



SCARED SHOP-LESS

By PAUL THARP

October 29, 2002 -- With Wall Street under siege from regulators and economic forces, bankers and brokers are running so scared that they're shutting their wallets and sending a shiver through the New York economy.

Big investment banks, still slashing payrolls by the thousands, are also canceling their time-honored annual bonuses for those still standing - setting off a "zero bonus" panic of lawyer-calling and checkbook-locking.

The \$1 million-and-up annual bonuses that traditionally boost the city's economic engine have all but evaporated in one of the worst belt-tightenings in recent memory.

In past years, Wall Street's hefty pay packages unleashed hundreds of millions of dollars to be spent locally.

But with the rug being pulled out from under the big-spender crowd, the luxury market here threatens to topple as well.

Managing directors, who usually get bonuses of up to \$2 million, will be lucky this year if they see a tenth of that, experts say. Vice presidents will likely see their typical \$1 million bonuses drop to \$150,000 - and many will get nothing.

The belt-tightening has already caused a drought among luxury merchants; fancy restaurants have cleared out early and luxury car showrooms are virtually empty.

Ironically, the priciest eateries in town have hiked menu prices by about 7 percent, but the waits to be seated aren't long anymore.

"Their bonuses may have been cut out, but their stomachs are still there," said Tim Zagat, editor and publisher of Zagat's restaurant guides.

"What we won't see anymore in the high end is someone throwing \$500 on the table for a bottle of wine - those days of wild wine spending are long gone," Zagat said.

Sales of high-end apartments have also crashed, down about 18 percent for the year, with asking prices falling 10 percent.

"This is very grim - in fact, it's dreadful," said architect Angela Dirks, who specializes in high-end renovations of lofts, townhouses and apartments.

"People are discovering that they'll never recoup their investment in buying a \$5,000 faucet or a couple hundred hinges that cost \$1,000 apiece."

In Porsche and other luxury car showrooms, it was once common to see lots of weekend traffic around this time of year.

Sales of Porsche sports cars are down 38 percent in the last month, however, with BMW off 17 percent in the month. Across the board, European luxury imports are down 27 percent for the month.

In addition to slowing down luxury purchases, the Wall Street bloodbath has foisted a new kind of fear and loathing among the richly paid.

Instead of shopping, many finance pros are shelling out to hire gun-slinging lawyers to fight for their jobs and bonuses.

"We're going to see more litigation over bonuses and jobs than we've ever seen before," said Alan Sklover, a compensation attorney.

Sklover and other compensation lawyers are booked solid for the next several months.

"The firing and bonus disputes are mounting by the day. The courts are also starting to accept disputes that they never would before," said Sklover.

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