

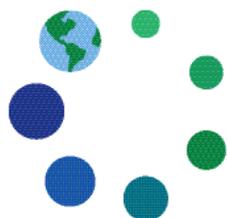
# **Beyond the Living Wage: Catholic Social Thought and the Moral Case for Limiting Executive Pay**

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**COALITION FOR RESPONSIBLE INVESTMENT**

## Executive Summary

While compensation practices are often evaluated in terms of market efficiency, incentive alignment, or shareholder value, Catholic tradition insists that economic life must be judged by whether it promotes human dignity, solidarity, and the common good. This white paper examines the moral limits of executive compensation through the lens of Catholic Social Thought (CST), arguing that extreme pay disparities are not merely an economic concern but a theological one.

The paper begins by affirming an essential premise: material security matters. Adequate income is necessary for meeting basic needs and enabling participation in social and economic life. Yet CST resists reducing human flourishing to income alone. True prosperity depends on non-monetary dimensions—health, relationships, purpose, autonomy, and meaningful work—that cannot be captured unequivocally by compensation metrics. When executive pay is evaluated solely through economic logic, it risks advancing a reductive view of the human person that is incompatible with Catholic teaching.

Using contemporary examples of executive compensation, including the extraordinary scale of CEO pay in U.S. financial institutions, the paper illustrates how extreme compensation packages can eclipse the income of entire communities. In some cases, a single year of executive income exceeds the combined annual earnings of thousands of households. Such disparities raise serious moral questions about distributive justice, social cohesion, and the responsibilities that accompany economic power.

The paper argues that excessive executive compensation can undermine human flourishing in at least three ways:

1. By normalizing a high degree of inequality that weakens social trust and solidarity;
2. By distorting corporate priorities, privileging short-term financial performance over long-term human and environmental well-being; and
3. By signaling a flawed anthropology, in which worth is measured primarily by market valuation rather than by contribution to the common good.

In response, the paper proposes a tiered evaluative framework for Catholic institutional investors for use in U.S. corporate engagement and proxy voting. Rather than relying on rigid pay caps or purely quantitative ratios, this framework integrates financial metrics with qualitative moral criteria, including corporate purpose, wage practices, workforce impacts, governance structures, and responsiveness to stakeholder concerns. The goal is not to prescribe a single “correct” level of compensation, but to offer principled guidance for discerning when pay practices become morally problematic.

Finally, the paper calls Catholic investors to reclaim proxy voting and shareholder engagement as acts of moral witness. Voting on executive compensation is not a technocratic exercise, but a form of participation in shaping the moral character of the economy. By engaging corporations with clarity, consistency, and humility, Catholic institutions can help orient economic systems toward human flourishing rather than accumulation for its own sake.

In an era of widening inequality, this paper contends that CST offers both a critique and a constructive path forward—one that affirms the dignity of work, the responsibilities of leadership, and the primacy of the human person in economic life.

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### ***Appendix: Proxy Voting Policy on Executive Compensation***

**Proposed Amendment on Executive Compensation in the USCCB  
Socially Responsible Investment Guidelines**

*Responding to the needs of the least of the brothers and sisters throughout the oikouménē, rather than having the market or the state reinforce the wants of the few, will be the ultimate criteria by which the economy of any nation is critiqued.*

*Rev. Michael H. Crosby, O.F.M., Cap.<sup>1</sup>*

## **1. Lazarus at the Gate: A Meditation on Wealth, Blindness, and Moral Distance**

*(Luke 16:19–31)*

Jesus tells no more unsettling parable for the wealthy than that of Lazarus (the only named person in any of Jesus’ parables)<sup>2</sup> and the unnamed Rich Man. It does not recount overt cruelty or conscious malice. Jesus does not describe the rich man as violent, dishonest, or impious. He is simply *rich*, clothed in purple, feasting daily, and insulated by abundance. Poor and sick, Lazarus lies at the gate, visible but unseen.

Their physical proximity makes the parable unbearable. Lazarus is neither distant nor anonymous. He is at the door. The rich man passes by him every day. The crisis in the story is not that the rich man does harm, but that he fails to see Lazarus.<sup>3</sup>

After their deaths, the moral geography is reversed. The rich man, now tormented, recognizes Lazarus, but still only as a servant, with the request that he be sent to fetch water (Lk 16:24). The gap between them in the afterlife mirrors the gap that existed in their lives. This gap is not due to fate; it comes from choices, habits, and accepted norms.

The parable is often read as a warning and a call for personal charity. However, it is more than that. In its totality, Luke’s Gospel bears a relentless concern with economic relationships and how wealth and power organize attention, sympathy, and responsibility.<sup>4</sup> The rich man’s sin is structural: a life arranged so well amid comfort and privilege that the suffering person at the margins becomes mere background noise. Pope Francis, reflecting on this parable, frames the rich man’s tragedy not simply as punishment but as the “abyss of indifference”: though the rich man knew Lazarus by name and saw his suffering, that knowledge never penetrated his heart, leaving him unmoved and detached. Francis explicitly connects this parable to a broader cultural crisis in which we, like the rich man, are often well-informed about suffering yet remain indifferent, our hearts closed to the reality of others’ pain. This indifference, a “globalization of indifference” that allows us to acknowledge injustice without ever engaging or responding, deepens the divide between the rich and the poor, robbing us of genuine encounter and

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<sup>1</sup> Michael H. Crosby, *House of Disciples: Church, Economics & Justice in Matthew*, (Eugene, OR: Wipf & Stock, 1988), p. 228.

<sup>2</sup> Gustavo Gutiérrez, *Sharing the Word through the Liturgical Year*, (Maryknoll, NY: Orbis, 1997), p. 233.

<sup>3</sup> <https://kinginstitute.stanford.edu/king-papers/documents/impassable-gulf-parable-dives-and-lazarus-sermon-dexter-avenue-baptist-church>

<sup>4</sup> John R. Donahue, S.J. *The Gospel in Parable*, (Minneapolis, MN: Fortress Press, 1990), p. 174.

even of our own identity beyond worldly adjectives like “rich” or “powerful.”<sup>5</sup> Thus, the chasm in the afterlife reflects the moral cost of a life lived in comfort and detachment from the suffering of others.

The parable tells the story of moral distance masquerading as normalcy. We are to replace moral distance with what public interest lawyer Bryan Stevenson describes as “proximity.” As Stevenson’s grandmother urged him, “You can’t understand the most important things from a distance, Bryan. You have to get close.”<sup>6</sup>

Today, executive compensation is rarely viewed as a moral question. It is discussed as a market reality, competitive necessity, and fiduciary obligation. Like the rich man’s fine clothing, it becomes part of the scenery, noticed perhaps, but not interrogated. Meanwhile, workers struggle with stagnant wages, precarious benefits, and rising costs within the same corporate ecosystems that reward executives with staggering multiples of household income.

Like Lazarus at the gate, these realities are not concealed. Income data is public. Pay ratios are disclosed. It is a moral distance, not informational. Business as usual normalizes disparities until they no longer trouble the conscience.

Knowing his fate, the Rich Man asks for a warning to be sent back to his family. Abraham refuses: “*They already have Moses and the prophets*” (Luke 16:27-29). The truth has already been disclosed. No new miracle will awaken moral conversion.

Catholic Social Thought stands squarely within this prophetic tradition. It addresses the dignity of labor, the priority of the poor, and the obligation of wealth to serve the common good. Furthermore, the parable presses the Church, and especially Catholic institutional actors, to ask whether we have allowed new gates to form, new Lazaruses to lie unnoticed, cloaked in respectable language about markets and performance.

Excessive executive compensation is not merely economic inefficiency, misaligned incentives, or reputational risk. It is a test of whether we still see the person at the gate and whether our investment practices widen or narrow the chasm that separates abundance from need.

The question before Catholic investors is not whether wealth is permitted—it is. Instead, Catholic investors must ask whether compensation arrangements reflect solidarity or sanctify separation. Pope Benedict summarized Pope John Paul II’s teaching in this way: “Investment always has moral, as well as economic significance.”<sup>7</sup> The Gospel offers no comfort that neutrality is possible. To pass by daily is already a decision.

The parable invites us not to condemnation, but “to change our ways of seeing things.”<sup>8</sup> Let us seek the vision to see and the courage to act while the gate is still open.

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<sup>5</sup> Pope Francis, “Do Not Fall Prey to Indifference (12 March 2020),” n.d., [https://www.vatican.va/content/francesco/en/cotidie/2020/documents/papa-francesco-cotidie\\_20200312\\_contrastare-abisso-dellindifferenza.html](https://www.vatican.va/content/francesco/en/cotidie/2020/documents/papa-francesco-cotidie_20200312_contrastare-abisso-dellindifferenza.html).

<sup>6</sup> Bryan Stevenson, *Just Mercy: A Story of Justice and Redemption*, (New York: Spiegel & Grau, 2014), p. 14.

<sup>7</sup> Benedict XVI, *Caritas in Veritate*, §40.

<sup>8</sup> Gutiérrez, p. 234.

## 2. From Floors to Ceilings: The Living Wage and Its Unfinished Work

Catholic Social Thought (CST) has developed a rich and sustained tradition defining and promoting the living wage as a non-negotiable demand of justice. From *Rerum Novarum* through *Laborem Exercens*, *Caritas in Veritate*, and *Fratelli Tutti*, the Church has consistently affirmed that remuneration must enable workers and their families to live with dignity rather than mere subsistence.<sup>9</sup> This tradition reflects the Church's conviction that labor participates in God's creative action and that economic arrangements must be ordered toward the flourishing of persons and households.

However, what remains striking is the persistent asymmetry within this tradition. While CST has spoken with moral clarity about minimum wages and just compensation at the lower end of the wage spectrum, it has said far less—explicitly—about maximum wages, even as executive compensation has grown exponentially over the past four decades and has become increasingly detached from the economic realities of ordinary households.<sup>10</sup>

Papal concern about excessive executive compensation is not new. Already in *Mater et Magistra* (1961), Pope John XXIII insisted that questions of executive remuneration and investor return must be evaluated in light of the common good: "These demands of the common good, both on a national and a world level, must also be borne in mind when assessing the rate of return due as compensation to the company's management, and as interest or dividends to investors."<sup>11</sup> By explicitly naming management compensation alongside investor returns, John XXIII located executive pay as a moral concern rather than treating it as a purely internal or technical matter.

This concern has sharpened in response to contemporary economic conditions. In a recent interview, Pope Leo XIV identified the widening income gap between the working class and the wealthiest individuals as a "very significant" driver of social polarization, linking this economic disparity to a broader loss of meaning and human value. Contrasting the current economic landscape with that of the mid-20th century, the Pope recalled an era where executives earned only four to six times more than their employees, a standard that has been drastically eclipsed by modern data showing that chief executives at corporations with the lowest worker compensation now earn 632 times more than their average worker.<sup>12</sup> That consensus, he suggested, has largely collapsed.

The scale of that collapse is evident in contemporary data. This profound shift, where the average CEO in the "Low-Wage 100" secures \$17.2 million annually compared to a typical worker's \$35,570, signals the erosion of a "social consensus" that once bound corporate power to worker welfare. For Pope Leo, this erosion carries not only economic but social and political consequences. With Elon Musk on the verge of becoming the world's first trillionaire, the Pope warned that such extreme accumulation of

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<sup>9</sup> Leo XIII, *Rerum Novarum* (1891); John Paul II, *Laborem Exercens* (1981); Benedict XVI, *Caritas in Veritate* (2009); Francis, *Fratelli Tutti* (2020).

<sup>10</sup> <https://www.epi.org/publication/ceo-pay/>

<sup>11</sup> John XXIII, *Mater et Magistra*, §81. On "interest or dividends," Morgan Simon's *Real Impact: The New Economics of Social Change* (New York: Bold Type Books, 2017) provides wise guidance on the limits to extraction by investors.

<sup>12</sup> Staff, Crux. "In Interview with Crux Correspondent, Pope Talks Ukraine, Synodality, Polarization, World Cup." Crux, 14 Sept. 2025. <http://cruxnow.com/vatican/2025/09/in-interview-with-crux-correspondent-pope-talks-ukraine-synodality-polarization-world-cup>.

wealth risks producing inequalities that foster forms of polarization and populist reaction that arise less from ideology than from the perception that established systems no longer serve the common good.<sup>13</sup>

U.S.-based Catholic institutional investors have two documents from the hierarchy to guide and inspire their work: the USCCB Socially Responsible Investment Guidelines (2021) and *Mensuram Bonam* (2022), from the Pontifical Academy for Social Sciences. Neither provide direct guidance on executive compensation. The absence of explicit guidance on executive compensation in the USCCB Socially Responsible Investment Guidelines leaves Catholic investors a missed opportunity to provide a shared moral framework precisely where inequality is most visible.<sup>14</sup> In addition to the USCCB's Guidelines, the Vatican-endorsed framework *Mensuram Bonam* offers an important and welcome contribution to faith-consistent investing. The document provides a rigorous moral architecture for responsible investment, emphasizing long-term value creation, integral human development, alignment with the Sustainable Development Goals, and investor stewardship oriented toward the common good. Its strength lies in articulating process-based and outcomes-focused criteria—particularly around governance quality, accountability, and responsible ownership—that help Catholic investors assess corporate conduct across environmental, social, and governance dimensions.<sup>15</sup> At the same time, *Mensuram Bonam* remains notably reticent on the direct question of executive compensation. While it gestures toward concerns about inequality, power asymmetries, and governance failures, it does not offer explicit guidance on excessive pay, internal pay ratios, or quantitative limits on executive remuneration. This absence underscores a broader gap in current Catholic investment frameworks: even robust principles of stewardship and responsibility can leave unresolved the morally urgent question of how much is too much at the top of the corporate hierarchy.

This silence was perhaps understandable in a different economic era, but not now. It is no longer sustainable. The contemporary global economy has entered a period in which executive compensation is not merely high but is structurally excessive. In the United States, chief executive officers routinely earn hundreds of times more than the median worker, with much of this compensation delivered through complex equity-based instruments that magnify inequality while masking its social consequences.<sup>16</sup>

It is worth noting that many contemporary debates surrounding excessive executive compensation would be substantially altered if mid-twentieth-century U.S. tax policy were still in force. During the postwar decades—particularly from the 1940s through the early 1960s—the United States maintained top marginal income tax rates exceeding 90 percent, a structure that significantly limited the net accumulation of extremely high personal incomes.<sup>17</sup> Under such a regime, the social and moral

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<sup>13</sup> Kevin Clarke, "Pope Leo, Elon Musk and the impact of extreme wealth," *America*, September 19, 2025, <https://www.americamagazine.org/weekly-dispatch/2025/09/19/elon-musk-pope-leo-wealth-inequality/>.

<sup>14</sup> United States Conference of Catholic Bishops, *Socially Responsible Investment Guidelines* (2021).

<sup>15</sup> Pontifical Academy for Social Sciences, *Mensuram Bonam: Faith-Based Measures for Catholic Investors: A Starting Point and Call to Action* (Vatican City, 2022), esp. §§31–36 (stewardship and active ownership), §§53–58 (corporate governance and accountability), and §§70–74 (social outcomes and inequality). While these sections address governance quality and distributive concerns broadly, they do not directly evaluate executive compensation levels or establish normative thresholds.

<sup>16</sup> <https://www.epi.org/publication/ceo-pay/>; see also SEC proxy disclosures and ISS compensation analyses.

<sup>17</sup> Thomas Piketty, Emmanuel Saez, and Stefanie Stantcheva, "Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities," *American Economic Journal: Economic Policy* 6, no. 1 (2014): 230–271; see also Internal Revenue Service historical data on top marginal income tax rates, indicating rates above 90 percent from 1951–1963:

consequences of executive compensation are indirectly constrained by public policy, reducing the pressure on corporate governance mechanisms to police excess. Samuel Pizzigati has argued that the dismantling of these steeply progressive tax rates played a decisive role in fueling today's extreme income inequality and has made the case for restoring robust upper-income taxation as a means of curbing excessive compensation and re-anchoring economic rewards to socially constructive ends.<sup>18</sup> However, in the absence of comparable fiscal constraints, moral and institutional responsibility shifts more heavily onto corporations, boards, and investors, heightening the importance of governance interventions, including critical scrutiny of executive pay practices and the limits of advisory mechanisms such as say-on-pay.

Notably, prominent corporate leaders have voiced concerns about the excesses of contemporary executive compensation. In his final Thanksgiving message as CEO of Berkshire Hathaway, Warren Buffett offered a candid critique of the modern pay environment, observing that executive compensation committees have too often “ratcheted” pay upward through peer benchmarking and consultant-driven comparisons regardless of long-term value creation or broader social impact.<sup>19</sup> Buffett warned that compensation practices easily lose their moral bearings when compensation is determined primarily by what comparable executives receive rather than by any defensible measure of contribution or fairness. Buffett concludes his comments about executive compensation by pointing to human dignity: “Keep in mind that the cleaning lady is as much a human being as the Chairman.”<sup>20</sup> Coming from one of the most respected figures in American business, this admission underscores a central claim of this paper: concerns about excessive executive pay are not merely ideological or external to the corporate sphere but are acknowledged from within by leaders who recognize how existing structures routinely normalize excess.

Despite widespread concerns about rising executive pay levels, investor voting patterns continue to demonstrate broad support for management compensation packages. A post-season review of U.S. executive compensation in 2025 found that say-on-pay proposals received strong shareholder approval, even amid record CEO compensation, reflecting a prevailing tendency among investors to endorse pay arrangements as long as they meet prevailing governance and performance-alignment norms.<sup>21</sup> This general pattern of approval also extends to Catholic institutional investors. According to Institutional Shareholder Services (ISS), its Catholic proxy voting policy recommends supporting approximately 65% of say-on-pay proposals, opposing only 35%, even while applying a distinct moral framework grounded in Catholic social teaching.<sup>22</sup> Taken together, these data suggest that while Catholic investors often bring a more critical lens to questions of justice and stewardship, their proxy voting behavior

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<https://fred.stlouisfed.org/series/IITTRHB>.

<sup>18</sup> Samuel Pizzigati, *The Case for a Maximum Wage* (New York: Polity Press, 2018); see also Samuel Pizzigati, “Why the Rich Are Getting Richer—and How Tax Policy Can Reverse the Trend,” *Inequality.org*, Economic Policy Institute.

<sup>19</sup> Warren E. Buffett, “Chairman’s Letter,” Berkshire Hathaway Inc., Thanksgiving message announcing his transition from the CEO role, November 2025. Buffett has criticized executive compensation for at least 40 years (c.f. [Berkshire Hathaway, Inc., Annual Report to Shareholders, 1985](#)).

<sup>20</sup> Ibid. Buffett specifically criticizes the use of compensation peer groups and advisory processes that systematically escalate pay levels while obscuring questions of sufficiency or proportionality.

<sup>21</sup> U.S. compensation voting outcomes and investor support trends are analyzed in “[2025 U.S. Compensation Post-Season Review: Strong Investor Support Despite Record CEO Pay](#),” Harvard Law School Forum on Corporate Governance (Oct. 30, 2025), which documents continued high approval rates for say-on-pay proposals across the Russell 3000 and S&P 500.

largely aligns with broader market norms, raising the question of whether existing evaluative frameworks are sufficient to address the scale and moral significance of contemporary executive compensation practices.

Catholic institutional investors, who rightly insist on moral coherence in wages at the bottom, must now reckon with the opposite end of the wage spectrum. The question is no longer whether excessive executive compensation poses a moral problem but whether Catholic institutions will name, measure, and respond to it.

## 2.1 Systemic Stewardship in a World of Structural Sin

A central development in modern CST—especially evident in the social teaching of Pope Francis—is the recognition that moral responsibility attaches not only to individual choices but also to systems. Economic structures can embody injustice and exclusion, even when individual actors operate justly within the market’s formal rules.<sup>23</sup> In this view, sin is not only personal but also structural and social, embedded in norms and incentives that shape behavior over time, making injustice seem “normal” or unavoidable.

Catholic institutional investors, therefore, operate under a distinct vocation that aligns well with what some describe as *systemic* or *system-level stewardship*.<sup>24</sup> In recent years, the concept that diversified investors must steward the systems that underpin the economy has advanced. Investors understand that companies can degrade the very systems upon which long-term portfolio returns depend. Capital allocation, proxy voting, and corporate governance engagement are not morally neutral. They help shape the expectations, incentives, and standards by which economic actors govern firms. When exercised intentionally, these tools can advance the common good; when neglected, they reinforce unjust arrangements.

Within this framework, executive compensation cannot be understood as a purely contractual matter between boards and executives. It functions as a moral signal that communicates the types of contributions society values, how the dignity of labor is understood within the firm, and whether economic leadership is oriented toward service or accumulation. As then–future Justice Louis Brandeis warned in reflecting on shareholder responsibility, “There is no such thing to my mind . . . as an innocent stockholder. He may be innocent in fact, but socially he cannot be held innocent. He accepts the benefits of the system. It is his business and his obligation to see that those who represent him carry out a policy which is consistent with public welfare.”<sup>25</sup> When Catholic investors remain silent in the face of runaway compensation, they tacitly endorse a system that normalizes extreme inequality.

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<sup>22</sup> Institutional Shareholder Services, *Multiple Policy Perspectives: 1H 2025 Russell 3000 (Catholic Policy)*, reporting that ISS recommended opposition to approximately 35% of say-on-pay proposals under its Catholic voting guidelines, implying support for roughly 65%.

<sup>23</sup> Francis, *Evangelii Gaudium*, §59; *Laudato Si'*, §139. See also the discussion of “structures of sin” in John Paul II, *Sollicitudo Rei Socialis* §36.

<sup>24</sup> Jon Lukomnik and James P. Hawley, *Moving Beyond Modern Portfolio Theory: Investing That Matters*, (New York: Routledge, 2021); and William Burckhart and Steve Lydenberg, *21<sup>st</sup> Century Investing: Redirecting Financial Strategies to Drive Systems Change*, (Oakland, CA: Berrett-Koehler, 2021).

<sup>25</sup> Monks, Robert A. G., and Nell Minow. *Power and Accountability*. New York: HarperBusiness, 1991, p. 4.

## 2.2 Signs of the Times

In reading the signs of the times, Catholic institutional investors should note that the strongest warnings about inequality now come not only from moral leaders but also from Nobel Prize–winning economists themselves. Recent Nobel laureates present a striking and often overlooked consensus that should give pause to those who resist the curbing of excessive executive compensation. Across decades of Nobel-recognized research, the discipline’s most lauded economists have treated economic and wealth disparities as conditions to be explained, constrained, and remedied rather than expanded or celebrated. Angus Deaton, awarded the Prize in 2015 for his analysis of consumption, poverty, and welfare, deepened understanding of how inequality shapes lived economic well-being and public policy outcomes, consistently framing deprivation and unequal outcomes as social problems rather than engines of prosperity.<sup>26</sup> The 2019 laureates—Abhijit Banerjee, Esther Duflo, and Michael Kremer—were recognized for developing empirical tools to reduce poverty and exclusion, not to justify widening gaps in income or reward.<sup>27</sup> The 2024 award to Daron Acemoglu, Simon Johnson, and James Robinson underscored how institutional arrangements concentrate or diffuse economic power, with inequality emerging as a consequence of governance failures rather than market necessity.<sup>28</sup> Even economists sometimes invoked to defend market outcomes—such as Nobel laureate Joseph Stiglitz—have been unequivocal that rising inequality undermines economic performance, democratic legitimacy, and social cohesion.<sup>29</sup> Taken together, this body of Nobel-level scholarship offers no intellectual refuge for arguments that escalating executive compensation and widening disparities are economically benign or socially beneficial. In contrast, among the most honored voices in the field, there is virtually no contemporary case for increasing inequality—only sustained warnings about its costs.

When evaluating excessive executive compensation in moral and structural terms, it is useful to connect compensation practices to broader social and economic currents that shape perceptions of inequality and the separation between elites and the wider public. Two particularly striking phenomena in 2025 — increased executive security expenditures in the wake of violence against corporate leaders and the widespread discussion of a “K-shaped economy” — illustrate these dynamics.

One tangible sign of shifting priorities among corporate elites is the marked increase in executive security expenditures disclosed in annual filings, triggered in part by the December 2024 killing of UnitedHealthcare CEO Brian Thompson. According to 2025 proxy statements, UnitedHealth Group spent nearly \$1.7 million on security for its top executives in 2024, including personal and home

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<sup>26</sup> Angus Deaton, Nobel Memorial Prize in Economic Sciences 2015, awarded “for his analysis of consumption, poverty, and welfare,” recognizing work that links income distribution, well-being, and public policy outcomes. See Anne Case and Angus Deaton, *Deaths of Despair and the Future of Capitalism*. Princeton, NJ: Princeton University Press, 2020.

<sup>27</sup> Abhijit Banerjee, Esther Duflo, and Michael Kremer, Nobel Memorial Prize in Economic Sciences 2019, awarded “for their experimental approach to alleviating global poverty,” explicitly orienting economic research toward reducing deprivation and inequality. See: Abhijit V. Banerjee and Esther Duflo. *Good Economics for Hard Times*. New York: PublicAffairs, 2019.

<sup>28</sup> Daron Acemoglu, Simon Johnson, and James Robinson, Nobel Memorial Prize in Economic Sciences 2024, recognized for research demonstrating how political and economic institutions shape prosperity and unequal outcomes. See: Daron Acemoglu and James A. Robinson. *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. New York: Crown Publishers, 2012.

<sup>29</sup> Joseph E. Stiglitz, Nobel Memorial Prize in Economic Sciences 2001; see especially his later work arguing that inequality weakens economic growth, market efficiency, and democratic governance. See: Joseph E. Stiglitz. *The Price of Inequality*. W. W. Norton & Company, 2013.

security services, and disclosed these expenses for the first time following the high-profile murder of Thompson.<sup>30</sup> Reporting notes that other major firms across the S&P 500 have likewise expanded their executive security measures, reflecting a broader reassessment of risks to corporate leaders.<sup>31</sup> These developments have extended beyond healthcare, with companies citing an “enhanced security risk environment” and disclosing new or increased security expenses for executives in their most recent proxy statements.<sup>32</sup> According to industry analysis, a majority of companies reporting such perks increased both the prevalence and cost of security services in 2025, and these trends are expected to continue into the 2026 proxy season as boards, proxy advisors like ISS, and even the SEC scrutinize how perquisites are classified and disclosed.<sup>33</sup> Executive protection spending, once limited or bundled within other perquisites, now appears with greater frequency and specificity, underscoring the sense among boards and compensation committees that physical safety has become a material concern for top leadership. Taken together, these disclosures suggest that excessive executive compensation may function not merely as a coincident marker of inequality but as a contributing cause of heightened security costs, insofar as extreme pay disparities and visible concentration of wealth can intensify social resentment, perceived risk, and the need for personal protection among corporate elites.

This heightened emphasis on executive security resonates with a wider economic pattern increasingly described as a “K-shaped economy.” According to a report by the Associated Press, references to a K-shaped economy proliferated in 2025 to describe diverging experiences in the U.S. economy, where wealthier individuals and households see rising income and asset gains while lower- and middle-income groups face slower wage growth and weaker labor market conditions.<sup>34</sup> Economists and journalists have noted that although overall economic growth appears solid, the distribution of gains is uneven, with affluent consumers and investors driving consumption and investment, while many others struggle to keep pace.<sup>35</sup> Other analyses emphasize that economic conditions are increasingly bifurcated, with spending and wage growth for higher-income Americans exceeding that of lower-income households, reinforcing the sense of twin “tracks” in the economy.<sup>36</sup>

Recent macroeconomic data provide further evidence that the distribution of economic gains in the United States has shifted markedly in favor of capital at the expense of labor. According to the Federal Reserve Bank of St. Louis, labor compensation as a share of national income has declined to levels that reflect a smaller fraction of the economy being paid out as wages and benefits relative to output. As of the most recent data, labor’s share of gross domestic product stands at approximately 56.8 percent, meaning that a diminishing portion of the nation’s economic output is accruing to workers, with the balance increasingly flowing to corporate profits and capital returns.<sup>37</sup> This trend reinforces the

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<sup>30</sup> [https://www.unitedhealthgroup.com/content/dam/UHG/PDF/investors/2025/2025\\_proxy\\_statement\\_final.pdf](https://www.unitedhealthgroup.com/content/dam/UHG/PDF/investors/2025/2025_proxy_statement_final.pdf)

<sup>31</sup> <https://www.reuters.com/sustainability/boards-policy-regulation/corporate-america-boosts-security-spending-after-unitedhealth-murder-filings-2025-04-28/>

<sup>32</sup> <https://www.insurancejournal.com/news/national/2025/03/13/815385.htm>

<sup>33</sup> Melisa Brower, K.J. Salameh & Elizabeth Edel, Executive Security: The Perk to Watch, Harvard Law School Forum on Corporate Governance (Jan. 16, 2026). <https://corpgov.law.harvard.edu/2026/01/16/executive-security-the-perk-to-watch/>

<sup>34</sup> <https://apnews.com/article/kshaped-economy-spending-income-inequality-dfa59144ecb2e1b674242666e28ff556>

<sup>35</sup> <https://theweek.com/business/economy/american-economy-k-shaped-wealth-inequality>

<sup>36</sup> <https://www.barrons.com/articles/k-shaped-economy-wages-consumers-federal-reserve-e6171791>

<sup>37</sup> University of Groningen and University of California, Davis, *Share of Labour Compensation in GDP at Current National Prices for United States* [LABSHPUSA156NRUG], retrieved from FRED, Federal Reserve Bank of St. Louis;

narrative of a K-shaped economy in which those who capture capital gains benefit disproportionately while workers' relative claim on the economic pie contracts.

The persistent decline in labor's share of income is not a short-term aberration but part of a longer-term structural shift observed in advanced economies, where the bargaining power of labor has eroded, technology has favored capital, and corporate strategy has prioritized profit margins over broad-based wage growth.<sup>38</sup> For example, research highlighted by Deutsche Bank in its *Climbing Ladders at 62* report points to charts for patterns of wage progression and income mobility that have flattened for many workers entering the labor market, even as earnings at the top continue to rise. Deutsche concludes: "The broader point is simple: however "good" the macro data look, these charts suggest large parts of the population may not be feeling the benefits."<sup>39</sup> Together, these data illustrate how a shrinking labor share amplifies income inequality, undercuts shared prosperity, and weakens the foundation for broad-based economic demand—dynamics that have moral, social, and governance implications far beyond individual firms.

When viewed together, these trends, greater corporate investment in executive security and an economy experienced as K-shaped, suggest more than technical shifts in compensation practice or macroeconomic measurement. They reflect a perception of separation, in which corporate leaders inhabit materially different economic and social conditions from workers, customers, and communities affected by those same corporate decisions. For Catholic institutional investors, these signs strengthen the moral argument that executive compensation cannot be considered in isolation from the broader contexts of inequality, insecurity, and social fragmentation that shape economic life in the twenty-first century.

Another signal of evolving corporate governance norms is the attention given by regulators to how executive pay is disclosed. On June 26, 2025, the U.S. Securities and Exchange Commission (SEC) convened a high-profile roundtable on executive compensation disclosure requirements, bringing together representatives of companies, investors, advisors, and governance experts to evaluate whether existing rules provide material, decision-useful information and to consider how they might be reformed.<sup>40</sup> In his opening remarks, then-SEC Chair Paul Atkins and other Commissioners described the current executive compensation disclosure regime — shaped over decades by rulemaking and statutory additions such as say-on-pay, CEO pay ratio, and pay-versus-performance tables — as increasingly complex, costly, and of limited utility to everyday investors.<sup>41</sup> Panels discussed not only the mechanics of compensation decision-making and disclosure but also the tension between the burden and benefit in executive compensation reporting.<sup>42</sup> Some participants argued that mandated

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<https://fred.stlouisfed.org/series/LABSHPUA156NRUG>, February 18, 2026.

<sup>38</sup> Sangmin Aum & Yongseok Shin, *Why Is the Labor Share Declining?* Federal Reserve Bank of St. Louis Review (Oct. 22, 2020), <https://www.stlouisfed.org/publications/review/2020/10/22/why-is-the-labor-share-declining>.

<sup>39</sup> Deutsche Bank Research, "Thematic Research: DB CoTD: Climbing Ladders at 62 - Research Institute," Deutsche Bank Research, February 10, 2026.

<http://www.dbresearch.com/PROD/RI-PROD/PROD0000000000617411/Climbing%20ladders%20at%2062.report>.

<sup>40</sup> <https://www.sec.gov/newsroom/press-releases/2025-85-sec-announces-agenda-panelists-roundtable-executive-compensation-disclosure-requirements>

<sup>41</sup> <https://corpgov.law.harvard.edu/2025/07/26/insights-from-the-sec-roundtable-on-executive-compensation-disclosure-requirements/>

<sup>42</sup> <https://www.sec.gov/newsroom/meetings-events/sec-roundtable-executive-compensation-disclosure-requirements>

disclosures, such as CEO pay ratios and perquisite reporting, may distract from the fundamental goal of providing material transparency, while investor representatives advocated for enhancements that would clarify the lifecycle and realized value of equity awards.<sup>43</sup> The fact that the SEC is taking a retrospective look at its executive compensation disclosure framework, even as proxies and governance codes continue to normalize ever-higher pay, underscores a regulatory recognition that what gets disclosed and how shapes both investor understanding and public perceptions of inequality. Concern is warranted that the SEC may issue changes that gives executive pay a “free ride” with limits on required disclosure. These deliberations, while not directly related to compensation levels, reflect wider societal questions about transparency, accountability, and the legitimacy of elite remuneration structures.

Finally, recent public disclosures surrounding the Epstein files have further underscored a troubling feature of extreme wealth concentration: the capacity of a small economic elite to evade accountability for grave social harms. While the specific crimes at issue are exceptional, the underlying pattern is not. These revelations illuminate how vast financial resources can be used to influence regulators, shape legal outcomes, and silence scrutiny, weakening the rule of law itself. From the perspective of Catholic social teaching, such dynamics represent a serious moral failure—not only because of the harms inflicted on victims, but because they corrode social trust and undermine the principle that all persons are subject to equal moral and legal standards. When economic power becomes so concentrated that it shields wrongdoing and distorts public institutions, inequality ceases to be merely distributive and becomes a systemic threat to social order and democratic governance. In this light, unchecked executive compensation and extreme wealth accumulation are not morally neutral outcomes of market success but contributors to forms of institutional fragility that markets alone cannot correct.

Taken together, the analysis of Nobel Prize–winning economists, the rise in executive security expenditures, the emergence of a “K-shaped” economy, and the Securities and Exchange Commission’s renewed scrutiny of executive compensation all point to a common and unsettling reality: economic distance has widened to the point that it is now shaping behavior, governance, and public trust in the U.S. These are not isolated phenomena but mutually reinforcing indicators of a system in which rewards at the top have become increasingly detached from shared prosperity and social cohesion. Read as signs of the times, they suggest that excessive executive compensation is no longer merely a question of optics or internal equity but a structural concern with moral, social, and institutional consequences. For Catholic institutional investors, this convergence strengthens the case that inaction is itself a decision—one that risks normalizing compensation patterns that undermine stewardship, dignity, and the common good.

## **2.3 Fiduciary Duty Reconsidered**

In many institutional investment settings, fiduciary duty is treated as a narrow, technical mandate that requires fiduciaries to maximize risk-adjusted financial returns and little else. This construal, though common, is historically incomplete and theologically inadequate. Catholic institutions, in particular, inherit a moral tradition in which stewardship is never merely financial; it is systemic stewardship—a responsibility for how one’s economic decisions shape social structures, human dignity, and the

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<sup>43</sup> <https://marketedge.dlapiper.com/2025/07/the-sec-held-its-roundtable-on-the-executive-compensation-disclosure-requirements/>

conditions for the common good.<sup>44</sup> The Compendium of the Social Doctrine of the Church puts it quite clearly: “A business enterprise must be a community of solidarity, that is not closed within its own company interests. It must move in the direction of a ‘social ecology’ of work and contribute to the common good also by protecting the natural environment.”<sup>45</sup> When fiduciaries act as if their only obligation is to optimize portfolio performance, they implicitly endorse the systems that generate economic distortion, social fragmentation, and excessive executive compensation. Properly understood, fiduciary duty already extends beyond quarterly returns to include the long-term moral and systemic implications of investment decisions.<sup>46</sup>

Recent scholarship in law and economics increasingly supports this view. Fiduciary duty, when properly understood, is not a prohibition against moral reasoning but a framework for prudential judgment in the face of complex and interdependent risks.<sup>47</sup> Courts and regulators have acknowledged that fiduciaries may consider systemic risks—including climate change, political instability, and widening income inequality—when such risks materially affect long-term economic outcomes.<sup>48</sup> However, what theology adds is the insistence that fiduciaries must consider these systemic effects because institutions acting as stewards of entrusted resources participate in shaping the moral ecology of the marketplace. In Catholic thought, questions of justice, equity, and human flourishing are not “externalities” to be screened out of investment practice; they are constitutive elements of responsible stewardship. Like the Sabbath, the economy was made for humanity, not humanity for the economy.

Within this broadened horizon, excessive executive compensation is not simply a defect in corporate governance; it is a structural signal of deeper market dysfunction. A fiduciary who claims objectivity while voting for compensation packages that ratify extreme disparities is not avoiding moral judgment—he or she is making one. Therefore, fiduciary duty cannot be reduced to passively tracking prevailing market norms. It requires an active, intentional posture of systemic stewardship, seeking to mitigate harmful structures, promote equity, and align investment practices with the institution’s mission and values.<sup>49</sup> This includes exercising voting rights, engaging companies on compensation policy, resisting misleading “compensation discussion and analysis” (CD&A) narratives, and refusing to treat shareholder power as a purely symbolic ritual.<sup>50</sup>

This paper argues that a well-grounded conception of fiduciary duty thus invites Catholic boards, finance councils, and investment committees to view themselves not merely as custodians of assets but as agents within a much larger moral economy. Decisions regarding proxy voting, fund selection, and investment strategies reverberate across systems in ways that affect workers, families, communities,

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<sup>44</sup> See *Compendium of the Social Doctrine of the Church*, §§340–343, on the moral demands of stewardship and the social nature of economic life.

<sup>45</sup> *IBID*, §340.

<sup>46</sup> For theological discussion of stewardship as both personal and structural responsibility, see John Paul II, *Sollicitudo Rei Socialis* §§36–38.

<sup>47</sup> See James P. Hawley, Andreas G. F. Hoepner, Keith L. Johnson, Joakim Sandberg, and Edward J. Waitzer, eds., *Cambridge Handbook of Institutional Investment and Fiduciary Duty*, (Cambridge: Cambridge University Press, 2014).

<sup>48</sup> U.S. Department of Labor, “Financial Factors in Selecting Plan Investments,” 85 Fed. Reg. 72846 (Nov. 13, 2020); revised interpretive bulletins (2022) expanding consideration of systemic risks.

<sup>49</sup> On systemic stewardship in Catholic thought, see Pontifical Council for Justice and Peace, *Mensuram Bonam* (2022), §§31–34.

<sup>50</sup> On failures of CD&A and excessive compensation governance, see Steven Clifford, *The CEO Pay Machine* (New York: Blue Rider Press, 2017), ch. 3–5.

and the long-term stability of the economy. Fiduciaries who embrace system-level stewardship recognize that these effects are not optional moral add-ons; they are intrinsic to the task of safeguarding the institution's mission and the society in which that it is carried out.

## 2.4 The Wages of Excess: Compensation as Structural Moral Harm

*This is a rule of faith and the secret of hope: all this earth's goods, material realities, worldly pleasures, economic prosperity, however important, cannot bring happiness to our hearts. Wealth often disappoints and can lead to tragic situations of poverty — above all the poverty born of the failure to recognize our need for God and of the attempt to live without him.*

Pope Leo XIV<sup>51</sup>

The Catholic moral tradition insists that economic practices be evaluated not only according to efficiency or profitability but also according to their effects on human flourishing and social cohesion.<sup>52</sup> Human flourishing is not measured primarily by power, prestige, or the accumulation of possessions, but by the integral development of the person in right relationship with God, others, and the created order. Flourishing is understood as inherently social, rooted in human dignity, sustained by solidarity, and oriented toward the common good rather than individual advantage alone. It presupposes conditions that enable participation, meaningful work, and care for the vulnerable, while resisting cultural narratives that equate security or success with domination or excess. In this sense, a Catholic account of flourishing aligns closely with Pope Leo's emphasis on hope, dignity, and shared responsibility, while standing in clear tension with prevailing metrics of executive compensation, which tend to quantify success narrowly in terms of individual financial reward rather than contribution to the common good or the well-being of the most vulnerable. When examined through this lens, excessive executive compensation reveals itself as a morally harmful structure.

First, extreme pay ratios erode social solidarity. Ratios of 300× or 500× fracture the moral imagination of a corporation, rendering the claim that all workers contribute meaningfully to a shared mission increasingly implausible. It also creates a credibility gap between Bopards of directors and shareholders as well as society in general.

Second, such compensation regimes violate CST's principle of the priority of labor over capital. When disproportionate rewards accrue to a small executive class, labor is instrumentalized rather than honored as co-creative participation in God's work.<sup>53</sup>

Third, extreme inequality weakens the common good. A robust body of social-scientific research links large income disparities to reduced social trust, diminished civic participation, and heightened social instability, outcomes consistently condemned by CST.<sup>54</sup> Beyond firm-level disparities, recent macroeconomic research links rising income inequality to broader financial instability. A working paper from the Federal Reserve Bank of San Francisco finds that prolonged increases in top income

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<sup>51</sup> Pope Leo, "Message of the Holy Father for the 9th World Day of the Poor [16 November 2025]," <http://www.vatican.va/content/leo-xiv/en/messages/poor/documents/20250613-messaggio-giornata-poveri.html>.

<sup>52</sup> *Compendium of the Social Doctrine of the Church*, §§330–331.

<sup>53</sup> John Paul II, *Laborem Exercens*, §12.

<sup>54</sup> Wilkinson and Pickett, *The Spirit Level*; OECD inequality reports.

shares and low productivity growth are robust predictors of financial crises and deeper recessions, even after accounting for traditional financial factors.<sup>55</sup> This suggests that entrenched inequality not only raises ethical concerns about distributive justice and solidarity, but may also weaken economic resilience, increasing the likelihood of crises that harm workers and communities most severely.

Finally, these arrangements generate a new form of structural exclusion. Pope Francis’s critique of an “economy that kills” applies not only to material deprivation, but also to systems that concentrate abundance among the few while rendering the many economically precarious.<sup>56</sup> Each dollar awarded in executive compensation was allocated away from workers. In this sense, just as CST speaks of a *living wage*, it is legitimate to speak analogically of a “*killing wage*”: compensation so excessive that it distorts economic relationships, normalizing inequality, and weakening communal bonds.

Recent scholarship in management and business ethics reinforces the Church’s concern that extreme disparities in executive compensation are not merely unintended outcomes of competitive markets but the predictable result of corporate structures, governance norms, and institutionalized pay-setting practices. Tsui, Enderle, and Jiang argue that income inequality in the United States is increasingly driven at the firm level, especially through the widening gap between CEO compensation and average worker pay, and that this divergence cannot be adequately explained by differences in talent, effort, or performance alone.<sup>57</sup> Enderle further emphasizes that firms bear moral responsibility not only for wealth creation but also for the distribution of that wealth, since compensation arrangements allocate power, dignity, and life chances, alongside income.<sup>58</sup> Read in dialogue with Catholic social teaching on social sin, this research reframes executive compensation from a technical governance matter into a distributive moral choice with systemic consequences. Against this backdrop, persistently high approval of executive pay packages—including through advisory say-on-pay votes—signals not moral adequacy but the normalization of disproportionate rewards. Thus, the convergence of empirical management research and Catholic social doctrine strengthens the case for more demanding stewardship standards, including a serious reassessment of whether quantitative limits on executive compensation may be morally warranted.

## 2.5 How Much Is Too Much?

Popular culture has provided clarity on this question. In Oliver Stone’s film *Wall Street*, Bud Fox confronts Gordon Gekko with a line that cuts through spreadsheets and rationalizations: “Tell me, Gordon, when does it all end, huh? How many yachts can you water-ski behind? How much is enough?”<sup>59</sup> This moment is striking not because it offers a formula but because it exposes the moral evasiveness of unlimited accumulation. Fox’s questions presume what Catholic social teaching later formally names: that wealth ceases to be morally neutral once it exceeds any plausible measure of need, contribution, or responsibility. The intuitive force of the question “how much is enough?” lies in

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<sup>55</sup> Pascal Paul, *Historical Patterns of Inequality and Productivity around Financial Crises*, Federal Reserve Bank of San Francisco Working Paper 2017-23 (Mar. 1, 2022). <https://www.frbsf.org/wp-content/uploads/wp2017-23.pdf>

<sup>56</sup> Francis, *Evangelii Gaudium*, §53.

<sup>57</sup> Ming-Jer Chen Tsui, Georges Enderle, and Kaifeng Jiang, “Income Inequality in the United States: Reflections on the Role of Business,” *Academy of Management Review* 43, no. 1 (2018): 156–168.

<sup>58</sup> Georges Enderle, “Corporate Responsibility for Less Income Inequality,” *Business Ethics Quarterly* 28, no. 1 (2018): 113–130.

<sup>59</sup> *Wall Street*, directed by Oliver Stone (Los Angeles: Twentieth Century Fox, 1987).

its insistence that moral judgment requires a threshold—that limits arise from justice rather than from envy or resentment.

A concrete illustration of the problem of scale can be seen in the recent compensation of Jamie Dimon, longtime chief executive of JPMorgan Chase. In 2025, Dimon realized approximately \$770 million in compensation and stock-related gains, an amount that starkly exceeds even generous benchmarks commonly used to assess fairness in pay.<sup>60</sup> If executive compensation were limited to 100 times U.S. median household income—a ratio already far above historical norms and widely regarded as ethically generous—annual compensation would fall in the range of roughly \$8.3 million. Dimon’s remuneration exceeds that threshold by nearly two orders of magnitude, approaching 10,000 times median household income. Put differently, a single executive’s annual compensation roughly equals the entire annual income of more than 10,000 ordinary working households, or the combined earnings of a mid-sized city of 25,000–30,000 residents. This is not merely a question of individual merit or firm performance; it is a question of moral proportionality. At such extremes, compensation ceases to function as incentive and instead becomes a structural signal that wealth accumulation at the top is effectively uncoupled from any recognizable standard of contribution, solidarity, or the common good.

If Mr. Dimon’s tax planning is as efficient as his compensation structure, much of which is taxed at preferential capital-gains rates, his after-tax take-home would exceed the net income of that same mid-sized city, even after its residents have paid their full share of payroll, income, and consumption taxes. The problem, then, is not only the scale of executive compensation, but the manner in which such income is treated within the tax system itself. Much of the highest compensation is structured to take advantage of preferential rates on capital gains, carried interest, or deferred equity, resulting in effective tax burdens that are often lower than those borne by ordinary wage earners. This dynamic compounds inequality by allowing extreme earnings to escape proportionate contribution to the public goods—infrastructure, education, healthcare, and social stability—that make such wealth generation possible in the first place. From the perspective of Catholic social teaching, this represents a dual failure: excessive accumulation on the one hand, and insufficient participation in the shared obligations of the common good on the other. When those who benefit most from the economic order contribute least, the legitimacy of both market outcomes and democratic governance is strained, reinforcing the perception that the system privileges insulation over responsibility.

CST does not typically legislate specific numerical limits. However, it regularly offers normative criteria that require practical application. Without translation into concrete standards, moral principles risk remaining abstract and aspirational in nature. Pope Francis said, “There is no such thing as love in the abstract; it doesn’t exist. Platonic love is somewhere out in space, not here in the real world. Love is concrete; it dirties its hands.”<sup>61</sup> Therefore, a quantitative threshold for executive compensation should not be understood as an absolute moral law but as a prudential benchmark—a tool for conscience formation and institutional investor accountability.

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<sup>60</sup> Rob Copeland, “Jamie Dimon’s \$770 Million Haul Shows How Bankers Are on Top Again,” *New York Times*, Jan. 5, 2026.

<sup>61</sup> Francis, *Apostolic Journey to Portugal: Meeting with Representatives of Some Aid and Charity Centres at “Centro Paroquial de Serafina”* (Lisbon, 4 August 2023).

## 3. Quantitative Thresholds for Evaluating Executive Compensation

Efforts to assess and restrain excessive executive compensation increasingly rely on quantitative thresholds to translate moral concern into actionable governance standards. While no single metric can capture the full ethical complexity of executive pay, the choice of benchmark materially shapes both the persuasiveness and practicality of reform. This section evaluates two proposed approaches—multiples of median household income and multiples of a living wage—and considers an additional metric that may integrate moral clarity with feasibility for institutional investors. A robust approach requires multiple reference points anchored in human dignity, attentive to internal equity, and alert to broader social consequences.

### 3.1 Multiples of Median Household Income

One proposed approach evaluates executive compensation as a multiple of median household income, typically using national or regional data. This metric has the advantage of public intelligibility: median household income is widely reported, broadly understood, and resonates intuitively with concerns about widening economic inequality. By anchoring executive pay to the lived economic reality of ordinary households, this approach underscores the growing separation between corporate leadership and the communities in which firms operate. It also enables cross-sector and cross-firm comparisons, highlighting systemic patterns rather than isolated excesses.

At the same time, this metric presents notable limitations. Median household income is external to the firm, reflecting broader labor markets rather than the company's own wage practices. As such, it weakens arguments grounded in internal justice and shared enterprise. Household income also varies significantly based on household size, number of earners, and regional cost of living, introducing interpretive ambiguity. For some investors and boards, the metric may appear rhetorically powerful but insufficiently tethered to corporate governance realities. Consequently, while multiples of median household income serve as a compelling diagnostic and communicative tool, they may be less effective as a standalone standard for investor engagement.

A threshold of 100× the U.S. median household income<sup>62</sup> offers several advantages. Median household income reflects the lived economic reality of families, consistent with CST's emphasis on the household as the fundamental unit of society.<sup>63</sup> It avoids distortions created by low-wage business models or global labor arbitrage and anchors compensation decisions to social context rather than elite peer-group comparisons.

The proposed multiple is intentionally generous by historical and global standards. It allows for substantial differentiation in pay while drawing a clear moral line beyond which compensation becomes suspect and demands justification.

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<sup>62</sup> U.S. median household income was \$83,730 in 2024, according to the U.S. Census Bureau, *Income in the United States:2024* (see: <https://www.census.gov/library/publications/2025/demo/p60-286.html> )

<sup>63</sup> Francis, *Amoris Laetitia*, §44; Compendium, §211, §250.

### 3.2 Multiples of a Living Wage

A second approach evaluates executive compensation relative to a defined living wage<sup>64</sup>, often calculated using regional cost-of-living data. This metric aligns closely with Catholic Social Teaching's emphasis on the just wage, understood not merely as subsistence but as the material basis for a dignified human life.<sup>65</sup> By anchoring executive compensation to what workers require to meet basic needs, the living-wage multiple foregrounds questions of moral proportionality, solidarity, and the social purpose of economic leadership.

This approach offers a strong internal justice rationale: if a firm depends on the labor of workers who struggle to meet basic needs, the escalation of executive pay raises serious ethical concerns. However, living-wage metrics also face challenges. Methodologies vary across calculators and assumptions, potentially complicating comparability. Some investors may regard the metric as normatively demanding or insufficiently attentive to differences in responsibility, skill, and firm performance. Moreover, living wages establish a moral floor, not a full account of distributive justice, and thus cannot by themselves determine appropriate upper bounds.

For analytical purposes, this paper treats executive compensation exceeding approximately 50 to 100 times a regional living wage as a threshold of heightened moral concern. This range does not function as a rigid cap but as a presumptive upper bound, beyond which compensation practices require especially strong justification in light of Catholic Social Teaching's commitments to proportionality, solidarity, and the common good. Where executive pay surpasses this threshold while workers earn only a living wage, the burden of moral proof shifts decisively to the firm to demonstrate how such disparities serve genuine social value rather than merely private gain.

### 3.3 An Additional Metric: Executive-to-Median-Worker Pay Ratios

A third metric, already embedded in U.S. securities regulation, is the ratio of executive compensation to median employee pay. Required under SEC disclosure rules, this ratio reflects a firm's internal wage structure and compensation philosophy.<sup>66</sup> It is firm-specific and directly relevant to governance deliberations. Because it adjusts as workforce compensation changes, it can illuminate whether gains at the top are shared throughout the organization.

Nevertheless, this metric also requires careful interpretation. Median worker pay can be distorted by outsourcing, global supply chains, or reliance on contract labor. On its own, the ratio is descriptive rather than normative; it identifies disparity but does not explain when disparity becomes unjust. Without a moral framework, disclosure risks becoming another normalized data point rather than a catalyst for reform.

For analytical purposes, this paper treats a CEO-to-median-employee pay ratio exceeding approximately 100:1 as a threshold of presumptive moral concern. Ratios above this level do not automatically establish injustice, but they do shift the burden of justification to the firm and its board.

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<sup>64</sup> Defined by MIT's Living Wage Calculator as "At its simplest, a living wage is what one full-time worker must earn on an hourly basis to help cover the cost of their family's minimum basic needs where they live while still being self-sufficient." See: "Living Wage Calculator," <https://livingwage.mit.edu/pages/methodology>.

<sup>65</sup> *Compendium of the Social Doctrine of the Church*, §250, §§302–303.

<sup>66</sup> Securities and Exchange Commission, "Pay Ratio Disclosure," Regulation S-K, Item 402(u).

Ratios in the range of 50:1 to 100:1 warrant heightened scrutiny, particularly where median wages stagnate or reliance on outsourced and contract labor depresses reported worker pay. In the absence of a compelling account of shared value creation, sustained ratios above these levels risk normalizing disparities incompatible with principles of solidarity and proportionality.

### **3.4 Toward a Tiered Framework**

Rather than privileging a single quantitative threshold, this paper proposes a tiered evaluative framework. A living wage provides a non-negotiable moral baseline rooted in human dignity. Executive-to-median-worker pay ratios offer an internally relevant measure of equity and governance practice. Median household income serves as a broader social reference point, situating firm behavior within the wider economy. Together, these metrics reflect Catholic Social Teaching's method: beginning with the dignity of the human person, assessing institutional arrangements, and evaluating social outcomes in light of the common good.

## **4. Responding to Common Objections**

### **4.1 Executive Pay and Inequality as Firm-Internal Issues**

A common objection from management and boards holds that executive compensation and internal wage disparities are primarily firm-specific matters with little relevance beyond corporate governance. On this view, pay levels and internal ratios may raise questions of fairness or morale, but they do not meaningfully affect macroeconomic performance or financial stability. Inequality, in this framing, is treated as a distributive concern rather than a structural risk.

Recent empirical research challenges this assumption. The previously cited working paper from the Federal Reserve Bank of San Francisco examines historical patterns of income inequality and productivity growth across advanced economies and finds that prolonged increases in top income shares are robust predictors of financial crises and deeper economic downturns.<sup>67</sup> Importantly, these relationships persist even after controlling for conventional financial indicators, suggesting that inequality itself plays a role in shaping systemic vulnerability rather than merely reflecting underlying economic conditions.

This research reframes inequality as more than a moral or social concern. Concentration of income at the top can weaken aggregate demand, encourage household leverage, and amplify financial fragility, dynamics that increase the severity and frequency of crises. From this perspective, extreme disparities in compensation are not isolated outcomes of firm-level decisions but part of broader patterns that can undermine economic resilience and disproportionately harm workers, families, and communities when crises occur.

For investors committed to long-term value and risk management, these findings carry important implications. If rising inequality contributes to financial instability, then executive compensation practices that reinforce extreme concentration are not only ethically questionable but also economically imprudent. Attention to internal pay structures, including executive-to-worker disparities, can thus be understood as a component of systemic risk assessment rather than an extraneous moral preference. In

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<sup>67</sup> Pascal Paul, *Historical Patterns of Inequality and Productivity around Financial Crises*

this light, engaging companies on compensation practices aligns fiduciary responsibility with concern for the common good, recognizing that economic justice and financial stability are more closely linked than traditional models have assumed.

## 4.2 Market pricing and talent scarcity

A common objection holds that executive compensation merely reflects market forces: scarce talent commands a high price, and boards must pay what the market requires. This claim deserves serious engagement. Catholic Social Teaching does not deny the informational value of markets, nor does it reject differentiated compensation for roles involving greater responsibility, expertise, or risk.<sup>68</sup>

However, Catholic moral theology has never equated *market price* with *moral legitimacy*. As *Quadragesimo Anno* makes clear, economic activity remains subject to norms of justice that markets alone cannot supply.<sup>69</sup> Markets reveal what firms are willing to pay, not what executives are entitled to receive in light of social obligations and shared dependence on labor, public infrastructure, and legal protections.<sup>70</sup>

Moreover, the “talent scarcity” argument often assumes, rather than demonstrates, that marginal increases in compensation at extreme levels correspond to marginal increases in executive performance. Claims that extreme executive compensation merely reflects market valuation or scarce talent are further weakened by empirical evidence that pay at the highest levels often diverges sharply from firm performance. For example, As You Sow’s annual analysis of the 100 most overpaid CEOs identifies executives whose compensation substantially exceeds both peer benchmarks and long-term shareholder returns, frequently in the face of significant shareholder opposition. Such cases suggest not efficient markets, but governance failures that normalize disproportionate reward disconnected from shared value creation.<sup>71</sup> While competitive compensation may be necessary to attract qualified leadership, the leap from competitive pay to compensation hundreds of times greater than a living wage is not morally self-justifying. Differentiation may be warranted; radical disproportionality is not.<sup>72</sup>

## 4.3 Pay, performance, and incentives

A related objection appeals to incentives: high compensation is said to align executive interests with firm performance and shareholder returns. Yet decades of research suggest that the relationship between extreme executive pay and long-term firm performance is, at best, weak and inconsistent.<sup>73</sup> In some cases, escalating pay packages have been linked to short-termism, financial engineering, and excessive risk-taking rather than sustainable value creation. An Institute for Policy Studies analysis of 100 large, low-wage firms found that over half moved bonus goalposts or took other actions in 2020 to artificially pump up executive paychecks while their workers suffered from the Covid crisis. These

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<sup>68</sup> John Paul II, *Centesimus Annus*, §§32–35.

<sup>69</sup> Pius XI, *Quadragesimo Anno*, §§57–60.

<sup>70</sup> John Paul II, *Laborem Exercens* (1981), §7; *Gaudium et Spes* (1965), §63.

<sup>71</sup> As You Sow, “The 100 Most Overpaid CEOs.” <http://www.asyousow.org/the-100-most-overpaid-ceos>.

<sup>72</sup> *Compendium of the Social Doctrine of the Church*, §§301–303.

<sup>73</sup> Carola Frydman and Raven E. Saks, “Executive Compensation: A New View from a Long-Term Perspective, 1936-2005,” The Federal Reserve Board, July 6, 2007. <https://www.federalreserve.gov/pubs/feds/2007/200735/index.html>.

concerns are reinforced by recent governance analyses.<sup>74</sup> Again, *As You Sow's 100 Most Overpaid CEOs* reports identify executives whose compensation substantially exceeds peer benchmarks and long-term shareholder returns. Such cases suggest not incentive alignment but compensation structures that reward scale, timing, or positional power rather than durable economic contribution.<sup>75</sup> Far from resolving agency problems, extreme pay may exacerbate them by weakening accountability and insulating executives from the consequences of poor performance.

From a Catholic moral perspective, this matters because incentives are not morally neutral. Compensation structures that reward short-term stock price movements while externalizing costs onto workers, communities, or future stakeholders fail the test of the common good.<sup>76</sup> If extreme pay were demonstrably necessary to secure long-term, socially productive leadership, the moral case would be stronger. In the absence of such evidence, the burden of justification remains unmet.

#### **4.4 Fiduciary duty and shareholder primacy**

Some argue that restraint in executive compensation conflicts with fiduciary duty, understood as an obligation to maximize shareholder value. This objection assumes that fiduciaries must defer to market norms and prevailing pay practices, even when compensation outcomes appear disconnected from performance or internal equity. On this view, moral or social judgments about executive pay are seen as extraneous to fiduciary responsibility.

This objection rests on an unduly narrow interpretation of fiduciary responsibility. Even within mainstream corporate governance, fiduciary duty does not require maximizing executive pay, nor does it forbid boards from exercising moral and strategic judgment about compensation structures.

Excessive executive compensation can undermine these goods by eroding employee morale, weakening public legitimacy, and increasing governance and reputational risk.<sup>1 2</sup>

Catholic investors, in particular, interpret fiduciary duty through a thicker moral lens that integrates financial stewardship with institutional integrity and social trust.<sup>77</sup> Excessive executive compensation can undermine these goods by eroding employee morale, damaging public legitimacy, and exposing firms to reputational and governance risk.<sup>78</sup> From this perspective, disciplined restraint in executive pay—including the use of explicit thresholds and ratios—is not a departure from fiduciary duty but a prudent expression of it, aligned with long-term value and the common good. Far from violating fiduciary duty, disciplined restraint in executive pay may be a prudent expression of it.

#### **4.5 Fiduciary Duty and Financial Neutrality**

A related objection holds that fiduciary duty requires trustees and investment committees, particularly within charitable institutions, to bracket religious commitments and mission goals when making

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<sup>74</sup> Institute for Policy Studies, “Executive Excess 2021,” 11 May 2021. <http://www.ips-dc.org/report-executive-excess-2021/>.

<sup>75</sup> As You Sow, “The 100 Most Overpaid CEOs.” <http://www.asyousow.org/the-100-most-overpaid-ceos>.

<sup>76</sup> Benedict XVI, *Caritas in Veritate*, §§34–36.

<sup>77</sup> Dicastery for Promoting Integral Human Development, *Vocation of the Business Leader: A Reflection*. 5th ed. (Vatican, 2018).

<sup>78</sup> Richard Chambers, “Sky-High CEO Pay Can Create Significant Risks,” *Audit Beacon*, 14 Aug. 2023, <http://www.richardchambers.com/sky-high-ceo-pay-can-create-significant-risks/>.

investment and strategy decisions, limiting their role to maximizing risk-adjusted financial returns. On this view, attention to executive compensation levels, internal wage disparities, or broader social impacts is treated as a discretionary moral preference rather than as a fiduciary concern.

This understanding overlooks a well-established dimension of fiduciary responsibility for nonprofit institutions: the fiduciary duty of obedience. Fiduciaries of foundations and endowments are obligated not only to act prudently and loyally, but also to manage assets in a manner consistent with the institution's stated purposes. Legal scholars have emphasized that courts and policymakers often underappreciate this duty, despite its grounding in nonprofit law and governing frameworks such as the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Recent legal analysis published through the Columbia Law School Blue Sky Blog underscores that mission alignment is integral to judgments of prudence, risk, and return—not an external constraint upon them.<sup>79</sup>

For Catholic foundations and endowments, this duty of obedience carries particular weight. Their ecclesial identity affirms that financial resources exist to advance religious and charitable purposes shaped by Catholic social teaching. Within this framework, the adoption of executive compensation thresholds and pay-equity benchmarks serves as a concrete fiduciary tool, translating mission commitments into governance practice rather than subordinating them to market convention. Implementing the metrics and engagement strategies outlined in this white paper thus reflects a coherent exercise of fiduciary judgment that unites financial stewardship with moral accountability.

#### **4.6 Collective action and competitive disadvantage**

Finally, critics contend that unilateral restraint creates a collective-action problem: any firm or investor that imposes limits on executive compensation risks losing talent to less restrained competitors. This concern is real, but it does not absolve moral responsibility. On the contrary, it clarifies the need for coordinated norms and collective engagement as well as clear public policy and regulation .

Catholic institutions have repeatedly functioned as norm entrepreneurs in precisely such contexts—challenging entrenched practices in apartheid-era South Africa, tobacco, weapons manufacturing, and, more recently, climate risk.<sup>80</sup> In each case, the initial objection was the same: restraint would be futile unless universally adopted. History suggests otherwise. Executive compensation represents a comparable moral frontier, one in which coordinated investor action can reshape expectations rather than merely react to them.

#### **4.7 Proxy Voting with a Moral Compass**

Public companies ordinarily hold an annual shareholder meeting at which shareholders vote on matters such as the election of directors, governance proposals, and executive compensation. Because most shareholders do not attend these meetings in person, they participate through proxy voting, submitting their votes in advance by mail, electronic platform, or authorized proxy.<sup>81</sup> Proxy voting thus serves as

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<sup>79</sup> Susan N. Gary, Keith L. Johnson & Nicholas W. Zuiker, *The Essential Investor Fiduciary Duties That Courts and Policymakers Often Miss*, (Columbia Law School Blue Sky Blog, June 27 2025), <https://clsbluesky.law.columbia.edu/2025/06/27/the-essential-investor-fiduciary-duties-that-courts-and-policymakers-often-miss/>.

<sup>80</sup> ICCR, *50 Years of Faith-Based Shareholder Advocacy* (2021). <https://www.iccr.org/50-years-of-advocacy-2/>.

the primary mechanism by which dispersed owners exercise oversight of corporate governance and board decision-making.

One prominent item on the proxy ballot is the annual “say-on-pay” advisory vote, introduced in the United States under the Dodd-Frank Wall Street Reform and Consumer Protection Act.<sup>82</sup> This vote allows shareholders to express approval or disapproval of the company’s executive compensation package, as disclosed in the proxy statement, typically covering pay awarded to the firm’s named executive officers. Crucially, say-on-pay votes are non-binding: even when a majority of shareholders votes against the compensation package, boards and compensation committees are under no legal obligation to alter pay levels or design.<sup>83</sup>

As a result, say-on-pay functions primarily as a signaling and accountability mechanism rather than an enforceable constraint. While low support can generate reputational pressure, trigger enhanced disclosure, or prompt limited engagement with shareholders, consistently high approval rates — even amidst record executive pay — suggest that the vote often ratifies existing compensation norms rather than restraining them.<sup>84</sup> In this sense, say-on-pay reflects the limits of procedural accountability alone: the mechanism can surface dissent, but it does not, by itself, establish moral thresholds, redistribute power within governance structures, or ensure that executive pay aligns with broader standards of equity, stewardship, or the common good.

A prudential threshold such as 100× median household income would provide a clear basis for opposing *say-on-pay* proposals, support shareholder resolutions on pay equity, and guide engagement with boards and compensation committees. More fundamentally, it would allow Catholic institutions to speak with a unified voice, bearing public witness to the conviction that markets exist to serve people, not the other way around.

#### **4.8 Institutional Resistance: Why Even the Convinced Will Face Obstacles**

Implementing this argument within real institutions often confronts immediate resistance—not because stakeholders are ill-intentioned, but because the structures surrounding investment governance reward caution, deference, and continuity. A theologian who approaches a university’s chief investment officer with concerns about excessive executive compensation may quickly encounter a well-honed set of institutional defenses: appeals to the complexity of compensation analysis, assurances that “the consultants already evaluate this,” or the suggestion that such matters lie outside the university’s fiduciary scope. Much of this resistance arises from what might be called the *technocratic fog* of compensation data and the *cultural instinct* within endowment management to trust established practice over normative critique. And investors certainly can engage a corporate board’s compensation committee urging them to add additional factors as they determine executive pay.

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<sup>81</sup> U.S. Securities and Exchange Commission, “What are the mechanics of voting either in person or by proxy?,” Investor.gov, explaining shareholder voting via proxy at annual meetings.

<sup>82</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, §951 (2010).

<sup>83</sup> U.S. Securities and Exchange Commission, Investor Bulletin: Say-On-Pay and Golden Parachute Votes, confirming the advisory (non-binding) nature of the vote.

<sup>84</sup> See, e.g., Harvard Law School Forum on Corporate Governance, 2025 U.S. Compensation Post-Season Review: Strong Investor Support Despite Record CEO Pay (2025).

Similar dynamics appear in ecclesial settings. A bishop who raises these concerns with the board of a Catholic community foundation or the diocesan finance council may be met with polite but firm objections that he is “asking for something impossible” or that the foundation must follow industry standards to maintain competitive returns. These responses function less as substantive rebuttals and more as institutional boundary-policing, reaffirming that investment committees—not pastors or moral theologians—are presumed to hold epistemic authority over these questions.

The point is not that these leaders lack diligence. Rather, the structure itself creates an environment where change feels risky, complexity becomes a shield, and the status quo enjoys a presumption of legitimacy. Any reform agenda must therefore attend not only to the moral claims themselves but also to the institutional and cultural patterns that routinely deflect them.

## **5. From Seeing to Acting: Crossing the Chasm of Indifference**

The parable of Lazarus and the Rich Man does not end with despair. It ends with truth. The rich man’s tragedy is not that he was wealthy, but that he allowed wealth to determine what he saw—and what he did not. The great chasm Jesus describes after death is not created by God; it is *revealed* by God. It is the final form of a separation already accepted in life, one that grew every time the Rich Man walked by Lazarus and ignored him and his needs.

We stand, still, on the near side of the gate.

Catholic Social Thought gives us no warrant to delay. It affirms with clarity the moral necessity of a living wage, the dignity of work, and the priority of the poor. What this moment demands is the courage to complete the moral symmetry: if it is unjust to pay too little to live, it is also unjust to permit pay so excessive that it fractures solidarity and normalizes indifference.

Excessive executive compensation is not an abstraction. It is an ongoing choice repeated annually through public policy, compensation committees, shareholder votes, and proxy guidelines. It is sustained not by inevitability, but by acquiescence. For Catholic institutional investors, silence is no longer neutral. It forms habits, legitimizes extremes, and widens the moral distance that the gospel refuses to bless.

To speak of a prudential cap—such as a multiple of median household income—is not to claim moral precision. It is to claim moral seriousness. It is to say that Catholic actors will no longer treat unlimited accumulation as morally invisible while scrutinizing only the minimum required for others to survive. It is an act of stewardship, not control; of witness, not ideology.

The Rich Man asked for a warning to be sent back. The gospel answers: you already know enough to act. Catholic institutional investors already possess the tools—research, voting authority, theological tradition, and collective voice—to press for change. What remains is the will to align practice with conviction.

Lazarus still lies at the gate—not only in the form of the working poor, but in fractured communities, hollowed trust, and an economy increasingly unable to name excess. The summons of Catholic Social Thought is not merely to interpret these realities, but to reorder them toward life.

This is the work before us: to restore proportion where excess reigns, to narrow distances where chasms have formed, and to ensure that wealth once again serves communion rather than separation. The gate remains. The choice is now.

To act is not to abandon prudence. It is to refuse indifference. And it is to trust that communion, not accumulation, is what finally leads us home.

## **6. Conclusion**

Catholic Social Thought calls the Church not only to denounce injustice but to build moral structures that make justice concrete. As Augustine counseled pilgrims on the way, “*Sing alleluia, and keep on walking.*” The work of defining limits, setting thresholds, and reforming systems is precisely how this pilgrimage continues.

This paper has argued that the Church’s long-standing commitment to a just wage remains incomplete without a corresponding moral inquiry into excess. The same principles that ground the living wage, namely, the dignity of the person, the social nature of property, and the demands of solidarity, also require that we confront forms of accumulation that erode those very goods. The question is no longer whether extremes of compensation raise moral concern, but whether we are willing to name and address them with the same clarity we have brought to deprivation.

The analytical tools now exist to do so. Quantitative thresholds, whether framed as multiples of median household income, living wages, or internal pay ratios, do not claim to resolve every case. They do, however, make visible what has too often remained obscured. They translate moral intuition into evaluative practice and allow institutions to act with consistency, transparency, and accountability. What has been proposed here is not a rigid formula, but a disciplined framework for judgment.

Nor do the common objections withstand sustained scrutiny. Appeals to market inevitability, talent scarcity, or narrow constructions of fiduciary duty cannot finally justify patterns of compensation that undermine social cohesion and distort the purpose of a corporation. Catholic investors are not asked to abandon prudence, but to deepen it, recognizing that long-term value is inseparable from the health of the social and economic systems on which all enterprise depends.

The task, then, is not theoretical. It is institutional. Catholic asset owners and managers possess real authority: in proxy voting, in engagement with corporate boards, in the design of investment guidelines, and in the witness their practices offer to the broader market. To decline to use that authority is not neutrality; it is a choice that reinforces the status quo.

Adopting a prudential cap on excessive executive compensation is not the end of the conversation. It is the beginning of a more credible and integrated Catholic witness that insists the dignity of labor applies at both ends of the wage spectrum, and that refuses to separate questions of justice from the structures that shape economic life.

We remain, as ever, on the near side of the gate. The distance between Lazarus and the Rich Man is not

yet fixed. It is measured in decisions still open to us: how we evaluate, how we invest, how we speak, and how we act. If the Church is to be a credible sign of communion in an economy marked by division, then it must be willing not only to comfort the afflicted, but to recalibrate the conditions that produce affliction.

To do so is not to resolve every tension. It is to take a concrete, measurable, and shared step toward an economy ordered more fully to human dignity and the common good. And it is to trust that such steps, taken together, can narrow the chasm before it becomes permanent.

The chasm is not yet fixed. Whether it narrows or widens will depend, in no small part, on what we are willing to name and what we are willing to do in this urgent time.

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# Sample Proxy Voting Policy on Executive Compensation

*Executive Compensation Voting & Engagement Policy for Catholic Institutional Investors*

## I. Purpose and Moral Framework

As a Catholic institution entrusted with financial resources for mission, we recognize that corporate governance practices—including executive compensation—carry moral significance. Compensation structures affect not only shareholders but workers, families, and the social fabric in which the Church participates. This policy establishes a principled, transparent framework for evaluating and voting on executive compensation proposals in alignment with Catholic Social Thought (CST), the dignity of work, and the common good.

## II. Guiding Principles

Our approach is guided by:

1. Human dignity (*Laborem Exercens*)
2. The common good and solidarity (*Rerum Novarum*; *Centesimus Annus*)
3. The economy as an expression of communion (*Caritas in Veritate*)
4. The purpose of work (*Compendium of the Social Doctrine of the Church*)
5. Preferential concern for workers and vulnerable persons (*Compendium of the Social Doctrine of the Church*)
6. Stewardship of resources for mission and future generations
7. Justice in economic life, including equitable distribution of value created.

## III. Scope of Application

This policy applies to proxy voting on matters including, but not limited to:

- Say-on-pay proposals
- Executive compensation plans and amendments
- Equity incentive plans
- Severance, retention, and change-in-control arrangements
- Compensation committee members (where relevant)

## IV. Tiered Metric Framework for Evaluation

No single metric can adequately assess the justice or appropriateness of executive compensation. Accordingly, as Catholic investors, our policy employs a **tiered evaluative framework** that integrates moral clarity with governance relevance.

### Tier 1: Moral Baseline — Living Wage Commitment

We assess each company as to whether the company:

- Pays all direct employees a **living wage**, defined using credible, regionally adjusted benchmarks; and
- Demonstrates good-faith efforts to address low wages among contracted or outsourced workers where feasible.

**Voting guidance:**

- We **OPPOSE** executive compensation proposals where a firm’s pay practices systematically fail to meet basic living-wage standards, absent a credible remediation plan.
- We give heightened scrutiny to compensation increases at firms where large segments of the workforce struggle to meet basic needs.

This tier reflects CST’s teaching that wages must be sufficient to support a dignified human life and family stability.

**Tier 2: Internal Equity — Executive-to-Median-Worker Pay Ratio**

We evaluate each firm’s executive compensation relative to the firm’s **median employee pay**, as disclosed under SEC rules, with attention to:

- Trends over time in the pay ratio;
- Whether executive pay growth significantly outpaces worker compensation;
- Workforce practices (outsourcing, offshoring, use of contractors) that may distort the ratio.

**Voting guidance:**

- We **OPPOSE** say-on-pay proposals where executive compensation reflects persistent and unjustified divergence from median worker pay.
- We consider votes **against compensation committee members** where boards fail to address excessive internal pay disparities.

This tier emphasizes **shared enterprise**, proportionality, and the integrity of internal wage structures.

**Tier 3: Social Context — Median Household Income Reference**

We also consider executive compensation in relation to **median household income** as a broader social indicator of proportionality and public accountability.

**Voting guidance:**

- Use this metric primarily as a **diagnostic and engagement tool**, not as a binding threshold.
- Give particular scrutiny to compensation packages that represent extreme multiples of typical household income, especially where firms operate in economically vulnerable communities.

This tier situates corporate behavior within the wider social order and highlights the societal consequences of excessive compensation.

## **V. Qualitative Governance Factors**

In addition to quantitative metrics, we consider:

- Transparency and clarity of compensation disclosures
- Alignment between compensation and long-term value creation
- Use of performance metrics that incorporate human capital, environmental, and social considerations
- Board responsiveness to prior investor concerns
- Presence of egregious features (e.g., guaranteed bonuses, excessive severance, repricing of equity awards)

## **VI. Escalation and Engagement**

Proxy voting is one element of our broader stewardship strategy. Where concerns persist, we may pursue:

- Direct dialogue with management or board members
- Shareholder proposals
- Public statements or collaborative engagement
- Votes against directors or committee chairs

## **VII. Fiduciary and Faith Consistency**

This policy is consistent with fiduciary duty properly understood. Excessive executive compensation poses material risks to firm performance, reputation, employee morale, and social license to operate. Further, it advances the systems-level risk associated with poverty and income inequality. Prudence, solidarity, and justice are not opposed to fiduciary responsibility but integral to it.

## **VIII. Conclusion**

As Catholic institutional investors, we approach proxy voting on executive compensation as an act of moral stewardship. By integrating living-wage commitments, internal equity, and broader social context, this tiered framework seeks to move beyond symbolic objection toward disciplined, credible, and faith-consistent governance.

# Proposed Amendment on Executive Compensation in the USCCB Socially Responsible Investment Guidelines

## Purpose and Rationale

This appendix proposes a targeted amendment to the *United States Conference of Catholic Bishops' Socially Responsible Investment Guidelines* to address the ethical evaluation of executive compensation. The proposed language is intended to remain faithful to the structure, tone, and moral framework of the Guidelines, while responding to developments in corporate governance, wage inequality, and Catholic Social Teaching.

Catholic Social Teaching affirms the dignity of work, the right to a just wage, and the social purpose of economic activity. In recent decades, however, executive compensation in many U.S. corporations has grown dramatically relative to the wages of ordinary workers. This divergence raises questions of proportionality, solidarity, and distributive justice that are not explicitly addressed in the current Guidelines.

The proposed amendment does not seek to impose rigid numerical caps, but rather to provide investors with principled criteria for assessing whether executive compensation practices are consistent with the Church's moral vision of the economy.

## Placement Within the Existing Guidelines

It is recommended that the following language be incorporated into **Part Two: Specific Conference Investment Policies**, under **IV. Pursuing Economic Justice**, as a new subsection addressing **Executive Compensation and Economic Leadership**.

## Proposed Guideline Language

### Executive Compensation and Economic Leadership

"These demands of the common good, both on a national and a world level, must also be borne in mind when assessing the rate of return due as compensation to the company's management, and as interest or dividends to investors."<sup>85</sup>

**Policy IV.9:** The USCCB will encourage companies through corporate dialogues, proxy voting, and support of shareholder resolutions to adopt executive compensation practices that reflect the dignity of work, the right to a just wage, and the pursuit of the common good. In doing so, the USCCB will give particular attention to the proportionality between executive compensation and the wages of the firm's workforce, including the lowest-paid and, where relevant, contract or outsourced workers; to whether the firm provides wages sufficient to meet basic human needs and support a dignified life; and to whether compensation structures promote long-term stewardship, prudent risk-taking, and sustainable value creation rather than short-term financial gain. The USCCB will further encourage clear and meaningful disclosure of executive compensation practices in order to support accountability, informed moral judgment, and responsible ownership.

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<sup>85</sup> John XXIII, *Mater et Magistra*, §81

## **Concluding Note**

This proposed amendment is offered in continuity with the USCCB's longstanding commitment to integrating faith and economic life. By addressing executive compensation explicitly, the Guidelines would better equip the Conference, and those Catholic institutions inspired by the guidelines, to witness to the Church's teaching that economic leadership carries not only authority and reward, but also moral responsibility for the well-being of the entire human community.