The return of the $773,000 paycheck

Goldman Sachs, Wall Street's biggest name, is socking away a record bonus pool even as the economy struggles.

By Colin Barr, senior writer
Last Updated: July 15, 2009: 9:52 AM ET

NEW YORK (Fortune) -- The Goldman Sachs gravy train is back on track.

The New York-based securities firm posted a $3.4 billion second-quarter profit Tuesday. The firm is clearly bouncing back from the fall market meltdown that prompted government officials to prop up Goldman and its rivals with taxpayer dollars.

The first-half rebound should bode well for Goldman's (GS, Fortune 500) 29,400 workers when bonus season rolls around.

The average Goldman worker could end up taking home between 12 and 15 times the typical American family's income.

In the first half of 2009, Goldman reported compensation expenses -- reflecting the cost of salaries, benefits and severance payouts, as well as estimated year-end bonus payments -- of $11.4 billion. That's up from $8.5 billion in the first half of 2008 and $11 billion in the first half of 2007.

Were the firm to set aside bonuses at the same rate in the second half, the compensation pool would hit a record $22.8 billion -- and the average Goldman worker would stand to make $773,000 for 2009, more than doubling their 2008 take.

That would eclipse the $662,000 Goldman spent on its average worker in 2007, according to the firm's regulatory filings. Median household income was $50,233 in 2007, according to the most recent Census Bureau data.

Some fans of the firm don't believe Goldman's payout record is ready to fall just yet. Guy Moszkowski, an analyst at Bank of America/Merrill Lynch who rates the stock buy, estimated last week that Goldman's compensation costs would rise 64% in 2009 to $17.9 billion -- or $609,000 per employee.

While the firm tends to set aside about half of revenue for compensation expenses in the first three quarters of a given year, it often accrues proportionally less in the fourth quarter, when bonus decisions are made. In recent years Goldman has paid out between 42% and 49% of full-year revenue as compensation, according to Merrill data. Compensation expense has been greater in the first half in each of the past three years.

Even if Goldman doesn't set a record this year, the outsize pay numbers could make it the target of more populist anger at a time when the economy is sputtering. Goldman has come under scrutiny over the past year for its connections -- numerous former execs serve in government -- and for the windfall it received in the bailout of AIG.

Even so, some investors question the urge to make Goldman's soaring paychecks into a Capitol Hill sideshow.

David Merkel, chief economist at broker-dealer Finacorp Securities, notes that unlike failed rivals such as Merrill Lynch, Lehman Brothers and Bear Stearns, Goldman raised capital when it was able to, held abundant cash in reserve and shed much of its real estate risk before the markets crashed in 2007.

That's not to say Goldman's connections -- former Treasury Secretary Henry Paulson was previously CEO -- didn't come in handy.

The firm took $10 billion in Troubled Asset Relief Program funds, which it has since repaid, and has borrowed tens of billions more under a government-guaranteed debt program. The firm also received billions of taxpayer dollars in last fall's rescue of mega-insurer American International Group (AIG, Fortune 500).

Now, with much of its competition on Wall Street having vanished, the firm is left to take in "monopoly-type profits," Merkel said -- perhaps another unanticipated consequence of the government's rush last fall to head off financial catastrophe.

"Look, I hate the corporate welfare," said Merkel. "But at least Goldman did play all its cards right." ■

First Published: July 14, 2009: 4:19 PM ET