TESTIMONY OF

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SUBMITTED TO

House Committee on Financial Services

For the Hearing
Strengthening the American Economy: Promoting Growth, Opportunity, and Prosperity

Wednesday September 2, 2026 at 10:00 a.m. ET
2128 Rayburn House Office Building

Good morning, Chairman French Hill, Ranking Member Maxine Waters and honorable members of the House Committee on Financial Services. Thank you for your invitation to discuss how to "Strengthen the American Economy: Promoting Growth, Opportunity, and Prosperity."

My name is Darrick Hamilton. I serve as the Henry Cohen University Professor of Economics, and the Founding Director of the Institute on Race, Power and Political Economy at The New School; and I also serve as the Chief Economist of the AFL-CIO.

Over the course of the past year our economic health as measured by employment, affordability, economic inclusion and real wages has been trending down. On net, working conditions have worsened and worker real wages have flattened and declined.

Net job losses have occurred particularly in manufacturing, education and government services – sectors that have backward and forward linkages that reverberate throughout our economy. Employment in health care remains strong, a sector of growth without which our overall employment decline would be more severe.

On the consumer side, health care access and rationing remain concerns, and we can expect for these concerns to intensify once the cuts to Medicaid, food assistance and other essential services from the 2025 budget reconciliation law are fully realized at the end of this calendar year.

In general, inflation is outpacing wages, resulting in declines in real wages and purchasing power. Inflation is keenly felt in domains that are critical for American productivity and economic wellbeing: sectors like utilities and energy, transportation, manufacturing and heavy metals, food, and housing and shelter.

In terms of distribution and economic inclusion, the labor share of our national income is as low as at any point since World War II. By contrast corporate profits, particularly in the financial sector, continue to break records and reach new heights.

This gross inequality points to the "ecological fallacy" of relying on aggregate statistics without consideration of distribution. Aggregate indicators of economic well-being in a context of growing and consolidating concentrations of resources and power at the top depict a misleading characterization of economic health. It does not capture the actual pain and struggle experienced by everyday Americans. Hidden in these aggregate measures propped up by the good fortunes of the elite is the reality of our now infamous K-shaped economy, which illustrates divergent paths of consumption, income and wealth between high-income Americans and everyone else.

Our national debt has climbed to $40 trillion, which in and of itself, is not the most urgent problem, but rather the manner in which that debt, and our nation's public investments, have skewed away from environmental sustainability and human and physical infrastructure towards greater international militarism, domestic para-militarism, and tax cuts tilted heavily towards wealthy and corporate interests. Debt usage to finance investments in health, education and civil service, improve individual wellbeing and generate inclusive macroeconomic multipliers consistent with enhanced economic capacities, ingenuity, innovation and civic engagement. These activities are productive forms of uses of debt finance for the American people.

Rooted in all these issues are asymmetries in power, paradigm and economic agency. Whether it is our affordability crises, debt crises, K-shaped economy, record highs in corporate profits juxtaposed with record lows in the share of our nation's aggregate income going to labor; attacks on the economic right of workers to collective bargain; our fluctuating and incoherent trade policy; or employment threats, instability and displacement from AI and Data technologies – these vulnerabilities are a product of a public infrastructure (i.e. fiscal policy, monetary policy, the tax code, regulatory environment, etc.) that has over-indexed on profit and speculation, and under-indexed on investments in the American people.

This over-indexing has resulted in stagnant wages that trail rising costs, along with a yawning wage-productivity gap, and shrinking pathways to stable housing and financial security. We have a growing chasm between the haves and the have-nots, and policies that have systematically undervalued work.

These conditions are not happenstance; they are a result of policies that have concentrated capital, and economic and political power – policies that have prioritized speculation and profit over productive investment, and that treat people as costs to be contained or managed, rather than as innovative and ingenious assets in which we should invest.

Our public policy manages deprivation rather than investing in the productive capacities and the shared prosperity of our most treasured resource – people.

We need an economic paradigm that rejects a governing model built to subsidize private interests under the banner of modern supply-side economics, while merely managing people's deprivation.

Our public infrastructure should first and foremost serve and invest in the American people. An enlightened economic and industrial policy framework is one that promotes human flourishing, civic engagement, tranquility, and authentically enables us, with affirmative inclusion, to be self-determining. Choice and self-determination are an illusion when one lacks the power and resources to exercise them. Authentic freedom requires resources.

That is an economy that centers people and the environments in which we live, and one that systematically invests and directs public resources to them to achieve that purpose. With this economic vision, people are more than "labor inputs" to a firm's production process, or "consumer agents" to whom resources might be redistributed to redress inequality in a charitable sense. With this conception, when properly resourced, people are innovative and productive agents, who make dynamic contributions that benefit themselves, their communities, and the economy overall while promoting healthy, tranquil, safe and inclusive environments.

This should be the purpose of our economy and the role of our government should be to ensure that our children, families and workers have adequate access to the quantity and quality economic resources that they need to thrive. These resources include housing, health care, banking and financial services, reproductive autonomy and agency with regard to family formation, the right to unionize and collectively bargain, basic income, good jobs, a capital foundation, access to a quality education from grade school through college, and the freedom to move throughout society without the threat of detention or bodily harm from a state-sanctioned terror because their identity is linked to a stigmatized group.

These investments in the capabilities of the American people would empower them against predation, address our affordability crisis, and would have the added benefit of generating positive externalities and productive macroeconomic multipliers that benefit our economy overall.

So, to strengthen the American economy, promote growth, opportunity, and prosperity – and not just any growth, opportunity and prosperity, but an *inclusive and just* growth, *authentic* opportunity, and a *shared* prosperity – I suggest that we invest in our human capabilities, our democratic institutions and collective wellbeing.

One last point before closing, we should recognize that any contemporary analysis of our economy that is devoid of a historical lens is inadequate, misleading, and perhaps even disingenuous. As we grapple with concerns of an emergent economic speculative bubble exemplified by exceedingly high valuations particularly in the domains of AI and data technologies, the lessons from the not so distant past of the Great Recession should have taught us that now is especially not the time to relax or eliminate prudent regulatory controls and consumer protections.

We should not be promoting increased financial leveraging or relaxing oversight and regulation of financial or data technology firms; instead, we should be strengthening, not dismantling, the power and personnel of the Consumer Financial Protection Bureau (CFPB). Our lack of federal oversight, emphasis on deregulation, over-speculation, and, in some cases, outright fraud, in the financial sector brought about the 2007 recession. It was not the result of some grand profligacy on the part of the American people, yet the American people were left holding the proverbial “bag” and suffered the economic pain from that recession for many years to come.