

Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing: Annual Oversight of Wall Street Firms
May 26, 2021 at 10:00 AM

Thank you, Mr. Chairman.

Today's hearing is about the U.S. financial system. The financial system proved to be remarkably resilient during COVID, but I am concerned about increasing pressure on banks to embrace "wokeism" and appease the far Left's attacks on capitalism. I worry that continuing down this path may lead to distorted credit allocation, activists seeking to make political change through the financial system instead of the democratic process, and ultimately, diminished prosperity for Americans.

First, let's observe that the banking system proved to be extremely resilient during COVID. Last year, we had the worst pandemic in more than 100 years, the government shutting down almost the entire economy, and the most severe recession since the Great Depression. Despite all this, banks remained stable and responded to their customers' needs for credit, because they were so well capitalized.

In fact, one of the best decisions we made during COVID was administering the Paycheck Protection Program (PPP) through the banking system. No other system had the scale or agility to run this program, and banks leveraged their relationships to deliver hundreds of billions of PPP dollars to millions of small businesses so they could keep their workers employed.

The financial system's contributions to America's economic growth—before and during the pandemic—are part of the larger success story of capitalism. No economic system has lifted more people out of poverty, created more opportunity, and produced a higher standard of living than democratic capitalism.

Thanks to capitalism, life is better for the vast majority of Americans today than it's ever been. In fact, before COVID, we had the best economy of my lifetime—as measured by the very metrics that my Democratic friends say are important. We had the lowest unemployment rate in 50 years for all

Americans, record low unemployment rates for blacks and Hispanics, more jobs than people looking for work, and a record low poverty rate.

Contrary to the mischaracterizations of some of my Democratic colleagues, we saw across-the-board wage growth, and growing fastest for the lowest income earners, and a narrowing of the income gap. In fact, the very system of economic freedom that my colleagues condemn was creating unprecedented and shared prosperity across America.

That's why I've been surprised and troubled to see some banks taking actions that undermine the property rights at the heart of our system and politicize lending. Some bank leaders have embraced so-called "stakeholder capitalism"—which diminishes the primacy of shareholders in our economy and enables corporations to pursue a liberal social agenda rather than prioritize its responsibilities to its owners.

Well-run businesses always benefit their stakeholders, but management's responsibility is to do so in service to shareholders, who own the company. The people who own a company—through shares in their retirement accounts, pensions, college savings accounts, or otherwise—rely on a firm's officers to look out for their financial interests.

Making decisions based on social policy objectives—rather than profit maximization—deprives these shareholders of their rightful property. Worse yet, once the shareholders' rights are reduced to the level of all other stakeholders, how does a company's management decide whose interest to prioritize?

Some would invite the government to step in and make those decisions—for example, those who would favor a prohibition on stock buybacks. After all, if the shareholders' interest is no longer paramount, the government may determine that this capital would be more appropriately allocated to employees or the environment or other special interest groups.

It is a fallacy to think that if you are seeking profits, you are not serving people. In fact it's the exact opposite. Business can only profit when they satisfy customers and that can only be achieved with a satisfied workforce and good relationships with the community.

Finally, let me suggest a word of unsolicited advice. If there is an issue in the political realm that affects your bank, like taxes or regulatory policy, I

would hope you would articulate your views on behalf of your shareholders. But, if there is a highly charged social or political issue that involves balancing competing values, such as balancing access to voting with election security: leave that to elected lawmakers. They were elected to make these difficult policy decisions and are directly accountable to the people who hire and fire them: the voters in their jurisdictions.