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Obama Bank-Fee Plan May Tap Voter Anger Over Bailouts, Bonuses

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By Julianna Goldman and Ryan J. Donmoyer

Jan. 13 (Bloomberg) -- President **Barack Obama** will announce tomorrow his plan to impose a fee on the country's largest financial firms to help recoup taxpayer bailout dollars and trim the federal budget **deficit**, an administration official said.

Obama will formally outline his proposal to raise as much as $120 billion at an event at the White House, according to the official who spoke on the condition of anonymity.

The move may have a bigger political than fiscal impact. By including it in the budget message he will send to Congress next month, the president is tapping into public anger over the bailouts of the financial and auto industries, executive bonuses as well as the deficit.

"The politics on this is really quite easy," said **Doug Elliott**, a fellow at the Brookings Institution in Washington and a former managing director at **JPMorgan Chase & Co**. "The public would be supportive of anything up to shooting and burning the bankers."

With the **unemployment** rate at 10 percent and the **deficit** forecast by the White House budget office to surpass $1 trillion again this year after hitting $1.4 trillion in 2009, Obama and the Democratic Party are seeking to limit voter discontent before the November congressional elections. Adding to potential public backlash are reports that Wall Street's bonus season may be one of one of its largest even as the economy struggles to pull out of the worst recession since the 1930s.

Congressional Reaction

Top House Democrats said the president has a winning issue.

"I'm all in favor of it, but I haven't seen specifics," House Financial Services Committee Chairman **Barney Frank**, a Massachusetts Democrat, said.

Michigan Representative **David Camp**, the top Republican on the Ways and Means Committee, said while he and other Republicans find bonuses being paid by banks that got bailouts "irresponsible" and "outrageous," they are concerned that taxing banks will hurt lending, and thus job creation.

Still, he said, the proposal puts Republicans in a box.

"We're in the political season," he said, referring to mid-term congressional elections scheduled for early November. "It's going to be a tough bill politically to oppose."

The administration is still working out the final details of the levy. The bank levy has been part of discussions since August among Obama and his advisers about ways to recoup taxpayer bailout money and reduce the deficit, advisers said.

The financial industry has been a frequent administration target. Obama has leaned on banks to boost lending to small businesses and homeowners facing foreclosure, support his plans for revamping financial regulations and discourage bonuses that encourage excess risk taking.

Getting the Message

"They've had a year to figure out how they wanted to participate in the nation's recovery and they don't somehow seem to have gotten that message," said **Anita Dunn**, former White House communications director.

At meetings with bank executives in Washington and on Wall Street Obama has called on the industry to play a greater role helping Main Street.

After a Dec. 14 White House session with executives from some of the nation's largest banks, the president said that now that financial institutions are stabilized after taxpayer bailouts, "we expect an extraordinary commitment from them to help rebuild the economy."

In an interview broadcast the night before, Obama told CBS's "60 Minutes" program that he didn't run for president "to be helping out a bunch of fat-cat bankers on Wall Street."

Public Reaction

Populist anger about bank bailouts spreads across party lines. Almost two-thirds of Americans believe that aiding the banks was a bad idea, a Bloomberg National Poll taken Dec. 3-7 showed.

The levy would hit banks even though the aid is being repaid. Treasury Secretary **Timothy Geithner** said last month that the government stands to make a "healthy profit" on the money paid out from the $700 billion Troubled Asset Relief Program fund.

The U.S. is unlikely to recoup its investment in insurer **American International Group Inc.** or automakers **General Motors Corp.** and Chrysler Group LLC. Those losses and money spent to stem mortgage **foreclosures** are estimated to be about $120 billion.

An administration official who spoke on condition of anonymity said the government expects a maximum of $120 billion to be recouped over 10 years. The fee would taper off as the TARP money is paid back and the total may change if the loss shrinks, the official said.

Still Hurting

Levying the fee over 10 years will mitigate the impact on parts of the industry that are still hurting, Brookings's Elliott said.

"If you do it as too onerous a burden in concentrating it over fewer years it adds to the chance they'll pass the cost onto customers," Elliott said.

Dunn, who still advises the president, said the administration's challenge is to figure out how to make the financial industry's "participation in the recovery for the rest of the country meaningful, without doing it in such a way that it creates a potential problem down the road for them."

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