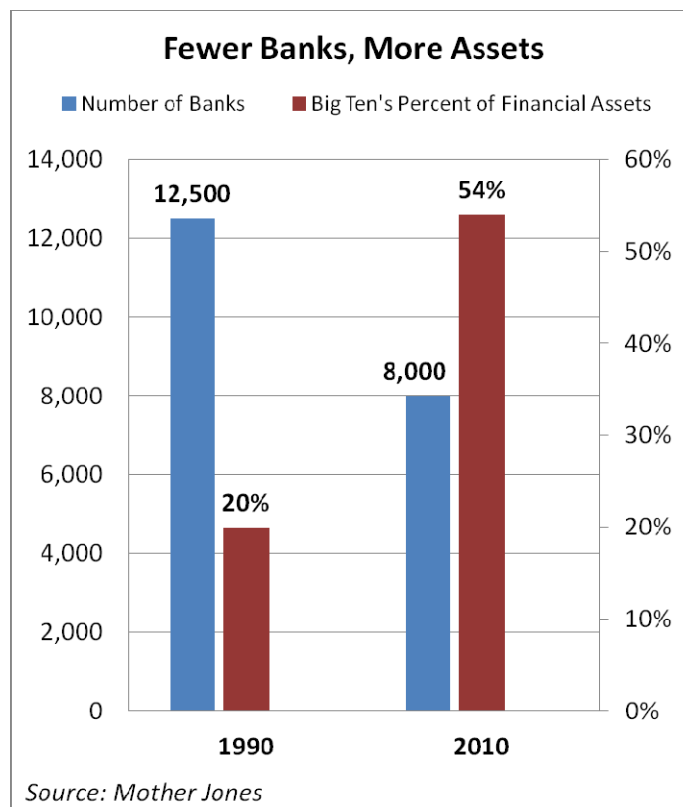




Enact financial crisis responsibility tax on big banks and financial firms: \$71 billion over 10 years

The Idea: In 2008, the biggest banks and financial firms almost failed when their risky financial products imploded and they didn't have enough capital to pay off their investors. If Congress were to impose a special responsibility tax on the big banks and financial firms that Treasury bailed out in 2008-2009, the nation could raise \$71 billion¹⁵ in revenues over the next 10 years.

The Rationale: The implosion of the housing bubble and subsequent meltdown of the financial sector occurred because the financial sector rewarded the sale of risky mortgages and their bundling into questionable financial vehicles. In an attempt to prevent the economic system from collapsing further, the federal government established the Troubled Asset Relief Program (TARP) to extend credit to these institutions and buy up some of their worst products. Most of the cost of the TARP program has been repaid, but the program will end up costing the country about \$47 billion.



The financial crisis set off a wave of further consolidation and concentration in the industry: the number of banks in the country has fallen by a third, and the ten largest banks now hold 54 percent of the country's financial assets, up from 20 percent in 1990. And in the first quarter of 2011, bank profits reached \$29 billion, up 66.5 percent from the previous year.

A small fee of 0.15 percent on the assets of the roughly 60 bank holding and insurance companies with assets of more than \$50 billion would be a way to help to recoup the cost of the bailout. It could also be extended to help pay for future financial crises. The fee would raise \$71 billion over the next 10 years.

Support for the Idea: The financial crisis responsibility fee is popular among the public. President Obama has expressed support for the idea.

Of the plans reviewed for this revenue project, the following plans support enacting a financial crisis responsibility fee: Our Fiscal Security's (Economic Policy Institute, Demos, and The Century Foundation) Investing *in America's Economy*, Center for American Progress' *Budgeting for Growth*, President Obama's *2012 budget*, and the Congressional Progressive Caucus' *People's Budget*.

¹⁵[*Reducing the Deficit: Spending and Revenue Options*](#), CBO, pg. 201.