

Brown, Vitter Disagree with Treasury Secretary Lew on ‘Too Big to Fail’ Assessment

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(Washington, D.C.) – U.S. Sens. David Vitter (R-La.) and Sherrod Brown (D-Ohio) today both disagreed with U.S. Treasury Secretary Jack Lew, who claimed that the Administration has overcome “too big to fail.”

Lew said, “...If we could not with a straight face say we ended ‘too big to fail’, we would have to look at other options. Based on the totality of reforms we are putting in place, I believe we will meet that test.”

“If Lew thinks he can claim victory over ‘too big to fail’ today, I’d tell him he’s living on another planet. Independent study after independent study shows that too big to fail is alive and well with the Wall Street megabanks and they still enjoy a cost of funding advantage over their smaller competitors,” Vitter said. “Eliminating the megabanks federal handouts – and addressing the problem of ‘too big to fail’ financial institutions – is a simple matter of common sense, and it absolutely still needs to be addressed. The megabanks have been growing at a rapid pace since the financial meltdown – largely on the backs of U.S. taxpayers. I’ll continue fighting to protect the taxpayers from financial risks by implementing a systemic solution, increasing the minimum amount of capital the megabanks are required to have.”

“It is premature for anyone to take a victory lap when ‘too big to fail’ policies are still alive and well,” Brown said. “Despite what some on Wall Street and in Washington may say, our work is not finished. Regulators have failed to finalize key rules to address the issue – including orderly liquidation rules, enhanced capital and leverage rules for systemically important institutions, limits on the Fed’s emergency lending power, and pushing risky derivatives out of federally insured banks. As long as the market believes that certain institutions have the implicit support of taxpayers, and provides a funding advantage based upon that support, Sen. Vitter and I will continue fighting to hold megabanks accountable for their risky investments.”

In November, the Government Accountability Office (GAO) released the first of two reports on the federal government’s bailout of large financial institutions during the 2007-2008 financial crisis. The GAO report found that Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase & Co., Morgan Stanley, and Wells Fargo & Co were able to borrow below-market interest rates, demonstrating an economic benefit of being “too big to fail.” Brown and Vitter, who requested that GAO conduct the investigations, are also authors of the [Terminating Bailouts for Taxpayer Fairness Act](#), legislation that would require the largest and most interconnected financial institutions to maintain a 15 percent capital ratio to ensure taxpayers will not serve as the backstop for risky investments. [Click here](#) to read more and access the GAO report.

Vitter along with Brown and Sen. Carl Levin (D-Mich.) have urged federal regulators to strengthen their proposed supplementary leverage ratio in order to reduce future government support, eliminating the possibility of “too big to fail” policies in the future. [Click here](#) to read the letter.

In March, the U.S. Senate [unanimously approved an amendment](#) to end federal subsidies for “too big to fail” mega-banks.

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