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Advisors Wary Of Wall Street's Leaders

By Ian Salisbury
Dow Jones Columnist

While bank chief executives get to weigh in on financial services reform through spotlighted testimony to Congress, interviews at global conferences and op-ed pieces in national newspapers, the foot soldiers of Wall Street, including thousands of financial advisors, have no such pulpit. And some seem deeply ambivalent about how closely lawmakers should listen to their industry's leaders.

In the widening divide between Main Street and Wall Street, financial advisors occupy a unique position. They are professional investors steeped in the financial sector's culture and principles. But unlike bank chiefs in downtown office towers, they're directly answerable to mom-and-pop clients, many of whom are angry about the government's recent bank rescue and the still-giant annual bonuses for traders and investment bankers.

As the dust settles on the financial crisis, many advisers are striking a tricky balance between their impulse that the government should meddle with business as little as possible and a more populist suspicion that Wall Street's leaders can't be trusted to come up with a fair set of rules for America's economy.

"It's like the fox guarding the hen house," says New York-based advisor John Deyeso. He hopes to see a shift in emphasis after decades in which Wall Street-friendly arguments that financial markets could regulate themselves seemed to hold sway in Washington.

"There's skepticism about 'Just trust me,'" he says. "'Just trust me' is what got us here."

Financial advisors' opinions are diverse, especially regarding specific measures such as the Obama administration's proposed $90 billion bank tax. That's inevitable among the more than 300,000 advisors operating in every state. Still, interviews conducted last week as top Wall Street executives met in Davos, Switzerland, suggest many advisors harbor significant doubts about these leaders' credibility.

Steve Podnos, in Merritt Island, Fla., describes his political philosophy as "radical capitalist" and opposes taxes designed to redistribute income--but not necessarily rules that would curb Wall Street's flexibility.

"It's clear major financial institutions were doing stupid, short-term, greedy things, and it put the economy in jeopardy," he says. "There needs to be some regulations on these big financial institutions, so they can't get us into this again."

Others, such as John Bacci, in Linthicum, Md., worry big-government advocates will use the financial crisis as an excuse to give Washington more power, saying, "The most sensible thing would be for the government to gradually back out of the private sector."

Nonetheless, he shares the conviction with more left-leaning colleagues that Wall Street has had too much influence in shaping regulations in the past.

"How does the Treasury regulate Goldman Sachs when the halls of Treasury are filled with people who spent a good amount of time there?" he wonders aloud. "I have this quaint notion that the regulator and the regulated should be separate."

One advisor, a member of Merrill Lynch's thundering herd, says he's sympathetic to a recent proposal that would break up large banks, a position at odds with the one taken last week by Merrill's parent Bank of America. The advisor, who was granted anonymity in order to share candid opinions about his employer, thinks giant pay-days have put senior management out of touch with the problems he and his clients face, such as straining to meet mortgage payments.

He also complains about having to defend the firm's positions when customers call up angry. "I have to diffuse the conversation because I don't want to lose my clients," he says.

A spokeswoman for Bank of America's Merrill Lynch declined to comment.

Paul Winter, a financial advisor in Salt Lake City, who's previously worked as a Wall Street trader, says he understands how bank chief executives feel pushed to pay top employees handsomely or lose them to competitors, but thinks they've let those pressures create a "vicious cycle."

"The average person on Main Street feels something is wrong on Wall Street," he says. "Something needs to be done. Ideally it would not take the form of government intervention but if that's what needs to be done....Their behavior is just inexcusable."