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Economic 201

10.27.2010

Economic Naturalism Assignment

Why do CEOs get criticized for their high salaries while actors and athletes do not?

This topic handles something that not only has to do with facts and figures, but also with public perception. The top earners in all three of the above professions are part of the few Americans who make millions upon millions each year—they all share luxurious lifestyles and spending habits that, being so highly publicized, act as indicators of their wealth. However, while little of the talk about sports stars like David Beckham and film stars like Angelina Jolie focuses on the atrociously high figures they earn for each season or individual productions, numerous CEOs are criticized for the great sums of money they make.

One reason is the idea best represented as “I can do what their doing”. Of course, it is possible to watch an actor perform poorly on the screen and make this claim, but with widely-acclaimed actors and athletes, the skill is considered rather intrinsic, or a skill that not everyone can acquire simply with diligence and education. It is considered “natural”. On the other hand, many people view the skills of CEOs and businesspeople as having been honed through years of education and academic effort. The intellectual capital that is held by those people may be more accessible to the masses, if only the proper labor (time) and capital (money) can be invested in that education. On the other hand, the skills that athletes and entertainers have are capital that cannot be captured simply by balancing opportunity costs. In a way, these stars constitute a labor market with such a great degree of specialization, and therefore their earnings are more justifiable to the general public.

Another reason for this might be the relationship between the stars and audiences. The general population is much more familiar with the products that these athletes and actors produce: entertainment for the masses. The firms that CEOs operate within, on the other hand, are generally perceived as massive corporation with large bureaucracies that generate revenue in more convoluted ways. Unlike with Hollywood and sports, which are products of leisure, many Americans do not invest the same time and effort into understanding intricacies of corporations (or macroeconomic systems in general). Therefore, the main news of CEOs emerge in mainstream media when something out of the ordinary occurs. This is generally negative: money laundering, corruption, and fraudulent accounting all come to mind. Those who are highlighted as benefitting from such scandals are, obviously, those who hold the power to oversee the manipulation. Therefore, it is fairly easy to generally assume that in the business world, there is corruption of some kind occurring, with the CEOs lining their pockets and garnering the high salaries. Also, if salaries of those moguls are higher, it means that the firm's marginal costs (marginal product of labor/wage) are higher, which translates to unnecessarily higher prices for the general populace (consumers). Since higher prices are obviously undesired, a reflection of these can be assume in the immodest salaries of CEOs, who are then easily criticized.

This analysis of the broad perception of course takes on many implications. There also tends to be much criticism surrounding athletes and entertainers, but this was categorized here as more of a public fascination with a glamorous elite.