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Warren Delivers Remarks at Exchequer Club on State of Economy

"Before the 2008 financial crash, I rang the alarm bell as loud as I could about the risks bubbling up in our economy. I'm ringing the bell again."

Full speech here (YouTube)

Washington, D.C. – Today, U.S. Senator Elizabeth Warren (D-Mass.), Ranking Member of the Senate Banking, Housing, and Urban Affairs Committee, delivered a speech at the Exchequer Club on the state of the economy, the bipartisan tradition of hollowing out the middle class, and the need for Washington to pursue a bold affordability agenda that will actually bring down costs for families.

Ranking Member Warren's remarks to the Exchequer Club as prepared for delivery:

Thank you, Faith. It's good to be here at the Exchequer Club. You understand how policy choices ripple through our financial system, our economy, and ultimately affect every American family.

Let's begin with an assessment.

If you look at the headline numbers, the economy looks good.

- The stock market hit record highs;

- Inflation has receded from its peak in 2022;
- Unemployment has remained low since 2022.

But these data gloss over the lived experience of tens of millions of Americans. A deeper dive uncovers cracks that should worry us all.

As America came out of the Great Depression and on through World War II and to the late 1970s, GDP steadily climbed—year over year. American workers became more productive, and they shared in that bounty. From the poorest Americans to the richest, wages grew for everyone. Homeownership soared. People lived longer. America built a middle class that was the envy of the world.

Today, it's a different story.

In 2000, America accounted for a quarter of all manufacturing in the entire world. Today, we produce just 16% of global output. Critical industries and the supply chains to support them have nearly disappeared.

Consider semiconductors—those tiny chips that power everything from phones to cars to jet planes. In 1990, we made more than a third of the world's chips. Today, we make less than one-eighth. For the world's most advanced chips, Taiwan now produces 92% of those chips.

Consider medicine. We once made our own drugs and exported them to the world. Today, if you have a prescription filled at your local pharmacy, chances are 9 out of 10 that the drug you swallow was made overseas. In fact, for roughly 100 critical drugs, including penicillin and amoxicillin, we rely on one single factory in China.

The so-called sophisticated view is that offshoring is a deal we make for lower prices and rising standards of living in return. The real deal is that offshoring made Wall Street richer, broke our supply chains, and cost workers their good paying jobs.

America—a country of great inventions and boundless energy—has outsourced even its most basic needs. And what happened to the American worker?

GDP kept right on climbing, but starting in 1980, real wages flattened out. Over the next 40 years, lowest-paid workers saw their wages rise just 6.5% in 40 years. Meanwhile, income for the top earners jumped more than 40%. A slight reversal occurred during the pandemic when the need for people to stock grocery shelves and deliver packages shot up, and low-wage workers finally got raises. But that momentum is fading.

At the same time that wages flattened out, costs for families exploded. Sure, flat-screen TVs were cheaper, but since 1990, the cost of housing is up 174%. Child care is up 220%. And health care is up a whopping 270%.

With wages flat and expenses skyrocketing, millions of families have turned to debt—and lots of it. Mortgages and car loans. Credit cards. Student loans. Buy now, pay later. Over the last ten years alone, total household debt has grown by more than 50%.

There are plenty of headlines about "resilient" consumer spending, but once again, the topline obscures a troubling reality underneath. The wealthiest 10% now account for nearly half of all personal spending, up from 43% just before the pandemic. Jeff Bezos may be spending $50 million on his wedding, but 90% of our country is experiencing an economy that doesn't work for them.

The long-term trendlines for the economic security of American families is bad. Donald Trump and the Republicans are quickly making it a lot worse.

Recall that President Trump campaigned on lowering costs "on Day One." But Donald Trump and Republicans in Congress are actively making life more expensive for American families.

First, trade. For years I have argued that our trade policies have not worked for working people. But Trump has put the squeeze on American families on a whim. Millions of Americans should not pay more for a cup of coffee or a hamburger

because Donald Trump wants to bail out some former Brazilian leader who tried to carry out a right-wing coup. US trade policy should be harnessed to protect American families, not has-been dictators.

For more than 3 months now, we have debated when we will see the impact of Trump's on-again, off-again tariffs.

Yesterday's Consumer Price Index says that the impact is here, and likely just beginning. Prices are climbing in some of the most tariff-impacted sectors, including electronics and household appliances. And because Trump is slapping tariffs on things that can't easily be produced in the US, grocery inflation is again on the rise.

On-off tariffs have also given companies cover to jack up prices. Richmond Fed President Tom Barkin recently told the Wall Street Journal that during a roundtable with business leaders in North Carolina, Barkin asked if their companies are raising prices because of the impact of tariffs on their costs or as *"air cover to raise prices."* One CEO responded: *"It's both. And I feel a little guilty saying that."*

Fed Chair Powell has also talked about the cost of chaos. I've said for years that I want the Fed to lower interest rates. Last month, Powell said the Fed would have cut rates back in February if it weren't for President Trump's chaotic tariff wars. In other words, for half a year, families have been paying more for car loans and credit cards because of Trump's economic chaos.

Lower rates would also help bring down mortgage rates and encourage investment in new housing. But in part because Trump's tariffs give the Fed a reason not to act, mortgage ratesremain stubbornly high while Trump's tariffs drive up the cost of lumber, copper and other building materials. Thanks to one man—Donald Trump—new housing construction is at its lowest level in 5 years.

If Trump were serious about lowering interest rates, he would rein in his chaotic tariffs. Instead, he is threatening to fire the Chairman of the Federal Reserve. When his initial attempts to bully Powell failed, Trump and Republicans in Congress suddenly decided to look into how much the Fed is spending on building renovations. Independence does not mean impunity and I have long pushed for more transparency and accountability at the Fed. But give me a break. The President's HUD Secretary is apparently using taxpayer funds to gut the National Science Foundation building and turn it into his personal castle with a private elevator and a personal gym for his family. So nobody is fooled by this pretext to fire Chair Powell. And markets will tank if he does.

While Trump searches for a scapegoat, businesses are getting hit by his economic chaos.

- The Business Roundtable's quarterly CEO economic outlook survey shows that plans for hiring and capital investment have decreased.
- Real private fixed investment in manufacturing more than doubled between 2020 and 2024. But that momentum has faded, and first quarter investment declined.
- The Institute for Supply Management's June manufacturing index shows new orders contracting and prices increasing.
- And companies' hesitation to hire is putting more pressure on an already softening labor market.

There's another blow that's about to hit the US economy. The President's budget bill is thelargest upward transfer of wealth in a single law in American history. It will kick 17 million people off their health insurance to give handouts to billionaires and billionaire corporations.

I know that some of you in this room fought for the massive tax giveaways for the companies you represent, even knowing that it would be paid for by stripping food assistance and health coverage from the poorest Americans. You fought for those giveaways, knowing they would add over $4 trillion to the federal debt. I think

that's morally wrong. But it is also economically shortsighted. These tax cuts may feel great for the companies that scoop them up, but long-term they undercut both our country's economic growth and our international competitiveness.

The Republican spending bill will push the national debt sky-high—and why? Not to invest in more affordable child care. Not to lower health care costs. Not to upgrade our transportation infrastructure or strengthen our fire and flood resilience. Instead, Trump and Congressional Republicans are running up debt to pay for a $4 trillion tax giveaway. They make the same argument they have made every time they cut taxes since the days of Ronald Regan, claiming that tax giveaways to the wealthy will supercharge economic growth and pay for themselves. For decades, every independent economist who has studied the data says these giveaways to the rich do not pay for themselves; they just make the rich richer and push the nation further into debt. The very conservative-leaning Tax Foundation tells us that the latest Republican spending bill will increase the debt to GDP ratio by at least 9.6 percentage points over 10 years.

And there's one more economic blow coming our way: more financial deregulation.

The 2008 financial crisis was catastrophic. Ten million families lost their homes. Millions of people lost jobs, their savings, their pensions—all so Wall Street could make more money.

Following that crash and the big bank bailout, Congress put new safeguards in place. Over the last 15 years, Republicans in Congress—with the help of some Democrats—have chipped away at those protections. In 2018, they weakened financial regulation. And, in 2023, the second, third and fourth largest bank failures in American history happened.

Now the Trump team is firmly in charge, and the banking watchdogs have become toothless lapdogs.

Look at Wells Fargo. In just the past eight months, Wells has been caught in a major scheme to cheat its customers, a scam to defraud its investors, and an active participant in money laundering. After seven years of headline grabbing scandals, seems to me it's time to admit that Wells can't—or won't—comply with the law and just break them up. Instead, last month the Fed weakened oversight and gave them the all-clear to do whatever they want.

The big banks understand which way the wind is blowing. The Fed recently announced the results of its newly watered down 2025 stress tests. Big banks celebrated by immediately reducing their financial reserves by pushing more money out the door through massive increases in buybacks and dividends. Next year the Fed will give big banks another boost by providing the answers to the test in advance so the banks can adjust their balance sheets to hide the weak spots. The Fed is even hosting a conference next week where the big banks will be delivering presentations on the best ways to skirt these rules.

Another gift to the big financial institutions is letting them cheat consumers. Following the 2008 crash, Congress created the Consumer Financial Protection Bureau which has now returned more than $21 billion directly to over 200 million Americans cheated by big banks and giant corporations. We are engaged in hand-to-hand combat to protect the agency, but Team Trump is doing everything it can to open the doors wide to allow more consumer fraud.

Into this dangerous stew, Donald Trump and Republicans are tossing one more economic grenade. They, with the help of many Democrats, are jamming through industry-designed cryptocurrency bills that will produce billions of dollars for the President and his family. In addition, the bills lack adequate guardrails to protect consumers, to protect our financial system, or to protect our national security. The GENIUS Act, legislation to bring stablecoins into the traditional financial system, passed the Senate despite warnings from many experts, including Brooksley Borne, who warned that loosening regulations last time around could lead to a crash— exactly like it did in 2008. And now Congress is considering crypto market

structure legislation that could sideline the SEC in overseeing the stock market, effectively destroying the $120 trillion golden egg that is America's capital markets.

Each of these actions significantly increases risk in the financial system; together they multiply the dangers. Over time, a system that permits companies to profit from fraud and false bookkeeping and getting people signed up for loans they cannot possibly afford will weaken until, like we saw in 2008, the whole structure collapses—and takes millions of families with it.

Trump is cutting a new, destructive path through America's middle class, but undercutting working people is a long, bipartisan tradition.

Before 2008, Republican *and* Democratic Administrations offered corporate America bailouts while good jobs disappeared overseas and family budgets totally blew apart. Sure, each president and his administration can point to some gains, but they also deserve to be tagged for corresponding losses.

In election after election, the American people told Washington to unrig the economy and make life more affordable. Neither party delivered.

This erosion of middle-class stability is stark. In May of this year, consumer confidence plunged to near-record lows. Credit card and auto loan delinquencies are hovering near levels not seen since the years following the 2008 crash. As they get deeper in debt, millions of hard working people are turning to high-risk, high-cost debt to try to survive another day.

The data are grim, but there is one ray of sunshine: the path for making this economy work better for working people is within our reach. We can adopt a bold affordability agenda that would actually bring down costs for families.

Here are some places to start:

- Tariffs. Stop the chaos. Invest in our production here at home, with a one-two punch of domestic support and careful use of targeted

tariffs. This would build resilient supply chains and create good jobs while we reduce our dependence on China and other countries.

- Support the cops on the financial beat. Prevent taxpayer bailouts by strengthening oversight and capital standards for big banks. Ensure banks are using their special place in the economy to lend to small- and medium-sized businesses and households. Enforce the law against scammers.
- Promote robust, competitive markets. I believe in markets—they can create massive opportunity and make us richer. But markets without rules are theft. The government should not look the other way while corporations build their business models on cheating people and crushing small businesses. Real competition means better products, lower prices, and more resilient industries here at home.

We also need to make real investments that bring down costs for families. Let me offer just a few examples:

- First, build more housing. America has a serious housing supply problem. We change that by cutting red tape, taking on corporate landlords, and making robust federal investments to build more housing that more families can afford. My bill to build three million new or rehabilitated homes in urban and rural America would lower rents by 10% and save the average family $140 per month.
- Second, support child care. The average yearly cost of childcare for one child in DC is$25,480. An estimated three-fifths of parents not working full-time would choose to do so if affordable child care were available. Investing in affordable, high-quality childcare would let us lower costs for families and grow our labor force.
- And third, make investments in education and health care, giving people a chance to build better skills and stay healthier—and, once again, be more productive.

Yes, these investments will cost money. But let's put that spending in perspective. The Republican tax bill gave Meta—one company—a $15 billion check for work done three years ago. Not money to spur future investment—just a gift. No evidence of any return on investment to our GDP or to America's families. $15 billion. One company. $15 billion is more than the federal government spends in an entire year to support child care.

Imagine if we invested $15 billion in child care and early childhood education instead? That's an investment in our children and our future – lower costs for families, more parents going to work, and stronger economic growth.

I can make the same argument on housing. A bigger housing supply means more people ending those two-hour commutes. More people staying in their communities. More people buying their first homes. The data show that homeowners are more likely to start small businesses and invest in their local communities—both of which translate into greater productivity and higher GDP.

The same is true for health care and education. Studies show that people are more likely to find work and stay employed if they have access to affordable health care. They also show that increased educational attainment boosts productivity. In fact, educational gains were directly responsible for 20% of productivity growth between 1950 and 2007.

The problem is pretty straightforward. Too many economic policies in Washington are short-sighted, shaped by the rich and powerful, to benefit the rich and powerful.

But the American people have had enough. They may shift around on who they think they will deliver change, but the demand for change is growing stronger.

Before the 2008 financial crash, I rang the alarm bell as loud as I could about the risks bubbling up in our economy. I'm ringing the bell again.

The topline numbers about the economy seem fine, but a deeper dive shows that 40-plus years of policies aimed at enriching a handful at the top have opened cracks in the once-solid economic foundations of America's middle class. Now, six months of the new Trump administration has sharply widened those cracks, and once again, economic risks are bubbling up. If the President does not change course, the one-two-three punch of tariff chaos, deficit busting tax giveaways, and financial deregulation will eventually blow up this economy—and, once again, the pain will fall mostly on America's working families.

It doesn't have to be this way. Washington could put a stop to this. All we need is the will to relentlessly put American families first— put good jobs ahead of corporate offshoring, put investment in our children ahead of handouts to Meta, and put following the rules ahead of higher dividends to shareholders. This would mean faster growth, stronger American industry and good jobs – an economy that all Americans can finally afford.

We can still get this right, and we need to get it right, before we run out of time.

Thank you for having me.

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