



# *FedFin Client Report*

---

Thursday, March 4, 2021

## **Payment-System Equality Figures in Financial-Equality Debate**

Client Report: **REFORM201**

### **Executive Summary**

Although today's Senate Banking hearing on Wall Street's role was poorly attended, it nonetheless captures the theme Chairman Brown (D-OH) intends to guide his work this Congressional session: "Wall Street" incentives adversely affect equity, equality, economic growth, and social welfare and thus require structural, sweeping reform. Ranking Member Toomey (R-PA) views this as an attack on capitalism, capitalism that he says ensures strong growth without an undue government role. Given that Sen. Brown's opening statement directly censured some unnamed senators, it seems unlikely that committee leadership will resolve their differences in bipartisan legislation. Indeed, Sen. Brown will find it difficult to enact many of the initiatives discussed today, but – as this report lays out – he will surely influence regulators across the financial system. Payment systems and CBDC may be the most immediate targets given Democratic questioning today and longstanding demands for FedAccounts and FedNow.

### **Analysis**

#### ***Opening Statements***

Chairman Brown railed against the financial system that "treats American workers as a commodity," and allows Wall Street interests to lead through "rigged rules." He demanded a living wage, the opportunity to unionize, and better benefits for all workers. He also pushed against complex financial instruments and predatory lending.

Ranking Member Toomey countered that capitalism is not the primary cause of disparities, as Democrats assert. The financial system is, he said, doing well, because it enables businesses and consumers plentiful access to capital.

---

Federal Financial Analytics, Inc.  
2101 L Street, NW – Suite 300, Washington, D.C. 20037  
Phone (202) 589-0880  
E-mail: [info@fedfin.com](mailto:info@fedfin.com) [www.fedfin.com](http://www.fedfin.com)

© 2021. Federal Financial Analytics, Inc. All rights reserved.

## Testimony

Abbye Atkinson, Assistant Professor at UC Berkeley Law School, argued that credit and debt are essential in carrying out federal social welfare policies and that credit/debt enables regressive redistribution exacerbating the wealth gap.

Darrick Hamilton, Founding Director of the Institute of Race and Political Economy at The New School, urged the committee to adopt a new mandate to move to a community investment model of banking and finance. He made a number of fiscal-policy recommendations.

Glenn Loury, Professor at Brown University, said the government should pursue public policy based on equality of opportunity instead of racial equity.

## Q&A

- **Digital Currency:** Sen. Lummis (R-WY) cited careers in cryptocurrency as a massive opportunity for women and people of color, arguing for the egalitarian aspects of same day settlements, financial innovations, and CBDC. She also asserted that, as Wall Street banks get into crypto and realize that “bitcoin is for real,” crypto will become a “great leveler” for women and people of color. She asked if a more innovative payment system would promote financial inclusion; Prof. Loury agreed it would.
- **FedNow:** Sen. Van Hollen (D-MD) believes that real-time payment innovations would be better done through FedNow than through the private sector; Prof. Atkinson concurred, noting the private sector’s profit motive as well as the importance of having a public option.
- **Wall Street:** Sens. Toomey, Rounds (R-SD), Scott (R-SC), and Lummis all objected to the title of the hearing, which Sen. Scott said “raised eyebrows.” Sen. Lummis argued that Wall Street can actually help workers. Ranking Member Toomey posited that the racial wealth gap is not an indictment of the financial system; Prof. Loury agreed. Sen. Rounds raised concerns over actions that might take away the ability of equity markets to make good decisions for people, and suggested we should not blame Wall Street for inequality. Sen. Van Hollen criticized stock buybacks.
- **Market Democratization:** Sens. Toomey and Scott asked about the impact of the democratization of the market on closing the wealth gap; Prof. Loury said it helps, and noted that this is why Wall Street should not be construed as the enemy.

- Homeownership: Sen. Smith (D-MN) asked about how best to address the homeownership gap; Prof. Atkinson suggested increased access to credit, debt forgiveness, and modification of mortgages in times of need. Sen. Scott believes the fastest way to close the wealth gap is through homeownership; Prof. Loury agreed.
- Student Loan Forgiveness: Sen. Warren (D-MA) asked if cancelling student loan debt would help narrow the racial wealth gap; Dr. Hamilton agreed. Sen. Warren and Dr. Hamilton agreed that \$10,000 in student loan forgiveness is not enough, and that Sen. Warren's plan to cancel \$50,000 in debt would be better.
- Access to Credit: Sen. Ossoff (D-GA) asked if it is really a free market if only big banks have access to instantaneous credit; Prof. Atkinson said it is not.