

***What Do the Data Reveal About (the Absence of Black) Financial Regulators?***  
**was given on November 12, 2020 by Chris Brummer, Agnes N. Williams Research Professor, Georgetown University Law Center. It was given as part of the Regulatory Policy Program's weekly seminar series.**

Joseph Aldy:

Welcome to the Regulatory Policy seminar. I'm Joe Aldy, the faculty chair of the regulatory policy program at the Mossavar-Rahmani Center for Business and Government at the Harvard Kennedy School. Let me open with a few reminders regarding the logistics of our online seminar. We are recording this seminar and plan to post it online, so if you know of anyone who's interested, let them know that they'll be able to check this out on our YouTube channel later. We'll take questions through the Q&A function in Zoom. Please click on Q&A at the bottom of your screen and type your questions. At the end of the presentation I'll take the questions and pose them to our speaker.

Joseph Aldy:

We're very excited to have with us today Chris Brummer to present his talk, "What Do the Data Reveal About the Absence of Black Financial Regulators?" Professor Brummer is the Agnes N. Williams Research Professor at Georgetown University Law Center. He also serves as the faculty director at the Institute of International Economic Law. Professor Brummer has served as a member of the National Adjudicatory Council of FINRA, the Financial Industry Regulatory Authority, and as a member of the Commodity Futures Trading Commission Sub-Committee on Virtual Currencies.

Joseph Aldy:

Professor Brummer, welcome to the Regulatory Policy seminar.

Chris Brummer:

Thank you so much. It's a pleasure to be here.

Chris Brummer:

I guess I'll just sort of start, and I should have asked ahead of time. I mean, I do have some slides if you'd like, and I can show them.

Joseph Aldy:

That'd be great.

Chris Brummer:

This topic is really important, I think obviously there's a certain kind of political and moral context after the brutal death of George Floyd. But really, even the title of the article was designed with sort of in parentheses, the words "Black." Because I think it tells us something potentially about not just the data about Black financial regulators, but also really it's designed to at least begin us to take a journey to think about, what does it tell us about financial regulation more generally?

Chris Brummer:

What does it mean when you have financial regulatory policies that aren't necessarily being informed by voices and people coming from all walks of life and all the different cultures and communities in the United States? Does this impact in some way the substantive quality, the robustness, indeed the very technocratic nature of financial regulation?

Chris Brummer:

Now, to get into those kind of larger scale questions, you kind of have to do a diagnostic check, really, on financial regulators and financial regulation. I really started off with a very basic question about really the representativeness of financial regulation in the United States. The study that I had authored really walked us through a number of what I thought were really interesting data points. I've been pretty gratified to see the interest and again, it's a pleasure to be here with you today.

Chris Brummer:

I'm going to go and sort of share my screen here. To sort of start off with this larger question that we're working with, which is basically the motivation behind the paper. Financial regulation is something that is important, and it ultimately impacts the lives of not just Americans, but also African-Americans in particular. It's useful to sort of think about what financial regulation is. Financial regulation and rules frame policies that determine how trillions of dollars in assets are regulated, how capital is allocated in society, and at what cost.

Chris Brummer:

Financial regulatory rules determine the extent to which corporations should serve priorities other than shareholders, and to disclose information about their hiring practices and demographics. They determine how investors are protected. They go to the kind of language and warnings that have to be shared and disseminated to investors and people of very diverse backgrounds in communities across varying levels of vulnerability. Then finally, they help to determine who is afforded taxpayer backed financial assistance in times of economic distress, and are charged with implementing critical legislation like the Fair Housing Act, the Community Reinvestment Act, and the Equal Credit Opportunity Act.

Chris Brummer:

I like to sort of frame that list, because it helps again to underscore the fact that when you think about financial regulatory rules, there are some kinds of rules that directly speak to certain kinds of systemic problems in society, when it comes to say affordable housing or redlining or lending discrimination. That again, are explicitly geared towards speaking to these problems of discrimination. Then you have other kinds of financial rules that are race-neutral, but they really have very important implications as to how society is structured, and literally rules that go to how the rules for capitalism are written.

Chris Brummer:

In that context, I'd like to say that Black regulators, and I say academics as well, matter. I only add the academics point, and this was a presentation that I'd shared also with some of my colleagues over at Wharton, because I think that these series of questions are critical. The regulatory community, the academic community, as well as industry needs to have a sufficient amount of diversity in it to make sure that we're covering issues that are relevant to everyone. Here, you may be familiar with her, is a picture of Commissioner Sharon Bowen.

Chris Brummer:

But regulators, Black regulators matter because rules are designed with assumptions made about the people they're intended to protect or support. Without the input of those people, rules can be less effective, and could well end up undermining as opposed to improving their welfare. Rulemaking with Blacks deprives agencies of the input and experience of those hailing from the community the financial system has at least historically most failed. Without a diversity of experience, regulatory priorities are more likely to be skewed or maybe uninformed, and regulatory approaches can end up serving narrow slivers of society.

Chris Brummer:

My research project had two basic questions. First, what has been the historical representation, then, at least across financial regulatory agencies? Then what is the current status, and by current I mean July 4th. We used a good date, July 4th 2020. The current status of African-American participation in financial regulatory agencies? Just for the audience, I just want to take a second here to sort of emphasize two different things.

Chris Brummer:

The first query is, we try to target how many people have served as political appointees to the financial regulatory agencies since their inception. Then the second question is looking at not only the political appointees serving at US financial regulatory agencies on July 4th, but we also go an additional level deeper to see who is in that coterie of immediate deputies and consiglieres helping the political appointees fashion and execute their financial regulatory policy.

Chris Brummer:

The idea here is that I want to find out who is in the room when it happens, to paraphrase Hamilton. Who's in the room when policy happens, at the leadership level? Now, the methodology was really rather straightforward, and pretty simple. As I said, we were focusing on policy leadership. Political appointees and those immediately responsible for hiring and those who are immediately responsible for obviously hiring the consiglieres.

Chris Brummer:

The data was pretty exhaustive, and we compiled a list of data from agency-maintained lists. The background information was obtained from individual's profiles on employer websites. Appointee political affiliations were not always readily accessible, as you can sort of see here, from agency biographies, so we had to go through obituaries, curriculum vitae, archives of political contributions, and then senior appointees and policy advisors were identified through organizational charts on government available web pages.

Chris Brummer:

It's important to note that the structures of regulatory agencies were not always the same, and that's something ... It makes this kind of project really interesting, when you're trying to compare, say, the SEC and how it's structured to say, the Federal Reserve. But we did try to keep our analysis as simple and as consistent as possible by only tabulating individuals directly, again, chosen and approved by political appointees, especially at that second level, second-tier question. As most senior advisors, or as the most senior deputies in the formulation of policy or supervision.

Chris Brummer:

Now, there are certain kinds of limitations to the picture that my data provide, right? This study purposely excludes executive positions including IT, administration, minority affairs, ombudsmen, communications, leg affairs, as well as general counsels and Inspector Generals. The general counsel thing is kind of interesting, because the importance of a general counsel can differ depending on, again, which regulatory agency you're talking about, in terms of their hand in the actual formulation of policy. But again, we're trying to aim for as much consistency as possible. We're not looking for people beyond leadership.

Chris Brummer:

The study also excludes other minorities, but I emphatically have encouraged and continue to encourage future government-sponsored research delving deeper into agency demographics. All right, so again, it's very important that people understand what I'm looking for. I want to know who are the policy leaders in financial regulation. Which, drum roll please.

Chris Brummer:

When you go to the very first question as to sort of how many have there been historically? Out of 327, you could identify 10, that's right, 10 Black political appointees to financial regulatory agencies, sort of going all the way back even I guess, in the case of the Fed even before the New Deal. Now, this list is really interesting on a number of accounts. First, that denominator of 327 has actually gotten worse over the summer, because there were more appointments made, and there was no diversity at all in that particular batch, no Black people.

Chris Brummer:

But when you sort of take a look at how people are appointed, and where they're appointed, you see some of the larger agencies like the Fed appointments being rather early, in the history of sort of civil rights and the civil rights movement. Then you see it sort of tapering off into smaller agencies as time goes by. You also notice that when you start to think about who's getting appointed and when they're getting appointed, and this is something I really do emphasize in the paper, is that almost invariably, the appointment is made when the president is of the same party of the individual who's seeking the appointment.

Chris Brummer:

Now, why is that important? Because some regulatory agencies by statute limit the number of political appointees of any one particular party. For example, even under the Trump administration, there were Democratic appointees made. Now, those Democratic appointees that were made in a Republican administration, or conversely if you were going to look at the Republican appointees that were put forward during, say, Barack Obama's administration. Usually those kinds of things happen when there's sponsorship in the Senate. Normally, the leader or the highest-ranking person of the political minority helps to sort of sponsor and identify names that the President signs off on, and the names then are ultimately in some instances, particularly with the market regulators, sort of paired together, and they go forward in a joint confirmation process.

Chris Brummer:

Why I'm noting that is basically, if you leave ... Well, the data are suggesting at least that if you leave the Senate to its own devices, the Senate will never put forward an African-American. That it only happens when the President sort of goes out of his way to identify an African-American for that particular slot.

Now, there have been a couple of interesting exceptions, and I was so struck by it I actually wanted to give him a call, so I actually ... As I got my data, the history of these things is just fascinating.

Chris Brummer:

You'll see a Mr. Harold Black here, over at the National Credit Union Administration. Who is actually a Republican, and he was appointed by Jimmy Carter. By the way, this is also to highlight, this is a bipartisan problem generally. But it was very fascinating, so I called him up and I said, "Hey, sir, I think you've been kind of left out of history." He sort of laughed and said, "Yeah, people have kind of forgotten about me."

Chris Brummer:

I said, "Well how exactly did that happen? How exactly were you appointed?" Then he said, "Well, apparently Jimmy Carter had made it a point where he said he wanted to aim to have at least one African-American on all the major financial regulatory agencies." Mr. Black was from Georgia, and the president was from Georgia, and through some acquaintances just happened to have a connection to the president. But even so the interesting sort of side point here is, in that particular case, you still had an instance where it's the executive that's the sort of originator, if one will, of the nomination. I just thought that was quite fascinating.

Chris Brummer:

Again, the numbers are pretty bad. If you're going to look at percentage-wise, in terms of where the appointments have been made. You can think of interesting stories. Some of this, it's a little bit misleading in some instances because the CFPB is a very new and young agency. The FDIC, older, and the Fed and the like. But I think that the major reaction that I've gotten overwhelmingly is, "Wow, there are a lot of zeroes." And I say, "Yes, there are a lot of zeroes in my report."

Chris Brummer:

When you dig down into the staffing as well, as of July 4th for example, if you're going to look at a lot of the major regulatory agencies ... Sorry. Let me just take my time here. When you begin then to switch to the second part of the analysis, thinking, "Well, all right. That's the historical numbers, but maybe things are a little better now, that we're in sort of a modern age," and especially when you start to dig a level deeper into whom those particular individuals are hiring to support them in the execution of their policy.

Chris Brummer:

It doesn't get any better. It's not in the data, but other people have done other kinds of studies, even if you're going to look at the Fed. I've read that out of something like 400 economists at the Fed, only one is Black. There are problems, when it comes to the staffing of many of our regulatory agencies.

Chris Brummer:

Now, immediately, I don't have a graph for this, but it is in the Brookings report. Immediately, many of you will likely say, "Well, this is just because we're in the Trump administration, perhaps, or it's an ideological issue, and so therefore should we be surprised to see this particular set of data?" I wanted to kind of test that hypothesis. I'll just switch here for a second, since it's not on this chart.

Chris Brummer:

I wanted to sort of test that hypothesis, and the way in which I wanted to test the hypothesis was to look at who was hired by the nominees at the CFTC and the SEC in their offices. Because then I have a kind of natural experiment. I can see, well, whom have the Democratic nominees hired to be their consiglieres, and who have the Republicans hired to be their consiglieres? When you look across the SEC and the CFTC, for the number of Black people, the answer is zero. In other words, that the Democratic nominees didn't hire any Black people, and neither did the Republicans. Showing a kind of a blind spot, regardless as to whether or not they were progressive or Trump people.

Chris Brummer:

As a result, it's not an easy problem just to boil down to any particular ... If you're using that sample, you can't say it's immediately an ideological issue. I'm going to move a little bit more quickly. I know, those are just important points to kind of break through so that people can understand. I'm just going to jump here and say, one easy way to explain some of this, particularly on the political appointee level, is to say, well, often with the financial regulatory agencies people pull their staff. In other words, someone who's worked on the banking committee will get plucked by a Democratic or Republican member of that committee, and then given an appointment as a commissioner at the SEC or the CFTC.

Chris Brummer:

The simple answer is that my data show that although that is a useful observation, because the Senate staffs are not particularly diverse, it's certainly not explanatory in and of itself since there are plenty of white people who get posts and who don't have Senate staffing experience. Even where with Black people, that's much rarely going to be the case.

Chris Brummer:

The paper sort of ends by trying to figure out, well, why do we have this particular outcome? Again, it's a bipartisan problem. What's going on? I want to sort of test a couple of hypotheses. Most often people will say, "Well, what about the qualifications?" I decided to just do a quick check as to the academic background of the African-American nominees versus the field. Not always but in most of the really ... Particularly when you get to the higher education metrics, the African-American appointees have actually been more academically qualified with more or higher numbers of degrees than their white counterparts and non-Black counterparts, sort of spilling into this very long-held assumption that you have to be twice as good for half the job.

Chris Brummer:

When you then go to other kinds of theories, if it's not a qualifications argument, maybe there's a disqualification argument. Maybe where you may work may hurt you. If you're working for Wall Street, or if you're working for a tech company or something, maybe that is going to ding everybody. But because of the racial wealth gap and income gap, more Black people who are credentialed have higher student debt and higher family obligations, and therefore they're forced to hop into these jobs and as a result there's a larger number of people who are kind of dinged for being identified as insufficiently committed to the cause of financial regulation and prudential oversight and investor protection.

Chris Brummer:

Then there's the theory of maybe cognitive bias. Anchoring in terms of ideas that many of the decision makers have about the qualifications of African-Americans. The outsider bias could certainly come into play. When you see new people and you're a little bit more suspicious of them. I don't want to ... I've

tried not to offer any of these as fully explanatory because the goal of my research was just to gather data, it's just that I know that it's inevitable that people sort of ask about potential venues and areas for future research.

Chris Brummer:

I do want to just sort of get back to the original question, since this is an academic setting. About this particular issue, and I think it's entirely important. This question took too long to be asked. It's kind of ridiculous that I did this in 2020. The nature of the project in and of itself, and the response, and I got this from a lot of reporters too, where were like, "Chris, you're putting us to shame." Literally someone said, "You're just putting us to shame."

Chris Brummer:

The fact that our political science departments and our law schools and our business schools and our public policy schools never asked such a foundational, basic question really tells us, or should tell us, something about ... Or at least make us ask some questions about how rigorous is the research that we're doing? Especially when we're missing these kinds of basic questions that quite frankly can impact the entire conversation about financial regulation, right? If you don't know who's in the room and who's designing the policies, then how can you really have a thoughtful and fully technocratic conversation about everything from the normative agenda that people put forward all the way to whether or not the financial rules and regulations are ultimately speaking to and achieving those goals?

Chris Brummer:

Being in the family of our academic family, it's a real yellow flag at the least, and I think it should really serve for some kind of impetus to think about the diversity in our faculties. It's not just a problem for economists, but also again for our business schools and business law faculties.

Joseph Aldy:

Profession Brummer, thank you for the presentation. Thank you for undertaking research. It's interesting you described ... It's a basic question.

Chris Brummer:

Sure.

Joseph Aldy:

It's like we first just want to do some, as you noted, some diagnostics. Of course the thing is, I think what you've done is in this paper, doing something that is fairly basic, but opens eyes to people who for a variety of reasons, which may be related to some of the biases on your very last slide, why they're not asking the question in the first place.

Joseph Aldy:

I've already received several questions about this. Before we go to those questions, though, I do want to go to our colleague Howell Jackson, of Harvard Law School, who's done a lot of work in financial regulation. Who has joined us again as a commentator, second time this semester. Thank you, Howell, as well as being a presenter in this seminar series in the past. Let me also remind everyone that you can

use the Zoom Q&A button at the bottom of your screen to submit questions. I'll start to go through those after Howell makes his initial comments.

Joseph Aldy:

I also want to remind everyone, we need to end a few minutes early today. For those of you in the Kennedy School, you know we have an event with the dean that starts at 1:00, so I want to make sure that we can all jump from one Zoom room to the next for that. But with that, let me go now to Howell.

Howell Jackson:

Thank you, Joe, and thank you Chris for coming back and presenting this paper. Oftentimes when you're having a discussion about a working paper, there's a question about, will it have an impact? That's actually often a very good question to ask. In this case, the paper already has had an impact. Lots of reporters, other people, there's been lots of events. This is very much front of mind in a lot of people's thinking about particularly the next administration. But I think this is, real kudos to Chris for doing this.

Howell Jackson:

I have a couple of sort of technical questions. When I spoke to Chris about this paper last, it was not yet released. There were methodological issues, mostly about whether the structure of the inquiries were, particularly for the political appointees, was done in a way that it was getting comprehensive results. I have to say, at least as far as I have heard, there haven't been people coming back and saying, "You missed somebody." I think that this is ... Occasionally an empirical technique is to sort of, you can validate yourself by the absence of objections, or at least the quantification of objections.

Chris Brummer:

Can I just jump in?

Howell Jackson:

Yeah.

Chris Brummer:

I won't say who, but let's just say there have been some very high-level people who very kindly would sort of reach out, and say, "So, did you think about so-and-so?" And I'm like, yeah. Or more often than not, because it's a hard question, asking people. Sometimes it doesn't really make anyone feel great. But more often than not, let's say people were identified who were in administrative posts, and they were not involved, and they may be African-American, but again, the question ...

Chris Brummer:

I asked a hard question, right?

Howell Jackson:

Yeah.

Chris Brummer:

The research wasn't hard to get that data, but I asked a hard question, and an uncomfortable question, which is when it comes to why we have a regulatory agency in the first place, which is to design and implement ways to execute policy, who's doing that? That's all I wanted to know.

Howell Jackson:

Yeah. No, I think this totally speaks to your thesis, but I think that to the extent that you have an opportunity to update, I think a little bit of a codicil or something about what came in, and how it in some sense validated or refined your thinking. That's an interesting way, because empirical work of this sort is hard to do.

Howell Jackson:

I also think another piece that I would be very interested in is, your discussion of folks that were included and how they got included is super interesting. There's a category of people that I think are also quite interesting, which are the minorities that got on the shortlist. The marginal cases are often super interesting, and I imagine there's some that were passed over. But who were those people, and what kept them from going over the top? Also, there may have been some people that decided that for financial or some other reason, they just didn't want to do it.

Howell Jackson:

But I think always the best place to look for policy improvement is at the margin, because those are the people that are easiest to push over. So to the extent you can ever do that, I think it's interesting.

Howell Jackson:

Two other just general comments. It's conceivable, it would be amazing, but it's conceivable that your paper is enough to kind of ... Now that you've measured it, it's an agenda item. But I worry a little bit about the ability of people to forget. I think that one of the things you might want to think about is, okay, where do we put this request? Agencies do annual performance requests every year, and you can just look at corporate annual reports and shareholder requests for diversity information.

Howell Jackson:

I just sort of think a wholesale solution, so you don't have to embarrass Joe and the Kennedy School in the future, is to kind of just get incorporated into the Chief Financial Officer reports each year what their diversity data is. At the top level it's not difficult, but the second tier, and frankly I think the third tier is the pipeline. But just sort of thinking about what should be the ask, and it's conceivable that someone in the House of Representatives might find this an interesting thing to put into some appropriation bills. But that would sort of just work across the government and get a wholesale solution.

Howell Jackson:

The one other thing I would just say, and it's maybe not a little ... It's not fair, but this business of going to the Senate staff as the place to look. I get by including that, you have put the ... Staff directors are now going to be, maybe we should be having reports from staff directors about what their staffs look like. But I just want to push back any presumption that the Senate staff or House staff is the place to go. Because I think a real shortcoming of financial regulatory agencies now is there's too many staffers that ... Every issue they see initially through a political lens.

Howell Jackson:

I know there's challenges in other places, but to the extent that you at all are implying that the Hill is the place to look for good regulators. I would like to dissent from that aspect of an otherwise admirable paper. But the main thing I want to say is, it's really great work, and I'm glad it's getting such wide attention.

Chris Brummer:

Just for ... I had to sort of include that as a theory. Number one, it's just interesting to test, because I was curious myself. Living here in Washington, DC, that is the go-to explanation. "Well you know, Chris, it's because the staff over at the Senate aren't diverse and that's how it happens." Regardless as to whether or not it's a normatively optimal outcome, I just wanted to test to see how accurate, how much explanatory that particular theory had, and it had some but not very much. Or certainly a limited amount of explanatory power.

Chris Brummer:

To the normative point, I did gently sort of include either language, maybe even a footnote saying, whether or not you should go to the Senate is a highly contested choice for choosing people to develop policy. But I certainly appreciate your perspective. On the Chief Financial Officer reports, I think that's a really interesting suggestion. We do have something like the [OMLY 00:33:25] reports that are annual, but the data's not always disaggregated. It doesn't go into the kind of detail that frankly, this report does. Thinking through whether or not legislatively or otherwise, more artisanal data should be requested of our regulatory agencies is, I think, an excellent suggestion.

Joseph Aldy:

Great. Thank you, Howell. Chris, a lot of what you said here focuses on questions I think about both the pipeline, this discussion about looking at Senate staffers as trying to look at one part, potentially, of the pipeline of who ends up in a position in a financial regulatory agency. But also a question of champions. That in a sense, there aren't any champions in Congress, when we think about their role in trying to nominate individuals to these positions.

Joseph Aldy:

I'm curious to hear your take on, now that you've done this initial diagnostic. What is it, when we think about pipeline, do we need to have a broader sense about what's in the pipeline? Do we also need to think about what, if we had champions. I've heard, if we had a few more role models, that makes it easier to attract people, whether it's in a conventional pipeline or if we take a broader approach, what should be the pipeline for future regulators?

Chris Brummer:

That's such an important question. I look at my own sort of life and career in business laws, and luckily every once in a while I could bug Howell about things. But as a general matter, from a productivity placement kind of thing, if you're the senior Black business law professor at 33, that's insane. Not knowing exactly how you should be doing the job of that position, which means more than just that job. I think that when it comes to financial regulatory posts, just like in corporate America, it's really no different.

Chris Brummer:

Very often, I think in the private sector people will say, "Look for champions who don't necessarily look like you," because frankly there won't be anyone who looks like you. The issue is, to what degree are prospective champions, whether at the Senate or elsewhere, are entirely interested and motivated and driven by motivations to make them champions?

Chris Brummer:

When you talk about any particular sort of actor in politics, or in policy, they have priors. People have alliances. They have established ways of viewing the world, and they kind of have to, because that's how they get things done. When you do, however, broaden the pool, and you introduce new people who don't necessarily behave the way that you do, or necessarily have the same kinds of thinking about different issues, sometimes people view that as a friction, even though what it actually does is to enhance the quality of your policy.

Chris Brummer:

I think that what we're just now beginning is a process of educating many people, particular the policy makers, about a conversation that ironically has been one 20 years, 30 years in the making when you get to the private sector. It's absurd that Goldman Sachs is more diverse than the history of our financial regulatory leadership. I mean, it's absurd that it's taken this long to have a conversation about literally how the rules for capitalism are designed.

Chris Brummer:

I mean, when you sort of sit back and think about it. It's just kind of shocking. As I said, with this paper, and I've told plenty of people. The paper is almost like telling someone, spending 30 pages going through the data and getting very extensive data to tell people that the sky is blue. When actually, all you had to do was look up, right? The outcome of the paper, if you've taken any time to look at our financial regulatory leadership since the New Deal is unambiguous.

Chris Brummer:

It really didn't ... There's almost a transaction cost of progress, which is, okay, it's a pretty obvious thing that we need to do something. But fine, let's go ahead and compile the data to show people how bad it is, so they can see a lot of zeroes. My hope is, because it is a cost, to put the time in to get something done that is so foundational and so important to the country. It's so important to the economic lives of so many people, that hopefully either this paper, and hopefully it won't take too many more to inspire people to be those mentors.

Chris Brummer:

But like Howell, I do and I am sometimes concerned. I am concerned about forgetfulness, and institutions like Harvard are critical to maintaining and keeping that conversation going. This is a kind of research that has very direct, very practical implications for how all Americans live. Because I tell people, when you think about financial regulation, it's like the ultimate consumer-facing good. Just like money. Even when you don't have it, it impacts you.

Chris Brummer:

How you think about it, there's something in it for everyone. Just like if you're going to create a kind of banking financial regulatory regime and never ask ... Whether or not you trust them or you don't, you kind of want to ask a bank, "Well, what do you think about this financial regulation?" Just to sort of get

some clue as to what they're thinking. It seems anachronistic, to say the least, that we're not asking all sectors of society what they're thinking about financial regulatory rules.

Chris Brummer:

Again, this is hopefully kick starting that conversation, and I've heard a lot. By the way, I've heard a lot from Democrats and I've heard a lot from Republicans, because the numbers really are not ... They're so depressing that they're not controversial. Everyone understands that they have to kind of grapple with it. But how forgetful will people be is a big question.

Joseph Aldy:

Chris, you noted about how, whether it's Goldman Sachs, other parts of say, the business community has been grappling with this for some time. I'd like to go back and talk a little bit about Congress, because it did jump out at me. Perhaps this reflects my bias as someone who used to work in the executive branch. But the thing that struck me is that Congress is just not anywhere to be seen here in the data.

Chris Brummer:

Yeah.

Joseph Aldy:

The thing is, the challenge of course is Congress sets its own rules on everything, whether it's how they do voting, or even employment law. They have a different set of rules than everybody else. They set them. They often have significant deference to the members and the chairs of committee and so on. I'm wondering whether or not there could be some ways we could try to change the congressional process, and maybe it's through some nudges, maybe it's ...

Joseph Aldy:

The thing that came to mind, and it may be a very poor analog, perhaps as a reflection of the fact that I spent Sunday afternoon watching football with my dad. But one thing for better or worse, whenever there is a head football coach hired now in the NFL, there's discussion of the Rooney Rule.

Chris Brummer:

Yes, yeah.

Joseph Aldy:

If we just had something like that where we'd say, "Look, we want to make sure that your shortlist seriously considered African-Americans, other underrepresented minorities. That you're taking this seriously that we want to hear all the voices of our society." Is there a way to sort of put pressure to make public, yes, we want something like that in how we go about thinking about who we nominate? Whether it's for financial regulation, but it's relevant in other contexts as well.

Chris Brummer:

Right. Basically, the "don't be lazy" rule, right? If you're actually going to try to find the best people, why not just, I don't know, take the time to interview enough people to make sure that you're hiring the best people? I want to say, part of that conversation is also the public discourse. It's how the press covers

things. When they put out names of people. There are a lot of very talented people of color, a lot of talented Black people who can do lots of things. Are you being fair in your coverage, and in terms of your own expectations of them?

Chris Brummer:

By the way, this is something you have to do in hiring across the country, and it's something that has to be embedded in Congressional practices, it has to be embedded in how the press covers financial regulation, and discussions of financial regulators, and who's being considered. I think as a structural matter, Wall Street and others are thinking about the Rooney Rule, and the Mansfield Rule. Questions that force people to in effect, not be lazy.

Chris Brummer:

I think that again, either legislatively or through some kind of Congressional practice, through a code of conduct. There are lots of ways to get to this. The challenge is in part, just as financial regulators have to know about this stuff, part of what I feel and what I try to do myself is to make sure that underrepresented groups and communities understand as well just how important this is. We're living in a world where it's very easy, if the police beat you up or worse, to understand the necessity and the importance of reform of our criminal justice system, or our policing. People kind of get that. If they see it they're like, "Okay, this impacts me."

Chris Brummer:

Trying to make the argument and trying to tell someone, "You know why it's really important, why it'd be great to have a Black head of the Fed or the SEC?" That's not necessarily part of people's immediate reality. However, I think people are ... It's not even "I think." In a conversation about economic justice, economic equality, the beeline between economic empowerment and how people are viewed and treated, even when it comes to their fundamental civil rights, that's something that's become extremely clear, and it's become more urgent.

Chris Brummer:

I do think that there's ... It's not, "I think." I know that there's a lot more attention even on the Hill, even among minority members of the Hill and the Senate, and the Vice President-Elect, attention being directed towards this very issue. I mean, you can just see from all the bills that have been sort of released over the last year or two.

Joseph Aldy:

Is it something we need to legislate? Or, I hazard to use this term, norms. Do we need to think about how we create new norms? But that does raise questions about whether norms change, norms are violated or norms are ignored. If you were to think through, here's how we need to make sure we make progress on this in the future. Is this something where we just need to say, hey, we need some legislation to make this happen?

Chris Brummer:

I'm hesitant to say that, because my ... I can think of a number of extraordinarily influential ways to begin to get at this issue, right? You're talking to someone who is a scholar, as Howell will know, of something called soft law, which is a form for those of you who do international economic diplomacy.

It's a formally non-binding form of regulation, but one that can still have an extraordinary compliance pull.

Chris Brummer:

The design of the actual instrument for achieving greater diversity in this space, there are different ways to get at it. I'm thinking very hard about it, as a researcher, and thinking through how that would work as really the kinds of a follow-on for this kind of research. But at this point in time, I think I'm going to just also encourage the many brilliant people who are watching this webinar at Harvard to also think for themselves about the toolbox that is available for really achieving the kinds of moral aspirations that are also critical to a sustainable economy.

Joseph Aldy:

I think that's a really important call to action, both for how we think about policy and how we think about research that can inform future policy. I really appreciate that.

Chris Brummer:

For the aspiring academics and researchers, and for people who are already researchers. Just take one moment to think about, in this particular instance, this has been a big paper and it's such a basic question. Think about how many other entirely basic questions there are to be answered, and the mark you can make just asking really simple questions that for lots of different reasons, haven't been asked. At the same time, you can make a real impact on the world, as well as on the world of ideas.

Joseph Aldy:

Well, it may be a simple question, and it is clearly driving a conversation that continues. Let's hope that it drives change as we move into 2021. I think there are some opportunities hopefully becoming available to us as we think about a new administration, and that we in government, whether it's in the new administration working with Congress and elsewhere, we take some lessons from 2020 and move forward on this.

Joseph Aldy:

But the key thing is, what Chris has done has started a conversation, and we need to make sure that it continues. Let me note before we wrap up that this is the final regulatory policy seminar of the semester. I invite you to email me with suggestions for speakers for the spring seminar series. We will soon begin scheduling the spring semester schedule, and we'll be posting that in January on our website.

Joseph Aldy:

I'd like to thank my colleagues Scott Leland and Victoria Groves-Cardillo for all their fantastic support throughout the seminar series this semester, so that we could make this work online. We'd rather be in Bell Hall, but we've actually done I think quite an effective job continuing these kinds of conversations in our seminar series via Zoom. I'd like to thank Howell for joining us today, and I really appreciate, Professor Brummer, you joining us today. I know your schedule is quite busy. It's going to be getting busier. Appreciate the service you are providing for the president-elect. With that, I'd like to wish everybody a wonderful afternoon. Thank you for joining us.

Chris Brummer:

Thank you.

Howell Jackson:

Thanks, Chris.