would only generate $3 billion in revenue over the next 10 years, less than the government borrows on a single day. Kansans in particular, along with the rest of rural America, would be negatively impacted by any change in the depreciation schedules for non-commercial aircraft. Farmers use general aviation aircraft to dust their crops, and rural small business owners rely on these planes to connect their businesses with the rest of the world. It makes no sense for a commercial jumbo jet liner to be depreciated on the same schedule as a farmer's air tractor.

This distinction between general and commercial aircraft is neither a loophole nor unique, as the 5-year depreciation schedule is applicable to many other depreciable transportation assets, such as cars and trucks. If the President wants Congress to review the depreciation periods associated with certain assets, then why single out one specific industry instead of taking a comprehensive approach? Because attacking corporate jets is apparently a nice political sound bite. But political sound bites don't solve our problems.

Because of the expiration of the Bush tax cuts on January 1 of this year, President Obama received $600 billion in tax hikes to help fund his vision for government expansion. Yet less than 2 months later he is back on the campaign stump asking American taxpayers for more.

While the amount of revenue our government currently brings in is near historical averages, spending remains well above those historical norms and is projected to escalate dramatically in the years ahead. It is long past time to address the real problem with meaningful spending reductions, and every moment spent talking about corporate jet loopholes is a wasted moment.

Americans expect leadership from their elected officials here in Washington, DC. If we fail to take action now and leave it for a future President and a future Congress to solve, we will reduce the opportunities of the next generation to experience the country we know and love, and we will diminish the chance that every American has the chance to pursue the American dream.

Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. I ask unanimous consent to speak for 15 minutes as if in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

SEQUESTRATION

Mr. GRASSLEY. Madam President, the last 2 days in the debate here, a lot has been said about the sequestration that presumably is going to happen tomorrow. I would like to speak on that subject because it is very important, particularly the history of sequestration and what has gone on here in recent weeks as we discuss this issue.

In August 2011 a compromise was reached to grant President Obama's request to raise the debt ceiling by $2.1 trillion. I believe that was because we had a feeling that there ought to be a $1 decrease in spending for every $1 increase in the ceiling. So that adds up to $2.1 trillion. In exchange for an increase in the debt ceiling, we Republicans in Congress asked for spending reductions. This all added up to the Budget Control Act passed on August 2, 2011. Decisions we are debating today were decided 18 months ago, so if you didn't like them in 18 months, you had an opportunity to change them. But here we are at the last minute talking about some changes.

The Budget Control Act of August 2, 2011, included budget caps to cut about $900 billion in spending immediately—August 2, 2011—and then it set up a supercommittee to find at least $1.2 trillion in additional deficit reduction. History shows that the supercommittee could not reach an agreement. So the failure of the supercommittee to reach an agreement led to the sequestration we are now debating and facing tomorrow, which is, as we know, automatic spending reductions of $1.2 trillion over the next 10 years.

I didn't support the Budget Control Act. I don't criticize those who did, and to be fair, it was a bipartisan vote that got the Budget Control Act adopted. I knew at the time—and one of the reasons I voted against it—that the supercommittee was unlikely to reach an agreement and that it would ultimately only further delay difficult fiscal decisions that needed to be made. But at the end of the day the bipartisan majority in the Senate and the House passed and President Obama signed the Budget Control Act—a bill to bring about $2.1 trillion in spending reductions over the next 10 years.

Most believe sequestration is a terrible way to reduce spending. I agree. There are surely better ways to reduce spending by the $85 billion that is going to happen this year—of which, by the way, only $44 billion is going to be spent between now and September 30.

When that is done, we are going to have a situation where every year there is going to be some decision made on whether to continue the $1.2 trillion, and I hope for the good of the country that continues, whether it is by across-the-board automatic cuts or maybe there will be a compromise that can be reached to do it in a more studied way.

The Republican-led House of Representatives, soon after the 2011 decision, recognized that the automatic reductions weren't the best way to do it. So last year they passed two bills to reorganize those cuts in a more structured way. Did the Senate consider those two bills? No. The Democratic-led Senate produced or considered no bill prior to today to avert the sequester.

So I think it is fair to say that for the 18 months we could have been working together to find an agreement, nothing was done after the House of Representatives worked that agreement. Now we have all these crocodile tears flowing from the majority here in the Senate because of the terrible hardship this sequester may cause. Well, where have they been for the last 18 months? Why have they not proposed a single piece of legislation to avert sequestration until this very last minute? The two votes we just had today are an example.

Why has the Senate avoided regular order with such vigor? In other words, regular order—let the committees hold hearings; let the committees debate, amend, vote a bill out; let it come to the Senate floor; debate, amend, and vote it to a conference with the House of Representatives. But no regular order. Under regular order, you work to compromise. But the Senate failed to act after the House acted. So here we are at the eleventh hour to consider an alternative.

Just like their inability to produce a budget in nearly 4 years, this Senate majority has again failed to act. A budget is a very important part of fiscal discipline, but we haven't had a budget debate for 3 years even though the 1974 law requires us to have such debate and passage.

Tomorrow the President is going to meet with leaders in the Congress to see what can be done about sequestration, but why the very same day sequestration is taking place? What has the President been doing?

Well, we have seen him traveling around the country generating mass hysteria about what might happen—and wouldn't have had to do it if we had regular order here in the Senate in the meantime.

I would like to remind my colleagues that not only is the sequester a product that came from the White House, he explicitly pledged to veto a proposal to replace the cuts sometime when it was brought up in late 2011 and 2012. This is what the President said on November 2011:

> Some in Congress are trying to undo these automatic spending cuts. My message to them is simple. No. I will veto any effort to get rid of those automatic spending cuts to domestic and defense spending. There will be no easy off-ramps on this one.

Now the President and the Democrats here in the Senate want us to agree to more tax hikes on the American people rather than to cut the $3.6 trillion budget by just 2.4 percent, which they agreed to as part of the 2011 deal. Tax hikes were not included in that deal. They weren't included because we know that spending is the problem, not revenues.

The President must be absolutely frustrated. He apparently can't manage a meager 2½-percent reduction even though just a few years ago he stated:

I want to go line by line through every item in the federal budget and eliminate programs that don't work and make sure that those that do work, work better and cheaper.

He must not have had any success because once again he is asking for a tax hike to reduce the deficits rather than addressing the real cause of the problem, which is spending.

Over the past several years we have heard a lot from the other side about increasing taxes on the so-called wealthy. The President and my Democratic colleagues argued that this was necessary to make the rich pay their fair share. Well, on January 1 the other side got their wish. The top statutory tax rate increased from 35 to 39.6 percent. When this statutory rate increase is coupled with the hidden rate increase from reinstituting the personal exemptions phaseout and the limitation on itemized deductions, the top marginal effective tax rate is not 39.6 percent but near 41 percent.

Not only did we see an increase in the income tax on January 1, but we also saw a significant tax increase on capital gains and dividends. The fiscal cliff bill instituted a top 20 percent tax rate on capital gains and dividends. However, this is not the whole story. A provision from the health care reform bill that imposes a 3.8-percent surtax on investment income also went into effect at the start of the year. Thus, the top rate has jumped not from 15 percent to 20 percent but instead to 23.8 percent. That, of course, is nearly a 60-percent rate hike. You would think, after securing these tax hikes on the so-called wealthy, the other side would claim victory and move on. At least one would think they would move on from the tired old rhetoric that the wealthy do not pay their fair share.

Even before the most recent tax hikes, that claim was dubious at best. According to the Congressional Budget Office—remember, that is a nonpartisan study group that gives us basic information on changes of law—they say the top 1 percent already had an average Federal tax rate of 29 percent compared to 11 percent for the middle 20 percent of households. Yet the other side continues their politics of division. They continue to pit American against American and single out politically unpopular industries for tax hikes. While this may be good politics, it does not make good policy. You know, it is the other rule we ought to follow: Good policy is good politics.

The other side has resurrected in addition as part of this package before us the so-called Buffett rule, which would phase in a minimum 30-percent tax rate for taxpayers earning more than $1 million. This is despite the fact that this proposal was voted down by this body less than a year ago and they know there is no chance of it passing at this point. Moreover, their argument for this provision makes even less sense now, given the tax increases that went into effect on January 1.

It also is not clear to me why, when we are talking about reforming the Tax Code, we are now seeking to add an additional layer of complexity onto a Tax Code we already agree is too complicated.

At the end of the day, all the Buffett rule will accomplish is siphoning off more job-creating capital and investment for Main Street so that we can spend it here in Washington, DC. I hope we all know that government consumes wealth, it does not create wealth. The wealth is created outside of this city of Washington, the seat of our government. We have to take that into consideration. It takes capital to create jobs. If you want to get unemployment down, you do not take capital out of the private sector.

In addition to the Buffett rule, the other side has resurrected another proposal voted down by this body less than a year ago. This proposal has to do with businesses deducting ordinary and necessary business expenses. The rhetoric from the other side is that their proposal would close a loophole that incentivizes companies to ship jobs overseas. The problem is no such provision exists. The deduction for ordinary and necessary business expenses is a mainstay of our Tax Code. It is an income-defining provision that accounts for the cost of doing business. What the proposal before us actually does is target companies doing business on a worldwide scale for a tax hike. This will not create jobs in America. It will not bring jobs that have relocated offshore back home. What it will do is punish businesses that seek to expand in the international markets, which in turn could actually cost us jobs here at home.

The final tax increase included in the other side's proposal today is more of a budget gimmick than a serious proposal to help pay for the delay in the sequester. The proposal would subject oil from tar sands to taxes that support the oilspill liability trust fund. However, if the revenue raised from this proposal is dedicated to this trust fund, how can it at the same time be dedicated to deficit reduction? If we are going to get serious about deficit reduction, we need to put an end to this double-counting charade.

The only spending the other side is willing to cut is farm subsidies. Using farm subsidies to help pay for sequester replacement puts the Agriculture Committee in quite a tough position. I want to remind my colleagues, though, that when we wrote a farm bill last year that passed the Senate by a bipartisan majority—it didn't pass the House of Representatives—but we cut $23 billion from that. We did away with direct payments, we maintained the crop insurance program, we put money in other programs and in food stamps as well.

There is broad support for the farm bill here in the Senate from both Democrats and Republicans and there is broad support for making spending reductions. But for Democrats to include cutting subsidies outside the context of a farm bill will make it difficult for us to write a farm bill. As we all know, there has been a lot of history of rural and urban legislators working together on farm and nutrition issues in the farm bill. By cutting farm programs in this sequestration replacement, my Democratic colleagues are undermining the ability of the Agriculture Committee to craft a bill that will gain the needed support to move through the Senate in a bipartisan way as it did last June.

I think the proposal will hurt our agriculture communities and I think those involved in American agriculture will oppose it.

At the end of the day, though, there will be money saved in the farm bill. If, given that opportunity, we can provide savings from a lot of programs, we should. We showed that ability last year. We all know the farm bill faced big challenges in the House last year. The challenges probably still exist in that Chamber, but we should not put ourselves in a position where we cannot even get a bill through the Senate.

For those of us who support the farm bill, we should be very concerned that this plan the Democrats are putting forward to avoid sequestration could seriously undermine the ability to pass a farm bill in either Chamber this time around. We just had an opportunity to vote on the Democrats' tax increase. This was the first vote in the Senate on an alternative to sequestration and the first alternative offered by the Senate majority. Over a period of 18 months, they had an opportunity to offer that alternative, just as the House Republicans offered us two alternatives we never took up.

We also had the opportunity to vote on one alternative from the Republican side of the aisle, but both of these votes were for show. I hope we can now work together in a bipartisan way, in regular order, to make sensible spending reductions. It is time to end the incessant talk of more tax hikes on Americans when those tax hikes already took place on January 1, when we know that the problem is in fact runaway spending. It is time to end the constant campaigning and do the work the American people expect us to do so we can leave the next generation a better life than the present generation has.

I yield the floor. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

The PRESIDING OFFICER (Mr. COONS). The Senator from Ohio.

Mr. BROWN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BROWN. Mr. President, I ask unanimous consent that the Senator from Louisiana, Mr. VITTER, be allowed to speak following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

TOO BIG TO FAIL

Mr. BROWN. Mr. President, I welcome Senator VITTER and his cooperation in this matter. I appreciate the work he has done on the issue. He and I are going to address the concentration of the financial system in this country and what that means to the middle class, what it means to business lending for small businesses, and again what it means to the potential of too big to fail, which is something Senator VITTER has been a leader on for a number of years. Both of us are members of the Senate Banking Committee.

More than 100 years ago, in 1889, one of my predecessors, Senator John Sherman, a Republican, and author of the Sherman Antitrust Act—who actually lived in my hometown of Mansfield, OH, and was the only other Senator from that city who served here—said:

> I do not wish to single out Standard Oil Company . . . [s]till, they are controlling and can control the market so absolutely as they choose to do it; it is a question of their will. The point for us to consider is whether, on the whole, it is safe in this country to leave the production of property, the transportation of our whole country, to depend upon the will of a few men sitting at their council board in the city of New York, for there the whole machine is operated?

At the time, Senator Sherman was speaking about the trusts—specifically Standard Oil but other trusts as well—that were large, diverse industrial organizations with outsized economic and political power, not just economic power but also political power. His words are as true then as they are today. Today our economy is being threatened by multitrillion dollar—that is trillion dollar—financial institutions. Wall Street megabanks are so large that should they fail, they could take the rest of the economy with them.

If this were to happen, instead of failure, taxpayers are likely to be asked again to cover their losses and to bail them out just as we did 5 years ago. This is a disastrous outcome because it transfers wealth from the rest of the economy into these megabanks and suspends the rules of capitalism and perpetuates the moral hazard that comes from saving risk-takers from the consequences of their behavior.

Just as Senator Sherman spoke against the trusts in the late 19th century, today people across the political spectrum—both parties and all ideologies—are speaking about the dangers of the large, concentrated wealth of Wall Street megabanks.

In 2009, another Republican—and one a little more familiar to a modern audience—Alan Greenspan said:

> If they're too big to fail, they're too big . . . in 1911 we broke up Standard Oil. . . . Maybe that's what we need to do.

If anyone thought the biggest banks were too big to fail before the crisis, then I have bad news: They have only gotten bigger.

These are the six largest banks and their growth patterns in 1995—18 years ago—had combined assets that were 18 percent of GDP. Today they have combined assets over 60 percent of GDP. Over that time, 37 banks merged 33 times to become the top 4 largest behemoths, which now range from $1.4 trillion in assets to the largest, Bank of America and JPMorgan Chase, which is around $2.3 or $2.4 trillion in assets. That is $2.3 trillion in assets. Since the beginning of the fiscal crisis, three of these four megabanks have grown through mergers by an average of more than $500 billion.

The 6 largest banks now have twice the combined assets of the rest of the 50 largest U.S. banks. These 6 banks—Morgan Stanley, Goldman Sachs, Wells Fargo, Citigroup, JPMorgan Chase, Bank of America—the combined assets of 6 banks, are larger than the next 50 largest banks. Put another way, if we add up the assets of banks 7 through 50, the bank that resulted would only be half the size of a bank made from the assets of the top 6.

As astonishing as these numbers are, they don't tell the whole story. Many megabank supporters argue that U.S. banks are small relative to international banks.

But as Bloomberg reported last week, FDIC Board member Tom Hoenig has exposed a double standard in our accounting system that allows U.S. banks to actually shrink themselves on paper. Under the accounting rules applied by the rest of the world, the 6 largest banks are 39 percent larger than we think they are. That is a difference of about $4 trillion. If that is the case, instead of being 63 percent of GDP under international accounting rules, these 6 banks are actually 102 percent of GDP. Let me say that again. The six biggest banks' combined assets are slightly larger than the entire size of our economy. When measured against the same standard as every other institution in the world, we see the United States has the three largest banks in the world. These institutions are not just big, they are extremely complex.

According to the Federal Reserve Bank of Dallas, the 5 largest U.S. banks now have 19,654 subsidiaries. On average, they have 3,900 subsidiaries each and operate in 68 different countries. These institutions are not just massive and complex—I don't object so much to that—it is they are also risky.

According to their regulator, the Office of the Comptroller of the Currency—and I met with them today—none of these institutions has adequate risk management. Let me say that again. In stress tests, not one of the largest 19 banks has shown adequate risk management.

It is simply impossible to believe that these behemoths will not get into trouble again. We saw what happened with one of the best managed banks with a lot of employees—some 16,000, 17,000, 18,000 employees in my State alone—at one site with 10,000 employees in Columbus: JPMorgan Chase, a well-managed bank with a very competent CEO but a bank that not so long ago lost $6 billion or $7 billion.

It is impossible to believe they will not get into trouble again and they will not be unwound in an orderly fashion should they approach the brink of failure.

If you don't believe me, ask Bill Dudley, President of the Federal Reserve Bank of New York. He said recently that "we have a considerable ways to go to finish the job and reduce to intolerable levels the social costs" of a megabank's failure. He said that more drastic steps "could yet prove necessary."

Governor Dan Tarullo, from the Federal Reserve, threw his support behind a proposal first introduced by the Presiding Officer's predecessor, Senator Ted Kaufman, and me to cap the nondeposit liabilities of the megabanks some 3 years ago in this body.

These men are not radicals; they are some of the Nation's foremost banking experts.

History has taught us we never see the next threat coming until it is too late and almost upon us. When we passed the Dodd-Frank Act, it contained tools that regulators can use to rein in risk taking.

Unfortunately, many of those rules have stalled, and most will not take effect for years, because it is not just the economic power of the banks but the political powers so often having their way in this city and with regulators all over the country.

Dodd-Frank focuses on improving regulators' ability to monitor risks and enhancing the actions that regulators can take if they believe the risk has grown too great. Over the last 5 years alone we have seen faulty mortgage-related securities, we have seen foreclosure fraud, and we have seen big losses from risky trading, money laundering, and LIBOR rate digging.

Until the Dodd-Frank rules take effect, the rest of us more or less have to stand by idly as megabanks take more risks that almost inevitably and eventually lead to failure.

We shouldn't tolerate business as usual, monitoring risk until we are once again near the brink of disaster. We should learn from our recent history. We should correct our mistakes by dealing with the problem head on. That means preventing the anticompetitive concentration of banks that are too big to fail and whose favored status encourages them to engage in high-risk behavior.

How many more scandals will it take before we acknowledge that we can't rely on regulators to prevent subprime lending, dangerous derivatives, risky proprietary trading, financial instruments that nobody understands, including the people running the banks in many cases, and even fraud and manipulation.