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TRADERS AND MONEY

by

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Sociologist

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Overview

Rightly or wrongly, salaries in the world of finance were thought to be the cause of the financial collapse of 2008. Equally some condemn the immoral greed of Wall Street bankers and the perverse nature of incentive schemes to increase one's earnings which banks offer their employees. How have such exorbitant salaries come about in this job market ? An in-depth investigation carried out by Olivier Godechot at the beginning of this decade enables us to discover the mechanisms which are more applicable today that they ever were. It shows that these salaries are less the result of a policy based on incentives than a way of sharing the riches. Those who work in finance believe that they have the rights to the ownership of the assets of the company (such as its clients and portfolios). If their rights to the fruits of these assets are not recognised, they may leave their employer, with all the profits accumulated during their career, in exchange for a financial package elsewhere.

TALK : Olivier Godechot

Traders' salaries were still confidential a few years ago, especially in France. To prepare this talk, I have based my talk on analyses which I carried out over the last ten years, the most recent one dating from 2008. Since the explosion of the financial crisis, public opinion has focussed on the inevitable, but impossible regulation of the system. I would rather put forward possible reasons which might help us to understand these mechanisms of financial remuneration (bonuses), and suggest forms of regulation which may be necessary. Finally, I would like to show their limitations.

Against a background of increasing inequality

My research should be viewed in the larger context of recent growth in inequality. In the academic world, there has been a manifest trend to a return to studies of economic inequality and, in particular, discrepancies between salaries. Works by economists such as Thomas Piketty and Camille Landais have been a driving force in this sector. However, generally speaking, these works adhere to a so-called 'socio-liberal' consensus according to which inequalities in the workplace are the result of two types of inequalities which would appear to have always existed. These are natural inequalities and socio-cultural inequalities. In the first case, inequalities are naturally inbuilt because some people are in good health and some are handicapped. As far as socio-cultural inequalities are concerned, some people were born into rich families whereas others grew up with very few advantages. In this talk, I will try to show how the way in which the functioning of the workplace can add an endogenous factor to these inequalities.

The American pioneers

In the United States, since the beginning of the current decade, 1 % of the highest-paid employees accounts for 12 % of the country's wage bill compared to 5 % in the mid 1960s. A number of reasons have been put forward to explain this situation, such as the fact that technological progress is biased in favour of the most skilled graduates, or that the dynamics of globalisation equalise the salaries of non-qualified workers throughout the world. Finally, there are dynamics which are specific to the salaries of managers and CEOs. The most traditional explanations suggested by liberal economists reflect inequalities which were already in place, in particular the differences in the capacity and quantity of work, and also skills. Further explanations may be found in the change in corporate governance, the emergence of policies based on incentives, and the development of more efficient methods used by CEOs to encourage employees to align their interests to those of the company's shareholders.

France brings itself up to speed

In France, inequalities appear to be relatively stable with 1 % of the highest-paid employees accounting for between 5 and 6 % of the wage bill. This has been the case for the past twenty years when it reached an all-time low. However, behind this apparently banal façade, peaks in inequality have recently appeared in certain sectors, such as finance. Until quite recently in the banking sector, inequalities were contained. The remuneration system was very similar to that of the civil service with an index-linked to a point scale : in the BNP bank, employees in the highest-paid 1 % category only received 3 to 4 % of the total wage bill. However, when BNP bought Paribas, the wage bill suddenly increased : the highest-paid employees accounted for 6 % the wage bill. This tendency is on the increase to such an extent that the BNP has achieved the levels of inequality in salaries in just five years which the United States achieved in thirty.

‘We are very competent’

We are in a position to say the following : firstly, although salaries are high in the financial world, there is nothing which can bring them down to an acceptable level, nor, on the other hand, any means by which salaries from other sectors can be brought in line with those in finance. Secondly, salaries in the financial world are extremely unequal. When we say this to people who are paid these huge sums, they normally give one of four generic and very superficial answers, such as ‘we are very competent’, ‘we work a great deal’, ‘it is a case of supply and demand’, and ‘these salaries exist to encourage us to earn more money for the company’.

Variable competence and quantity

In terms of competence, the comparison with other industrial sectors with large numbers of employees (human capital) is not sufficient to explain why salaries are higher in finance than elsewhere. There is a great variety of jobs in the banking sector, including the back office, the front office, financial expertise, and financial engineering. There may be two jobs in banking which have a very similar concentration in terms of human capital, but have very marked differences in terms of salary. Similarly, the quantity of work may vary greatly from one job to another. In some cases people are often asked to work extra hours, to come in early or to stay late depending on the opening and closure of Asian financial markets, and to stay late for the closure of the American markets. However, there are also jobs in finance where the work load may be considerably less, such as for people who sell shares on the stock exchange and arrive just before the markets open in Paris at 8.30am, and leave after they close at around 5.30pm. It is not necessarily either as uniform or as concentrated as we are led to believe.

No ‘restoring force’

As far as supply and demand is concerned, at a certain moment in time, the level of salaries might be the result of market equilibrium. But even here, why are there no restoring forces ? Why does the salary structure which is so high in this sector, not result in a greater offer of labour and ultimately a decrease in salary ? Finally, why have the recurring, systematic crises which hit the sector in 1987, 1991 and 1993, 1998, 2002 and 2007 not resulted in a reduction in the size of salaries ? Answers to this question may be found by analysing the reasons behind these high salaries.

How does the bonus system work ?

As a result of what appears in the press, I think everyone knows how remuneration is organised in the financial world. Remuneration is made up of a fixed salary and a bonus. The bonus is given annually and is discretionary. It is only very rarely given on an individual basis. The distribution of a collective, group-based bonus is the norm. This process avoids the delicate situation of having to reward a trader who has earned a great deal of money for the company when the rest of the trading room has made losses. These group bonuses are calculated according to levels which the professionals call bonus pools. This is the net ‘income’ (before bonuses and tax) of the trading room after structural costs, risk costs and interests on capital are deducted.

How the bonus is divided up

The heads of the trading room determine with the bank management how to divide up this pool. Generally speaking, the distribution of the bonuses is extremely unequal. In order to keep the peace, the distribution remains a secret known only by the trading room and the desks managers. Nonetheless, rumours circulate. Therefore, there are constantly recriminations within the bonus pool, and suspicions about the accuracy and fairness regarding the distribution of the bonus.

A ceiling to the size of bonuses ?

The distribution of the bonus pools varies between 5 % of the profit for employees occupying less important jobs, and 35 % for the so-called high-tech jobs, such as ‘equity derivatives’. At the Société Générale bank, the proportion which the 10 % highest-paid employees allocate themselves has increased from 20 to 30 % in about twenty years. The change in the top ten highest paid bonuses there is exponential, because it has increased from 200,000 Euros at the end of the 1970s, to 1 million Euros at the beginning of the 1990s, and nearly 6 million Euros today. At the BNP, this increase has happened much more quickly and in a much more obvious way. Currently, the highest packages are concentrated in the hands of the market specialists. They are not traders in the usual sense of the term (a cover-all term to describe the market operators), but managers who have senior responsibilities such as team leaders, heads of desk, and heads of trading. The heads of trading rooms and especially the heads of equity derivatives trading rooms head the field.

The rent of employees in the financial world

When one compares these salaries with other jobs in finance such as risk controllers, for example, where qualification levels are very high, the contrast is striking. Even though the hierarchy of fixed salaries remains similar, the bonuses are limited to certain jobs : for example, bonuses worth 6 months’ salary are not uncommon for the highest placed employees in the risk department, and similarly, bonuses equivalent to 10 years’ salary for heads of trading rooms. It is clear that human capital, which is thought to be a determining factor in fixing the levels of salaries, does not establish the structure of salaries. This is what the economists Thomas Philippon (New York University, Stern School of Business) and Ariell Reshef (University of Virginia) refer to as the ‘rent of financial employees’. They conclude that employees in finance generally earn sums of money 1.6 times greater than other sectors, and profit from rents, the generation of which cannot be explained by traditional job market mechanisms. However, Philippon and Reshef do not explain the source of this rent.

Hold-up at ‘Neptune’

I will attempt to explain the source of this income by presenting a case which I feel is like a real-life hold-up which took place in the workplace. It illustrates the link between the assets in the bank (in other words, the holdings) and the power which trading room heads can wield with regard to salaries. I heard of these events in 2001 ; two people, a head of trading room and his deputy received 17 million Euros from a bank which I shall call ‘Neptune’. I was able to unravel this story with help from a trade unionist who worked in this bank, and by talking to their former boss, the head of fixed income, and the back office head. All three gave in their notice after this affair. In 1999, the two traders were each offered jobs with a rival German bank which tempted them with 8.5 % and 6.5 % respectively of a bonus sum from the German bank’s equity derivatives activity. The two traders gave their current bank 48 hours to buy them back under the same conditions as offered by the German bank. Their resignation and renegotiation with the original bank took place the day before a very important corporate action for the future of their bank, ‘Neptune’. They were successful and consequently were able to pocket a large part of the lucrative bonus for 2000.

Bluffing shows up the weakness of the system

These negotiations were carried out extremely cleverly. The timing was perfect. Some people question whether this was not just one big bluff. Whether it was real or not, the threat of this double resignation shows up the weakness of the system, and highlights the extent to which the bank appeared to be put in a stranglehold by this threat. In resigning from the bank, these two people were, in fact, moving much more than themselves as they threatened to take their teams with them to the German bank. They had the capacity to remove the assets of their company, in this case, a powerful and respectable trading room which inspired trust. This event shows how employees, ‘helped’ by a very fragmented work environment, are capable of taking and accumulating a company's key assets which they have not financed or which they financed imperfectly. The power they wield enables them to take a very unequal part of the profit share. This case demonstrates a market mechanism which is totally unlike any in the traditional workplace. In my opinion, it is this capacity to take away a company's financial activity which is the leverage used by employees in this sector to command exorbitant financial packages.

Transporting assets and collaboration ties

To conclude, I would like to talk about more recent work where I wanted to establish the link between transporting assets and the collaboration ties between employees. The head of trading room and his deputy were literally able to 'transport' the assets just as they 'transported' their teams who, themselves, transported sellers, clients, traders and their know-how, financial engineers and their expertise. My hypothesis is based on the fact that the collaboration ties between colleagues are even closer, and it is beneficial if they take place in a setting where employees can seize the assets and transport them. The questionnaire, which I distributed on September 16th, 2008, highlighted these links which unite employees who work in finance. In response to the question 'In the course of your job change, were you part of a group of colleagues who moved from a company to another at the same time ?' 15% of the 450 employees who had changed jobs in finance replied 'yes'. Compared with my 'hold-up' case, this may not appear to be very significant, but nevertheless... In a population which tends to be quite young and with a small minority of traders and sellers, 15 % had already been part of a group resignation. I was quite surprised by the size of this collective mobility.

Front office jobs targeted

The study also shows that it is, of course, in the front office (where specialisation and standardisation are present) where there are the most 'transportable' assets. The transfer of assets is made even easier because the employees who are able to transport these assets find an identical working structure in the company to which they have moved. The back office jobs, where the in-house methods are much more difficult to transfer, are less affected by these bonds of collaboration and collective work mobility. Here, the link with remuneration is more complex to establish because the percentage of increase obtained during the most recent mobility may be the result of very different factors. On average, employees who change jobs go to situations where their salaries increase by 25 %. For those who have their hand on transferable assets, this increase amounts to 28 %.

An up-hill struggle for companies

These mechanisms work in other sectors, in consultancy for example, and in general everywhere that intangible assets are managed. Some companies try to protect themselves with deferred bonus systems or longer notice periods. In 63 % of cases, the employees renegotiate successfully to have these 'protections' taken away, and 42 % win. Their action is more likely to succeed because they have accumulated transportable assets and they have strong bonds of collaboration. Finally, all of this casts doubts on the image which we have of financial companies which should not be regarded as unified entities with very solid boundaries, but as spaces defined by bonds of collaboration which the employees have built up progressively between companies.

DISCUSSION

Question : *Your talk reveals that some people manage to accumulate sufficient amounts of transportable capital as a basis for negotiation. Even if bonuses can be regulated by deferring their payment for example, it is obvious that blackmail may be used from the very beginning. How do banks deal with the new rules in order to retain their teams ?*

Deferred bonuses from a legal point of view

Olivier Godechot : Deferred bonuses will not break or even decrease the power of those who want to negotiate ; they will simply mitigate it. A bonus which is deferred for three years, for example, with payment of one third every year may result in a loss equivalent to two-thirds of the bonus : two-thirds of the previous year, one-third of the year before, as well as the entire bonus for the year in progress. This merely increases the cost of the transaction. However, one must add that these sorts of arrangements – deferred bonuses and their payment dependent on results – remain very delicate from a legal point of view. Courts, especially those in Great Britain, have already redefined a bonus which was not given as a bonus, which must be paid as long as it satisfies a certain number of criteria : it must be fixed, paid on a certain date and be robust. As far as non-competition clauses are concerned, they work ineffectively in the financial industry for two reasons : firstly, they have to be financed by paying the employee during a period of non-competition, and secondly the limitations cannot be met everywhere particularly in an area where the profession being carried out is not considered to be very important. Such a clause, which would be the same as forbidding a person to carry out the profession of financier, would be against the freedom to work.

Q. : *In the end, why can we not say that traders' salaries are negligible compared to the revenues they bring to their companies ? This is true in many jobs : Picasso paid for his meals in famous restaurants by leaving a small drawing on the tablecloth. When we have such a huge capacity to create profit, an employee usually recoups a proportionally small amount compared to what the company brings in. If you agree that in order to have a good trader one has to steal him from the competition, I would like to know how to recognise a good trader and how to train him ?*

Paid in order to work

O. G. : The assessment you make that profit explains remuneration is standard, but needs clarification. In theory, the profit level does not determine the level of salary. If you are the owner of a gold mine and your workers work hard and collect huge amounts of gold, you will still pay them the normal wage. As far as the financial industry is concerned, this ought to be the same. The talent accumulated to carry out their work is not in-built : they have accumulated it throughout their professional career within the companies for whom they have worked. If the market worked correctly, it would be the employees who would pay just to have the opportunity to work there : if it is profitable, it is worth more money.

'School' talent

The only measurable talent of traders is their 'school' talent, in other words, where they studied. Yet, I have noticed that graduates from the Ecole Polytechnique (a prestigious engineering school), who work in the back office or in the risk control department, earn ten times less than other Ecole Polytechnique graduates who work in the front office. The difference can be explained by the fact that in this process of capital accumulation, there is one person who has the ability to take part of this money thereby determining the difference in salary. We could, as you have suggested, defend the opposite hypothesis according to which everything which the traders transport and negotiate comes from their hard work and talent alone, and they do not owe anybody anything. But if we take this to its logical conclusion, we would have to justify and explain the extreme inequality of individual talents within the same bonus pool.

Q. : *Have you ever asked them what they do with this money ?*

O. G. : I have not carried out an investigation into what they do with this money, but I noted a few comments during my discussions. It is interesting to notice the difference in behaviour between a trader from a middle-class, average background whose attitude may appear ostentatious, and that of a trader from a more cultured background who, instead of buying 'show-off' Porsches, prefers to buy palatial houses in northern Italy. Both easily accept the arbitrary nature of their bonuses when we showed them with a system of comparison where work is not the discriminatory issue. But when they compare what they receive with what their superiors or their colleagues receive, they are ready to defend every penny of their bonus because, in their eyes, it is only fair to have a share in an activity to which they consider they have made a contribution.

Q. : *Despite all that is being written in the press about traders' bonuses, I am surprised not to read about the reactions from trade unions which clearly have information about these activities but do not mention them. Neither do we hear from the shareholders, which is surprising since they are deprived of a considerable part of their revenues. What is your reaction to this ? My second question is about the way in which the British and Americans handle the problem. Do we know what traders in the United States earn, and can we possibly compare ourselves with them ?*

The British and Americans are more secret than the French

O. G. : Contrary to what we think, the size of bonuses is kept much more of a secret in British or American banks than it is in French banks. To reveal the size of one's bonus is tantamount to professional misconduct over there. But, paradoxically, information circulates a great deal more quickly in the British/American world. Recruitment and tax consultancies constantly inform those involved in the market about salaries and bonuses which competitors are paying, but in a completely anonymous way. In France, information circulates mostly in the form of malicious gossip and rumours within a community which is socially much more homogenous, structured, as it is, by the 'old boy' network. There is no penalty incurred if one reveals the size of a financial package. During my studies, it was much easier for me to obtain individual information about bonuses in France than in England, or even from French people working in Great Britain.

Trade unions virtually absent from the game

Trade unions have little to do with banks, and even if they had some presence, no-one would take any notice. They do not know what position to take with respect to these bonuses. There are some banks which have trade union representatives. For example, the CGT representatives (French employment trade union) at the Société Générale bank supported a few traders working in the emerging and Asian markets who were made redundant and pensioned off in 1998. I have also referred to the trade unionist that I met who worked in the back office of a bank where I was researching the Neptune affair. He was a bit of an anarchist and published a newspaper, copies of which he handed out every month in the trading room of his bank. He managed to develop quite a strong level of trust with the financial operators. For example, he intervened when bonuses had not been paid to certain employees. For trade unionists, the problem is to know whether bonuses should be considered part of one's salary or, if they should be refused en bloc in preference to a fixed salary. In the end, pragmatism wins, favouring the first solution, even if trade unionists tend to be fundamentally opposed to it.

Badly informed shareholders

Shareholders do not really exist. We do not really know who they are. During my research, the human resources department did its best to make sure that the bonuses were not very apparent to the board of directors on which a CEO of a car manufacturing company presided. He was choked every year when he found out the size of the highest financial packages... To put these figures into perspective, one should know that the ten highest financial packages at the Société Générale bank account for 4 % of the total wage bill of Société Générale France. Generally speaking, one can say that the shareholders are very badly informed about the size of bonuses given by the banks. During the 2002 recession, I was surprised when listening to discussions about making the salaries of CEOs public knowledge, to see unexpected alliances emerge between employees, their trade union representatives and the small shareholders who were in favour of making salary levels public. The important shareholders, on the other hand, were conspicuously absent. These people may be seen in the same light as CEOs since they receive bonuses, and consequently they may well prefer that these payments remain secret.

Distribution of the creation of value

Q. : *The phenomenon of affecting and transferring assets exists in other sectors. For example, take the case of an SME specialising in agricultural equipment : one-third of its employees (from its mechanical and sales department) were tempted away by a competitor a few kilometres away. Is this not simply the result of employees no longer staying with a company for the entire length of their career (as was the case in the past generation) ? Should they not think more rationally about their job mission ? What do you think ?*

O. G. : I totally agree with you. It is the change in company management, which assesses the creation of value in an analytical way, which is behind this behaviour. We act as if the company could be broken down into a multitude of small subsidiaries, each one generating a profit centre. We create very small teams which are very close but are not encouraged to be loyal to the parent company. As a result, they are ready to defect at any given moment. Current management methods promote and even encourage this behaviour.

Traders and dockers

Q. : *Ultimately the people you describe behave like the dockers and book printers of yesteryear. They have found a way of organising themselves as a group, and getting some collective knowledge in a slightly new way. If I were to play devil's advocate, I would say that they are the pioneers of 21st century trade unionism ! It also shows that the legal status of the employee, as written in law, is an extremely idealistic and unrealistic definition. It is the case that capitalism does not only consist of relationships between companies and markets, but also the way in which individuals function. In his own way, the employee may behave like a little capitalist by trying to generate an income for himself when he can.*

The benefits of speedy innovation

Q. : *Ecole Normale, like Oliver Godechot, and I am also a mathematician. I was a financial engineer at BNP-Paribas, and then Crédit Lyonnais, before working in the tax inspector's office at the Société Générale, in the course of which I audited all the trading rooms. I was specifically in charge of auditing the distribution of bonuses, and therefore had access to the personal accounts of market operators. My last task was given by Jacques Calvet who was an administrator and member of the audit board, was to audit the Société Générale bonus remuneration system. I then left and started a consultancy. My first job was in the famous Neptune bank which you mentioned, and resulted in the resignations of the many people whom you interviewed.*

I would like to comment on your assessment about the capital which can be transported by employees, and especially about the job that I know well, that of the financial engineer. These engineers make and implement financial models which are not terribly complex. What is important, however, is the speed at which innovations are implemented in the system. In this process, there is always a long delay between research within the company, and academic research. Therefore, there are always new things to do. Banks are not interested in acquiring know-how which will be obsolete in a year or two, but are interested in obtaining relevant innovation as fast as possible. This mechanism does not involve any capital accumulation, strictly speaking, but puts emphasis on having the right person at the right time who will understand this innovation before anyone else.

O. G. : What you are describing relates to financial engineering and the mechanisms of developing new derived products. I would say that there are places where employees take even more profit for themselves than in these activities of structuring and arbitrage. Financial engineers are often not as well paid as traders.

Hedge funds, masters of hold-up

Q. : *What role do hedge funds play in this inflationist spiral ?*

O. G. : They augment the phenomenon because hedge fund creators lay off and hire former colleagues to create their own structures. Take John Meriwether, for example, the creator of LTCM (Long Term Capital Management, whose near bankruptcy in 1998, created a major risk to the international banking system). Meriwether was formerly in charge of arbitrage, and then in charge of the entire trading operation of interest rates at Salomon Brothers, before he had to leave the bank shortly after one of his traders manipulated the market slightly too obviously. He took a break from banking for two years before rehiring all his former trading managers and creating a fund. There is also the story of the trader from Enron who, when the company collapsed in 2001 (because of losses due to speculative operations in the electricity market), created his own hedge fund with several former Enron employees. One might see this as a case of robbery of shareholder capital, recycled in a new company to benefit its owners. More to the point, one might say that hedge funds could not possibly exist without the financial industry which ensures their labour supply.

A trader is not a footballer

Q. : *Could you describe the career progress of trading room managers. We know that they accumulate most of their bonuses in a short period of time. Does the transient nature of this splendid period not encourage them to look for salaries which are even better paid, like footballers ?*

O. G. : I think that the world of finance cannot be compared to the world of sport. Career plans are not predetermined. No-one knows beforehand when one should think about a change of profession. I have met European heads of desk who are more than 50 years old. We have this image of young traders, but on Wall Street, there are people of all ages. In France, some heads of trading room who, at the age of 40, were working at the end of the 1990s are still there today. Others have been replaced by younger people. Globally speaking, one can say that the economic situation was very favourable for those who arrived at the end of the 1980s. At that time, there was a plethora of jobs, and people would create their own structure. Most of them quickly climbed up the ladder and became heads of desks or heads of trading room in a very short time. On the other hand, traders who arrived at the end of the 1990s, climbed up through the ranks more slowly.

Q. : *Financial markets and trading activities are much older in the United States than in Europe where they have emerged rapidly since the middle of the 1980s. How were things organised before this time, and why is it that this capacity to transfer assets is stronger today than it was in the past ? Are there cultural factors which are responsible for this, or does the recent organisation of trading rooms explain this new behaviour ?*

Contributing to the bonus

O. G. : In periods of financial deregulation, revenues from financial sectors increase considerably. This was the case during the deregulation of the 1920s, and then again during the 1990s. Globalisation during the 1970s, and the creation of derivatives markets also had a considerable influence on the volume of financial markets, and therefore on the size of bonuses. Until the 1980s, employees of American merchant banks were able to become partners and access the capital. This gave them long-term prospects of wealth. When share prices increased, the older partners wanted to sell their shares at market price and not at the preferential price fixed by the bank. They tried very hard to demutualise these partnerships and quote them on the stock exchange. At the same time, most banks became shareholder banks. This interfered with the long-term prospects of wealth, and encouraged employees to obtain short-term remunerations which were, initially, bonuses. With the onset of globalisation in the middle of the 1990s, several European banks established themselves on Wall Street, and similarly many American banks set up branches in Europe. The new arrivals recruited local teams. This meant that local features disappeared and resulted in a strong increase in financial packages both in Europe and the United States.

The theory of equilibrium

Q. : *At the beginning of your talk, you suggested that these bonuses are the result of classic economic theory and the notion of equilibrium : profitable trade always ends up by bringing in money and non-profitable trade by making losses. However, in this case, we are in a world without inertia, without any hurdles to access, and where it is possible to reach peaks in a few days and drop to nadirs in the same space of time. This is something which is totally new and even science does not have an answer. It involves choices to be made in the light of risks. We still do not know if in the end it is better to gamble or to be cautious.*

O. G. : I agree with you about the theory of equilibrium. I actually use it in my research as a means of comparison in order to measure where rent comes from with respect to a world which would work in a equilibrium way. Even though this idea does not really reflect reality, it still enables us to say that certain rents are the result of an economic system which does not work perfectly. Therefore, these rents become questionable. This also demonstrates that there was a moment when the financial world was a great deal more limited, less visible and at a time when more reasonable salaries existed.

Q. : *You consider the central problem to be the appropriation of transferable assets. Can we not strengthen controls or even encourage traders to move before they establish personal assets which are too large ?*

O. G. : It is the company's job to take measures to prevent employees taking too many assets by using contractual procedures such as non-competition clauses (whose effect is limited, as we have seen). The other solution consists of encouraging internal mobility. This is what is practised in retail banking, and in corporate law firms. For now, merchant banks have always encouraged specialisation rather than mobility. I do not think that the economic crisis has changed matters. Merchant banks have changed their risk management methods, their techniques of dividing out the bonus budgets, but the trading rooms still seem to be like a state within a state.

Q. : *One can still question the social and economic usefulness of trading rooms and the people who work there, and also to question if it is only about how to get rich. I think that virtually all the figures which we have discussed are not related to the real economy.*

O. G. : I understand your remark perfectly, but I do not know how to answer it, quite simply because I do not very sure about what is meant by the social usefulness of a job. What is the social usefulness of employees at Philip Morris, or Marlboro, or people who make weapons ? I do not have the solution to the hierarchy of the system. However, I can say that financial markets cost society a great deal of money, and that the billions of Euros of bonuses which we are talking about constitute an additional cost so that these financial transactions continue to exist.

Presentation of the speaker :

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