

## Seven-figure salaries are a necessary evil

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What is a reasonable salary for a banker? The question was a simple one; if Peter Sands of Standard Chartered did not deserve a £2.3 million bonus, or if £7.4 million in total pay for HSBC's Stuart Gulliver is too much, then what is reasonable?

Should they receive a package representative of their management abilities? Both men manage huge companies: Standard Chartered employs almost 87,000 people and HSBC has an industry-leading 250,000. Combined the banks have more than £2 trillion in assets, operate in more than 80 countries through 9,000 branches supporting at least 120 million customers.

How about compensating a chief executive based on success?

Standard Chartered reported a pre-tax profit of £4.5 billion and HSBC reported £13.7 billion for 2012. These are great performances and there is an argument to pay chief executives a percentage of profits.

Does a British bank chief executive deserve a salary similar to competitors in Europe or the US?

If they do, then they need to be compared to Josef Ackermann of Deutsche Bank, who made £8 million and the now-departed Bob Diamond of Barclays with £6.5 million. Jamie Dimon of JPMorgan made £14.9 million, John Stumpf of Wells Fargo in California made £11.6 million and Lloyd Blankfein of Goldman Sachs made £10.2 million.

Banks are businesses like any other. Is it therefore reasonable to expect chief executives to get a similar level to equivalents in other industries?

Most people believe banking chief executives are the highest paid, but they are not. In 2011 the highest paid chief executive was David Simon of Simon Property Group, who made £89.3 million followed closely by John Hammergren of McKesson's who brought in £85.3 million for a year's work.

These two are just the tip of a diamond iceberg. Ralph Lauren made a healthy £44 million, Leslie Moonivers of CBS, £44 million and Discovery's David Zaslav, £34 million. In fact, there are at least 19 chief executives who made more than bankers in 2011.

Some say business leaders should get paid the same as athletes. "Pretty Boy Money" (Floyd Mayweather), a boxer, made £55 million in 2011, Tiger Woods £39 million, David Beckham £30 million, Cristiano Ronaldo £28 million and Formula One's Fernando Alonso £21 million.

The ultimate question is a moral one: does a top banker contribute more to society than a teacher making an average £23,000 a year? Clearly not, and in a perfect world teachers should get bankers' salaries and bankers would get teachers' salaries, but that's not the way of the world.

Salary is a measure of availability and if the educational system were to produce as many bankers as it does teachers then bankers would get paid the same as teachers.

Bankers hate huge salaries; they do it because they honestly believe they are paying the very minimum to recruit and retain people. Increase the number of qualified people and the salaries will fall.

Capitalism is not perfect, but it has made our standard of living one of the best in the world. Maybe it is time to just accept that a few thousand people have to get insane salaries so that the system keeps working and our children keep aspiring.