

Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing
September 22, 2022 at 9:30 AM

Thank you, Mr. Chairman.

Today's hearing presents an opportunity to discuss the role of the nation's largest banks. At the outset, let me acknowledge what should be obvious: banks are essential for supporting the economy and advancing American competitiveness.

Their core functions—taking deposits, making loans, and processing payments, and, in several cases, underwriting and making markets in securities—help to safeguard savings and provide credit, which enables economic growth. With nearly \$13 trillion in combined assets and operations ranging from mortgage banking to small business lending, the banks here today make vital contributions to the nation's prosperity.

But where I see a system at the heart of free enterprise, I worry other policymakers see opportunity for social engineering. Activist regulators and some of my colleagues see banks as a tool by which they can advance their social policy.

Unfortunately, there's a growing trend of banks—several of them are represented here today—inserting themselves into highly charged social and political issues unrelated to their businesses. Banks' willingness to help liberal policymakers achieve their liberal goals makes it very difficult to mount a principled defense against such politicization.

Some of my colleagues are pressuring banks to use both their balance sheets and their influence to address issues wholly unrelated to banking, such as global warming, gun control, voter rights, and abortion. Several large banks have been far too willing to acquiesce to these demands by embracing a liberal ESG agenda that harms America.

Nearly every bank at this hearing has pledged to meet a "net zero" greenhouse gas emission goal by 2050, with several making even more specific commitments. Carrying through on such pledges will eventually lead these banks to artificially restrict, reduce, or cut-off funding for traditional energy projects.

Despite statements to the contrary, none of this has much to do with borrowers' credit quality or so-called transition risk. It's because activists have made the traditional energy sector politically disfavored.

We're witnessing the folly of such policy right now in Europe, which strangled its own fossil energy sector and now finds itself deeply reliant on Russian gas. Does anyone really believe that as the U.S. experiences 40-year high inflation we should exacerbate the problem by reducing oil and natural gas production and increasing energy prices? But that's exactly what will happen if banks follow through with their "net zero" pledges and ESG agenda, as environmental activist groups have urged.

When combined with the SEC's proposed climate disclosure rule, these "net zero" pledges are setting up banks for lawsuits and legal liability. Apparently some banks are starting to acknowledge this reality.

A report in the Financial Times this week says some banks are considering leaving the so-called "Net-Zero Banking Alliance"—a UN-sponsored group that intends to name and shame banks that don't meet net zero pledges. It was a mistake to join this group in the first place, but, for the sake of shareholders and the U.S. economy, banks distancing themselves now would be a welcome step.

In addition, banks have inserted themselves into contentious social issues, and, in some cases, even made business decisions based on these factors. For example, several banks responded to pressure from Democrats in the wake of the Supreme Court's Dobbs' decision by very publicly pledging to pay for the costs of their employees to travel to have abortions. This decision is an individual bank's choice, but it raises a number of questions, such as: Have these same banks also committed to pay the costs for their female employees facing unplanned pregnancies to place their children for adoption?

Notably, when it comes to the right to keep and bear arms—which is an actual constitutional right—some banks have gone out of their way to make it harder for law-abiding Americans to exercise this right, from stopping the financing of manufacturers of so-called military-style firearms for civilian use, to de-banking retailers that sell firearms to customers under 21 years of age, even when such sales are lawful.

I can't help but observe that when banks do weigh-in on highly charged social and political issues, they seem to always come down on the liberal side. Beyond the examples I've already given, there are others.

Banks have opined on abortion, but not religious liberty. Banks have expressed support for voting access, but are silent on voting security. Banks have expressed support for DACA, but I've heard nothing about border security.

My view is it's bad business to alienate roughly half the country, but you are private companies and are free to opine as you see fit. However, it's no wonder there's been a strong backlash from policymakers in states like Texas, West Virginia, and Florida.

If banks don't cease and desist from weighing in on social and cultural issues, don't be shocked if Republicans, once back in power nationally, seek to pressure banks to advance their goals. Could banks be forced to explicitly de-bank corporate customers that engage in woke policy debates, like Disney did in Florida? Or will banks be incentivized to subsidize oil and gas financing? Or explicitly reject ESG?

I would oppose such efforts, just as I oppose similar efforts by liberals. But once the precedent is set, the potential for future abuse is limitless.

Throughout this Congress, I've repeatedly warned about the politicization of our financial regulators and our central bank. I've emphasized that addressing political issues requires difficult decisions involving tradeoffs. In a democratic society, those tradeoffs must be made by elected representatives, who are accountable to the American people.

Today, I'm raising similar concerns about the politicization of our nation's banks. Just as regulators and central bankers are not elected by the American people, neither are bank CEOs.

Banks are currently at a critical crossroads: Accept the role that some liberals prefer which is to have your institutions implement social policy on behalf of the State, or embrace your history as drivers and promoters of free enterprise and stay out of highly charged social and political issues.

I strongly suggest you choose the latter path. If you don't, you risk being treated as public utilities—by both parties—in the future.