae has been an extremely profitable, successful company over the last few years, and especially since mortgage rates have been so low, but the company has recently undergone a very extreme accounting scandal and has been ordered essentially to restate all of its earnings for the last four years and is going to have to effectively erase about $9 billion of its earnings, and that's going to effectively erase more than a year's worth of its earnings over that four-year period, so...

CONAN: So a pretty major development there.

Mr. McKINNON: It's an enormous problem, yes.

CONAN: And the chief executive and the chief financial officer of the company are being asked to leave. I guess the terminology of corporate press releases suggests that, but at the same time, they are taking away retirement packages that boggle the mind.

Mr. McKINNON: Well, that's right. Frank Raines is going to leave with at least $19 million that we can account for based on the disclosures that Fannie has made so far, and that number could be quite a bit higher, actually possibly even twice as high. And in the course of his career at Fannie Mae, I've heard people estimate that he has made possibly as much as a hundred million dollars on the company, which is a very comfortable way to make a living.

CONAN: This accounting problem--is Raines--is the CEO and the CFO--are they responsible for this?

Mr. McKINNON: Somebody obviously is responsible. It's not entirely clear who it is at this point unfortunately, and these are very complicated matters. But it is, I think, difficult for people to account for or stomach the fact that somebody could be making that much money over the course of their career and not really know what was going on with the books.

CONAN: Another thing that people have asked about this particular circumstance, Mr. Raines came on as CEO of Fannie Mae--What?--five years ago.

Mr. McKINNON: Yes, that's right.

CONAN: And if this had been somebody who had been with the company from the start, maybe an entrepreneur who started a big company, well, that's one thing. Somebody who's been there for five years, with that record of, you know, longevity and loyalty, he walks away with all that money?

Mr. McKINNON: That is the price that the company has to pay apparently to get top quality leadership. At least that's the way that a lot of corporate governance experts described it.

CONAN: Now a lot of these compensation packages, all of this was presumably negotiated when Mr. Raines came on or added to after he recorded some profitable years there at Fannie Mae, but he still gets paid, despite leaving under a cloud of scandal.

Mr. McKINNON: Well, that is apparently what's going to happen, but it's important to note that there are at least a couple of caveats there. The agency that regulates the company could step in and say, `You can't walk away with all that money. We've got some objections to that.' And it's also possible that other agencies--for example, the Securities and Exchange Commission--could step in and say, `Hold on for a second.'

CONAN: After Enron, Congress passed a law, the Sarbanes-Oxley Act of 2002 that requires a CEO to sign off on the company's financial statements. Does that apply to Fannie Mae and to Mr. Raines?

Mr. McKINNON: You know, there are lots of uncertainties about that provision of Sarbanes-Oxley, and there are especially a lot of uncertainties with regard to Fannie Mae. Fannie Mae is a very unusual entity. It's kind of a push me-pull you that's--you know, used to be a federal agency and is now a private company. So it's unclear whether a lot of federal laws apply to them. But even if the law does apply to Fannie Mae, there are still a lot of uncertainties about who's supposed to enforce it, how exactly it works, what standards you use. So there is, unfortunately, a lot of gray there.

CONAN: But after Enron, a lot of people asked an awful lot of questions about the responsibility for boards of directors to be involved in this, and again, legally, this may not apply precisely to Fannie Mae. But there were a lot of questions asked about corporate accountability, the boards of directors' responsibility, and again, that CEOs and CFOs have to take a greater role in responsibility for, well, what turns out to be in this case shenanigans.

Mr. McKINNON: Sure, that's right. The big point of the law was to make CEOs and CFOs actually sign on the dotted line, the bottom line, that their numbers are accurate.

CONAN: So after all of this, as far as you can see, as a reporter who's been covering this part of the business, has Sarbanes-Oxley begun to make some changes? Is there more accountability?

Mr. McKINNON: I think there's a lot more caution, and I think that there's a lot more effort to make sure that everyone knows what's going on inside a company. But I have to say that for the companies that are experiencing problems, for the companies where there's smoke, you really can't say that there's been a huge impact so far, and that may be something that Congress wants to try to readdress.

CONAN: And where do the shareholders come out in all of this?

Mr. McKINNON: Shareholders, in a few cases, are trying to stand up on their hind legs and make themselves heard. In the case of Disney, some shareholders, I believe, have been raising a lot of objections to the exit package of one of their executives. But so far, those efforts have been few and far between, I think.

CONAN: OK. Our number, if you'd like to join the conversation, is (800) 989-8255, (800) 989-TALK. The e-mail address is totn@npr.org.

And let's bring Bill into the conversation. He's with us from Greenbelt, Maryland.

BILL (Caller): Hi. Can you hear me OK?

CONAN: Yes, we can hear you fine, Bill. Go ahead.

BILL: Yes. I'm just wondering, certainly, Mr. Raines has not been convicted of any offense. I mean, aren't we a little premature in talking about taking away his monies that he's entitled to for retirement? Can't we wait until we find out what happened? As far as I know, the only problem that happened is that they overstated their earnings, and a lot of companies do that, and nobody's going to jail or losing their retirement. So why are we talking about this at this stage of the indictment--or not even indictment, of this investigation?

Mr. McKINNON: Well, that's a fair point, and nobody has taken away any money from Frank Raines. I think people have simply said, `We're going to have a look at it,' as in the case of the federal regulator of Fannie Mae and Freddie Mac and as in the case of the SEC, which is also doing a broad investigation of the accounting. So I think you raise a fair point. No one wants to convict anyone of anything, but at the same time, I think it's fair to raise concerns about who's minding the store.

CONAN: And do you think it's fair--if the person who ran your company, Bill, if it turned out that the earnings that they've reported over the past four years, well, they were wrong by a whole year, you'd want to raise questions, wouldn't you?

I guess Bill has left us. We apologize for that and maybe he'll call back. Any case, if you'd like to join the conversation, our number is (800) 989-8255, (800) 989-TALK. The e-mail address is totn@npr.org.

Joining us now is Jesse Fried, a professor of law at the University of California at Berkeley, the co-author of "Pay Without Performance: The Unfilled Promise of Executive Compensation," and he joins us now from the studios of member station KALW in San Francisco. Thanks very much for being with us today.

Professor JESSE FRIED (University of California at Berkeley): Thanks, Neal.

CONAN: And again, Fannie Mae is a peculiar corporation, but does it illustrate some of the problems that you write about in the book?

Prof. FRIED: Raines is a poster child for a lot of the problems with executive compensation in the United States. First of all, he's being thrown out by his board for mismanagement, and he's getting a enormous retirement package. He's basically enjoying a soft landing, even though he's failing. In our book, we found that during the 1990s, boards fired approximately 1 percent of the CEOs per year. The firing rate is very low. And the reason is that boards are not really dealing with the CEOs at arm's length. The CEOs have tremendous power over their boards. And when they do fire the CEOs, they usually give the CEOs a very cushy landing, huge retirement payouts. They're allowed to keep their options. They get all sorts of perks. Gratuitous payments are made to them that aren't even called for by their contract.

And the problem with all this is that it reduces executives' incentives to perform well.

During the 1990s, pay escalated substantially, and the justification that was given to shareholders was that it was necessary to give CEOs incentives to create shareholder value, but if you pay CEOs even when they mess up, then the incentive to perform well is reduced, and companies are wasting their money.

CONAN: So what you're saying is effectively, there's a double standard. When things go well, everybody does well. When things go badly, one person does well.

Prof. FRIED: When things go well, the CEOs benefit, and when things go really badly--really badly, because in order for a CEO to be fired, there has to be a major scandal. It's not enough that they do below average. When things go really badly, the CEO might be let go, but they go out in style. And you can contrast this with the treatment of regular employees who are often let go for reasons having nothing to do with their own failure to perform. Regular employees are much less likely to be laid off. When they're laid off, they're usually in much greater economic crisis than the CEOs, because they don't have as much wealth, and they're given nothing.

CONAN: Let's get another caller on the line. Kevin is with us from San Diego.

KEVIN (Caller): Yes. How do you do? I have two observations on this matter. One has to do with the nature of the CEO. The paradox of the CEO is that while the CEO is responsible for everything, the CEO is never responsible for any thing, and therefore, there is always deniability of responsibility, as was the case in Enron, if you recall, with the CEO who said, `Well, gee, I didn't know what the numbers said. Someone else did that.'

CONAN: Yeah, but...

KEVIN: The other...

CONAN: Go ahead, Kevin, I'm sorry.

KEVIN: Oh, I'm sorry. The other point is what I believe to be the corruption of the corporate law of fiduciary responsibility. Corporate lawyers in New York and in Delaware primarily--and it's in the Delaware courts and the law of Delaware is generally followed in this regard--have set the bar so high for management's responsibility that unless an executive of a publicly traded company is found with his or her hand in the till, actually stealing, it's virtually impossible to hold them legally liable. The system is really corrupt, and I say that as one who has drafted employment agreements and have been involved in board meetings of publicly traded companies. These people hire their friends, people who are similarly situated, who are also generally executives of other companies.

CONAN: Kevin, are you a...

KEVIN: And it's you scratch my back and I'll scratch yours.

CONAN: Kevin, are you an attorney yourself?

KEVIN: I am.

CONAN: Tell you what, Kevin, we're just about to go to a break. Hang with us. When we come back, we'll get response to some of your points from our guests, and thanks very much. I'm going to put you on hold, OK?

KEVIN: OK.

CONAN: And if I remember which button to push. In the meantime, I wanted to thank John McKinnon for joining us today. Thank you very much for your time today.

Mr. McKINNON: You're welcome.

CONAN: John McKinnon, a reporter for The Wall Street Journal, joined us here in Studio 3A to talk about Fannie Mae in particular. We'll continue talking with Jesse Fried of the University of California at Berkeley and the co-author of "Pay Without Performance" when we come back from a break. And, of course, we want to hear from you as well. Our number is (800) 989-8255. You can also send e-mail, totn@npr.org.

I'm Neal Conan. You're listening to TALK OF THE NATION from NPR News.

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CONAN: This is TALK OF THE NATION. I'm Neal Conan in Washington.

We're talking about CEO pay for performance or maybe, in some cases, non-performance. Our guest is Jesse Fried, professor of law at the University of California at Berkeley, co-author of "Pay Without Performance: The Unfulfilled Promise of Executive Compensation." If you'd like to join the conversation, our number is (800) 989-8255. That's (800) 989-TALK. The e-mail address is totn@npr.org.

Just before the break, we were on the line with a gentleman named Kevin, a corporate attorney from San Diego, California. And, Jesse Fried, I wanted to ask you about one of Kevin's points. He said the CEO is responsible for everything and not responsible for any one thing. I'm probably misparaphrasing what Kevin had to say. But wasn't Oxley-Sarbanes supposed to correct that? Wasn't the idea of this federal legislation to say, look, state laws may say what they say, but this federal law says the CEO is the captain of the ship, responsible for everything that happens on his watch?

Prof. FRIED: Yeah, that is the intent of the law. It mainly deals with accounting, and in, of course, the Raines case, that was the issue that triggered his, quote, unquote, "retirement." But in many of the cases, the issue is not some earnings manipulation, but just poor performance, and the problem is that these managers are not properly incentivized by tying their pay to performance, as we discuss in great detail in the book

"Pay Without Performance."

And the Raines case is a very good illustration of this. When the company released its statement detailing what Raines would be getting in retirement, my co-author, Lucian Bebchuk, and I studied the disclosures, and we tried to figure out the value of all of the payments that Raines would be getting in retirement, and the value of his pension alone, which his wife will continue to receive after he dies if he predeceases her, is about $25 million. And I don't know if you remember this, but in the early 1990s, Congress decided that pay should be tightly linked to performance, and in order to encourage companies to not provide so much pay that is not linked to performance, they decided to impose a tax penalty on non-performance pay in excess of one million. And for that reason, Fannie Mae, like many other public companies, limits the salary of their executives to under a million dollars.

So for the last couple of years, Raines has been making less than a million dollars a year. But this tax penalty does not apply to post-retirement payouts. So Raines is getting $25 million of pay that is totally de-linked from performance after he retires. For the five or six years that he worked as a CEO, so even though...

CONAN: This is deferred compensation, like a baseball player or a football player.

Prof. FRIED: Well, this is actually not deferred compen--it's a defined benefit retirement plan, which actually very few regular workers have now. Most workers have their money put in 401(k) plans and that...

CONAN: Defined contribution as opposed to defined benefit, yes.

Prof. FRIED: Right, defined contribution plans. And then based on how well the market does, they'll have a certain kitty to retire on. For executives who, in theory, should be able to bear the vicissitudes of the economy and retirement much better than the ordinary worker, they are guaranteed a certain amount per year when they die, and Raines' package was particularly generous because the payments can start right now when he's 55, and if he predeceases his wife, who is eight years younger than she is, she will get these payments for the rest of his life. So if you run the numbers and you do some actuarial analysis, you see that the value of this annuity is like $25 million. He only got a million dollars of salary for each of the six years that he was CEO, but if you look at the total amount of salarylike pay that he's getting and you divide it by the number of years he's served as CEO, it's like $6 million.

And again, all of the pay that these CEOs are getting is justified because it's supposed to link their fortunes with those of the shareholders. But the way things have developed in practice, with the help of corporate lawyers and compensation consultants, is to provide a lot of this compensation in forms that are not tied to the manager's own performance, so the manager's going to get paid no matter what.

CONAN: Yeah. Kevin.

KEVIN: Yes.

CONAN: Is that the illustration you were talking about, the skew that you were talking about?

KEVIN: Well, I think so. But I think the irony--and I really enjoy hearing Professor Fried's take on this. I think the irony of tying compensation directly to performance is it incentivizes the kind of accounting gimmickry that we see here that generally--my experience is it tends to be initiated at a middle management sort of level because the tenor for it is set by senior management, and people, by way of incentive plans and performance goals and objectives set by the CEO and approved by the board, tend to incentivize this kind of going right to the line and maybe over it in some of these very nuanced accounting rules. And as...

CONAN: As pr--we...

KEVIN: ...as is the case here, you know, these things can have very, very devastating cumulative effects once they are found out, if they are.

CONAN: OK. Kevin, thanks very much for the call. We appreciate it.

KEVIN: Sure.

CONAN: OK. Wanted to get somebody else in on the conversation here. And let's go to Mark, and Mark's calling from Tulsa, Oklahoma.

MARK (Caller): Yes. I just have a comment or two and then I'll take response offline.

CONAN: OK.

MARK: First of all, any businessman who has the opportunity--any business person, I should say, who has the opportunity is going to negotiate for themself the very finest and most lucrative compensation package that they possibly can.

CONAN: Sure.

MARK: Who is signing off on this are boards of directors. And these are the people that are ultimately responsible for signing the contract that pay these people these huge bonuses and these payouts. I think if you want to wag your finger at somebody, I think that--you know, who needs to have their fingers wagged at them and to be turned out as quickly as the CEO is, is everybody that's on the board of directors that allowed this to take place. And to get a CEO to sign off personally on financials that he didn't produce, maybe not even being an accountant, so that he is out from behind the corporate veil, I doubt you're going to get anybody who's willing to take that sort of job for any amount of pay.

And my other comment was, I think it would be a little ridiculous to ask Congress to try to do something about setting a payment for--incentive payment for production when they won't even hold themselves to that same standard.

CONAN: Well, that's, of course, true of Congress on many levels, but anyway, Jesse Fried, a response on the first point.

Prof. FRIED: I actually want to go back to a point made by the previous caller, which was about the incentive to manipulate earnings. One of the reasons why there's--there are two reasons, I think, why there are incentives to manipulate earnings, and they both have to do with the structure of the compensation. One is that the managers are basically free to sell their stock at any time, and so they have incentive to generate short-term price hikes, which they can then use to sell their stock at a higher price.

And the other thing is that the bonuses are determined by the board, in part, based on earnings, which are easy to manipulate. And if the boards wanted to do what's right for shareholders, they would put more restrictions on the ability of managers to unload their shares. They'd require the managers to hold their stock for a longer period of time, perhaps until even after they left the firm. When managers were allowed to sell their stock, they wouldn't let them choose the timing of the stock sale. They would require them to sell according to a prearranged plan or with sufficient advance notice. And bonuses would not be based on short-term earnings, but would be based on some average of earnings over a period of time, so that if there happened to be a restatement later on, it would get factored in.

CONAN: Mm-hmm.

Prof. FRIED: But the boards are not negotiating contracts that are really designed to maximize shareholder value. They're tilting heavily in favor of the management because, as the most recent caller said, the boards have difficulty dealing with these CEOs at arm's length. And all you have to do is look at their incentives to understand it. The boards want to please the CEO who's coming in because that CEO is going to have tremendous power over them. They own very little stock in the company so that if they pay the CEO an extra $10 million, it's really no skin off their teeth. They don't have that much time to--and information--get into the nitty-gritty details with the CEO over compensation. The CEO is going to be represented by an able attorney. The board is going to have compensation consultants advising it, but often these compensation consultants have an incentive to please the incoming CEO because they're going to be retained for other purposes.

CONAN: Well, let me stop you there. Because joining us now is Steven Hall, president of Pearl Meyer & Partners, a compensation consulting firm. And he's with us today from his home in East Islip, New York.

Thanks very much for joining us.

Mr. STEVEN HALL (President, Pearl Meyer & Partners): Hi. Good afternoon.

CONAN: As you go into negotiations, what factors go into establishing the market for a chief executive officer?

Mr. HALL: Well, the general way in which we attempt to--we attempt to understand what is the competitive value of the job, what is the mission of the executive that's being hired, what is he being asked to do, how much of a stretch is it, what is the business plan that he's expected to execute on? But, you know, an interesting point is--I'll tell you, as someone who often represents a board of directors or compensation committee in these negotiations, the most harrowing final instructions that they give us is `Hey, Steve, we really like this guy. We think he's the right person. Don't lose him.'

CONAN: So you're basically told `Spend as little as possible but don't spend so little that you lose him'?

Mr. HALL: Well, be able to make sure that the package is competitive and that you can justify it and that you can give a professional opinion on its reasonableness. But one of the things we often try and advise companies that are looking to hire at least a CEO-level executive is see if you can have two people that you're dealing with, because a lot--you get a lot of information on how an individual thinks during this negotiating process, whether they're someone that wants to clear the table of everything they can get or whether they've got much more modest views and they think more of the whole team and the company.

CONAN: Has anything changed substantially since after Enron and Sarbanes-Oxley?

Mr. HALL: I think it has. I think Sarbanes-Oxley has been a wake-up call to compensation committees that life is very serious out there. I think not only the legal requirements of Sarbanes-Oxley have directors making sure that they're spending an awful lot of time understanding what's going on, but also the reputational risk that they're facing. What we find right now in the work that we've been doing is that the number of meetings of the board and committees have been increasing dramatically over the last two years. And in addition, the length of time that a meeting takes has been increasing. For example, with compensation committee meetings, we're finding the length of time of the average compensation committee has more than doubled what it was three years ago.

CONAN: I'm sure as somebody who's, you know, involved in these negotiations, you keep a pretty good poker face, but as you're going through some of these compensation packages, I wonder if your internal eyebrows are going up and down? I mean, is--are executives worth this kind of money?

Mr. HALL: That's a tough one for any of us to--you know, I never think that anybody that's paid more than I am is worth what they're being paid.

CONAN: Yeah, me, too!

Mr. HALL: And that's the difficulty, I think, that all of us have when we look at pay at any level. I think it's more important that we make sure that the deal we structure going in is one that we're happy with and that we'd be willing to pay for for whatever performance we're being asked--we're asking that executive to do it. And to be honest with you, the pay package that we set out for these executives, how much we decide is going to be annual compensation and what are the performance metrics, how much is going to be stock and how quickly can they liquify that stock is all sending different messages to executives in terms of what they should be focusing on.

CONAN: And, again, the double standard--you get rewarded for performance but are there any measures that you've ever seen where somebody says, `Look out. If you don't do well, this will be reduced'?

Mr. HALL: Well, they're--you know, I think we're seeing that more and more today. The performance metrics discussions are we're spending much more time in all of the different phases of putting a compensation package together, and more and more I hear comp committees sitting in meetings saying, `Wait a minute. That CEO can't expect to be making that much money for this kind of performance this year.' Unfortunately...

CONAN: Di...

Mr. HALL: ...I know that the CEO's expecting that plus more...

CONAN: Yeah.

Mr. HALL: ...based on private discussions we've had.

CONAN: Well, also, I mean, to the point of--and, again, Mr. Raines, I guess, is an example. Executives quit or are forced out and still get severance. Isn't that a little strange?

Mr. HALL: Well, to me, that's--well, the--I think it depends, like everything. The one that makes me a little nuts all the time is the executive who is--who, quote, "quits" or "resigns" from the company and gets a "severance package." I think one of the troubles that all of us have when we hear these things reported in the media is truly understanding what is it that they're being paid for. When we hear big numbers, often it's a compilation of things that they've already earned in the past and they were entitled to even if they'd stayed with the company. But the items that are heaped on top are the ones that cause concern, and the pay for non-performance is an increasing focus of comp committees right now as they are trying to knuckle down and saying, `Number one'--and the problem is these deals are set in the honeymoon period when you're trying to woo the executive and put everything together. So the prenuptials or the contracts are focusing much more on what's going to happen in the divorce scenario.

CONAN: Steven Hall, thanks for your time today; we appreciate it.

Mr. HALL: Thank you.

CONAN: Steven Hall, president of Pearl Meyer & Partners, a compensation consulting firm, joined us from his home in East Islip, New York.

You're listening to TALK OF THE NATION from NPR News.

And, Jesse Fried, I know we've been largely descriptive describing the problem. Your book is partly that, but it's also pre-scripted. You have some ideas for solutions as to how to change things.

Prof. FRIED: Yeah, in the book "Pay Without Performance," Lucian Bebchuk and I put forward some suggestions and proposals for trying to fix executive compensation and corporate governance more generally. First, we think that transparency should be improved. In the early 1990s, the SEC tried to improve compensation disclosure by requiring firms to report certain information in summary tables. And what's happened over the last 10 years is that compensation consultants and lawyers have figured out ways of delivering all sorts of compensation to executives that doesn't show up on these tables. So these tables need to be updated so that investors have a clear picture of what executives are being paid.

Investors also need to push boards to tie pay more closely to performance. For example, the conventional options that executives get reflect fluctuations in the stock price, even when those fluctuations are driven by market or sector conditions and have nothing to do with the managers' own performance. So options need to be tied more tightly to managers' own contribution to shareholder value. As I mentioned before, there's a big problem in letting managers sell stock whenever they want because it encourages them to manipulate earnings. There need to be more restrictions on managers' ability to sell stock and requirements that they hold stock for a longer period of time. Boards should also be pressured not to give failing executives soft landings because it reduces their incentive to perform well.

But we think that the main problem in executive compensation, and corporate governance more generally, is that...

CONAN: And you've got 30 seconds to outline it for us.

Prof. FRIED: ...OK--is that managers have too much power over the board because boards are not sufficiently attuned to the needs of shareholders. And we need to make boards more dependent on shareholders, less dependent on managers, by giving shareholders a greater ability to nominate directors to the board, by putting directors on the corporate ballot that can compete against the slate that's nominated by management. Under the current system, it's just way too expensive for shareholders to try to throw out the current board, and so there are very few attempts to do so. And so as one of the callers said, it's the boards that need to be changed, but under current legal arrangements, that's just not really feasible.

CONAN: Jesse Fried, thanks very much for your time today.

Prof. FRIED: Thank you.

CONAN: Jesse Fried is professor of law at the University of California at Berkeley. His book is "Pay Without Performance: The Unfilled Promise of Executive Compensation."

When we come back from a short break, the economic impact of natural disasters. I'm Neal Conan. You're listening to TALK OF THE NATION from NPR News.

(Announcements)

CONAN: This is TALK OF THE NATION. I'm Neal Conan in Washington.

And here are the headlines from some of the stories NPR News is following this afternoon. The death toll from the Indian Ocean tsunami continues to rise. Cleanup and recovery efforts are under way, but are difficult. And Ukraine's prime minister, Viktor Yanukovych, continues to challenge Sunday's presidential election. Yanukovych was apparently defeated but he has lodged complaints with the Supreme Court and the Election Commission. We'll hear reports from several countries hit by the tsunami and from the Ukraine later today on "All Things Considered" from NPR News.

Tomorrow on TALK OF THE NATION, we'll take a look back at the news stories, large and small, that captured our attention over the past year. What stories would you like to hear an update on? You can send us an e-mail with your suggestion. Please label your e-mail `year-end update.' The address is totn@npr.org. Again, put `year-end update' in the subject line. The address, again, totn@npr.org.