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Wall Street's Advice to Itself

Not all bankers are in denial mode, says Bloomberg's Susan Antilla. Some think this is a time for reflection about big pay and big egos

by Susan Antilla

(Bloomberg)—Readers have had a lot to say about the goings-on of Wall Street over the past month.

People who don't work on Wall Street have sent a deluge of e-mail lambasting decision-makers in the financial world.

People who do work on Wall Street, in turn, have written to say that members of the public are ignorant, uninformed, jealous, delusional and hypocritical, considering they were the engine that revved up the crisis by taking on mortgage risks they couldn't afford. I even heard wonderment that the public doesn't seem to understand that firms such as Goldman Sachs Group Inc. (GS) employ people with "superior" minds.

And then there are the few brave souls who both work on Wall Street and criticize their own industry for making big mistakes that it's not learning from. Only a handful would agree to let me quote them by name.

So for those of you in finance open to criticism, some thoughts and suggestions from financial professionals who have never been deluded that theirs is God's work:

- Step back and consider what you should be learning from all this.

Mark Jasayko, a portfolio manager at Richardson GMP Ltd. in Vancouver, says we blew it after the savings-and-loan crisis of the 1980s and 1990s, and we're blowing it again this time. In the early 1990s, after we collectively began to sober up and see that unfettered free markets could lead to unfettered pandemonium, industry pushback put the kibosh on tough regulations that might have reduced risk at financial institutions.

'No Political Will'

"We had the knowledge and the understanding to slow this down, but there was no political will," says Jasayko, who sees similar backing-down today.

- Get a reality check on how, exactly, you stack up in importance in the world.

Financial pros these days boast about their "talent" in a way that summons up visions of Einstein or Mozart. Even the word "genius" gets thrown around. It's conceivable that a math whiz who cracks complex problems that help banks reduce risk might have something approaching talent. But none of the self-anointed geniuses of finance quite match up to the musical or literary stars that receive, and deserve, acclaim.

Jasayko puts it this way: Artists and athletes are born with natural talent, while most finance skills are learned. "And the rest," he says, "is just the size of the Rolodex."

- Consider that we might all be better off if Wall Street stopped lining the pockets of politicians.

Politics of Regulation

Robert Moore of Boulder, Colorado, who manages money for municipalities, said lobbyists for the Securities Industry and Financial Markets Association "have done a tremendous job of pushing people around" on Capitol Hill, to the detriment of the financial system.

- Stop targeting stooges with bogus innovations and slick sales promises, and concentrate instead on the productive business of raising capital.

Mark Maisonneuve, an investment adviser for Securities America Inc. in the Detroit suburbs, says he has learned from 26 years of observing the sell side that "complexity fosters increased sell-side fees •period." Moore says Wall Street targets his municipal clients to take advantage of their high concentrations of money and low expertise in investments.

"I make a living protecting the innocents from the vampires who would suck them dry," says Moore, who adds, "I'm a good capitalist and try to make money, but it's how you go about doing it."

Bad Role Models

- Consider the way your behavior comes across to young people.

Donald van Deventer, a former Lehman Brothers banker who today runs a firm that produces financial risk software, says he recently had occasion to give advice to a senior at an Ivy League school, the son of a friend.

"I said to the kid, who wanted to go to Wall Street, 'If you have a strong sense of ethics, you may find yourself really uncomfortable in this business,'" van Deventer wrote. "He replied, 'I don't care. It's all about the money for me.'"

- Finally, take a tour of the real world.

Most of the financial pros who wrote to me were gun-shy about allowing me to use their words, even with no identification attached. Among them are those who are disgusted that their colleagues can be oblivious to the suffering of many people far from Wall Street.

Related to that, it wouldn't hurt to work on the attitude, popular in finance, that investors from outside Wall Street are dopey herds of "dumb money" who buy high and sell low. As we've learned, the achievements of so-called smart money are often nothing to write home about, either.

(Susan Antilla is a Bloomberg News columnist. The opinions expressed are her own.)