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The Warning in Wall Street Paydays

By **THE EDITORIAL BOARD** MARCH 9, 2016

The financial crisis of 2008 and its painful aftermath wiped out jobs, incomes, savings, home equity and economic opportunity throughout the country. But it did not wipe out rich paydays on Wall Street. The average bonus on Wall Street last year was $146,200, according to a new report from Thomas DiNapoli, the New York State comptroller.

Bonuses were down 9 percent from 2014, mainly because of lower trading profits and higher regulatory compliance costs. Still, the average bonus is nearly three times the median annual household income in the United States. The overall bonus pool of $25 billion is enough for 2.6 million restaurant and bar servers who typically earn about $10 to $11 an hour to get a raise to $15 — with $10 billion to spare, according to the Institute for Policy Studies.

These comparisons do not by themselves prove that Wall Street pay is excessive. But there is no denying that in an economy marked by widening income inequality, gains at the top of the income scale imply stagnation or losses at the bottom. This is especially true when the industry at the top of the scale is modern finance.

The Dodd-Frank financial reform law called for new regulations to prohibit banks and other financial firms from offering compensation deemed excessive or that could encourage reckless risk-taking. At a meeting on Monday with financial regulators, President Obama drew attention to the fact that nearly six years after passage of the legislation, these regulations remain unfinished.

In that time, Wall Street pay has grown largely unchecked and with it, undue risks have grown. In data going back to 1986, three of the six biggest years for Wall Street bonuses were 2013, 2014 and 2015.

Regulatory foot-dragging is not the only reason that excessive pay and its negative effects persist. Another is the common belief among elected officials in New York that reining in Wall Street pay would irreparably harm the New York economy.

But the proper response to Wall Street's economic importance is not to ignore or delay needed financial reforms, but to reduce reliance on Wall Street by broadening the tax base and diversifying the economy of the city and the state.

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