AFR Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Jan 26-Feb 1

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Senate Democrats Seek Better Oversight Of Financial Sector's Climate Risks | Wall Street Journal

Some Senate Democrats want U.S. regulators to assess banks' and other financial institutions' preparedness for climate change.

Led by Sen. Brian Schatz of Hawaii, the group of 20 senators—19 Democrats and Bernie Sanders (I., Vt.)—wants U.S. regulators to follow counterparts in Europe and elsewhere that are more actively examining whether financial institutions are prepared for the disruptions and damages caused by extreme weather.

"U.S. regulators must join their international peers in ensuring the financial system is resilient to climate-related risks," the senators wrote in a letter sent Friday to the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. "We have seen no evidence that your agencies have seriously considered the financial risks of climate change or incorporated those risks into your supervision of financial institutions."

Crapo Previews Data Legislation | Politico Pro
Senate Banking Chairman Mike Crapo is beginning to unveil the details of a legislative push intended to give consumers more control and protection when it comes to their financial data, including notifications of cyber breaches.

The Idaho Republican outlined his plans in a new column, expanding on hints he has been offering for months about making data privacy and security a top priority in the new Congress.

"I intend to further explore legislative solutions that would give consumers more control over and enhance the protection of consumer financial data, and ensure consumers are notified of breaches in a timely and consistent manner," he said in the column.

CONSUMER FINANCE AND THE CFPB

CFPB Announces Changes To Senior Leadership | CFPB Press Office
Consumer Financial Protection Bureau Director Kathleen L. Kraninger today announced leadership changes within the Bureau. The positions being announced today are:

Policy Associate Director for External Affairs; West Regional Director; Acting Chief Communications Officer; Deputy Associate Director for External Affairs; and the Director for the Office of Minority and Women Inclusion.

Columbia Professor's Murky Ties Could Compromise CFPB Rollout | New York Post
Since at least 2017, US regulators have relied on a single, "objective" academic study to shape restrictions on short-term, high-interest loans, which critics claim are prone to victimize cash-strapped borrowers.

But the Ivy League professor behind that study — which scrutinized in particular the causes behind delinquency rates in various states — has enjoyed cozy ties to a payday-lending executive and advised other academics on how to sway policymakers, The Post has learned.

Ronald Mann, who teaches at Columbia Law School, has done previously undisclosed work at the behest of Hilary Miller, the president of the Short-Term Loan Bar Association, an industry group of payday lawyers, according to e-mails obtained by The Post.

Wall Street Darling Jeb Hensarling's Old Crew Taking Over At The CFPB | Allied Progress
In a telling sign of her priorities, CFPB Director Kathy Kraninger is continuing to surround herself with former aides of Congressman Jeb Hensarling (R-TX), the former Chair of the House Financial Services Committee who devoted his career to serving the financial industry and who

once declared that the CFPB “must be functionally terminated.” The Trump/Kraninger-run CFPB announced late Friday that Hensarling’s Ex-Chief of Staff has joined the Bureau’s “senior leadership.”

“If Kathy Kraninger were really interested in carrying out CFPB’s mission of protecting consumers, she wouldn’t be going back to the Hensarling well again and again to fill her leadership team,”said Jeremy Funk, spokesman for Allied Progress.

Trump CFPB Fines A Man $1 For Swindling Veterans, Orders Him Not To Do It Again | The Intercept
The Consumer Financial Protection Bureau penalized a man $1 this week, for illegally exchanging veterans’ pensions for high-interest “cash advances.” Mark Corbett claimed in sworn statements to the bureau that he had an inability to pay any fine of greater value, and the bureau accepted $1 as payment for making illegal, high-cost loans to former members of the armed forces.

Somehow, two other state regulatory agencies, in Arkansas and South Carolina, assisted in the extraction of a single dollar bill from Corbett.

This is not the first time during the Trump administration that CFPB has taken an inability to pay into account to reduce a fine for violations of consumer protection law. Under the previous acting director, current acting White House chief of staff Mick Mulvaney, this type of reduction was so widespread that it came to be known as the “Mulvaney discount.” The American justice system rarely treats impoverished defendants with such mercy.

Native Groups Say Lender Ruling Cramps Tribal Businesses | Law360
Three national Native American groups urged the Fourth Circuit on Thursday to overturn a Virginia district court’s refusal to toss a proposed class action against two lending companies, saying the ruling that they weren’t entitled to share in a Michigan tribe’s immunity to suit intrudes on tribal sovereignty and hamstrings tribal economic development.

The Virginia judge in July denied a bid by Big Picture Loans LLC and Ascension Technologies to end a suit alleging that they sought to use their connection with the Lac Vieux Desert Band of Lake Superior Chippewa Indians as a shield from accusations that they charged illegally high interest rates on loans. The judge ruled that the companies had not met their burden of proof to show that they were "arms of the tribe" that would be entitled to tribal immunity to the suit under a six-factor test established by the Tenth Circuit.

The National Congress of American Indians, the National Indian Gaming Association and the National Center for American Indian Enterprise Development backed the companies’ appeal of that decision in an amicus brief Thursday, saying the lower court used an analysis from a California state court decision and mistakenly expanded the Tenth Circuit test to improperly limit the companies’ immunity and how tribes are able to organize their businesses.

Payday Lenders Announce Massive Quarterly Profits | Allied Progress
Today, two major payday lending companies and a subprime auto lender – FirstCash, World Acceptance Corporation, and Credit Acceptance Corporation — announced fourth quarter profits collectively exceeding $200 million, undercutting the industry's complaints that it is too highly regulated to be successful. The earning reports also underscore why the industry needs no special treatment from the Trump/Kraninger-controlled Consumer Financial Protection Bureau (CFPB). And yet reportedly the Trump administration will soon hand the industry a huge gift with a proposal to scrap a commonsense Cordray-era rule requiring payday and car-title lenders to consider a borrower's ability-to-repay before making a high-interest loan. Without this check in the system, the floodgates will open for millions of consumers – particularly in communities of color – to fall into cycles of debt where borrowers take out new high-interest loans to pay off old loans, over and over again.

DERIVATIVES, COMMODITIES & THE CFTC

CFTC Nominee Discloses Legal Work For Big Derivatives Players | Politico Morning Money Newsletter
CFTC NOMINEE DISCLOSES LEGAL WORK FOR BIG DERIVATIVES PLAYERS — "President Donald Trump's nominee to head the Commodity Futures Trading Commission received compensation from his law firm for his work with Citigroup, JPMorgan, Goldman Sachs and other major derivatives users, according to a new regulatory filing. Heath Tarbert, nominated in December to be chairman of the U.S. derivatives regulator, was a partner at Allen & Overy LLP before joining the Treasury Department in October 2017."

Goldman Sachs Faces Accusations It Cheated Another Investment Bank Client | CNBC
Goldman Sachs is being accused of bilking a corporate client who hired the investment bank to advise it on a $2.9 billion takeover last year.

The bank put its own financial interests ahead of client United Natural Foods, resulting in about $200 million in unearned fees or interest paid in the deal, the food-delivery company said in a suit filed Wednesday. Goldman had advised United Natural – a top distributor to Whole Foods – on its July 2018 deal to purchase wholesaler Supervalu.

"We expected our extremely well-paid transaction advisors to provide ethical counsel and unbiased support around this landmark acquisition, not leverage their positions to pursue larger profits for themselves and other clients at our expense," Steve Spinner, CEO and chairman of United Food, said in a statement.

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

Waters Floor Statement On Her Bipartisan Legislation To Curb Illegal Insider Trading | House Financial Services Committee Press Office
My bill would require the SEC to study whether to amend its rule for trading plans to limit the ability of corporate insiders to, for example, adopt multiple, overlapping plans or change their plans to indirectly take advantage of inside information. The bill would then require the SEC to report to Congress and revise its rules based on the results of the study.

This bill is much needed as fraudulent stock sales by high ranking executives can erode confidence in our markets. For example, in November of 2017, the CEO of Intel reportedly sold $39 million in stock after he learned of two security flaws in Intel processors and within days of revising his trading plan for the second time that year.

This bill is supported by investor and consumer advocates, public pension funds, and state securities regulators, including Public Citizen, **Americans for Financial Reform**, California Public Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS), the Council of Institutional Investors, Healthy Markets, and North American Securities Administrators Association (NASAA).

EXECUTIVE COMPENSATION

Kim Lemkuhl On Excessive CEO Pay And Stock Buybacks | Corporate Crime Reporter
Those are the two front burner issues. The excise tax on excessive pay and stock buybacks. Let's look at the players.On the public interest side there is **Americans for Financial Reform (AFR).**

"Americans for Financial Reform is a coalition. We are part of it. There are consumer and worker advocates. They got a lot of shine working on reforms at the Consumer Financial Protection Bureau. They looked at the causes of the financial crash. They produced some Dodd-Frank work. This comes out of that. Not all coalition workers work on all issues. Executive pay has its own AFR task force — it's a lean and mean fighting machine. We are focusing on the House Financial Services Committee."

MORTGAGES AND HOUSING

Trump Won't Act Alone To Get Fannie, Freddie Out Of Government Control | Wall Street Journal
The Trump administration plans to work with Congress to overhaul mortgage-finance giants Fannie Mae and Freddie Mac , a White House spokeswoman said Tuesday—playing down the idea the administration will seek to unilaterally release the firms from government control.

The White House also expects to announce a framework for comprehensive housing-finance changes "shortly," White House spokeswoman Lindsay Walters said in a statement.

The statement said no final decisions have been made on what will be contained in the proposal.

For more than a decade, lawmakers have tried without success to overhaul Fannie and Freddie, which were placed in conservatorship during the 2008 financial crisis. Recent statements by administration officials indicated the government was reviewing plans to soon take the firms out of government control, sending shares surging.

Fannie Overhaul To Focus On Legislative, Regulatory Changes, Sources Say | Bloomberg

The Trump administration's push to free Fannie Mae and Freddie Mac from federal control will likely start with the White House calling on federal agencies to put forth ideas for a legislative and regulatory overhaul of the housing-finance giants, said people familiar with the matter.

The White House may outline a broad set of recommendations, such as increasing competition for the companies and protecting taxpayers from losses, and then request that the Treasury Department and the Department of Housing and Urban Development propose plans for implementing them, said the people who asked not to be named because plans are subject to change.

Otting Welcomes Democrats' Input Even As White House Develops GSE Plan | Politico Pro

The regulator overseeing Fannie Mae and Freddie Mac told Democratic lawmakers today he welcomes their input on how to overhaul the housing finance system while reiterating that the Trump administration is developing a framework to free the mortgage companies from government control, according to a letter obtained by POLITICO.

"As we begin the journey of evaluating the Enterprises and developing a framework for ending conservatorship, I would welcome your insight and perspective," Joseph Otting, acting director of the Federal Housing Finance Agency, said in a letter to House Financial Services Chairwoman Maxine Waters (D-Calif.) and Senate Banking ranking member Sherrod Brown (D-Ohio).

Otting was responding to a letter Waters and Brown sent him last week after POLITICO reported that he told his staff that the White House would announce a plan "within two to four weeks" to end conservatorship. He also said the Trump administration believes the FHFA and Treasury can "act ... independent of legislation.

Crapo Shakes Up GSE Reform With Housing Finance Plan Of His Own | American Banker

Senate Banking Committee Chairman Mike Crapo, R-Idaho, released a new plan Friday to overhaul the U.S. housing finance system more than 10 years after the government put the government-sponsored enterprises Fannie Mae and Freddie Mac into conservatorship.

“We must expeditiously fix our flawed housing finance system,” Crapo said in a press release. “My priorities are to establish stronger levels of taxpayer protection, preserve the 30-year fixed rate mortgage, increase competition among mortgage guarantors, and promote access to affordable housing. I invite my Senate and House colleagues, the Administration and all interested stakeholders to work together to enact this critically needed reform.”

Crapo’s plan would turn Fannie Mae and Freddie Mac into private guarantors to support the timely repayment of principal and interest to investors for eligible mortgages that are securitized through a platform operated by Ginnie Mae. The plan would also allow for other private guarantors to compete.

Homeowners In Government Mortgage Programs Remain At Risk Of Foreclosure | The Hill (Lisa Sitkin And Odette Williamson)
One aspect of the recent government shutdown that has received too little attention is that it significantly increased the risk that thousands of struggling homeowners across the nation would lose their homes. For example: in California, an elderly woman who recently lost her husband is on the verge of losing her family home due to the shutdown. Her lender wrongfully denied her for a deferral program designed to protect certain newly widowed spouses from foreclosure and eviction, but the Housing and Urban Development (HUD) representative who was helping her was furloughed during the shutdown. Even though the shutdown has ended, this widow is still facing foreclosure in February unless HUD takes action to address cases like hers that have piled up while critical agency resources were unavailable.

U.S. Regulator Drops Fine Against Citi Over Fair Lending Claims | Reuters
A top U.S. bank regulator has decided not to fine Citigroup for discriminating against minority mortgage borrowers, dropping the public rebuke that some officials had sought, two people familiar with the matter told Reuters.

The decision is sure to be watched by consumer advocates who have questioned whether the Office of the Comptroller of the Currency (OCC) will enforce fair lending rules under the leadership of Joseph Otting, an appointee of President Donald Trump and former banker who has pledged to be friendlier to the industry.

Reuters reported in October that the OCC was mulling sanctions against Citi for failing to give minority customers mortgage discounts that were available to many other borrowers.

Washington’s Cold Hypocrisy On New York’s Public Housing | New York Times (Mara Gay)
Shoulder to shoulder with the mayor at a news conference Thursday in Lower Manhattan, Mr. Carson talked about turning public housing into “safe and clean and nurturing environments to give people an opportunity to move up the ladder,” and said he was “very excited” about the agreement.

It's no wonder. Under the deal, the federal government commits nothing new, while the city recommits to spend over $2 billion on repairs over the next 10 years. The city is being forced to pay for the federal monitor, too. This, after the federal government starved public housing of funds for decades, leaving cities like New York without the ability to build new units or make basic repairs.

In his nearly two years in office Mr. Carson has done little but stand by as the Trump administration proposed devastating cuts to his agency, which Congress, fortunately, blocked.

Why Technology Hasn't Fixed The Housing Problem | New York Times (Emily Badger)
Clara Brenner, a managing partner at a venture capital firm, the Urban Innovation Fund, hears weekly from people hoping she will do the same: When are you going to invest in a company, they ask her, that will solve the housing crisis or the homeless problem?

"This looking for a tech solution — I understand why people want it," Ms. Brenner said. But she doesn't believe it exists. The housing crisis is a policy problem, she says, one that Nimbyism, zoning laws, land use restrictions and tax policies have made worse. She fears that the dream of a tech fix will distract voters and politicians from those culprits.

"They're waiting for some tech company to come in and sweep up this mess," she said, "when in fact this is all of our messes, and we're going to have to deal with it."

PRIVATE FUNDS

FTC Approves Staples-Essendant Merger In Split Decision | Wall Street Journal
A new-look Federal Trade Commission saw its first partisan split in a merger case late Monday, with a Republican majority allowing office-supply giant Staples Inc. to acquire office-supply wholesaler Essendant Inc. over Democratic objections that the FTC should do more to stop questionable deals.

The sparring over the $483 million transaction revealed some of the early political contours of a commission whose five leadership positions all turned over last year. The FTC's three new Republican commissioners said concerns about corporate consolidation alone aren't enough to justify more merger challenges; the commission should only challenge deals when there is enough evidence to support it, they said.

The FTC's two new Democrats suggested that their GOP counterparts were being too cautious—and too credulous in accepting companies' arguments about mergers producing more efficient firms.

The commission, led by Republican Chairman Joseph Simons, did raise some concerns about the Staples deal, and ultimately required the company to erect a firewall restricting its access to commercially sensitive information about some of Essendant's customers.

The merger was largely a vertical one, combining two companies at different levels of the same supply chain. Staples, now owned by private-equity firm Sycamore Partners, is the largest U.S. office-supply chain. Essendant is the nation's largest office-supply wholesaler, selling goods to other companies including Staples, Office Depot , Costco and a range of independent firms, which in turn sell them to end-use customers.

How The Trump Team Might Make Some Hedge Funds Solvent Again | Center For Economic And Policy Research
Immediately following President Trump's election, Fannie Mae and Freddie Mac's future generated renewed and robust interest. The Government Sponsored Entities' (GSE) shares rallied on expectations that the Trump administration would take both entities out of conservatorship in a manner that rewarded all shareholders, including hedge-fund speculators. In the intervening two years, however, those expectations faded and shares in the GSEs underwent a slow decline.

That changed last month when President Trump announced that he would appoint Comptroller of the Currency, Joseph Otting, to serve as Acting Director of the Federal Housing Finance Agency (FHFA). Since that announcement, shares in Fannie Mae had risen 264 percent as of the market's close on January 28), with a similar increase in the value of shares in Freddie Mac. Less than two weeks after taking office on January 7, 2019, Otting had already made clear that investors' confidence has not been misplaced; in a January 17 meeting, Otting told FHFA employees that the administration would release a plan in the coming weeks to take the GSEs out of conservatorship.

Attention to the Trump administration's numerous conflicts of interest regarding Fannie Mae and Freddie Mac's futures dissipated as it became clear that housing reform was not a top priority for the administration. With the shares' rally and Otting's recent statements, however, we think it is important to revisit the conflicts represented by revolving door bankers turned Trump Administration policymakers. The following annotated stock chart illustrates the nature of our concern, which is not dependent on any fixed notion of housing policy but rather our aversion to the possibility that public policy is being driven by private interests.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Four Predictions For Higher Education In 2019 | Forbes (James Kvaal)
Only two weeks into 2019, and already Capitol insiders are buzzing about new higher education laws, presidential hopefuls are heading to Iowa, and governors across the country are rolling out

new ideas. To make sense of it all, I polished my Magic Eight Ball to hazard four predictions about the next 12 months.

Is Student Loan Debt Going To Be The Next Financial Crisis? | Equities.com
Currently student loan debt is at $1.4 trillion and growing, and it's causing a drag on the economy because people aren't able to pay for things like houses. Student loan debt is different from other forms of debt because it's with you for the rest of your life and you can never discharge it in a bankruptcy. People who signed up for tens of thousands of dollars of debt when they were just teenagers are graduating into a world with an increased cost of living and stagnating wages. Not only does college cost considerably more than it did a few decades ago, but you can also expect to make less money relative to the cost of living. Learn more about why student loan debt may be the next financial crisis from this infographic.

SYSTEMIC RISK

Fed's Approach To Revamping Post-Crisis Rules Leaves No One Satisfied | American Banker
The American Bankers Association "strongly supports the consideration of risk factors beyond simple measurements such as asset size" but "such factors should be as precise and aligned to actual risk exposure as we can reasonably realize," said Hugh Carney, the ABA's vice president for capital policy. (Most commenters submitted a single letter for both proposals.)

On the other side, the **Americans for Financial Reform** said the proposal issued by the Fed could enable banks to more readily game the system. The group said asset size is a good determinant of regulatory class while adding secondary considerations like overseas assets and nonbanking activity creates opportunity to eschew regulatory controls.

"We are concerned that such changes will make it easier for banks to arbitrage their exposure to different prudential rules, and make the application of such rules less transparent to the public," according to the letter by **AFR's Education Fund**, submitted to the Fed, Federal Deposit Insurance Corp. and Office of the Comptroller of the Currency. "We believe that size is the single best indicator of the economic importance of a bank and that the complexity metrics used in the proposed rule risk unjustifiably lowering prudential standards for extremely large banks."

Fed Announces Public Conference On Stress Testing In July | Politico Pro
The Federal Reserve today announced it will host a public conference on July 9 on its stress testing framework, as part of the central bank's efforts to give the public more insight into its operations.

Through its stress tests, the Fed tries to measure how much capital banks would need to survive a severe economic downturn, and firms' annual results are generally released at the end of June.

"This outreach effort will help the public better understand how stress tests work and will help us learn how we can improve and refine the program," Fed regulatory chief Randal Quarles said in a statement. "A transparent and robust dialogue will benefit all stakeholders of the stress testing regime."

U.S. Corporate Debt Maturing In Five Years Rises To Over $2 Trillion | Forbes
U.S. corporates' speculative and investment grade debt maturing in five years has now risen to over $2 trillion. According to the Federal Reserve, as of the end of 2018, private non-financial institutions corporate debt is about $15 trillion, or about 70% of U.S. GDP; hence the remaining $13 trillion does not refinance until after 2023.

The speculative-grade non-financial corporate debt maturing over the next five years, 2019-2023, has grown to slightly over $1 trillion. According to Anastasija Johnson, VP-Senior Analyst at Moody's Investor Services, "A combination of lower issuance, heavy maturities, climbing interest rates and widening spreads points to a more challenging refinancing environment for speculative-grade companies," This level of debt is an increase from $988 billion last year, that covered 2018-2022 maturities.

More Cracks Are Appearing In The Market For Loans That Helped Cause The Financial Crisis | CNBC
Leveraged loans, which helped cause the last financial crisis and have drawn fear that they could be a spark in the next one, are showing further signs of cracking as investors flock from the market and volumes dry up.

Mutual funds that track the debt issued traditionally to companies with weak balance sheets and poor credit have seen $18 billion in outflows over the past 10 weeks, including $949 million for the period ended Jan. 23, according to data Refinitiv's LPC team released Tuesday.

For perspective, the funds have total assets now of $148 billion. The funds have seen investors pull 16 percent of assets since the space peaked in September at $175 billion.

Fed Wary Of Hard Brexit's Effect On U.S. Banks | American Banker
Federal Reserve Chairman Jerome Powell said Wednesday that the central bank is monitoring the United Kingdom's continuing efforts to leave the European Union and a messy breakup could pose risks to both the economy and financial system.

Speaking at a press conference capping the most recent meeting of the Federal Open Market Committee, Powell said the apparent lack of a deal in Brexit negotiations regarding the future trading status between the U.K and EU is a cause for concern. He said the Fed is helping U.S. banks prepare for all outcomes to the extent possible.

Trump Considering Former Presidential Hopeful Herman Cain For The Fed | CNBC
Former presidential candidate and Godfather's Pizza CEO Herman Cain is under consideration for a Federal Reserve appointment, CNBC has confirmed.

President Donald Trump is contemplating nominating Cain for a Fed governorship. Cain is a former chairman of the Kansas City Fed, having served at the bank from 1989-96 before leaving to pursue political activities full-time.

Cain ran for president in 2011 and briefly led polling thanks to his "9-9-9" plan, a reference to the respective tax rates he would have put on personal income, federal sales and corporations. He suspended his campaign late that year under allegations that he sexually harassed two women.

TAXES

$1.5 Trillion U.S. Tax Cut Has No Major Impact On Business Capex Plans: Survey | Reuters
The Trump administration's $1.5 trillion cut tax package appeared to have no major impact on businesses' capital investment or hiring plans, according to a survey released a year after the biggest overhaul of the U.S. tax code in more than 30 years.

The National Association of Business Economics' (NABE) quarterly business conditions poll published on Monday found that while some companies reported accelerating investments because of lower corporate taxes, 84 percent of respondents said they had not changed plans. That compares to 81 percent in the previous survey published in October.

The White House had predicted that the massive fiscal stimulus package, marked by the reduction in the corporate tax rate to 21 percent from 35 percent, would boost business spending and job growth. The tax cuts came into effect in January 2018.

Just 4% Of Companies Boosted Hiring Because Of Tax Cuts | CNN
The expensive 2017 tax law failed to encourage Corporate America to embark on a boom in hiring or job-creating investment.

Just 4% of business economists say their companies accelerated hiring because of the tax overhaul, according to a survey released Monday by the National Association for Business Economics.

And only 10% of business economists said their firms stepped up investments like building factories, buying equipment and purchasing software because of the tax law.

[Bernie Sanders To Propose Dramatic Expansion In Estate Tax On Richest Americans, Including 77 Percent Rate On Billionaires](#) | Washington Post
Sen. Bernie Sanders (I-Vt.) will unveil a plan Thursday to dramatically expand the federal estate tax on the wealthy, including a new 77 percent rate on billionaires' estates, as leading Democratic politicians push new taxes on the richest Americans to combat inequality.

Sanders's bill, the "For the 99.8% Act," would tax the estates of the 0.2 percent of Americans who inherit more than $3.5 million, while the rest of the country "would not see their taxes go up by one penny under this plan," according to aides to the Vermont senator, who is considering a 2020 presidential bid.

Three top Republican senators this week released a plan to outright abolish the estate tax, which the GOP already significantly weakened with their 2017 tax law to only apply to those passing on more than $11 million (or $22 million for couples). Sanders's plan would restore the 77 percent top estate tax rate that was in place in the U.S. from 1941 to 1976, tax estates worth more than $3.5 million, and create several new estate tax brackets, including a 55 percent rate on estates worth more than $50 million.

Dimon For POTUS? | Politico Morning Money Newsletter
DIMON FOR POTUS? — JPMorganChase chief executive Jamie Dimon joined the "tax the rich" brigades on Wednesday with this statement: "I believe that individuals earning the most can afford to pay more, and I have no problem paying higher taxes to address some of the fundamental challenges and inequities in our society."

So, he's running right? Well, no. Per a person close to Jamie: "NO! He's staying here at JPMorgan Chase, where he feels he can make his greatest contribution to society."

Speaking of wealth taxes, Sen. Elizabeth Warren (D-Mass.) said on Bloomberg TV that "capitalism without rules is theft."

Elizabeth Warren Does Teddy Roosevelt | New York Times (Paul Krugman)
"It is important," said Theodore Roosevelt in 1906, "to grapple with the problems connected with the amassing of enormous fortunes" — some of them, he declared, "swollen beyond all healthy limits."

Today we are once again living in an era of extraordinary wealth concentrated in the hands of a few people, with the net worth of the wealthiest 0.1 percent of Americans almost equal to that of the bottom 90 percent combined. And this concentration of wealth is growing; as Thomas Piketty famously argued in his book "Capital in the 21st Century," we seem to be heading toward a society dominated by vast, often inherited fortunes.

So can today's politicians rise to the challenge? Well, Elizabeth Warren has released an impressive proposal for taxing extreme wealth. And whether or not she herself becomes the

Democratic nominee for president, it says good things about her party that something this smart and daring is even part of the discussion.

A Better Way To Tax The Rich | New York Times (Steven Rattner)
Kudos to our latest political supernova, Alexandria Ocasio-Cortez, for helpfully bringing taxes back into focus, with her call for a new top tax rate of 70 percent on incomes above $10 million a year.

That seemingly simple concept makes for a great headline, but it's not great tax policy. While I'm all for raising taxes on the wealthy (in large part because we need to deal with our growing deficit), there are more sensible ways to do it.

For starters, Ms. Ocasio-Cortez seems to be ignoring the burden of state and local taxes, particularly for residents of places like her hometown. For us New Yorkers, the top rate for those levies is 12.7 percent. And thanks to the 2017 Republican tax cut, it is no longer deductible, bringing her proposed top rate to 82.7 percent.

There are other, better ways to raise revenue — in particular, by increasing the tax rate on capital gains and dividends and closing loopholes.

Elizabeth Warren's Wealth Tax On The Super-Rich Is The Wrong Solution To The Right Problem | Time (Daniel Hemel)
Senator Elizabeth Warren's proposal for a 2% annual wealth tax on households with a net worth of $50 million or more has drawn praise from progressives who view it as a necessary response to rising economic inequality and jeers from conservatives who see it as confiscatory and unconstitutional. But commentators on both ends of the ideological spectrum seem to agree on one thing: Warren's idea is "radical."

In fact, a 2% annual wealth tax isn't all that dissimilar — at least in theory — to something more familiar and less controversial: an income tax. The major differences are administrative and legal. A wealth tax is more difficult to enforce, and it's more likely to be struck down by the courts. All of which raises the question: Why did Warren, the senior Democratic senator from Massachusetts and now a candidate for her party's 2020 presidential nod, propose a new wealth tax rather than an improved income tax that would accomplish much the same result?

That Time Donald Trump Proposed A 14.5% Wealth Tax | Vox (Matthew Yglesias)
Sen. Elizabeth Warren wasn't the first major American politician to put the idea of a tax on large fortunes on the political agenda.

Indeed, it's been kicking around in one form or another since the late 1990s, when an influential then-independent rolled out a proposal that he framed as a way to reduce the national debt while preserving the interests of the 99 percent.

Here's how the plan's architect described it: "By my calculations, 1 percent of Americans, who control 90 percent of the wealth in this country, would be affected by my plan. The other 99 percent of the people would get deep reductions in their federal income taxes."

His name? Donald Trump.

OTHER TOPICS

[The Democratic Promise of Ocasio-Cortez, Warren, and Sanders] | New York Times (Jamelle Bouie)
An old but still potent critique has re-emerged in American politics, one that holds concentrated wealth, and perhaps American capitalism itself, as inimical to the democratic society we want to build.

The basic idea holds capitalism as at best an uneasy partner with our democratic values. At worst, it erodes them completely, undermining the social and material basis of republican citizenship as envisioned by the American revolutionaries.

Most Americans tend not to think of these egalitarian (even anti-capitalist) sentiments as part of the nation's intellectual heritage. But Warren, Ocasio-Cortez and similarly situated politicians like Bernie Sanders are drawing on influential currents in American political history.

[Big Banks Are Still Paying American Savers Almost Nothing, Even As Interest Rates Hit 2.5 Percent] | Washington Post
U.S. interest rates are at their highest level in more than a decade, a fact many savers have cheered. As the Federal Reserve hikes rates, savers are supposed to receive more interest on the money they hold in the bank. But so far, that's not happening.

America's biggest banks are still paying savers almost nothing in interest, even though the Fed has lifted interest rates to a range of 2.25 to 2.5 percent.

JPMorgan Chase, the nation's largest bank, is paying 0.01 percent interest on a basic saving account, the equivalent of a dime a year for someone holding $1,000 at the bank. Bank of America is offering 0.03 percent interest and Wells Fargo is paying 0.01 percent, according to Bankrate.com.

[The World Economy Just Can't Escape Its Low-Growth, Low-Inflation Rut] | New York Times (Neil Irwin)
Despite some promising signs of vitality during much of last year, issues that have dogged the world economy for the last decade — an aging work force in many of the biggest economies, weak growth in productivity, excessive global savings and industrial capacity, and a shortage of worldwide demand — haven't disappeared.

That helps explain why American workers' wages have been rising relatively slowly despite a low unemployment rate. And it makes for a perilous time: Low growth rates mean the economy could slip into recession more easily, and low interest rates mean central bankers would find themselves with less powerful tools to lessen the pain of a future downturn.

"This shows that the forces that are restraining many economies are a lot harder to contend with and more pervasive than many people were hoping or believing," said Roberto Perli, a partner in Cornerstone Macro. "It's bad news for the work force's earnings prospects in many countries and for those who hope for a reversal of the growing inequality trend that has been in place for many years."

Wells Fargo Touts Its Progress In New Report. But Critics Say Toxic Culture Persists | Charlotte Observer
Wells Fargo on Wednesday detailed steps it's taking to turn itself around after a major scandal involving fake accounts erupted more than two years ago.

But critics were quick to call out the bank, saying problems persist, including fears of retaliation against employees who file complaints.

Wells, which is based in San Francisco but maintains its largest employment hub in Charlotte, said in its 103-page Business Standards Report that it has made fundamental changes to transform the company. It also apologized again to customers for the 2016 accounts scandal and other instances of customer harm it has disclosed since.

Exclusive Poll: Americans Want Economic Reform In 2020 | Axios
Most Americans think the economic system is skewed toward the wealthy and the government should do more to fix it — and they're ready to vote for a candidate who agrees, according to a new Axios/SurveyMonkey survey.

Why it matters: The economy is usually the top priority for voters heading into a presidential election, and Democrats in particular — but also a strong majority of independents — are looking for big changes. By wide margins, they think unfairness in the economic system is a bigger problem than overregulation of the free market.

The big picture: Democrats and young adults are increasingly favorable to socialism.

Howard Schultz Claims The "Center" In American Politics. Hold My Latte. | Daily Kos (Max Moran, AFR)
Every four years, Wall Street and corporate America dance the same three-step shuffle: first, Michael Bloomberg teases a run for president. Next, the American people groan. Finally, Wall Street clutches its banker's collars and wonders why the public just doesn't seem to want a billionaire tycoon in the White House. After all, Bloomberg and his banking buddies are

self-described centrists — they supposedly represent the consensus views of the people. So why won't the people rally behind them?

The answer is simple: what the one-percent calls "centrism" bears little practical relation to what the majority of Americans actually want. This week, the perfect case-in-point is playing out.

Wall Street Freaks Out About 2020 | Politico
Top Wall Street executives would love to be rid of President Donald Trump. But they are getting panicked about the prospect of an ultraliberal Democratic nominee bent on raising taxes and slapping regulations on their firms.
The result is a kind of nervous paralysis of executives pining for a centrist nominee like Michael Bloomberg while realizing such an outcome is unlikely from a party veering sharply to the left.
Early support from deep-pocketed financial executives could give Democrats seeking to break out of the pack an important fundraising boost. But any association with bankers also opens presidential hopefuls to sharp attacks from an ascendant left.

And it's left senior executives on Wall Street flailing over what to do.

As Warren Eyes White House, Big Banks Brace For Browbeating | Wall Street Journal
Elizabeth Warren's presidential bid will be driven by her populist assault on big banks that rose to prominence during the financial crisis and in her successful 2012 Massachusetts Senate race.

Although the economy has recovered and new, stricter regulations remain largely in place, Ms. Warren sees cause for further vigilance and many on Wall Street dread another round of browbeating on an even bigger national stage—the Democratic presidential primary race.
"Banks exercise too much power in Washington," Ms. Warren said in a recent interview.

"One of the main things I've done is grass-roots organizing to wave the flag and point out what's going on here and get some political pushback. Otherwise Congress and the administration will just continue to work for the big banks."

U.S. banks are approaching Ms. Warren's candidacy with trepidation. "The banking industry is a lot different than it was in 2008," said Richard Hunt, president and chief executive of the Consumer Bankers Association. "Most people know that but she still seems to be living in 2008-land."

What The Left Gets Wrong About Bernie Sanders And Elizabeth Warren | Huffington Post (Zach Carter)
For once, the big-brain intellectuals have it wrong, and the delusional, selfish plutocrats are right. Whatever Warren and Sanders say to establish their political brands, the two senators do

in fact represent a very similar way of thinking about politics. That's why billionaires hate them both.

It's true: You won't find any videos of Warren singing "This Land Is Your Land" with a bunch of shirtless Soviets in the 1980s. And Sanders never slogged through troves of household bankruptcy data looking for the most common sources of middle-class financial strain. There are real differences between the two candidates (technically Bernie hasn't announced yet). But these are differences of temperament, style and strategy. Sanders and Warren, in fact, see the world in very similar ways.