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Board compensations in the media industry: Global elite networks and financialization

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Abstract

Over the last two decades media industry boards have contained some of the most well-paid positions in the world. In terms of board compensation, top media companies with the highest paid boards compare with industrial and financial conglomerates that are several times their market size. These high earnings are aligned mainly with stock performance, as opposed to salaries. However, this article argues that high earnings are not aligned with the real economy and are ethically dubious in the context of a democracy. High compensations have evolved in parallel with a process of financialization that lies at the core of the economy and pervades all productive sectors. This article examines how corporate media executives have become part of the global elite and provides up-to-date data on board remuneration in the American and European media industries.

In 2011, the board of directors of Grupo Prisa, the first Spanish media conglomerate and the 10th largest listed media group by revenues in Europe, announced a dramatic restructuring scheme which would lay off 18% of its staff, or around 2,500 people (Prisa, 2011). That same year, Grupo Prisa declared losses totaling €451 million. Since then Grupo Prisa has carried out several rounds of job cuts across all of its major brands, including its flagship, the daily *El País*. At the beginning of 2012 it was disclosed that, in spite of this, Grupo Prisa's CEO had received €13.6 million in annual compensation for 2011, making him the second best-paid CEO in Spain. According to its annual accounts, the remuneration of the whole board of executives at Grupo Prisa amounted to €20.6 million in 2011. They were amongst the highest paid boards in Europe that year in the media sector, and, as we will see, exorbitant salary figures were not limited to Grupo Prisa, or other European media corporations. In the U.S., media companies employed seven of the top 20 highest paid chief

executives in 2012 (Carr, 2013) despite the fact there was no media company amongst the top 20 companies in the U.S. by market capitalization. Media industry boards have become some of the highest remunerated over the last few decades. Top media companies with the highest paid boards compare with industrial and financial conglomerates that are several times their market size. Thefact that these high earnings are aligned mainly with stock performance, as opposed to salary, is indicative of misalignment with the real economy.

The literature on corporate governance has dealt profusely with the topic of boards and CEO compensation. The number of papers focused on management compensation has risen over the last two to three decades, in line with the increase in the amount of executives' pay (see for instance literature reviews done by Murphy, 1999 or Barontini and Bozzi, 2011). The relationship between compensation and performance has been one of the most studied issues, but most economic analyses regard high rewards as justified so long as there is a high level of performance, measured chiefly in terms of profitability and market capitalization (for a recent review of this, see Shao, 2010). The value of this research should not be rejected, rather, it should be re-examined from a critical political economy perspective. My aim is to avoid analyzing merely how compensations compare with market capitalization, stock appreciation and other financial references and, instead, to contextualize top executives' remuneration in terms of market reality. Market 'reality' here means not just revenues and profits, but also the labor and economic context of the companies (for example, average salary, job cuts, the global recession, the banking crisis).

The critical political economy of communication approach that informs this article draws on both institutional and Marxian traditions. As Vincent Mosco suggests, the North American tradition of critical political economy of communication was informed "by a sense of injustice that the communication industry has become an integral part of a wider corporate order which is both exploitative and undemocratic" (Mosco, 2009: 7). I also draw from European work on class power/struggle (particularly Spanish research) most specifically in regard to the media's reinforcement of social class divisions. This article supports the idea that both approaches are necessary for understanding why the corporate media have become part of the global corporate order in financial capitalism. Developing a more complete picture of the political economic processes requires both an analysis of financialization and capital accumulation practices and an analysis of institutional logics and corporate strategies that are at the core of exploitative and undemocratic corporate media. This bridge between macro-level trends and the institutional-level detail is something that can be achieved neither from a critical neo-Marxist approach nor from a critical institutional approach alone, particularly if we want to avoid "the assumption of overly uniform or deterministic structural forces", as noted by Thompson (2011: 2). By trying to bridge those two levels, this article addresses the tension between them and provides a further understanding of how they connect.

After reviewing the context that has led to the current scenario, I provide up-to-date data on board remunerations in the international media industry and conclude that this is a moral challenge that we must address. In so doing, evidence for three main hypotheses is considered:

1) that media financialization has been an important component in the creation of a media managerial elite in global capitalism;

2) that the financialization of compensation in particular allowed media managers to become integrated into the global managerial elite, which is embedded within a financial oligarchy; and

3) that financialized media boards have, in turn, helped expand financialization by aligning their interests with a financialized scenario.

These hypotheses should be considered as the basis of an exploratory analysis. The hypotheses are explored using the document analysis method applied to annual company reports. I also draw upon previous research published about the company and other third party sources.

Mainstream theories versus reality

According to the managerial revolution hypothesis (MRH), control of corporate organizations in modern societies has been shifting from the owners, or capitalists, to professional managers and highly skilled technocrats (Bell, 1976; Berle and Means, 1932; Burnham, 1941; Dahrendorf, 1959; Demers, 1994, 1996; Galbraith, 1971, 1978; Parsons, 1953). As Demers and Merskin state:

> The managerial revolution hypothesis occupies a prominent place in postindustrial theories of society, which contend that theoretical knowledge, rather than capital, is becoming the key source of power or the axial principle of society. […] [This is] expected to promote the growth of a professional-technical class that will re-place existing capitalists as the new ruling class (Demers and Merskin, 2000: 103).

As defenders of this hypothesis, Demers and Merskin even stated that the corporatization of media industries would entail a greater capacity to promote social change because the MRH suggested that professional managers and editors were "placing greater emphasis on information diversity, product quality, and other nonprofit goals" (Demers and Merskin, 2000: 118). According to these and other authors in the field of mainstream media economics, the argument that corporatization of media industries leads to a greater emphasis on profits at the expense of product quality or a diversity of ideas is mistaken.

The MRH is interesting here because the optimism of its proponents stemmed from the view that the transference of power from owners to managers would remove or reduce the stress on capitalistic profitability (that is, on dividends and stock price). What has emerged, however, is a convergence of interest between managers and shareholders. One key mechanism of convergence has been incentives compensation criteria such as revenue growth and market share. Incentives linked to a company's market share performance have resulted in the financialization of salaries for boards of directors and managers. The financialization of board compensations therefore results in an increased emphasis on capitalistic profitability, not its opposite.

Consequently, the power of capitalist ownership has not diminished as the MRH proponents maintain. Capitalist ownership has simply become more anonymous as board managers become richer. The financialization of salaries at the management level is a process that parallels the financialization of corporations. The preceding arguments support the idea that financialization has

contributed to the creation of a managerial elite in global capitalism. More specifically, the financialization of compensation has allowed managers to become integrated into this global managerial elite (which has become a component of the financial oligarchy).

Another prominent theory related to financialization is the Efficient Markets Hypothesis (EMH), developed by Eugene Fama in the late 1960s (Fama, 1970). This hypothesis has dominated finance theory since the post-war period and has been very influential in government policy-making. The EMH states that although markets may be affected temporarily by irrational individual behaviors, they always, ultimately find their rational equilibrium. Aeron Davis argues that the media have provided extensive support for this theory by disseminating discourses and narratives that support financialization and neoliberal, free-market economics "and particular narratives justifying irrational/unstable trends in regulation and investment" (Davis, 2012: 247). Although the media has not been the principal actor in the financialization process, Davis argues it has nevertheless been an important contributor because it has helped circulate the key ideas for the successful expansion of financialization, as well as helping build the discursive cultural networks needed to implement it. According to Davis, this financial market discourse and narrative is based on the promotion of four themes:

1) the presentation of financial centers as key engines of growth and prosperity for the national economies that host them;

2) the provision of rational and directive parameters for the deregulation of the financial markets;

3) the assumption that non-financial markets operate best when working like liberated financial markets; and

4) the promotion of globalization, free trade, and the general freeing-up of international markets.

In regard to the financial media, Davis observes that:

> The financial media have not created these mythical discourses and narratives. But they have endlessly circulated them, rarely subjected them to critical scrutiny, and frequently presented them as unquestionable realities. They have spread them to financial insider and outsider stakeholder elites. They have ensured that critics have been marginalized and policy choices limited to those that fit with an ideologically narrow interpretive framework. (…). [The media], in effect, have made highly irrational market developments appear quite rational (Davis, 2012: 250).

This narrative has helped turn the global economy into a giant casino (Foster and McChesney, 2012; Lordon, 2010; Sinn, 2012; UNCTAD, 2009). But the important point here is that the discursive cultural networks (which Davis identifies as the communicative mechanisms that link economic and political elites to processes of financialization) could not have been constructed without the help of corporate media. In other words, corporate media management has become an essential component of these discursive networks. As a result of financialization processes, media management executives have become key members of these discursive elite networks. As will

become apparent, board compensation data (see later) indicates they have not been adversely affected by the crisis. Rather, they have remained safely in the black, which confirms media executives' status as members of the economic elite [1].

The global elite and the current context of crisis

To contextualize what has been stated above, the nature and forces shaping the current global economic and financial scenario need to be considered. As numerous authors have described exhaustively (see literature reviews in Almiron, 2010; Foster and McChesney, 2012), the process of financial internationalization and the economic boom in the late 1990s, have their roots in the crisis at the end of the 1970s and in the rise of neoliberalism and free-market doctrines at the Chicago School of Economics (to which Milton Friedman and Eugene Fama both belonged).

In the 1980s, economic and political elites at the national and international levels promoted the deregulation of financial markets. This is still largely the case today. This global agenda led to several financial market bubbles, the most important of which were the hi-tech bubble (also called the dot.com bubble) that collapsed in 2000, the property bubble (also called the subprime mortgage bubble) that collapsed in 2007, and, most dangerously, the financial debt securities bubble that followed the bursting of the mortgage-property bubble. Financial deregulation enabled the growth of a multitude of complex financial products (including a range of derivatives and complex debt securities) that were promoted as a means of commodifying and redistributing risk. However, in reality, these entailed allocating a huge proportion of bank financing beyond the sight of regulators. When problems arose (interest rates went up and mortgage owners began to default in droves), it became apparent that the financial products intended to diversify financial risk in such overinflated property markets were not a solution to financial risk but part of a much wider problem. Hundreds of banks and related financial institutions disappeared between 2010 and 2013 due to the combined effect of the property and financial products bubbles bursting. At that moment, the global banking system was in need of a bailout and democratic governments deemed the banking entities too big to fail. However, bailing out the financial system meant that private financial debt was redesignated as public debt. This process left many countries with large debt problems; some countries went bankrupt (Greece and Iceland so far, and almost Spain). Meanwhile, personal debt rose (partly due to sharp hikes in interest rates), pension funds were seriously harmed, public services were radically cut, and unemployment skyrocketed (to nearly 30% in Spain and Greece in 2013).

Today it seems clear that the narrative that assumes the economic rationality of individuals, the impossibility of market bubbles and the equilibrium of markets is a fraud (to use the term applied by Galbraith long before the current crash; Galbraith, 1994). However, this narrative, promoted by political, economic and financial elites, and disseminated by the media (Davis, 2012) has not had the same disastrous consequences for everyone in the elite network. As many authors have described (see for instance, Bair, 2012; Barofsky, 2012; Connaughton, 2012), the big losers in the financial and economic crisis between 2007 and 2013 have been public stakeholders: the political elite (the governments, central banks, and public institutions that bought into the narrative) and common citizens (through salaries, pension funds, property and savings). As far as the private actors are concerned, corporate media, like most economic sectors, have suffered greatly as a result of the crisis. We can also find many elite financial actors who have lost their jobs due to the severe restructuring of the banking sector. However, up to 2013, as far as compensation is concerned, the

crisis only slightly affected the top executives in the financial and media sectors. This is why the casino metaphor fits so well, since the principal trait of a casino is that the house never loses.

In the following two sections, this article reveals how and why the media management elite has become a member of the global elite that has both promoted, and been promoted by, financialization.

Corporate media in the U.S.A: Financialization and board compensations

According to Forbes (2012), in 2011 the chief executives of the 500 biggest companies in the U.S. (as measured by a composite ranking of sales, profits, assets and market value) received a collective pay raise of 16%, to $5.2 billion. In comparison with the 3% pay raise the average American worker received, one can understand why even a conservative magazine like Forbes was alarmed; it stated that this data on executive compensation would “only fuel the outrage over corporate greed.” As Forbes documented, the value realized from exercised stock options and vested stock awards were the main components (accounting for 61%) of total pay for the 500 biggest American companies’ top executives in 2011. In other words, more than half of the total compensation of the highest paid American executives came from the financial economy, not the productive one. That means that top executives’ compensation is mainly linked to stock performance. This has been a trait of financial capitalism since the beginning of the 20th century (Hilferding, 1910; Orléan, 1999). However, in the last decade the financialization of top executive compensation has clearly increased, as is evident from data showing the last two decades of American CEO earnings.

Forbes (2012) shows that the total remuneration of American CEOs consists of salaries, bonuses, stock gains and other forms of compensation, usually pension fund executions and other rewards often tied to stock performance. If we take into account that bonuses are also often linked to stock performance, it becomes apparent that financialization has had a strong impact on top public companies in the U.S. (as the vast majority of their compensation comes in the form of performance incentives as opposed to salary). Those incentives are also connected to productive performance (mainly revenues and net results), but this is no longer the main factor shaping compensation. The main criterion is the financial economy, rather than the real economy.

There is a distinct rationale behind this trend. Neoliberal economic theory assumes that top executives have a fiduciary obligation to align their interests with those of shareholders, because the latter are the owners of the company. This rationale has evidently played a significant role in the media industry in the last two decades, and has skyrocketed global salaries for its top executives. This has happened to such an extent that media industry executives have ranked amongst the highest paid in America over the last decade.

According to a list assembled for *The New York Times* by Equilar [2], in 2012 Leslie Moonves, CBS’s president and CEO, was the third highest paid executive in the U.S., bested only by Larry Ellison (Oracle), who made $96.2 million and Robert Kotick (Activision Blizzard), whose compensation totaled $64.9 million. In the preceding year, 2011, three media executives were amongst the 10 best paid in the U.S.: Leslie Moonves (CBS) was the second best paid executive; Philippe Dauman (Viacom) was in fifth place; and Robert Iger (Walt Disney) was placed seventh. A year earlier, in 2010, Philippe Dauman (Viacom) ranked first in the U.S. with a total compensation of $84.5 million. We can see total salaries from 2010 to 2012 for the best paid media executives in the U.S. in Table 1.

Executive (Company)	2010	2011	2012
Leslie Moonves (CBS's President and CEO)	57.7	69.9	62.2
David Zaslav (Discovery Communications' President and CEO)	42.6	52.4	49.9
Robert Iger (The Walt Disney Company's Chairman and CEO)	29.6	33.4	40.2
Philippe Dauman (Viacom's President and CEO)	84.5	43.1	33.4
Sumner Redstone (CBS's Executive Chairman)	20.3	20.3	31.3
Jeffrey Bewkes (Time Warner's CEO)	26.3	25.9	25.7
Thomas Dooley (Viacom's Chief Operating Officer)	64.6	34.0	26.3
Rupert Murdoch (News Corp's Chairman and CEO)	22.7	33.2	22.4
Brian Roberts (Comcast's Chairman, President and CEO)	28.2	26.9	25.1
Sumner Redstone (Viacom's Chairman)	15.0	21.0	20.4
Michael White (Direct TV's Chairman, President and CEO)	32.9	5.9	18.0

Table 1. Highest paid media executives in the U.S.A. Millions of $ (2010–2012). Source: Compiled by the author from Forbes, CNBC, CNN Money, The New York Times and The Los Angeles Times, amongst others. Note: Includes fixed salary, variable salary and stocks.

According to *The New York Times*, the average pay of the 10 highest paid chief executives at American media companies in 2012 was approximately $30 million. This was five times greater than the compensation paid to executives in leading industries such as technology ($6 million on average) and twice as much as those in finance ($14 million on average). This high level of compensation, in all cases, resulted from the linkage between compensation and stock appreciation. The following information is provided by proxies filed at the Securities Exchange Commission in the U.S.A [3]:

- Leslie Moonves, the CEO of CBS, had a 2012 compensation package valued at $62.2 million. Moonves had a base salary of $3.5 million and received a bonus of $27 million. The rest of his compensation was in the form of stock awards and option awards.

- In the case of Discovery Communications, David Zaslav's 2012 package consisted of a $3 million salary, $25.3 million in stock awards, $15.8 million in option awards, $5.3 million in non-equity incentives, and $432,986 in other compensation.

- The third highest paid executive in Table 1 was Robert Iger, the CEO of Walt Disney Company, who, in 2012, collected $40 million comprising $2.5 million in salary, $9.5 million in stock awards, $7.8 million in option awards, $16.5 million in non-equity incentives, $3.1 million in change in pension value, and $800,700 in other compensation (including $574,331 for security and $190,439 for personal air travel).

Overall, the base salaries for these three top executives amounted to just 6% of their total remuneration. The remaining figures were largely tied to stock appreciation. Of course, this alignment of top executives' salaries with the financial outcomes of their companies means that top executives focus mainly on profits and stock returns, taking greater risks if necessary to offer higher and higher returns to the shareholders, as well as themselves. However, this alignment does not always have a positive correlation. For instance, several studies across a range of economic sectors

(Bebchup and Fried, 2006; Greg et al., 2009) found evidence that public companies with the worst performance are also those with compensation that is disproportionately high. If we look at productive performance (revenues and net income) and at the financial performance (stock) of the media companies appearing in Table 1, we can see that this correlation is actually rather reasonable or even negative for media executives' salary from 2010 to 2012, as is shown in Table 2.

CBS	**2011 (Var. with 2010)**	**2012 (Var. with 2011)**
CBS Revenues	1.27%	3.21%
CBS Net results	80.25%	20.61%
CBS Stock price	115.75%	42.08%
Leslie Moonves (CBS's President and CEO)	21.14%	-11.00%
Sumner Redstone (CBS's Executive Chairman)	=	-54.19%
Discovery Communications	**2011**	**2012**
DC Revenues	12.47%	7.65%
DC Net results	73.35%	-16.70%
DC Stock price	38.13%	54.94%
David Zaslav (Discovery Communications' President and CEO)	23.00%	-4.77%
The Walt Disney Company	**2011**	**2012**
TWDC Communications Revenues	7.44%	3.40%
TWDC Net results	21.27%	18.20%
TWDC Stock price	30.45%	34.82%
Robert Iger (The Walt Disney Company's Chairman and CEO)	12.83%	20.36%
Viacom	**2011**	**2012**
Viacom Revenues	59.71%	-6.87%
Viacom Net results	150.12%	-7.26%
Viacom Stock price	78.16%	3.84%
Philippe Dauman (Viacom's President and CEO)	-48.99%	-22.50%
Thomas Dooley (Viacom's Chief Operating Officer)	-47.37%	-22.65%
Sumner Redstone (Viacom's Chairman)	40.00%	-2.86%
Time Warner	**2011**	**2012**
TW Revenues	7.76%	-0.85%
TW Net results	11.94%	4.61%
TW Stock price	39.37%	35.85%
Jeffrey Bewkes (Time Warner's CEO)	-1.52%	-0.77%
News Corp	**2011**	**2012**
NC Revenues	1.91%	0.90%
NC Net results	7.88%	-56.96%
NC Stock price	44.43%	44.14%
Rupert Murdoch (News Corp's Chairman and CEO)	46.25%	-32.52%
Comcast	**2011**	**2012**
Comcast Revenues	47.20%	12.05%
Comcast Net results	14.44%	49.11%
Comcast Stock price	55.82%	60.71%
Brian Roberts (Comcast's Chairman, President and CEO)	-4.61%	-6.69%
DirectTV	**2011**	**2012**
DirectTV Revenues	12.96%	9.23%
DirectTV Net results	18.70%	13.03%
DirectTV Stock price	40.89%	17.30%
Michael White (DirectTV's Chairman, President and CEO)	-82.07%	205.08%

Table 2. Variation in % of compensation, revenues, net result and stock in companies with the highest paid media executives in the U.S.A (2011–2012). Source: Compiled by the author from Yahoo Finance and Table 1. Note: When there are two classes of stock, the one with voting rights has been chosen.

One reason that the CEOs of CBS, Comcast and DirectTV have had their total salaries reduced in recent fiscal years, despite positive performance on all values (productive and financial), is because of disproportionate overcompensation in the past. This occurred when the U.S. was in recession from 2007 to 2009 (there has been only a very weak recovery since 2010) (Obel, 2013). This was why Viacom shareholders sued over the compensation for Sumner Redstone and two other Viacom executives in August 2012 (Kenneally, 2012).

As Table 2 illustrates, with the exception of the CEOs of CBS, Comcast and DirectTV, almost all senior media executives received considerable pay-rises during the studied period. Given that their salaries were already very high, the result was that the media industry's chief officers continued to rank amongst the highest paid in America. Although these recent rises were aligned with the positive performance of their companies, questions of ethics arise, especially given the context of the global economic downturn and its severe impact on millions of ordinary citizens in Western countries. These pay rises are disproportionate in terms of the real market performance of media corporations. According to Fortune Magazine (2012), compared with the largest global corporations by revenues and profits in 2012, the highest- ranked media company only appears at number 167 in the list (Comcast, $55.8 billion in revenues). The car, oil, energy, telecommunications and finance sectors lead this ranking by revenues. The top- ranked company in 2012, Royal Dutch Shell, had $485 billion in revenues and $31 billion in profits. Royal Dutch Shell's CEO received $15.3 million in compensation the previous year, a figure that was then criticized by the media (in that year the company had admitted to 207 oil spills, up from 195 the previous year) (Macalister, 2012). However, this compensation is but one quarter of the pay collected by Leslie Moonves (CBS), in spite of the fact that in 2012 CBS was 35 times smaller than the Dutch oil company in terms of revenues and 24 times smaller in terms of profits.

Corporate media in Europe: Financialization and board compensations

Overall, Europe has lower levels of compensation for top executives, with northern and southern Europe exhibiting different trends. Total pay for top executives in Sweden and Denmark is about 75% of the European average, and even lower in Norway and Finland, according to data from management consultancy Hay Group (CNBC, 2013). In Switzerland, a March 2013 referendum saw voters approve some of the world's toughest restrictions on executives' salaries and bonuses (although a subsequent referendum in November 2013 rejected the proposal to limit top executive salaries to twelve times the level of lowest paid staff). Consequently, shareholders will have an annual ballot on managers' pay while sign-on bonuses, severance packages and extra incentives for completing merger transactions have been banned. The initiative also includes rules to prosecute executives who violate the terms with penalties of up to three years in jail (Bosley, 2013). According to the same source, at least five of Europe's 20 highest-paid chief executive officers work for Swiss companies (including the CEOs of Credit Suisse Group, ABB, Novartis, Roche and Nestle). An important contextual consideration here is that Switzerland's biggest bank, UBS, had to be bailed out during the financial crisis, while in 2010 the CEO of Credit Suisse received $76 million in shares. More recently, in 2013, Swiss Novartis planned to pay outgoing chairman Daniel Vasella as much as $78 million to prevent him from potentially working for a rival company. According to UN Statistics, the 2011 average gross monthly wage in Switzerland was $7,800. The Swiss are not alone in their desire to rein in executive pay in the wake of the financial crisis.

Members of the European Parliament struck a deal in the first trimester of 2013 to ban bonuses that were more than twice bankers' fixed pay (Barker, 2013).

According to a study comparing 2012 CEO salaries among the top 50 European companies listed in Dow Jones Stoxx, the average compensation for top executives in Europe was €7.5 million. In Germany, for instance, chief executives' pay ranged from €2.1 million for Lufthansa chief Christian Franz to €14.5 million for Volkswagen CEO Martin Winterkorn (The Local, 2013). In terms of CEO compensation, Europe is rather different from the U.S.A. While American CEOs earn from 400 to 500 times the median worker salary; for CEOs in the U.K., the ratio is 22; in France, it is 15; and in Germany, it is 12 (McDonnell, 2013).

This comparison is also valid for European media industries generally, in spite of the fact that European Union media CEO compensation is not as high as that of their American counterparts, neither in absolute nor in relative terms. However, European executives' compensations are debated just as much. Tables 3 and 4 provide data for CEO compensation and total compensation for boards of directors at the top European media companies from 2010 to 2012.

Executive/Company	2010	2011	2012
Lucian Grainge (Vivendi's director)	5.4	12.3	8.8
Jean-Bernard Lévy (Vivendi's Chairman)	4.0	4.6	7.1
Padraic M. Fallon (DMGT's director)	5.6	6.2	6.8
Frank Esser (Vivendi's director)	1.9	2.9	4.0
Giuliano Andreani (Mediaset's director)	2.5	3.3	3.0
Fedele Confalioneri (Mediaset's Chairman)	3.6	3.6	2.7
Arnaud Lagarèdere (Lagardère's General and Managing partner)	2.6	2.0	2.7
Juan Luis Cebrian (Prisa's CEO)*	NA	13.6	NA

Table 3. Highest paid media executives in E.U. millions of € (2010–2012). Source: Compiled by the author from annual accounts. Note: Includes fixed salary, variable salary and stock. *Spanish Grupo Prisa doesn't provide remuneration for individual directors in its annual accounts. Data for 2011 was available in a special remuneration report for the 2012 fiscal year.

As we can see in Table 4, Vivendi is the media group in Europe with the highest paid board of directors, as a whole and individually, in 2012. At the same time, Grupo Prisa (the smallest conglomerate in Tables 1 and 2 in terms of revenues) makes it onto the list due to an extraordinary payment collected in 2011 by Juan Luis Cebrián. Cebrián, the CEO of Grupo Prisa since 1988, was the man that turned the company into a media empire and who ended up selling 70% of the company to a New York-based investment group in 2010 (Almiron and Segovia, 2012).

As mentioned at the beginning of this article, Cebrián was paid €13.6 million in 2011, of which around 80% was extraordinary compensation. Cebrián's package consisted of €1.2 million in cash as a reward for having refinanced the company (through its sale to the New York investment group) and €6.7 million in the form of stock awards. This remuneration was strongly criticized in Spain due to the job cuts undertaken by the company during the same period. Cebrián was also criticized for the €4.7 billion debt he had created after an expensive foray into pay television, the company's severe drop in profits that year, and the severe depreciation of Grupo Prisa stock during the period (from €10 per share in 2008 to €0.40 in 2012). In 2013, Cebrián announced he was giving up

variable compensation in response to the strong criticism both from within and outside the company (Toledo, 2013).

Company (number of members on the board 2010/2011/2012)	2010	2011	2012
Vivendi (6/7/7)	18.9	29.5	28.5
Bertelsmann (6/7/7)	28.0	25.9	22.4
DMGT (7/7/7)	16.2	18.2	15.4
Mediaset (18/20/18)	14.8	12.7	11.9
Lagardère (5/5/5)	10.9	11.2	9.5
Prisa (15/16/16)	9.8	20.6	5.3

Table 4. Highest paid media management/executive boards in E.U. millions of € (2010–2012). Source: Compiled by the author from annual accounts. Note: Includes fixed salary, variable salary and pensions entitlement earned. Stock options executed or granted are included when provided by the source with the salary.

The financialization of compensation in the case of Grupo Prisa's CEO is not an exceptional case. All the top executives in Table 3 share the same trait. In the case of Vivendi executives, just 20% is comprised of a fixed salary. Jean-Bernarnd Lévy, Vivendi's CEO until mid-2012, received a pay rise of approximately 10% in 2011 and €1 million in fixed salary. His pay amounted to €4.46 million, including variable compensation and stock options. As was the case in the U.S., these European media executives' high remunerations are aligned with stock performance, but this does not mean they are aligned with market reality, nor with wider ethical values. The case of Grupo Prisa is probably the most outstanding.

As Table 5 below illustrates, a comparison of market capitalization and CEO remuneration in Spain in 2011, reveals significant discrepancies between Grupo Prisa and the leading companies in telecommunications, banking, oil, energy and clothing.

Company	Executive (Chairman or Vice Chairman)	CEO compensation (Millions €)	Company Revenues (Billions €)	Company Net results (Billions €)	Market capitalization in May 2013 (in €)
Inditex	Pablo Isla	21.8	6.2	1.9	64.20 B
Grupo Prisa	Juan Luis Cebrián	13.6	2.7	-0.4	256.94 M
Banco Santander	Alfredo Sáenz	12.7	44.3	5.3	72.30 B
Telefónica	César Alierta	10.3	62.8	5.4	65.44 B
Repsol	Antoni Brufau	10.1	62.5	2.1	23.18 B
Iberdrola	José I. Sánchez Galán	9.5	32.4	2.9	26.70 B

Table 5. Highest paid executives in Spain in 2011. By CEO compensation Source: Annual accounts, El País (http://economia.elpais.com/economia/2012/03/30/actualidad/1333097133_100789.html), and Yahoo Finance

Although Grupo Prisa's market capitalization is significantly higher than these other leading Spanish corporations, its revenues and net profits are far lower. Nevertheless, the CEO, Juan Luis Cebrián, publicly claimed that his €13.6 million remuneration package was "normal compensation for the market" (Toledo, 2012), despite the fact that none of his Spanish media counterparts earned more than €2 million in 2011.

Discussion

The rise in executive pay in Western countries has become increasingly evident over the 20th century and especially pronounced in the last two decades. The principle underpinning this trend is that high levels of compensation are functional because they give executives the incentive to perform well and this helps keep talent in-house. However, talent cannot be rewarded without also expanding inequality in a society where there are already huge imbalances in the distribution of wealth. Such imbalances are apparent within the media corporations themselves. For example, the average salary of DMGT or Vivendi employees in 2011 was €77,000 and €48,000 respectively, but the executives of these companies received compensation packages that were between 80 and 256 times higher. In the case of Prisa and News Corp CEOs, the disparity between executive pay and the average 2011 salary of Prisa journalists (€24,000) or US journalists (€40,000) is even more pronounced. The Prisa CEO salary was approximately 566 times higher while the News Corp CEO salary was 685 times higher. Orthodox economics rationalizes such differences on the basis of market supply/demand for top executive skills, or the greater responsibilities and pressures of executive work. Nevertheless, it is problematic to empirically or normatively justify that a CEO is worth hundreds of times more pay than an ordinary journalist in a newsroom. Some exploratory research done on this issue suggests that for members of the public, on average, between 10 to 20 times more is the maximum that can be rationally justified (Felber, 2012).

It is anomalous that compensation packages for top media companies with the highest paid boards are disproportionately high compare with industrial and financial conglomerates that are much larger in market size. Indeed, in some cases, media boards get significantly higher compensation than executives in other financialized sectors. More research is needed to explain why top media executives have received such disproportionate remuneration. However, one key variable here is the fact that share prices of media corporations were amongst the most profitable stock before 2007. For instance, in Spain, top TV broadcasters had been the best buy in the stock exchange markets from 2000 to 2006 (see for instance Periodista Digital, 2006).

Another key factor is that incentives have been increasingly financialized, in other words, tied to stock appreciation. However, the notion that stock options and other alleged pay-for-performance incentives are driven by rational economics has been questioned even by high-profile conservatives such as Ben Bernanke, Peter Drucker, John Bogle and Warren Buffett. Incentives tied to financial performance reveal the deep disconnection within financialized corporations between the real economy and the virtual or fictitious economy (as Marxian authors call the financial markets). When the global context is one of crisis, the gap between plain reality and financial fiction becomes apparent, as in the case of CEOs or directors receiving multi-million dollar salaries while their companies undertake painful cuts with severe consequences for lower-level staff. Yet this gap is also noticeable during periods of growth. Most of the growth during the decade before the 2008–2013 crisis was based upon leverage and thus the ostensible gains in value being rewarded were fictitious. It therefore seems that the whole system of incentives for top executives in the global corporate order has been disconnected from reality over the last several decades. The scale of this disconnect is illustrated by the fact that the Prisa CEO received his highest salary ever during the worst time period for the Prisa share price.

This financialization of remuneration may be considered one of the core elements in the creation of a managerial elite in the second half of the 20th century in Western countries. As the preceding

discussion shows, media executives in particular have had their remuneration financialized, with more than 80% of it being variable earnings tied to stock appreciation. It becomes apparent from this data that, with this financialization process, media management executives have become key members of the elite networks that make up the current financial oligarchy. However, such an arrangement is normatively and practically at odds with the notion that media have a social responsibility to uphold democratic processes. Corporate CEOs being massively compensated on the basis of corporate financial performance marginalizes the needs of civil society. In serving Wall Street they cannot also serve Main Street, so to speak. In concluding, it is important to consider that the critical political economy perspective not only promotes the normative principle that the media have a social responsibility; it also suggests media scholars should act on this basis through the principles of praxis. Three suggestions in this regard can be outlined here:

1) Challenge the prevailing model of corporate capitalism by promoting greater controls over top executives' compensation especially in sectors like media/communication which play a key role in democratic processes.

2) Ensure that students recognize the normative tensions generated by the financialization of the media (and particularly the financialization of top executives' remuneration).

3) Engage more actively with the work of alternative economists and social movements, (such as the one promoted by the ATTAC organization and Austrian economist Christian Felber [4] in Europe).

Endnotes

[1] Media executives becoming key members of global elite networks as a result of financialization processes and, the promotion of financialization through media content could lead us to think of a new model of corporate media—a financially-driven or financialized model. The author of this paper has actually supported such an idea elsewhere (Almiron, 2010).
[2] See Carr, 2013.
[3] This data has been gathered from the Deadline.com website.
[4] http://www.christian-felber.at/

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