

Why We Must Fix Too-Big-To-Fail

Facts You Should Know

- Our nation's financial system has become so concentrated, that today, the four largest banking companies control more than 40% of the nation's deposits and more than 50% of the assets held by U.S. banks.

When so much economic power is concentrated in so few hands, we've seen how corporate giants can hold the entire economy hostage. And taxpayers end up paying to prevent a disaster.

- Too Big to Fail isn't free. Tax dollars directed to rescue banks is just one of the costs. The others are spread throughout the entire economy. They include lower long-term growth, higher financial risk-taking, misallocation of credit to weaker borrowers or less productive uses and the unsustainable growth of financial assets that can lead to damaging credit booms.
- When management, creditors and shareholders no longer bear the full consequences of failure, it creates moral hazard – a willingness to place outsized bets using other people's money since the potential downside is minimal while the payoff is huge.
- In 2008, the year taxpayers rescued the financial industry, CEOs at the top 20 financial recipients of bailout dollars earned 37 percent more than their CEO counterparts elsewhere in the U.S. economy. CEOs of these top 20 financial firms averaged \$13.78 million in personal compensation last year.
- The top 100 management decision-makers at the largest 20 bailout recipients have together collected \$3.2 billion in compensation over the past three years. At the same time, they laid off 160,000 of their employees.
- Ten of the top 20 financial bailout firms have reported the details of stock options granted in early 2009. Based on rising stock prices, the top five executives at these firms have enjoyed a combined increase in the value of their stock options of nearly \$90 million.
- These banks are pulling out all the stops to return to profitability (and outsized bonuses), by squeezing their customers, safe in the knowledge that their customers' tax dollars are there to rescue them if it all goes wrong. In the last quarter, the top four banks *raised* fees related to deposits by an average of 8% (according to research from the Federal Reserve Bank of Dallas). In order to stay competitive, smaller banks *lowered* their fees by an average of 12%.