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July 28, 2013

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Obama:

The U.S. continues to face a major crisis in unemployment. Over 14 percent of Americans are unemployed or under-employed; youth unemployment is over 20 percent; and black youth unemployment is over 40 percent. Meanwhile, while our country continues to have the most unequal distribution of wealth and income of any major country on earth, almost all new income is going to the top one percent.

While working families continue to struggle, the six largest financial institutions now have assets equivalent to two-thirds of our GDP, and Wall Street remains the world's largest unregulated gambling casino – doing irreparable harm to our country.

Mr. President: It's time for new leadership at the Federal Reserve, and a new approach to our troubled economy.

As you consider whom to nominate as the next chair of the Federal Reserve, I urge you to consider someone who will put the needs of the disappearing middle class ahead of the interests of Wall Street and the wealthy few. There are a number of excellent candidates who are capable of doing that. Nobel Prize economist Joseph Stiglitz and former U.S. Secretary of Labor Robert Reich are just two names who come to mind.

In my view, we need a new chair of the Federal Reserve who believes:

1. **The top priority of the Federal Reserve must be to fulfill its full employment mandate**. When Wall Street was on the verge of collapse, the Federal Reserve acted boldly, aggressively, and with a fierce sense of urgency to save the financial system. We need a new Fed chair who will act with the same sense of urgency to combat the unemployment crisis in America today that has left 22 million Americans without a full time job.

Instead of making sure that small-and-medium-sized businesses receive the affordable loans they need to create jobs, the Federal Reserve has allowed financial institutions to park a record-breaking $2 trillion in excess reserves at the Fed. That is unacceptable. The next Fed chair must demand that large banks use these excess reserves to provide low interest loans to businesses that will create millions of decent-paying jobs.

2. **We must break-up too-big-to-fail banks so that they no longer pose a catastrophic risk to the economy**. Financial institutions that are "too-big-to-fail" played a major role in undermining the American economy and driving our country into a severe recession. Financial institutions that are too-big-to-fail put taxpayers on the hook for a $700 billion bailout and more than $16 trillion in virtually zero interest loans from the Federal Reserve.

   Today, 10 of the largest financial institutions are bigger today than they were before the financial crisis. The concentration of ownership in the financial services industry has resulted in higher bank fees and interest rates that consumers are forced to pay for credit cards, mortgages and other financial products. No single financial institution should be so large that its failure would cause catastrophic risk to millions of American jobs or to our nation's economic well-being.

   As Richard Fisher, President of the Federal Reserve Bank of Dallas said last year: "Too Big To Fail institutions that amplified and prolonged the recent financial crisis remain a hindrance to full economic recovery and to the very ideal of American capitalism. It is imperative that we end Too Big To Fail. In my view, downsizing the behemoths over time into institutions that can be prudently managed and regulated across borders is the appropriate policy response … Achieving an economy relatively free from financial crises requires us to have the fortitude to break up the giant banks."

3. **We must demand that large banks stop ripping-off Americans by charging usurious credit card interest rates and sky-high fees**. We need a new Fed chair with the fortitude to tell large financial institutions that if they want to continue to receive virtually zero interest loans at the discount window they cannot charge 25-30 percent interest rates on credit cards and other loans. For more than 30 years, credit unions have been prohibited from charging credit card interest rates of more than 15 percent (or in exceptional circumstances 18 percent). The time has come to impose this same credit card interest rate cap on large financial institutions, if they want to continue to receive access to the discount window.

Importantly, we must never forget that the 2008 financial crisis was a direct result of the deregulation of Wall Street. The chief architects of financial deregulation in the 1990s were Alan Greenspan, Robert Rubin, and Lawrence Summers. Over 14 years ago, Time Magazine referred to this trio as "The Committee to Save the World".

Unfortunately, the policies that Mr. Greenspan, Mr. Rubin, and Mr. Summers championed (including the repeal of the Glass-Steagall Act, exempting derivatives from regulation, and unfettered free trade) contributed to the worst economic crisis since the Great Depression. Millions of Americans lost their jobs, homes, life savings, and ability to send their kids to college as a direct result of these policies.

Mr. President: It would be a tragic mistake to nominate anyone as chair of the Fed who continued those failed policies. Instead, we need a new chair who will have the courage to hold Wall Street accountable for their fraud, recklessness and illegal behavior, and stand-up for the needs of ordinary Americans.

I look forward to working with you to make this a reality.

Sincerely,

Bernard Sanders
United States Senator