



Wall Street offers very real benefits

Thaya Knight

May 28, 2015

Not every person on Wall Street is a morally corrupt Gordon Gekko. Do Wall Street traders want to make money? Yes. Are they generally people who thrive in a fast-paced, competitive environment? You bet. And that is a good thing.

At its core, here's what Wall Street does: It makes sure that companies doing useful things get the money they need to keep doing those things. Do you like your smartphone? Does it make your life easier? The company that made that phone got the money to develop the product and get it into the store where you bought it with the help of Wall Street.

When a company wants to expand, or make a new product, or improve its old products, it needs money, and it often gets that money by selling stock or bonds. That helps those companies, the broader economy and consumers generally.

When we have flashing headlines about Wall Street traders acting badly, as we had last week with news of five major banks pleading guilty to criminal charges, it is very easy to hate Wall Street. But we only hear headlines about the worst behavior.

No one writes news stories about traders who go about their business every day, carefully complying with the many (and there are many) rules and regulations that govern their work. Also, the financial sector, which is usually what people mean when they say "Wall Street," isn't only or even mostly the big banks.

There are small firms, banks, funds and advisers that make up a large portion of our financial industry. While the news about corruption, corporate welfare and lawbreaking is very bad, it doesn't mean the entire industry is rotten. Or, more important, that we don't need it.

Wall Street could be better. We could eliminate regulations that crowd out competition for the big banks. We could reform the system to do away with "too big to fail," making it harder for bad traders to get away with bad behavior. Either way, we shouldn't lose sight of the very real economic and social benefits Wall Street provides.

Thaya Knight is associate director of financial regulation studies at the Cato Institute.