

Darrick Hamilton, PhD.
Testimony for the US Senate Committee on Banking

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Chairman Brown and esteemed Senators, Thank you for having me here today.

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.

I come today with a simple and urgent message: the US Senate Banking Committee should take up a new mandate to move from a model of banking and finance as *extraction* to one of community *investment*. *Rather than spreading credit on unequal terms, this Committee should use its authority to spread both credit and equity to reduce the racial wealth gap and reduce economic inequality in transformative ways.*

Let me begin with a statement of values, and then enumerate specific policies.

No one can not say they have freedom if they are crushed by debt, unable to benefit from the fruits of their labor, stuck in poverty, or unable to participate in the economy. No one can have economic freedom if they are in danger of having their dreams and livelihood crushed by massive economic actors with millions of times the wealth of ordinary americans.

The harms in our economy do not fall randomly. They fall hardest on people of color, Latinx people, Black people, Indigenous people, and immigrants without documentation. They fall harder on women than on men.

For centuries, politics, the economy, and stratification have been inextricably linked. Let me define stratification. Stratifications are separations, like race and gender, that maintain inequalities through culture, law, policy and economics. As a stratification economist, I study the ways in which stratifications are perpetuated and how they harm people, shortening lives, dooming people to poverty, making our entire economy a fraction of what it could be if we unlocked all human potential.

To counteract stratifications, we need to create a positive vision of Inclusive Economic Rights.

- The right to live, truly live, and not in poverty.

- The right to property and the right to capital -- enough to participate in the economy, not as a debtor, but as a creative actor, buying and selling goods, starting ventures, investing.
- The right to a job.

Or, another way to think about it: the right to wages, the right to wealth, and the right to income.

All the evidence at our disposal points to the fact that we do not as yet live in a moral economy that is inclusive. According to the [2019 Survey of Consumer Finances](#), the average wealth held by White households was 7 times greater than average wealth held by Black households. These disparities in wealth have grown steadily over the last 3 decades and [likely grew last year as the nation battled the pandemic](#).

The activities of the banking and financial sector have played decisive roles in entrenching wealth disparities between groups. Consider the denial of both wealth-enhancing and quality banking products to Black people over much of American history leaving them no recourse but to avail themselves of unfair and rigged loans, from the landlords who forced sharecroppers into permanent debt to payday lenders and student loan practices of today. We now know that some of our nation's leading banks [purposefully marketed subprime loans to Black families](#) in the lead-up to the financial crisis of 2008. That financial crisis was itself responsible for [wiping out whatever](#) little wealth Blacks and other minorities had accumulated.

Today, we encounter both chronic and ongoing stratifications and gross inequalities, like the racial wealth gap, and the compounding crisis of the pandemic recession.

Let me now discuss some transformative policy solutions that will address the three pronged solution of income, wealth, and wages.

First and foremost, I'd like to discuss cash payments. Given the nature of wealth disparities in this country, the pandemic and the ensuing recession has had devastating effects on the liquidity positions of Blacks, Latinx and other minorities who were not positioned to withstand earnings loss. This has made it incredibly difficult for these groups to meet the basic needs for a decent existence. Checks provided to the American people under the CARES and CASH Acts kept millions of families from falling into poverty. I urge this committee and this Senate to support legislation to send recurring direct payments targeted at low- and middle-income households, continuing until Black, Latinx, and Indigenous unemployment reaches pre-pandemic levels.

Now that we have seen the power of stabilizing low- and middle-income families with direct cash payments, I urge you to explore ways in which the tax code can be a tool for providing families with necessary income. Examples may include expanding the Child Tax Credit and the Earned Income Tax Credit to remove wage-earning requirements and expand support to the lowest earners.

Now let me turn to student debt.

Given the racial wealth gap. Black, Latinx and other minorities -- denied the right to capital -- often have to turn to creditors to cope with life's demands. Nowhere is this more pernicious than in the case of student debt where holdings have grown precipitously over the last decade-and-a-half from [\\$250billion in 2004 to 1.5trillion last year](#). With this rise in debt comes an increase in debt distress and defaults. Black, Latinx and other minorities are at a disadvantage as the accumulation of student debt doesn't often translate into better income in the future -- the returns to education, like most things in this country, are profoundly shaped by one's racial background. This makes it difficult for minority groups to pay down their student debt. I, therefore, urge this committee and this congress to consider proposals for the cancellation of student debt, and, if I were testifying before the executive branch, I would urge them to consider executive action as well.

Another important step to address racial wealth inequality and building an equitable right to capital is Baby Bonds, or more accurately Baby Trusts. Seeded from birth, these accounts will ensure that every child born in the US has the means and capital to fully participate in the economy when they become adults. Appropriately financed Baby Bonds can go a very long way in ensuring that the racial wealth gap is not transmitted onto future generations.

Finally, we must address low-road labor practices that have trapped too many working Americans in a cycle of poverty or near poverty. A Federal Job Guarantee will ensure that every American who needs a job can find one. A Federal Job Guarantee can act as a powerful automatic stabilizer in times of recessions. Much of the pain that many in the labor force are going through would have been avoided if we had a Federal Job Guarantee in place.

What I want to stress is that these policies are not in combat with each other but instead they complement one another. Now is not a time for small actions, or even for single actions, however transformative. The American people are tired waiting for change -- and their faith in democracy depends on democracy coming through for them. If you fail to do so, more Americans will embrace anti-democratic movements, and more

Americans will choose not to vote. And millions of Americans will suffer in an unjust and inhumane economy.

Thank you for your time.