Written Testimony of Darrick Hamilton

Submitted for:
The FSC Subcommittee on Diversity and Inclusion Hybrid Hearing entitled "The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice" @ 3:00pm ET on June 29, 2021

I am Darrick Hamilton, Henry Cohen Professor of Economics and Urban Policy and University Professor at The New School and Director of the Institute on Race and Political Economy.

The fact that George Floyd could be killed in broad daylight by law enforcement for over an 8-minute period with a knee on his neck while screaming for mercy that he couldn't breathe has to be the result of a devaluation of his life because he's black. After repeated examples of similar killings, this is vivid, and should, at least by now, be undisputed.

The summer of 2020 consisted of a wave of protests in response to the unjust killing of Black people by law enforcement, not seen since the Civil Rights Era of the 1950s and ''60s and a global pandemic in which the Black mortality rate was more than double the White rate and in which 45% (nearly half) of Black-owned businesses closed. That the impact of a global pandemic, however catastrophic, can be so linked to one's racial identity is highly problematic –

This links to a larger political and economic vulnerability, whether we're in a pandemic or not: the immoral devaluation of Black lives has been ingrained in America's political economy and is long overdue for a reckoning.

So, as a nation, are we finally ready to reverse our enduring and immoral blight of racism by redefining *economic good* to embrace the principles of morality, humanity, and sustainability - a *patriotic* pathway to promote our shared prosperity and achieve racial and economic justice?

Government has a fiduciary responsibility to facilitate economic inclusion, civic engagement, social equity **for all its people.**

All policies and government actions are rooted in "norms," especially related to production, transaction, and distribution. Government should promote diversity, inclusion, and belonging in all aspects of civics and political economy simply because it is just and the right thing to do.

To achieve this, **w**e need a deeper understanding of how devaluing individuals based on social identities, like race, gender, and sexual orientation, relate to political notions of "undeserving" versus "deserving." This is essential to expand knowledge beyond conceptions of individual transactions into workings of larger political economy structures that affect us all. This requires innovative ideas and inquiries, which are enhanced by the inclusion of people from diverse backgrounds, especially if we are going to get beyond the rut of an economy characterized by growing inequality and despair over the last 50 years.

Our current economic system is founded upon values of self-interest, accumulation without bounds, greed, and exploitation. But our economy should be grounded in different values – values of economic inclusion, civic engagement, social equity, human dignity, sustainability, and shared prosperity.

Our enormous and persistent racial wealth gap **is** an implicit measure of our racist past rooted in a history in which White Americans have been privileged by government political and economic interventions that have afforded them access to resources and iterative and intergenerational accumulation.

This is in contrast to history for Black (and Indigenous) Americans, where their personhood and whatever capital they may have established has always been vulnerable to exploitation and extrapolating by ***state complicit*** confiscation**,** destruction**,** fraud, theft, terror, and other acts of violence.

As a result, Blacks, as a group, have little ownership in America's land and means of production and remain in fear of violence, incarceration, and state-facilitated exploitation.

Still, much of the framing of the racial wealth gap focuses on the poor financial choices and decision-making on the part of, largely, black, Latinx, and poor borrowers.

This framing is wrong – *the directional emphasis is wrong* – it is more likely that meager economic circumstance – not poor decision making or deficient knowledge – *constrains choice itself* and leaves poor borrowers with little to no financial options but to attain and use predatory and abusive financial services.

These "last resort" debt traps render recipients of these predatory products modern-day **"indentured borrowers."**

What's more, high achieving black Americans, as measured by education, still exhibit large economic disparities relative to their white peers.

We **overstate** the functional role of education to the detriment of **understanding** the functional role of wealth and power.

However, our contemporary political economy **radically** situates a proverbial "market" as a great efficient, self-regulating, **color-blind arbiter** of our worth and solution **for all our problems**, economic or otherwise.

Under this ideology, government interventions to promote social mobility are deemed inefficient and counterproductive – public provisioning to help the working class were purported to distort (or, worse, incentivize unproductive behaviors) that would deter from "productive" market behaviors.

Racial Inequality and despair are not inevitable; rather, they are the result of political choices. Likewise, we can make different political choices.

To achieve racial justice, we need an honest and sobering confession of our historical sins for slavery – a point in American history in which blacks were literally the capital assets for a white landowning plantation class – and for sharecropping, "whitecapping," Jim Crow, & the exclusion of blacks from the New Deal and postwar policies that built an asset-based white middle class

Financial Services

In their 2015 book, *Phishing for Phools* (2015), Nobel Laureate economists George Akerlof and Robert Shiller critique the "greater good" presumption from a market transaction by describing how the profit motive creates incentives, *especially in* *the financial services industry*, for sellers to *manipulate* consumers to purchase products whether or not they are useful to the consumer.

To address this moral hazard, which is a downturn of a business cycle that puts our economy at risk of financial collapse, Akerlof and Schiller recommend enhanced consumer knowledge and greater regulation.

We should go further: the public sector should be a direct provider of basic accounts and finance more broadly.

The sad irony is that those that can least afford finance in times of dire need end up paying the most for finance.

Households with few assets and low incomes are **compelled** to turn to high cost unconventional alternative financial products. They generally are aware that these products are predatory, but they have *no alternative*s.

These "last resort" debt traps render recipients **"indentured borrowers,"** having to pay higher and higher interest and fees until, ultimately, they default on the original principal.

Congress needs to provide "public options" that directly compete with and crowd-out inferior "private options" that do not ensure a universal and quality health care, housing, schooling, financial services, capital, and free mobility without the physiological (and physical) threat of detention or bodily harm at the hands of state-sanctioned terror because someone's social identity is linked to a vulnerable and stigmatized group.

We need to reject the empirically unsubstantiated rhetoric that ignorance, so-called grit, and personal responsibility are the sources of inequality. And the accompanying attempts by the government coerce or incentivizes insinuated "defective people" to behave accordingly and make a better decision.

Inequality is not rooted in deficient people but rather deficient resources and power allocation.

Let's change the paradigm; let's be bold and advocate for programs and initiatives, that truly empower people with economic security, dignity, and "authentic" agency to define and achieve their goals.

Thank you for your time.