

By Steve Eder, Reuters

Time, prosperity and short memories could allow Goldman Sachs Group Inc to slowly ratchet up bonuses for its top executives, but analysts believe the days of mega payouts are probably gone for good.

Long Wall Street's top investment bank, Goldman converted to a bank holding company at the height of the 2008 financial crisis, one of several ways in which it benefited from government help without which it might not have survived.

And although Goldman might get away with incremental increases for top managers, Chief Executive Lloyd Blankfein has little chance of getting the \$67.9 million bonus he made in 2007, analysts said.

Blankfein, CEO since 2006, could have demanded a record bonus to match his firm's 2009 record earnings, but wisely took a relatively modest \$8.99 million stock bonus instead in a nod to political pressure for restraint.

"The \$70 million bonus is probably past us," said Rose Marie Orens of New York-based Compensation Advisory Partners. "I think they know that too -- not in a public company."

Goldman, for its part, says it has no "magic formula" for determining compensation. In 2010, as it past years, it will be determined by performance, competition and "the world around us," chief financial officer David Viniar told a conference in Florida on Wednesday.

THE X-FACTOR

"The world around us," as Viniar put it, is the X-factor in determining future bonuses.

The public's memory of the financial crisis might soon begin to fade, said Dan Ariely, a professor of behavioral economics at Duke University, who added that Wall Street payouts are the "flavor of the month" for journalists.

But Ariely added that Goldman's concessions on pay, "look more like a public relations move than a substantial change in structure. PR is done only when PR is important. And when it is not, it stops."

There are already signs the public relations efforts are working at the highest level.

President Barack Obama, who last month threatened to crack down on the banking industry, told Bloomberg BusinessWeek he did not "begrudge" the bonuses paid to Blankfein and other CEOs, although he did call their pay "extraordinary."

But some public concerns will persist and, unless Blankfein takes no bonus, his pay will still be well above the 2008 median U.S. household income of around \$50,000.

Then there is the problem of high unemployment and foreclosure rates, not to mention persistent anger on Main Street about high executive compensation, all of which has spilled over to Washington.

"People in Washington represent people on Main Street," said U.S. Rep. Peter Welch, a Democrat from Vermont. "On Main Street, \$9 million is a ton of money."

HUMBLE PIE

Curbing Blankfein's bonus was the only the latest move by Goldman to soften criticism. The bank has paid top managers all-stock bonuses, recorded a negative compensation expense in

the fourth quarter and has made larger than usual charitable contributions.

In any case, Blankfein's bonus is fairly modest compared with his peers. He will make barely half of JPMorgan Chase & Co CEO Jamie Dimon's roughly \$16 million bonus and is on par with the \$8.1 million stock bonus paid to Morgan Stanley CEO James Gorman, even though Goldman far outperformed both rivals.

In the days leading up to the much-anticipated announcement of Blankfein's bonus, one news report suggested he could get as much \$100 million, but in the end, public sentiment won out.

And although Blankfein is not likely to see paydays like 2007 again, public ire will fade, said Michael Robinson, a crisis communications consultants with Levick Strategic Communications.

"I don't think Lloyd is going to have to eat humble pie for too many more years," Robinson added.