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I tweeted the title of this blog entry the other day and got a bit of pushback. My tweet was in response to this [Yahoo! article](#). It seems that bank regulators want to control bank executives' salaries as part of a plan to reduce risk taking at banks.

Of course, the problem is that the Too-Big-To-Fail concept, regulators, and Fed policy are the reason banks are taking excessive risk in the first place. What happened was that there were perceived problems with the market. So, there was regulation. Then, we had the Greenspan market interventions. The regulations and the market interventions encouraged excessive risk taking. Now, they want to limit salaries.

Of course, limiting bank executives' salaries will lead to other problems. To have any impact, the salary caps will have to be below market. That means high-quality executives outside the industry will not consider entering the industry. Talented young people will not enter the industry. Over time, the best banking executives will leave the industry.

What regulations will be proposed when banking is dominated by mediocre executives who selected the industry because of a lack of competent competitors?