

Senator Bernie Sanders
Feb. 27, 2013
Senate Floor Statement on the
Confirmation of Jacob Lew to be Treasury Secretary

Mr. President, I rise today in opposition to the nomination of Jack Lew to be the next Treasury Secretary. I've had the opportunity to speak with Mr. Lew in my office on several occasions. I believe that Mr. Lew is an extremely intelligent person and I applaud his many years of public service to our country. I believe that he will be confirmed by the Senate. Unfortunately, he will be confirmed without my vote.

It is no secret to anyone that the United States today finds itself in one of the worst economic situations since the Great Depression. The bottom line is that the middle class is collapsing, poverty is extremely high with 46.2 million Americans living in poverty, while the gap between the very, very wealthy and everyone else grows wider and wider.

Mr. President, we need a Treasury secretary who will stand with the working families of this country and is prepared to take on an oligarchy which now controls the economic and political life of this great nation.

Is Jack Lew that person? No, he is not.

Mr. President, this is the economic reality that we are confronting today. We have the most unequal distribution of wealth and income of any major country on earth. Today, the wealthiest 400 individuals in this country own more wealth than the bottom half of America - 150 million people. Today, one family, the Walton family of Wal-Mart, owns more wealth than the bottom 40 percent. Today, the top 1 percent owns 38 percent of all financial wealth, while the bottom sixty percent owns less than 3 percent of all wealth. Today, as Warren Buffett has pointed out, the 400 richest Americans are now worth a record-breaking \$1.7 trillion – more than five times what they were worth just two decades ago.

“And while the rich are getting even richer, the Federal Reserve reported last year that median net worth for middle class families dropped by nearly 40 percent from 2007-2010. That’s the equivalent of wiping out 18 years of savings for the average middle class family.

As bad as wealth inequality is, the distribution of income is even worse. If you can believe it, the last study on this subject showed that from 2009 through 2011, 100 percent of all new income went to the top one percent, while the bottom 99 percent actually saw a loss in their income.

Unfortunately, this is not a recent trend. In fact, from 1969 to 2009, median earnings for male high school graduates plummeted by almost 50 percent after adjusting for inflation. Men without a high school education have fared even worse: their inflation-adjusted median earnings have shrunk by nearly two-thirds over the past four decades.

Overall, average middle class families have seen their income go down by nearly \$5,000 since 1999, after adjusting for inflation. Today, 14.4 percent of Americans – nearly 23 million people – are unemployed or under-employed.

Small businesses are still struggling to get the affordable loans they need to stay alive. Millions of Americans are still underwater on their mortgages and millions more have seen the American dream of homeownership turn into the American nightmare of foreclosure.

Mr. President, the next Treasury secretary will face enormous challenges.

Let me give you a few examples of what I mean. The next Treasury Secretary will play a central role in regulating and overseeing Wall Street and large financial firms. Let us never forget: as a result of the greed, recklessness, and illegal behavior on Wall Street, millions of Americans lost their jobs, homes, life savings, and ability to send their kids to college.

We need a secretary of the Treasury who does not come from Wall Street, but is prepared to stand up to the enormous power of Wall Street. We need a Treasury secretary who will end the current Wall Street business model of operating the largest gambling casino the world has ever seen and demand that Wall Street start investing in the job creating productive economy. Do I believe that Jack Lew is that person? No, I do not.

The decisions made by the next Treasury secretary will determine whether financial institutions need another taxpayer bailout or do not. In my view, we need a Treasury secretary who will work hard to break up too-big-to-fail financial institutions so that Wall Street cannot cause another massive financial crisis. Do I believe Jack Lew will work to break-up large financial institutions? No, I do not.

In 2008, against my strong opposition, the taxpayers of this country provided huge financial institutions with the largest bailout in the history of the world because, we were told, they were too big to fail. The Treasury Department provided \$700 billion in financial assistance to the largest banks in this country, and the Federal Reserve provided over \$16 trillion in virtually zero interest loans to these same financial institutions.

What is the state of our financial system today? Today, the 10 largest banks in America are bigger than they were before the financial crisis began. Today, the six largest financial institutions in this country (J.P. Morgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, and MetLife) have assets equal to two-thirds of the Gross Domestic Product of this country – over \$9.6 trillion. Today, six

financial institutions (JP Morgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, and Morgan Stanley) issue two-thirds of all credit cards, half of all mortgages, control 95 percent of all derivatives, and hold nearly 40 percent of all bank deposits in this country.

While millions of Americans continue to struggle through the worst economic crisis since the 1930s, Wall Street is doing phenomenally well. Financial institutions made over \$143 billion in profits in 2012 – the most profitable year on record with the exception of 2006, just before the economic meltdown. Incredibly, the financial industry now makes almost half of all non-farm corporate profits in the United States, up from just about 10 percent in 1947.

As someone who supports President Obama, I remain extremely concerned that virtually all of his key economic advisers have come from Wall Street. And let me be clear. It's not just because Mr. Lew served as a Chief Operating Officer at Citigroup during the financial crisis. It's not just because Citigroup awarded Mr. Lew a \$940,000 bonus as he was leaving to join the State Department in 2009. It's not just because Citigroup received a total of \$2.5 trillion in virtually zero interest loans from the Federal Reserve or that the Treasury Department provided Citigroup with a bailout of more than \$45 billion, during Mr. Lew's tenure at Citigroup. I am opposed to Mr. Lew's nomination because of the views he now holds about Wall Street and the financial system.

On September 22, 2010, when I asked Mr. Lew at a Budget Committee hearing if he believed that the deregulation of Wall Street significantly caused the financial crisis, here is what he said: "I don't believe that deregulation was the proximate cause. I would defer to others who are more expert about the industry to parse it better than that." At his confirmation hearing earlier this month, Mr. Lew called the Glass-Steagall Act "anachronistic" and said that the Dodd-Frank Act had "effectively" dealt with the issue of banks that are too big to fail. I strongly disagree.

Mr. President, in my view, we don't need another Treasury secretary who thinks that the deregulation of Wall Street did not significantly contribute to the financial crisis. We need someone who will stand up to these large financial institutions and say enough is enough! Do I think that Mr. Lew is that person? No, I do not.

Importantly, Mr. President, not all former Wall Street executives think like Jack Lew. On July 24, 2012, the former CEO of Citigroup Sanford Weill told CNBC: "What we should probably do is go and split up investment banking from banking, have banks be deposit takers, have banks make commercial loans and real estate loans and have banks do something that's not going to risk the taxpayer dollars, that's not too big to fail." Mr. President, if an institution is too big to fail, it is too big to exist. That's what we need to hear from our next Treasury Secretary. Unfortunately, that is not what we are hearing from Mr. Lew.

Mr. President, the next Treasury Secretary will be the lead negotiator for the President on how to reduce the deficit. Here's the issue: Do we demand that the most profitable corporations and the wealthiest Americans in this country significantly contribute to deficit reduction? Or, do we balance the budget on the backs of the elderly, the sick, the children, and the most vulnerable by cutting Social Security, Medicare and other vitally important programs for the middle class.

I strongly believe that we need to reduce the deficit by asking the most profitable corporations and the wealthiest people in this country to pay their fair share in taxes. Large corporations and the wealthy are avoiding more than \$100 billion in taxes each and every year by setting up offshore tax shelters in places like the Cayman Islands, Bermuda and the Bahamas. Offshore tax schemes have become so absurd that one five-story office building in the Cayman Islands is now the "home" to more than 18,000 corporations.

Let me give you a few examples:

In 2010, Bank of America set up more than 200 subsidiaries in the Cayman Islands (which has a corporate tax rate of 0.0 percent) to avoid paying U.S. taxes. It worked. Not only did Bank of America pay nothing in federal income taxes, but it received a rebate from the IRS worth \$1.9 billion that year. They are not alone.

In 2010, JP Morgan Chase operated 83 subsidiaries incorporated in offshore tax havens to avoid paying some \$4.9 billion in U.S. taxes. That same year Goldman Sachs operated 39 subsidiaries in offshore tax havens to avoid an estimated \$3.3 billion in U.S. taxes.

Citigroup has paid no federal income taxes for the last four years after establishing 25 subsidiaries in offshore tax havens.

On and on it goes. Wall Street banks and large companies love America when they need corporate welfare. But when it comes to paying American taxes, they want nothing to do with this country. That has got to change.

Do I believe that Mr. Lew will aggressively crack down on offshore tax havens as Treasury Secretary and help us bring in the substantial revenue that we need to reduce the deficit and create jobs? No, I do not.

Unfortunately, Mr. President, Jack Lew told the Senate Budget Committee in 2010 that he supports "deficit neutral" corporate tax reform. I couldn't disagree more. Today corporate profits are at an all-time high, while corporate income tax revenue as a percentage of GDP is near a record low.

In 2011, corporations paid just 12 percent of their profits in taxes, the lowest since 1972. In 2005, one out of four large corporations paid no income taxes at all even though they collected \$1.1 trillion in revenue over that one-year period.

In my view, we need a Treasury secretary willing to fight to make sure that large, profitable corporations pay their fair share in taxes to reduce the deficit and create jobs. Is Mr. Lew going to be that person? I don't think so.

The next Treasury secretary will also play an enormous role on the future of Social Security and Medicare. On these issues, the American people have been clear: do not cut Social Security or Medicare benefits.

According to a February 25th, 2013, poll commissioned by *The Hill*, 62 percent of Republicans and 82 percent of Democrats are opposed to cutting Medicare and Social Security benefits to reduce the deficit.

In my view, we need a Treasury Secretary who will stand up to Republicans and some Democrats in Washington and tell them no, we will not cut Social Security or Medicare benefits. In fact, we need a Treasury Secretary who has the courage to say that to the President as well. Do I believe that Mr. Lew is that person? No, I do not.

Mr. President, the next Treasury Secretary will also play an important role in developing our trade policy.

Let's be clear: our current unfettered free trade policy has been an absolute disaster. Last year, our trade deficit was more than \$540 billion. Permanent Normal Trade Relations with China has led to the loss of nearly 3 million American jobs; and the North American Free Trade Agreement has led to the loss of nearly 1 million American jobs as large, multi-national corporations continue to throw American workers out on the street and move to China, Mexico and other low wage countries.

In 2008, I supported then-Senator Obama when he told the AFL-CIO in Philadelphia the following: "What I refuse to accept is that we have to sign trade deals like the South Korea Agreement that are bad for American workers. What I oppose - and what I have always opposed - are trade deals that put the interests of multinational corporations ahead of the interests of Americans workers - like NAFTA, and CAFTA, and permanent normal trade relations with China. And I'll also oppose the Colombia Free Trade Agreement if President Bush insists on sending it to Congress because the violence against unions in Colombia would make a mockery of the very labor protections that we have insisted be included in these kinds of agreements. So you can trust me when I say that whatever trade deals we negotiate when I'm President will be good for American workers, and that they'll have strong labor and environmental protections that we'll enforce."

Unfortunately, as President, Barack Obama signed those bad trade deals into law while Mr. Lew was the Director of the Office of Management and Budget. As a result, more American jobs have been lost and our trade deficits with all of those countries have gone up.

In my view, we need a Treasury secretary who will work to fundamentally re-write our trade policies to ensure that American jobs are no longer our number one export. Do I believe that Mr. Lew is that person? No, I do not.

Mr. President, the next Treasury secretary will face enormous challenges to get this economy back on track, to reform Wall Street, to shrink our growing trade deficit, to reduce the enormous income and wealth inequality in this country, and to put millions of Americans back to work.

After meeting with Mr. Lew in my office, after hearing his views in the Budget Committee, and after reviewing his record, I have come to the conclusion that Mr. Lew is not the right person to lead the Treasury Department at this time.