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Good morning, Chairman French Hill, Ranking Member Maxine Waters and honorable members of the House Committee on Financial Services. Thank you for your invitation and the opportunity to discuss the *rising costs of housing and borrowing and the policies behind them*.

My name is Darrick Hamilton. I am the Henry Cohen University Professor of Economics and Policy and the Founding Director of the Institute on Race, Power and Political Economy at The New School, and I am the Chief Economist of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO).

We are here today to discuss the rising costs of housing and financial services. Rooted in these issues are asymmetries in power, paradigm and economic agency.

Indeed, a fundamental source of what has come to be labeled as an “affordability crisis” is that our *public* infrastructure has over-indexed on profit and under-indexed on *investments* in the American people.

This over-indexing has resulted in stagnated wages that trail rising costs, along with a yawning wage-productivity gap,[1] and shrinking pathways to stable housing and financial security. We

[1] Michael D. Giandrea and Shawn Sprague, "Understanding the Labor Productivity and Compensation Gap," Beyond the Numbers 6, no. 6 (May 2017), https://www.bls.gov/opub/btn/volume-6/pdf/understanding-the-labor-productivity-and-compensation-gap.pdf.

have a growing chasm between the haves and have-nots,[2] and policies that have systematically undervalued work.[3]

Over the past four decades, the bottom 50 percent of Americans saw negligible increases in wealth while the top 1 percent experienced a 500 percent increase.[4] As a result, half of Americans now hold less than 2 percent of this nation's total wealth.[5]

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

For instance, this summer's budget reconciliation law cut Medicaid, food assistance, student loans, and other essential programs while diverting nearly $4 trillion of our public investment, by way of our tax code, toward the wealthy and corporate sectors.

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. 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

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[2] Juliana Menasce Horowitz, Ruth Igielnik, and Rakesh Kochhar, "Most Americans Say There Is Too Much Economic Inequality in the U.S., but Fewer Than Half Call It a Top Priority," Pew Research Center, January 9, 2020, https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/.

[3] Josh Bivens, "Botched Policy Responses to Globalization," Economic Policy Institute, January 31, 2017, https://www.epi.org/publication/botched-policy-responses-to-globalization/.

[4] World Inequality Database, "USA: Wealth Inequality," based on Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, "Distributional National Accounts: Methods and Estimates for the United States," The Quarterly Journal of Economics 133, no. 2 (2018): 553–609, accessed February 8, 2026, https://wid.world/country/usa/.

[5] World Inequality Database (based on Piketty, Saez, and Zucman 2018), "USA: Wealth Inequality."

"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 that make dynamic contributions that benefit themselves, the economy overall, and promote 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 the adequate quantity, quality and access to the economic resources necessary that they need to thrive. These resources include housing, health care, agency with regards to reproduction and 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 free mobility 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.

These ideas are not new, nor foreign to the American zeitgeist. The well known Economic Policy Institute report entitled the "The Productivity–Pay Gap," traces the relationship between economic growth and worker compensation since the mid-20th century. It finds that between 1948 and 1979 – a post-war period characterized by large scale public investment in the American people and our nation's infrastructure akin to what we are describing – productivity rose 108.1 percent, while at the same time worker compensation rose 93.2 percent[6] – reflecting an almost one-to-one relationship between growth and worker prosperity.

In contrast, from 1979 to 2025 – a period defined by supply-side-economics, policies that emphasized deregulation, government outsourcing, privatization, corporate tax cuts, and outright corporate subsidies – accompanied with an assault on collective bargaining and dramatic reductions in worker power and union density – productivity rose 90.2 percent and worker compensation only rose 33 percent.[7]

[6] "The Productivity-Pay Gap," Economic Policy Institute, accessed February 8, 2026, https://www.epi.org/productivity-pay-gap/.
[7] "The Productivity-Pay Gap."

During this post-war period of high economic growth and a robust labor movement, a middle-class lifestyle became far more accessible; and with a more than doubling of American productivity, so clearly firms benefited too.

What is critical to note is that the American middle class did not simply emerge on its own. Rather, it was government policy and collective bargaining that created the conditions for jobs, access to finance, education, land, and infrastructure to accumulate and pass down wealth.

Unfortunately, as documented in the seminal book by the historian Ira Katznelson, *When Affirmative Action was White*, this post-reconstruction era was shaped by the Jim Crow context and by policies designed, administered and implemented in racially exclusive ways are largely responsible for a legacy racial wealth gap that we see today.[8]

The clear lesson from this past is to do the opposite; rather than being unjustly exclusionary, our public policy can be justly inclusionary. We can design, administer and implement our public policies in ways that are intentionally and affirmatively inclusive of all people, especially those belonging to groups that have been historically and persistently excluded from the full benefits of America's public investments.

At a time when trust in Congress is near historic lows, perhaps this can change with a vision that puts our trust in the American people with the resources and public investments to match. We have an opportunity to demonstrate an approach to governance that centers people as the purpose of our economy – and as the primary mechanism to achieve that purpose.

So, to address our affordability crisis, I suggest that we invest in our human capacities, our democratic institutions, and our shared prosperity. Invest in the American people; choose a governing paradigm that recognizes people as our best infrastructure; and build a multiracial democracy and an inclusive economy.

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[8] Ira Katznelson, When Affirmative Action Was White: An Untold History of Racial Inequality in Twentieth-Century America (New York: W. W. Norton & Company, 2005).