



# Wall Street Makes Bank on Trump 2017 in Review

It's been a very good year for Wall Street. Wall Street's investments in President Donald Trump and the Republicans paid off handsomely in 2017. The S&P 500 reaches record highs week after week, and analysts are upgrading U.S. profit estimates at a [brisk](#) pace. Candidate Donald Trump [referred](#) to Wall Street as a cabal of global financiers who had robbed the working class, but once elected, the Trump administration quickly appointed a slate of Goldman Sachs officials to the White House.

The finance industry is reaping massive returns to lobbying and political spending, and analysts have reported an unprecedented level of day-to-day Wall Street [influence](#). Wall Street's investments have already produced tangible results: JPMorgan and Wells Fargo's tax cuts will [total \\$7 billion](#) this year alone. The private equity funds stand to rake in [\\$19 billion over 10 years](#) from the carried interest loophole remaining intact despite mounting pressure to eliminate it.

Corporate tax cuts are just the beginning. The Trump treasury department laid out an extensive deregulatory [plan](#) that will boost big bank and private fund profits at the expense of economic stability and investor and consumer protection. By the end of 2017, Wall Street friendly regulators had been installed at the top of most of the financial regulatory agencies, and had begun carrying it out.

Congress has also pursued an aggressive big bank and predatory lender agenda, including overturning a rule that would have restored Americans rights to hold financial companies accountable in court if they break the law. More to follow in 2018, as Congress [pursues](#) deregulation plans. From an investment of millions in government affairs and political contributions, Wall Street can expect to continue receiving unpopular taxpayer subsidies, and unwarranted regulatory gifts worth billions. In 2017, Trump and the Republican majority in Congress decisively demonstrated that Wall Street favors get top priority.

## Wall Street Lobbying and Contributions

The finance industry has spent nearly twice the amount of *any other industry* on campaign contributions in the 2017-2018 electoral [cycle](#) so far. And Wall Street pressure worked: during the tax bill negotiations, Rep. Chris Collins [tweeted](#): "My donors are basically saying, 'Get it done or don't ever call me again.'"

- During the 2015-16 election cycle, Wall Street banks and financial interests [spent more than \\$2 billion](#) to influence decision-making in Washington. That works out to more than \$2.7 million a day, and over \$3.7 million per member of Congress.
- Big banks spent millions in [campaign contributions and lobbying](#) in the 2016 election cycle. Wells Fargo, the largest projected beneficiary of the tax bills, spent \$14,755,343; Citigroup spent \$13,676,918; and Goldman Sachs spent \$12,414,029. The American Bankers Association spent a whopping \$25,750,687.
- Private equity spent nearly \$100 million on lobbying and campaign contributions in the 2016 election [cycle](#).
- 3 of the top 5 political spenders were [hedge funds](#): Renaissance Technologies (\$53,479,983); Paloma Partners (\$41,334,000); and Elliott Management (\$28,020,354).

- Stephen Schwarzman, CEO of private equity giant Blackstone, gave \$2.57 million to Republican Senate candidates last year. With the carried interest loophole intact, he will continue to save an [estimated](#) \$100 million every year.
- Charles Koch, David Koch, and Koch Industries together spent over [\\$20 million](#) pushing for the tax cuts, and their expected windfall will be over a billion dollars every year. The Koch network plans to [spend](#) another \$20 million to sell the tax cuts in 2018.

## Wall Street and the 2017 Tax Giveaway

In December 2017, Trump and Congressional Republicans passed \$1.5 trillion legislation lavishing tax cuts on Wall Street banks, executives who can manipulate their legal status to obtain a lower tax rate, and operations in foreign tax havens.

### Big Banks, Bigger Windfalls

Big banks are the biggest winners of a provision to lower the corporate tax rate from 35 to 21 percent.

- A Penn/Wharton Business School study revealed that the finance industry is expected to gain [\\$250 billion](#) over the next decade from tax cuts for “C corporations” (the most common type). The study also found that the finance industry is the largest long-term beneficiary of corporate tax cuts.
- The “C corporation” income tax cuts for the finance industry would fund 300,000 elementary school teachers, or 6,000 teachers per state for 10 years, according to National Priorities Project [data](#).
- A [report](#) by Goldman Sachs found that Wells Fargo, PNC Financial and Bank of America are the biggest winners among U.S. banks in the tax legislation. Seven banks will see an average 14 percent increase in earnings per share in 2018. Wells Fargo will see the highest increase, estimated at 18 percent.
- JPMorgan Chase, the nation’s largest bank, and Wells Fargo both said that they expect the new law to slash their effective tax rates next year by a third, giving them a combined boost of more than [\\$7 billion](#) in 2018 alone.

Wall Street’s “C corporation” income tax cuts alone would fund 300,000 elementary school teachers, or 6,000 teachers a state for 10 years.

### Reinvesting in... Themselves

- President Trump and the GOP sold the tax bill as a gift to the middle class that will raise wages and [create jobs](#). However, when the Administration convened a CEO roundtable and asked them if they plan to increase their U.S. investments, [only a few](#) CEOs actually raised their hands.
- The top six Wall Street banks together cut roughly 8,000 jobs in the last six months of 2017, a higher rate than they had in the last two years, according to earnings reports analyzed by [BloombergMarkets](#).
- According to a Morgan Stanley [survey](#) of Wall Street analysts, 4 out of 5 expect companies to pass the windfall along to investors as stock buybacks and dividends. Only 1 in 5 expect companies to raise wages.
- PNC Financial has said that it expects its effective tax rate to fall even further next year, to [17 percent](#). The bank’s president and chief executive said the preference will be to divert the tax savings toward a higher dividend to shareholders.

- Bank of America's bonuses will cost it roughly \$145 million — only about [4 percent](#) of the \$3.5 billion Bank of America will receive from the tax cut. Soon after it announced bonuses, the bank also announced that it plans to start charging [fees](#) for checking accounts for its poorest customers.
- Wells Fargo's commitments to raise its minimum wage to \$15 an hour and to boost its charitable contributions will equal about [5 percent](#) of the additional profits the tax cut will provide Wells.
- Comerica Bank [spent](#) a net \$3 million in the fourth quarter of 2017 on employee bonuses it says are linked to the tax bill. Over the same period, it spent \$148 million buying back stock.

*Is it our goal to increase return to our shareholders and do we have an excess amount of capital? The answer to both is, yes.*

- Tim Sloan, Wells Fargo CEO

## Offshoring Made Easier

- Wall Street banks will be allowed to dodge taxes on the huge piles of profit they are stashing offshore under the bill's provision to tax corporations' accumulated [offshore profits](#) at one-time discounted rate of 8% (15.5% for cash), as opposed to the 35% they owed on these profits before the new tax law came into effect.
- Under the bill's proposed territorial system, U.S. corporations would *no longer pay taxes on profits they book offshore* in the future. JPMorgan and Citigroup are among the [top 5 companies to benefit](#) from the repatriation breaks.
- Nine big banks [collectively hold](#) more than \$172 billion offshore, much of which is booked to their 2,270 tax haven subsidiaries across the globe. They stand to receive a [\\$28 billion](#) tax break on this offshore stash.

## Private Fund Managers Get a New Toy (and Keep an Old One)

- A "pass-through" business tax cut will result in a massive giveaway to real estate developers, investors, and real estate investment trusts (REITs) like the Trump Organization and Kushner Companies. The [bill](#) lowers the top individual tax rate from 39.6% to 37%, and establishes a deduction for pass-through businesses of 20%, reducing the top effective rate to 29.6%. Unless and until the IRS issues guidance on the matter, it remains ambiguous as to whether wealthy financial entities like hedge funds - masters of tax evasion - are eligible for the deduction, opening it up to gamesmanship by these sophisticated financial players - in direct contradiction to the declared "small business" spirit of the tax cut.
- The bill [preserves](#) the carried interest loophole that Trump promised to close. This flagrant loophole allows wealthy private equity and other Wall Street money managers to be taxed at a lower rate than nurses and firefighters.

## Gutting Post-Crisis Financial Regulations

Soon after Trump's inauguration, the Treasury Department released a set of regulatory policy recommendations. Most involved undoing or undermining reforms adopted after the financial crisis to prevent another disaster and protect consumers from deceptive and abusive banking and lending. In 17 out of 20 broad policy areas, Treasury's proposals [mirrored those](#) of The Clearing House, the trade association for the country's biggest banks. Now at Trump's [urging](#), other agencies are taking up elements of the blueprint and moving ahead with [plans to weaken](#) risk protections at big Wall Street banks that were intended to prevent another financial crisis.

## The House's Radical Deregulation Bill

Congress has followed this deregulatory path. Last summer, House Republicans passed the [Financial CHOICE Act](#), a radical bill that would repeal all manner of Dodd-Frank rules that make finance safer and less abusive. Among other alarming provisions included in the 600-page bill, it would limit the Consumer Financial Protection Bureau's ability to pursue consumer fraud cases independently; it would water down the Volcker Rule, making it easier for banks to make risky investments with federally-insured funds; it would nix the fiduciary rule against conflicted retirement advice, once again making it easier for brokers to steer their clients to investments that make the brokers richer and people saving for retirement poorer; it would forbid the CFPB from issuing a payday loan rule requiring lenders to make sure borrowers have a chance of repaying their loans - loans that typically have interest rates of over 300%; and it would eliminate the CFPB's supervision and enforcement authorities over large banks, and split that authority to five different agencies that failed to use it effectively in the past.

While the bill was not taken up by the Senate, it continues to serve as a road map for deregulation efforts, and elements have been taken up in smaller bills in the House and Senate.

## Forced Arbitration Rule Repealed

In October, lawmakers narrowly [repealed](#) the CFPB rule to limit the use of forced arbitration clauses in financial services contracts, with Vice President Mike Pence breaking a tie vote in the Senate. Forced arbitration is a tactic devised by corporate attorneys to block consumers from challenging illegal behavior in court. Big banks and payday lenders bury "rip-off clauses" in the fine print of take-it-or-leave-it contracts to kick charges of fraud and lawbreaking out of public courts and move them into secret proceedings weighted against the consumer. These clauses often ban consumers from joining together in class action lawsuits as well, allowing banks to effectively opt out of state laws and federal protections, since it is often too expensive for millions of consumers with small-dollar disputes to pursue their claims in arbitration one-by-one.

## The Crapo Bill

A [bill](#) introduced by Sen. Mike Crapo (R-Idaho) that has garnered support from nearly all Senate Republicans and [12 Democrats](#) loosens risk controls for big banks, and eases restrictions designed to prevent predatory lending, especially for mobile home buyers, an increasing target for the private equity industry. The few extremely modest consumer protections added to the bill at the last minute do not outweigh the dangerous overall impact of this measure.

## The Fiduciary Rule

One of the biggest wins for ordinary investors in recent years was the Department of Labor's rule that required financial advisors to put the best interests of their clients first when giving advice on investing retirement savings. By preventing workers from being "steered" into bad, high-fee investments that benefited Wall Street, the fiduciary rule was estimated to save ordinary investors tens of billions of dollars a year. While initial implementation of the Department of Labor's fiduciary rule began in June 2017, the DOL has [delayed](#) the rule's full implementation by 18 months, while it completes a White House ordered "reconsideration" of the rule. Wall Street and its army of lobbyists are now pursuing a range of strategies, including manipulating the budget process, and getting the SEC to undo the rule.

## The Kitchen Sink Approach

Since October, the House Financial Services Committee has passed over [50 bills](#) that either benefit Wall Street directly or weaken consumer or investor protections, paving the way for future Wall Street profits as well as predatory practices.

## Wall Street Insiders Appointed to the Trump Administration

The Trump economic team is dominated by finance industry CEOs and lawyers that in many cases profited from the financial crisis, and defended Wall Street from paying for its consequences. They are now shaping the economy in their interests and rapidly rolling back consumer protections.

### Steven Mnuchin, Treasury Secretary

Mnuchin worked for 17 years at Goldman Sachs. He later became known as the “Foreclosure King” as CEO of OneWest Bank. OneWest foreclosed on tens of thousands of homes at the height of the financial crisis, especially in black and brown communities. OneWest foreclosed on a 90-year-old woman’s home over a debt of 27 cents. As Treasury Secretary, Mnuchin played a key role in the recent GOP tax bill, awarding over \$1 trillion in tax breaks to wealthy individuals and corporations.

### Gary Cohn, National Economic Council Director

Cohn spent 26 years at Goldman Sachs, most recently as President and COO. When he departed to become President Trump’s chief economic advisor, Cohn received a payout of more than \$100 million in bonuses and options. He has worked to repeal key provisions of the 2010 Dodd-Frank Act to redirect hundreds of billions of dollars from consumers to large banks. Revoking the fiduciary rule alone would let Wall Street keep taking more than 17 billion dollars a year out of the hands of seniors and people saving for retirement.

### Jay Clayton, Chair of the Securities and Exchange Commission

Prior to overseeing Wall Street’s main watchdog agency, [Clayton](#) worked as a Goldman Sachs’s lawyer at the height of the financial crisis, helping the industry avoid responsibility and receive government assistance intended to help the economy recover. During his confirmation hearing, Clayton promised to review the Dodd-Frank Act and roll back regulations put in place to prevent the next crisis. After the SEC, Clayton has indicated he might return to the law firm where he previously worked.

### Mick Mulvaney, Acting Director of the Consumer Financial Protection Bureau

As a Republican House member from South Carolina, Mick Mulvaney had [close ties](#) with payday lenders. Trump ignored the succession rules in Dodd Frank to improperly appoint him acting director of the Consumer Financial Protection Bureau (CFPB) in November 2017. There, he swiftly announced his plan to reopen the consumer bureau’s rule on payday and car title loans, which are usually 300% annual interest or higher. He has also delayed or put a halt on important enforcement actions against [Wells Fargo](#), [World Acceptance Corporation](#), and [Santander Bank](#), among others.

### Keith Noreika, acting Comptroller of the Currency in 2017

Attorney Keith Noreika previously represented Wells Fargo, JPMorgan Chase, Bank of America, and other Wall Street banks prior to joining the Trump administration for a year. Noreika has now [returned](#) to his corporate law firm, where he’ll consult for banks on issues the agency handled under his leadership. In his time at OCC, Noreika worked to undo the CFPB’s arbitration rule (he represented Wells Fargo previously in the bank’s efforts to force cases into arbitration). He also rescinded a 2013 OCC guidance against high-cost, payday-style loans by banks, paving the way for banks like Wells Fargo to once again offer debt trap loans. Unlike payday lenders, banks don’t have to abide by state usury caps, so this is especially dangerous in the 15 states and DC which have chosen to ban payday loans.

## Betsy DeVos, Secretary of Education

DeVos, a billionaire Republican fundraiser, had only one claim to educational expertise: her record as a funder and promoter of vouchers and charter schools in her home state of Michigan. For far too long, tax dollars have flowed freely to predatory for-profit schools like Corinthian or ITT that have left their students with heavy debts and worthless credentials. During her confirmation hearing, DeVos refused to commit herself even to enforcing existing federal rules intended to prevent fraud and abuse by schools and lenders. In December 2017, the Department of Education [denied relief](#) to 8,600 borrowers who applied for debt discharges through borrower defense to repayment, indicating more regard for these predatory companies than defrauded students.

### Wells Fargo: A Case in Point

One bank's outrageous conduct is a textbook argument for why tough regulations and independent enforcement are necessary. Wells Fargo has engaged in a documented pattern of fraud, from creating bogus bank accounts to charge fees, steering minority homeowners into higher-cost mortgages, overcharging for overdrafts, scamming veterans on their mortgages, ripping off customers on their auto insurance, illegally repossessing servicemembers' cars, making small businesses pay hidden credit card fees, deceptive mortgage modifications, fraudulent fees on student loans, and even lying to Congress. The bank's misdeeds were enough to merit a dedicated [Wells Fargo Scandal Tracker](#).

In response to the barrage of fraud and consumer abuses that have come to light since 2016, instead of pursuing a company that repeatedly broke the law and preyed on its customers, the Trump Administration is [dragging its feet](#) in enforcing fines over the mortgage lending abuse. Worse still, the scandal-ridden bank is now expected to be the single [largest](#) beneficiary of GOP corporate tax cuts. Goldman Sachs projects a net gain from the tax cuts in one year alone of [\\$3.7 billion](#).

Perhaps not surprisingly, Wells Fargo invested in the Trump Administration and Congressional Republicans, spending a whopping [\\$14,755,343](#) in lobbying and political contributions in the 2016 elections cycle.

In anticipation of the tax bill windfall, Wells gifted close to [\\$8 billion](#) to shareholders in the second and third quarters of 2017. After the tax bill was signed, Wells announced that it would [raise](#) its internal minimum wage to \$15 and donating \$400 million to charitable causes. The two measures combined are expected to cost only [5 percent](#) of the company's windfall from tax legislation. Soon thereafter, Wells announced it would be closing [800 branches](#) across the U.S., laying off those workers.

## **A Different Vision**

In 2017, the Trump Administration and its partners in Congress worked in concert with big banks, predatory lenders, private equity fund magnates, and powerful financial interests to further rig the rules of the financial system in their favor. Wall Street has secured billions in windfall gains for themselves through lower taxes, looser rules, and deliberately weakened oversight and enforcement. The finance industry's gains will come at the expense of borrowers, homeowners, investors, the stability of the financial system and the American economy.

As Trump and the Republican Congress wish to turn back the clock and undo protections put in place since the last financial crisis, we are stepping up the fight to stop them. But the important work of defending Dodd-Frank must not be the end of the story. We need to do more to build a financial system that works *for* most Americans, not against them. Take on Wall Street is a campaign supported by a coalition of over 50 national organizations -- including community-based organizations, labor unions, consumer advocates, faith groups, and more -- organized around moving a financial reform agenda to address the predatory economic power of Wall Street banks and billionaires and build a financial system that works for ordinary Americans.

The Take On Wall Street agenda includes enacting a 21st Century Glass-Steagall firewall between commercial and investment banking, closing Wall Street tax loopholes on carried interest and CEO bonuses, passing a tax on financial transactions to help pay for college affordability and other investments in families and economic opportunity, addressing the revolving door between Wall Street and government by prohibiting golden parachute pay packages for financial industry employees who go into government, and introducing a public option for banking services by offering basic financial services at post offices to increase access to fair and affordable banking.