Dēmos

AN EQUAL SAY AND AN EQUAL CHANCE FOR ALL

Introduction

Many Americans voted for President Trump because he gave voice to their yearning to experience economic growth in their communities, rather than just seeing a few people or companies prosper. Yet in spite of the excitement about growth, many economists have assessed that we are already at optimum growth if we are to avoid inflation. Federal Reserve Chair Janet Yellen has said that there isn't much room for more job growth. Likewise, the Congressional Budget Office has identified 2.5 percent as the appropriate growth rate for the economy to meet its potential for the year.

Despite this considered guidance, President Trump continues to aim for a 4-percent growth rate, which would require much legislation, many initiatives, and plenty more room in the economy. There is reason to believe that a 4-percent growth rate would not lead to an economic boom, but rather will stimulate increased inflation rates and a self-inflicted recession.

Good vs Best Growth

Too-rapid economic growth will be detrimental to the country. However, by focusing on how prosperity is distributed throughout the nation, we can ensure broader participation in the economy. The communities that have largely been left out of the recovery – communities of color and poor and working communities – stand to play a more proportional role in the economy as their wages rise and their spending increases.

We aim to increase economic opportunity for the greatest possible number of people. In addition to attending to our jobs numbers, we need solutions for low and stagnant wages. We have room to improve wages and excite consumer engagement in struggling communities across the country. An increase in aggregate demand would benefit businesses, both small and large, and ultimately foster more stable job growth.

With that in mind, the ideas that follow include economic growth and participation proposals rooted in banking regulation with a focus on community banks and tax reform.

Application

We submit the following proposals for the consideration of the Committee and Senators Crapo and Brown, and would like to recognize that these are cursory introductions to each proposal. The team at Demos can flesh out these proposals in detail and legislative language provided upon request. Utilizing the vital expertise of the Committee members and staff will be essential to finalizing these proposals in a forward-looking and bipartisan manner.

Proposals to Increase Economic Participation and Distribute Economic Growth

Preserve the Consumer Financial Protection Bureau

Since it opened its doors in 2011, the Consumer Financial Protection Bureau (CFBP) has protected American consumers from deceptive credit card companies, mortgage lenders, debt collectors, and others. In that short time, it has returned billions of dollars to millions of Americans. The CFPB's non-partisan and independent structure is critical to achieving the agency's core mission–to protect consumers from unfair or deceptive practices and ensure companies are held accountable if they break the law. Its independence and power should be protected.

Protect and Build on the Fiduciary Rule

The Fiduciary Rule, aimed at protecting retirees' savings from financial advisors not acting in their best interest, was recently delayed by the Trump administration. The regulation set in place by the previous Labor Department provided a path for a more comfortable retirement for many Americans. Prevent the administration from postponing the compliance deadline, and provide better retirement savings options that would give retirees more disposable income.

Investing in Community Banks

Community banks have not been hit by Dodd-Frank the way Republicans suggest, but a refocused effort on propping up community banks to better serve the interests of local businesses and families would serve the country well. Even though they have less than one-third of banking assets, community banks account for more than half of small business lending – and small businesses have been responsible for most of the jobs created over the past 17 years. Investing in community banks would be beneficial to some struggling communities. This would be done through amending the Basel III rule, providing a more accurate SIFI definition (allowing smaller institutions relief from stress tests), and providing "safe harbor" status to qualified mortgage loans and as well as loans transferred to Fannie Mae, Freddie Mac, and the Federal Home Loan Bank.

Supporting the Establishment of State Banks

When the financial crisis hit, small businesses suffered the sharpest fall-off in lending since 1942 as the large banks that had come to dominate our credit markets pulled back. Without access to affordable credit, small businesses across the country laid off workers, stopped buying from suppliers, and went out of business. To smooth the flow of credit to small companies and enable them to begin hiring again, federal investment should go into the establishment of state-level Main Street Partnership Banks modeled on the nearly 100-year-old public Bank of North Dakota (BND). By partnering with local community banks to make loans to small businesses, Main Street Partnership Banks create new jobs and spur economic growth.

Increase capital gains tax

Increasing the capital gains tax would increase tax revenue for the federal government and increase the tax burden on wealthier Americans, paving the way for affordable tax breaks for low-income households. Even closing certain loopholes surrounding capital gains would increase revenue enough to lessen the burden on middle class and low income Americans.

Background

Demos is a public policy organization founded on an idea about the link between political and economic inequality. The name Demos means 'the people.' Demos works to win structural changes to provide all Americans an equal say in our democracy and an equal chance in our economy. (Please see attached fact sheet about Demos.)

Connie M. Razza, PhD is Co-Director of Policy & Research at Demos. Connie joined Demos in 2017 and serves as Co-Director of Policy & Research, with responsibility for planning and managing research and policy development across the organization.

Before coming to Demos, Connie worked at the Center for Popular Democracy as Director of Campaigns and Director of Strategic Research, overseeing and supporting the broad range of campaigns and research. There, she authored reports in support of campaigns for fair scheduling policies, Federal Reserve decision-makers to focus on economic recovery until it reached African-American communities, transit investments that address racially disparate service access, local minimum wage increases, publicly funded defense counsel for immigrants facing deportation, and local investments to encourage lawful permanent residents (LPRs) to pursue naturalization.

Prior to CPD, Connie directed research and policy development at Boston's Community Labor United (CLU), a coalition of base-building community organizations and labor unions. She also served the New York City Council as its Senior Policy Analyst for health issues.

Connie holds a BA from Georgetown University and an MA and PhD from the University of California at Los Angeles.

Algernon Austin is an Economist at Demos. Dr. Algernon Austin is the Economist at Dēmos who has interests in race, the economy, and politics. Previously, he served as the first Director of the Economic Policy Institute's Program on Race, Ethnicity, and the Economy and he built that program into a nationally-recognized source for information on race and the economy. Algernon has also been a Senior Research Fellow at the Center for Global Policy Solutions, an assistant director of research at the Foundation Center, and a professor at Wesleyan University.

Algernon's book, America Is Not Post-Racial: Xenophobia, Islamophobia, Racism, and the 44th President, analyzes the 25 million "Obama Haters" in America. He has discussed racial inequality on PBS, CNN, NPR, and on other national television and radio networks.

In consultation with

Dana Chasin currently serves as a fiscal and financial policy advisor to Democrats in Congress.

Mr. Chasin previously served as an economic policy advisor to U.S. Senators Jon Tester of Montana and Tim Johnson of South Dakota, Chairman of the Senate Banking Committtee. Immediately prior, Chasin was Legislative and Policy Liaison to Congress and the Obama administration at Americans for Financial Reform (AFR), a national coalition supporting comprehensive financial regulatory reform and as a member of the AFR Too Big to Fail Task Force.

Prior to joining AFR, Chasin was Senior Advisor at OMB Watch, a non-profit, non-partisan think tank in Washington, researching and advising on federal fiscal policy. He previously served as Legislative Assistant for U.S. Senator Mark Dayton, covering judiciary, tax, budget, and banking issues.

Chasin began his career in New York City, where he practiced law as an Associate in the Labor Department of the New York firm of Kaye, Scholer, Fierman, Hays & Handler.

Thereafter, he was Senior Program Officer at the Financial Services Volunteer Corps, an organization and providing financial sector technical assistance to the former Soviet bloc countries follow the fall of the Berlin Wall. He then spent six years as Vice President in the global Project Finance team at Société Générale, the international investment bank.

Chasin has published in the Wall Street Journal, Newsweek, the Christian Science Monitor, and Talking Points Memo.

He earned a B.A. at Yale College, where he majored in Philosophy and Political Science, a J.D. at Harvard Law School, and a Master of Public Administration degree at Harvard University's John F. Kennedy School of Government.