# This Week in Wall Street Reform | July 14 - 20

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## THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

**Eugene Scalia, Trump's Pick To Head The Labor Department, Scares Worker Advocates To Death | CNBC**

"He was at the center of the industry effort to undo Dodd-Frank in the back rooms, and in terms of intimidating regulators and overturning important parts of it, he had a lot of success," recalled Marcus Stanley, policy director of Americans for Financial Reform, a group that supports the law.

"Most of the rules that were costing industry a lot of money, he was the lead on trying to overturn them," Stanley added.

Scalia also led the charge to roll back the so-called fiduciary standard. That rule, which originated at the Labor Department, would have required managers of a 401(k) to act in the best interests of their clients, instead of steering them into higher-fee funds that are more profitable for the fund managers.

**[Trump Nominates Antonin Scalia's Son as Labor Secretary] | Mother Jones (Patrick Caldwell)**
Back in 2014, I profiled Gene Scalia for our magazine, detailing how, following his time in Bush's White House, he made a name for himself as Wall Street's go-to lawyer for challenging Dodd-Frank, the 2010 legislation that placed restrictions on the banks following the Great Recession. As I wrote at the time, Scalia successfully used the courts to water-down the law.

Scalia has "created this sense that we're paralyzed, because if we write a rule we're just going to be reversed," says Lisa Donner, executive director of the watchdog group [Americans for Financial Reform]. The threat of more suits, she says, has "cast a real chill" over Wall Street regulators, particularly at the Securities and Exchange Commission (SEC).

**[Trump Taps Scalia's Son For Labor Secretary] | Politico**
President Donald Trump plans to nominate Eugene Scalia, son of the late Supreme Court Justice Antonin Scalia, to be the next Labor secretary.

A management-side attorney, who in 2006 argued on behalf of Wal-Mart against a Maryland law that would have required the retail giant to spend more health care money on its employees, Scalia has earned a reputation in legal circles for his track record of victories in cases that deal with government rules. In 2012, the Wall Street Journal described him as "one of the industry's go-to guys for challenging financial regulations."

Scalia played a key role in getting a federal judge to vacate the Obama Labor Department's fiduciary rule, which requires brokers to consider only the best interests of the client, irrespective of commissions or fees, when providing retirement advice. His client in both the fiduciary rule fight and earlier lobbying efforts on campaign finance reform was the U.S. Chamber of Commerce.

## CONSUMER FINANCE AND THE CFPB

**[Consumer Watchdog Wants to Work With Financial Companies to Encourage Saving] | Wall Street Journal**
The federal consumer agency set up after the financial crisis to oversee the financial industry wants to work with firms on joint research to encourage people to save more.

The Consumer Financial Protection Bureau is seeking to form partnerships with "parties from cross sectors" to get more consumers to stabilize their financial standing, agency director Kathy Kraninger told a gathering of financial industry executives and lobbyists Wednesday.

Consumer advocates criticized Ms. Kraninger's invitation to financial companies. "Americans don't need the main federal consumer protection agency partnering with the financial services industry to conduct studies," said Linda Jun, senior policy counsel at Americans for Financial Reform. "Americans need a strong CFPB that actually polices the industry from doing harm."

**[Why Is Trump's Consumer Protection Agency Helping To Promote H&R Block's Credit Card?](#) | LA Times**

The process by which government regulators getting cozy with the businesses they're supposed to regulate is a time-worn and familiar problem. There's even a name for it — "regulatory capture."

But no government agency in our new gilded age seems to be plunging into this dishonorable relationship as gleefully as the Consumer Financial Protection Bureau. The bureau, it should be remembered, began as the brainchild of Sen. Elizabeth Warren (D-Mass.) and was created as part of the financial reforms that followed the crash of 2008 and the recession that followed. The idea was to ride herd on a financial industry that thought nothing of ripping off consumers. That was how the CFPB functioned during the Obama administration.

In the Trump administration the bureau seems more intent on helping financial firms pick consumers' pockets. The latest case in point emerged Wednesday, when its director, Kathy Kraninger, told a conference of financial executives and lobbyists about a joint study the CFPB has completed with H&R Block, the tax preparation firm, about how to encourage consumers to save more. Kraninger's remarks were reported by the Wall Street Journal. Block confirms that it "was able to partner with CFPB to study how taxpayers respond to savings encouraging messages," but didn't give any further details. The CFPB hasn't responded to a request for comment.

**Banks Don't Vouch for Direct Listings. Also Uber Drivers, CFPB Studies, Flaring and Budfox | Bloomberg**

If someone is cold-calling you to pitch a retirement savings product, they are almost certainly not pitching you the best available retirement savings product. But there are probably some people who will not save sufficiently for retirement if no one cold-calls to give them the hard sell on saving for retirement, and who will if someone does. And most of those cold-call products will be, bad, sure, but not Ponzi schemes. The money will be there, in the end, minus the fees. Some people will end up better off with a bad retirement product than they would have without it.

If this is your model, what does it imply for regulation? The number one thing it implies is surely that regulators should focus on expanding opportunities for people to buy the good retirement products. This is sort of how the 401(k) structure works: You make it easy for companies to offer good low-cost mutual funds to all of their employees, you make it easy for the employees to sign up for those funds, you set the default options to encourage savings. You also set up the rules so that companies have incentives to choose good low-cost options rather than take kickbacks for choosing worse high-cost options. You create strong incentives for companies to offer something, and you create fiduciary responsibilities to encourage them to offer something good. You set up the market to nudge people into good savings products.

**Americans Can't Afford Trump Administration Protecting Payday-lending Debt Traps | The Hill**

In the wake of the financial crisis, the Consumer Financial Protection Bureau (CFPB) was established to stop predatory financial activity central to the collapse. For years, the CFPB has stood up to financial predators, holding companies acting in bad faith accountable for wrongdoing and returning $12 billion of ill-gotten profits to consumers. When the CFPB saw predatory payday and auto title lenders targeting the poorest Americans with high-interest debt traps, it studied the issue for five years and proposed a new consumer protection rule to end the predation. Today, the Trump administration is attempting to abandon those efforts and to allow payday lenders to continue to profit off of debt and misery while charging outrageously high interest rates.

## EXECUTIVE COMPENSATION

**Runaway Executive Pay Is Distorting The Economy And Aggravating Inequality | Seattle Times**

Muilenburg (not listed in the Times compensation report because Boeing is no longer headquartered in Seattle) and his peers are rewarded based on increasing revenue, profit and, especially, stock performance. Until the Ethiopian Airlines crash in March, Boeing shares had tripled in value since he was named CEO in 2015.

This is the result of the “shareholder value” movement, which began in conservative academia in the 1970s and became business orthodoxy in the 1980s. Maximizing shareholder value is the primary goal of publicly held corporations. Everything else is secondary, or doesn’t happen at all.

The idea that these companies also have responsibilities to “stakeholders” such as employees, vendors, communities and the public good — a good fight waged by Harvard’s Rosabeth Moss Kanter in the ‘80s — seems quaint today. To be fair, a few companies think this way — it was once the Seattle way — but they are rare.

Additionally, these all-important shareholders are mostly not individuals who take their ownership seriously and are in for the long haul. They are institutions demanding a quick buck.

A 2013 Washington Post story explained the consequences well: “Together with new competition overseas, the pressure to respond to the short-term demands of Wall Street has paved the way for an economy in which companies are increasingly disconnected from the state of the nation, laying off workers in huge waves, keeping average wages low and threatening to move operations abroad in the face of regulations and taxes.”

**Uber Joins Companies Tying Executive Pay to Worker Diversity | Bloomberg News**

Uber Technologies Inc. is holding its top executives accountable for workforce diversity through their paychecks.

Metrics for increasing women’s representation as managers to 35% and bringing underrepresented minorities in mid-level roles up to 14% will factor into pay for the ride-hailing giant’s chief executive and other top officers, according to Uber’s latest annual diversity report.

## INVESTOR PROTECTION, SEC, CAPITAL MARKETS

**SEC Freezes Assets Of Alleged Fraudsters Targeting Elderly | MarketWatch**
The Securities and Exchange Commission imposed an emergency assets freeze on Thursday related to charges that two individuals are running an alleged pump-and-dump scheme targeting elderly retail investors.

According to the SEC's complaint, Florida resident Garrett M. O'Rourke and Maryland resident Michael J. Black allegedly worked together between 2016 and 2018 to sell shares in several microcap companies to investors, including elderly retail investors, using high-pressure stock promotional campaigns. The SEC alleges that, as part of the scheme, O'Rourke aggressively touted the companies to prospective investors through unsolicited cold calls during which he repeatedly lied about his association with legitimate financial institutions and the prospects of the microcap companies.

John T. Dugan, Associate Director of Enforcement in the SEC's Boston Regional Office, said: "Investors should beware of parties using the types of sales techniques alleged in our complaint, including unsolicited calls and high-pressure sales tactics."

**Acosta's Resignation Over Jeffrey Epstein Threatens Timing of New DOL Fiduciary Rule | Financial Advisor IQ**
Department of Labor Secretary Alexander Acosta's sudden resignation amid the mounting furor over his role in the controversial plea deal of convicted sex offender Jeffrey Epstein more than a decade ago may threaten the timing of a new fiduciary rule currently in the works.

Acosta's resignation — effective July 19 — calls into question what happens now to a planned resuscitation of the fiduciary rule. The plan was revealed by Acosta in May during a House of Representatives House Education and Labor Committee hearing, as reported.

Based on Acosta's testimony in that hearing, it seems that the soon-to-be resuscitated initiative may be less contentious for the broker-dealer industry.

Acosta said in May that the DOL is "working with the SEC" and based on that "collaborative work," the department "will be issuing new rules" in place of the previous DOL fiduciary rule.

**CFP Board Delays Enforcement of Beefed-Up Fiduciary Duty | Barron's**
The CFP Board said Tuesday it will put off enforcing its revised rules for CFPs, including a strengthened fiduciary standard, until June 30, 2020.

That aligns its enforcement date with the compliance deadline for the SEC's new advice standards, which include Regulation Best Interest, a new standard of conduct for brokers that falls short of a fiduciary standard.

**Brokerage Industry Blasts NJ Fiduciary Rule at Hearing | ThinkAdvisor**

Investor advocates such as Micah Hauptman, financial services counsel at the Consumer Federation of America, said Reg BI is not much different from the Financial Industry Regulatory Authority's suitability rule and will mislead investors "into trusting their brokers are providing higher quality advance than they're legally required to provide," leaving gaps that the New Jersey fiduciary rule tries to fill.

According to Hauptman and other consumer advocates like Knut Rostad, of the Institute for The Fiduciary Standard, Reg BI has many gaps that are addressed by the New Jersey fiduciary rule: Reg BI doesn't define best interest ("so BDs will," said Rostad); doesn't require the avoidance of conflicts of interest, only disclosure; and allows "hat-switching" by dually registered brokers who also provide investment advice which will "perpetuate investor confusion and harm," said Hauptman.

**This Will Drive Broker-Dealers Out of New Jersey, Retirement Group Warns | Financial Advisor IQ**
A lobby group for the broker-dealer industry is warning New Jersey about the grave consequences of moving ahead with its proposed fiduciary rule -- but a consumer advocate group is urging the state not to be bullied by what are most likely empty threats.

Meanwhile, investor protection groups have thrown their support behind the New Jersey proposal.

Several aspects of the proposal are "vastly more protective of investors" than Reg BI, according to a comment letter submitted by 17 investor protection groups, including the Alliance for Retired Americans, Americans for Financial Reform Education Fund, the Consumer Federation of America and New Jersey Citizen Action.

**Nomura To Pay $26.5m To Settle SEC Charges | Politico Pro**
Nomura Securities International Inc., a unit of the largest Japanese securities firm, will pay $1.5 million in fines and $25 million in restitution to customers allegedly misled by its bond traders, the SEC announced today.

Nomura traders made false statements to customers while negotiating sales of commercial and residential mortgage-backed securities, the SEC said in two related orders. Traders allegedly lied about the prices at which Nomura had purchased securities and how much profit the firm would receive.

**SEC Warns LIBOR Transition Poses Risk For Those Unprepared | Politico Pro**
The Securities and Exchange Commission today warned that market participants could suffer a "significant impact" if they are unprepared to transition away from LIBOR, in the latest warning about the probable termination of the benchmark rate.

The SEC urged companies and investors to quickly determine their exposure to LIBOR under existing financial contracts or else face the consequences.

“The expected discontinuation of LIBOR could have a significant impact on the financial markets and may present a material risk for certain market participants, including public companies, investment advisers, investment companies, and broker-dealers,” SEC staff said in a statement.

## PRIVATE FUNDS

**News Release: Stop Wall Street Looting Act Would Curb Worst Private Equity Abuses**
“Private equity and hedge funds now wield enormous influence over the American economy, often with terrible consequences for workers and communities,” said Lisa Donner, executive director of Americans for Financial Reform. “We need effective rules of the road to stop predatory practices by these Wall Street giants.”

**News Release: Public Interest Groups Support Bill to Address Private Equity Abuses**

**News Release: Retail Workers Join Senators, Members Of Congress To Announce Bill To Stop Job-Destroying Private Equity | United for Respect**

**Legislation: Summary and Analysis of Stop Wall Street Looting Act**

**Elizabeth Warren Pitches New Constraints On Private Equity | Associated Press**
White House hopeful Elizabeth Warren is proposing new regulations on the private equity industry, pitching constraints designed to end what she decries as “legalized looting” by investment firms that take over troubled companies.

Warren’s plan, the latest in a series of policy ideas that have propelled the Massachusetts senator to the top tier of the 2020 Democratic presidential primary, would hold private equity firms liable for debts and pension promises made by the companies they buy up. It would restrict the firms’ ability to pay dividends as well as high fees that shift money out of acquired companies.

**Watch: Warren explainer video on private equity legislation.**

**Elizabeth Warren, In Detailed Attack On Private Equity, Unveils Plan To Stop ‘Looting’ Of U.S. Companies | Washington Post**
Sen. Elizabeth Warren (D-Mass.) on Thursday released a plan to attack some of the most controversial methods of private equity firms, the financiers who buy and sell companies for profit.

The plan from the 2020 Democratic presidential contender would take several significant steps to rein in the industry, including measures to block the private equity firms from stripping cash, real estate and other assets from the companies they take over.

Most critically, however, the plan would hold private equity firms responsible for the large debts that they use to buy companies. These debts, a hallmark of private equity investment, typically wind up as a burden to the targeted company, not the private equity firm, and have precipitated many bankruptcies.

**Watch: Sen. Baldwin Helps Introduce Legislation To Regulate The Private Equity Industry | MSN**

**Congressional Private Equity Critics Propose Sweeping Reforms | Pensions and Investments**

Legislation that would fundamentally reform the private equity industry with enhanced disclosure and liability and fewer tax advantages was introduced Thursday by 13 Democratic members of Congress, led by Sen. Elizabeth Warren, D-Mass.

The proposed Stop Wall Street Looting Act calls for public disclosure of fees and returns and would hold general partners liable for all portfolio companies' debt, including severance and pension obligations, that would gain priority in bankruptcy proceedings. It would end the tax treatment of carried interest, eliminate tax advantages of leverage-related debt and limit leveraged buyout distributions for the first 24 months.

**Elizabeth Warren Launched A New Attack On Private Equity: Here's How The Downfall Of Toys R Us Got Her There | CNBC**

Democratic presidential candidate Sen. Elizabeth Warren took aim Thursday morning at the private equity industry, proposing new regulations for an industry that some have blamed for the spate of retail bankruptcies over the past few years.

The attack was the latest shot at Big Business and its supporters since candidates Sen. Bernie Sanders, I-Vt., and Donald Trump whipped up populist fervor during the 2016 presidential campaign.

For politicians seeking broad support, private equity has become an easy target. The investment firms that do business by buying up companies and loading them with debt have been criticized for rewarding themselves with dividends while the businesses they own go under. Private equity firms were at the forefront of the so-called "retail apocalypse," which saw the destruction of many of the country's beloved retailers.

**Elizabeth Warren's Latest Wall Street Enemy: Private Equity | Vox**

Elizabeth Warren has a plan for the private equity industry — and they're probably not going to like it. For workers at the now-defunct Toys R Us, Payless, and Shopko, had her plan already been enacted, it could have made a difference.

This week, the Massachusetts Democrat unveiled the latest plank of her "economic patriotism" proposal to push American companies to operate in a fairer way and focus more on the interests of workers and consumers, this time with a focus on Wall Street. In a Medium post, she laid out various ideas for ways to end Wall Street's "stranglehold" on the economy. "To raise wages, help small businesses, and spur economic growth, we need to shut down the Wall

Street giveaways and rein in the financial industry so it stops sucking money out of the rest of the economy," she wrote.

Other backers include the AFL-CIO, Communications Workers for America, Public Citizen, the American Federation of Teachers, and the Working Families Party. "Private equity and hedge funds now wield enormous influence over the American economy, often with terrible consequences for workers and communities," said Lisa Donner, executive director of Americans for Financial Reform, one of the groups backing the bill, in a statement. "We need effective rules of the road to stop predatory practices by these Wall Street giants."

**CLO Market Faces Post-Crisis Rule Redux If Warren Gets Her Way (No Link Available) | Bloomberg**

Managers of collateralized loan obligations face the prospect of once again having to retain a portion of the deals they arrange under a policy proposal and legislation unveiled Thursday by Senator and Democratic presidential candidate Elizabeth Warren.

The suggested change to the CLO market is part of a larger plan mainly focused on curbing the excesses of the private equity industry. It would revive a requirement known as 'risk retention' -- intended to prevent a repeat of the subprime mortgage fiasco -- by forcing parties that repackage risky corporate loans to keep a slice of the securities they offer.

The CLO industry spent years fighting the rule -- saying it should only apply to banks that originate and securitize loans, not managers that buy them -- and it was largely released from the regulation in 2018.

The proposed change would likely take some of the air out a market that's ballooned in recent years, fueled by surging demand for higher-yielding assets. More stringent capital requirements may disproportionately impact smaller managers, potentially keeping them out of a market that saw a record $130 billion of issuance in 2018. It could also have knock-on effects for the $1.3 trillion leveraged loan industry, where CLO managers are the largest buyers.

**Elizabeth Warren Takes Aim at Private-Equity Funds | Wall Street Journal**

Elizabeth Warren is teaming up with a slate of fellow congressional Democrats calling for greater federal regulation of private-equity firms, which the presidential candidate likened to vampires in a policy proposal that would alter the way the funds acquire other companies.

Ms. Warren, a senator from Massachusetts, unveiled on Thursday legislation that would require private-equity funds to assume responsibility for the liabilities of companies under their control, including debt and pension-related obligations.

The bill, called the Stop Wall Street Looting Act of 2019, would also make private-equity firms legally liable when a company in their portfolio runs afoul of federal law. Ms. Warren contends that private-equity firms are only on the hook for their equity investments, not behavior at the firms, according to a Senate aide.

**Warren Bill Takes Aim At Private Equity 'Vampires' | American Banker**
Sen. Elizabeth Warren unveiled legislation Thursday to slap new rules on private equity and "useless speculation" on Wall Street while rolling back President Trump's deregulation of the financial industry.

A centerpiece of her "economic patriotism" plan is to transform private equity firms, which she said often act like "vampires" when they buy companies by "bleeding the company dry and walking away enriched even as the company succumbs."

The new bill from the former Harvard law professor and Massachusetts Democrat highlights her unique populist pitch for the Democratic presidential nomination — a promise to meld her understanding of Wall Street and federal regulatory powers to enact new regulations that she argues will force financial firms to better serve consumers and the middle class.

**Elizabeth Warren Has Another New Plan—And Wall Street Isn't Going to Like It | Mother Jones**
Elizabeth Warren has made fighting Wall Street central to her political career, and she's prepared to double down if elected president.

That's the overall message of Warren's newest detailed plan, unveiled on Thursday, to reel in financial industry excess, from high-risk investing to executive compensation to the private equity industry. The proposal is the second plank in her "economic patriotism" agenda, which Warren's campaign first announced last month when publishing plans to overhaul the country's trade and manufacturing policy.

"Wall Street is looting the economy and Washington is helping them do it," Warren writes in a Medium post outlining the proposal. "To raise wages, help small businesses, and spur economic growth, we need to shut down the Wall Street giveaways and rein in the financial industry so it stops sucking money out of the rest of the economy."

**Democrats Introduce Bill to 'Stop Wall Street Looting' | The Globe Post**
Democratic members of the House and Senate introduced new legislation on Thursday to end what they call "Wall Street Looting."

The "Stop Wall St. Looting Act" would create new rules for private equity firms that would prevent them from enriching themselves by charging management fees and passing on their debts to the companies they buy.

In theory, private equity firms are investment management companies that invest in or buy up businesses or start-ups for a mutually beneficial business arrangement. What often happens in practice, however, is equity firms end up transferring debt to the companies they invest in, cutting hours, and cutting jobs in order to maximize profits while the companies they invest in are crippled or even shut down.

“Private Equity firms raise money from investors, kick in a little of their own, and then borrow tons more to buy other companies,” Senator Elizabeth Warren, a sponsor of the bill,  wrote in an outline of the legislation on Medium.

**U.S. Democratic Candidate Warren Targets Private Equity In New Wall Street Proposals | Reuters**
U.S. Democratic presidential hopeful Elizabeth Warren on Thursday called for an overhaul of the private-equity industry as part of a new proposal targeting Wall Street.

“We need to shut down the Wall Street giveaways and rein in the financial industry so it stops sucking money out of the rest of the economy,” Warren said in a post on Medium.com announcing her proposal.

Warren and a group of Democrats also filed legislation on Thursday to implement the policy that the Massachusetts senator proposed through her campaign.

**In Sioux City, Elizabeth Warren Touts New Plan Aimed At Private Equity Firms | Des Moines Register**
Sen. Elizabeth Warren touted her new plan aimed at private equity firms — the companies that buy and sell companies for profit.

The Democratic presidential candidate released the plan Thursday morning before hitting the campaign trail in Iowa for two days. She also introduced the plan, called the "Stop Wall Street Looting Act" in the U.S. Senate on Thursday with other senate Democrats, including fellow presidential candidate Kirsten Gillibrand, D-NY.

It's just one of Warren's plans which she says will "rein in Wall Street" and make government work for the people — a message she's spread across Iowa during her campaign.

**The Finance 202: Elizabeth Warren's Pitch To Upend Private Equity Rattles Industry | Washington Post**
Warren, who honed her brand as a Wall Street scourge, insists drastic change is needed: Unveiling the "Stop Wall Street Looting Act" yesterday, she said that the private equity industry is “the poster child for financial firms that suck value out of the economy."

“Private equity firms raise money from investors, kick in a little of their own, and then borrow tons more to buy other companies,” she wrote in a Medium post. “Sometimes the companies do well. But far too often, the private equity firms are like vampires — bleeding the company dry and walking away enriched even as the company succumbs.”

**Elizabeth Warren’s Private Equity Plan Seeks to Strip Industry of Riches | Bloomberg**
Elizabeth Warren wants to force private equity executives to eat their own cooking.

Predictably, they aren’t thrilled.

The Democratic senator and candidate for president issued a proposal this week that would link the profits at private equity firms to the success -- or failure -- of the companies they buy and sell. She also proposed limiting certain tax breaks.

**At Last, Legislation to Stop Private Equity Abuses | The American Prospect**
The private equity industry represents the great, hidden-in-plain view predator of American capitalism. As the Prospect has detailed in numerous articles examining markets like newspapers, grocery stores, and retail, these firms are secret entities whose basic business strategy is to borrow money to buy healthy companies and then loot the assets.

Today, Senator Elizabeth Warren introduces the perfectly named Stop Wall Street Looting Act of 2019. Warren declared: “Let’s call this what it is: legalized looting -- looting that makes a handful of Wall Street managers very rich while costing thousands of people their jobs, putting valuable companies out of business, and hurting communities across the country.”

Should such a bill pass, what would be left of the private equity industry? Not much. Lisa Donner, executive director of Americans for Financial Reform, which helped spearhead the research that led to the bill, says firms could still provide management expertise and capital, like ordinary venture capitalists.

**Elizabeth Warren Takes Aim at Private-Equity Funds | Wall Street Journal**
Elizabeth Warren is teaming up with a slate of fellow congressional Democrats who are calling for greater federal regulation of private-equity firms, which the presidential candidate likened to “vampires” in a policy proposal that would alter the way the funds acquire other companies.

Ms. Warren, a senator from Massachusetts, unveiled legislation Thursday that would require private-equity funds to assume responsibility for the liabilities of companies under their control—including debt and pension-related obligations.

The bill, called the Stop Wall Street Looting Act of 2019, would also make private-equity firms legally liable when a company in their portfolio runs afoul of federal law. Ms. Warren contends that private-equity firms are only on the hook for their equity investments, not behavior at the firms, according to a Senate aide.

**Elizabeth Warren's New Plan Targets Wall Street And Private Equity 'Vampires' | CNN**
Elizabeth Warren pivoted her presidential campaign on Thursday to the issue that made the Massachusetts senator a hero of the progressive left long before she was first elected in 2012: Reining in Wall Street.

In an extensive plan released two weeks ahead of the second round of Democratic presidential debates hosted by CNN, Warren is calling for the reinstatement of a modern Glass-Steagall Act, which would wall off commercial from investment banks, new restrictions on the private equity industry, and legislative action to more closely tie bank executives' pay to their companies' performance.

The proposal is red meat for the Democratic party's liberal base, which has zeroed in on Wall Street speculation as a root cause of growing economic inequality. Backlash from the financial industry would be an added bonus for Warren's campaign, which is keen to remind primary voters of her long record of opposing deregulation and supporting stricter rules on the big banks and other corporate lenders. The plan arrives as Warren climbs in most public polling of the 2020 race, placing her in firmly in a four-candidate mix -- with former Vice President Joe Biden, and Sens. Bernie Sanders of Vermont and Kamala Harris of California -- at the front of the pack.

**AIC Issues Statement on Warren's Harmful Economic Proposal | American Investment Council**
Today, American Investment Council President and CEO Drew Maloney issued the following statement regarding an economic plan proposed by Senator Elizabeth Warren (D-MA) that targets private equity:

"Private equity is an engine for American growth and innovation – especially in Senator Warren's home state of Massachusetts. Extreme political plans only hurt workers, investment, and our economy."

**Wall Street's Great Ice Cream Buyout | Bloomberg**
Cold storage is the kind of niche business that Wall Street long ignored—it amounts to just 3% of public warehouses—but now it has become its latest darling. Roughly two dozen private equity firms have latched onto this corner of industrial real estate. They're aiming to capitalize on the growing preference for grocery deliveries to homes, which requires warehouse space, and looking for a hedge in the next recession. (Eating isn't cyclical.) And two companies, Americold Realty Trust and Lineage Logistics, have grabbed 60% of the sector in the U.S. and Canada, expanding through a rapid-fire series of acquisitions.

**Julián Castro And The Predatism Of Private Equity | Wall Street Journal (Helaine Olen)**
Of all the places for an aspiring Democratic candidate to muff a question about private equity firms, close to the worst right now would be Philadelphia, host of the recent Netroots Nation conference. Many conference attendees joined a rally Thursday to protest the scheduled closing of the city's Hahnemann University Hospital. The hospital's crime? It's low income population apparently isn't lucrative enoughfor the private equity firm that owns it. It's also widely rumored the site would make its owner more money if sold off for the value of its real estate. About 2,000 people are expected to lose their jobs.

So when former housing and urban development secretary Julián Castro took questions at the event's Saturday presidential forum, surely he should have had an answer at the ready for attendee Sarah Woodhams, a former employee of Toys R Us, another company gutted by private equity firms, who asked, "As president, what would you do to hold hedge funds and private equity accountable for destroying our communities and our livelihoods?"

He did not. "I don't believe any bank or company is too big to fail," Castro responded, before going off on a tangent discussing how he would hold Wall Street accountable if there is another housing crisis. None of this, needless to say, has anything to do with why Woodhams lost her job or why Hahnemann University Hospital may close: Companies such as Toys R US and institutions such as Hahnemann are being set up to fail so the wealthy can make a buck.

**Bernie Sanders Slams PE Over Expected Hospital Closing | PitchBook**
Bernie Sanders has spent his political career touting a populist platform that decries any form of perceived Wall Street greed. And the Vermont senator has never been shy to slam the private equity industry in particular when investors make morally questionable decisions to fulfill their fiduciary responsibilities or simply to enrich themselves.

The latest example came this week when the Democratic presidential hopeful visited Philadelphia to protest the planned closure of Hahnemann University Hospital, which offers a range of medical services for the city's poorest residents. Speaking to about 1,500 hospital workers and other supporters, Sanders criticized Los Angeles-based investor Joel Freedman and his private equity firm, Paladin Healthcare. In 2017, Paladin and its portfolio company, American Academic Health System, bought the hospital and St. Christopher's Hospital for Children from Tenet Healthcare for a reported $170 million. MidCap Financial, the financing arm of Apollo Global Management, served as the lender, per reports.

**A Hedge Fund Stripped My Newspaper For Parts. Now, Elizabeth Warren Has A Plan To Fight Back | Newsweek (Julie Reynolds)**
When I first became a reporter at the Monterey Herald in 2004, it was a feisty and robust local newspaper covering a midsize California county. We did what local news is supposed to do: We investigated sky-high water rates, exposed investment scams and held public officials to account.

Then the New York "vulture" hedge fund Alden Global Capital took over our chain, Digital First Media, in 2012. Since then, scores of papers across the country have been stripped for parts under Alden's chop-shop approach to the businesses it touches.

Hedge funds must be held accountable, and even more so when they control the news. When private equity buys a company to add to its portfolio, workers and communities are left in the dark. They don't know who owns the company, don't know how much debt was used to make the purchase or who is obligated to repay it. They don't know who has responsibility for their successes or failures or who controls their pensions.

The Stop Wall Street Looting Act unveiled Thursday by Senator Elizabeth Warren of Massachusetts addresses these unknowns.

**Elizabeth Warren Targets ‘Vampires’ In Attack On Private-Equity Industry | MarketWatch**
Sen. Elizabeth Warren on Thursday unveiled a proposal for new rules on private-equity firms, likening companies to vampires as she took her latest get-tough approach to the financial industry.

Legislation from the 2020 presidential candidate and fellow Democratic lawmakers would require private-equity firms to assume the debts and pension obligations of the companies they buy, as well as prevent loans to private-equity-owned firms already in debt, and make other policy changes.

“Sometimes the companies do well,” Warren said in a post on Medium about the acquisition targets of private-equity firms.

“But far too often, the private-equity firms are like vampires — bleeding the company dry and walking away enriched even as the company succumbs,” she added.

**Elizabeth Warren's New Plan Targets Wall Street And Private Equity 'Vampires' | CNN**
The proposal is red meat for the Democratic party's liberal base, which has zeroed in on Wall Street speculation as a root cause of growing economic inequality. Backlash from the financial industry would be an added bonus for Warren's campaign, which is keen to remind primary voters of her long record of opposing deregulation and supporting stricter rules on the big banks and other corporate lenders. The plan arrives as Warren climbs in most public polling of the 2020 race, placing her in firmly in a four-candidate mix -- with former Vice President Joe Biden, and Sens. Bernie Sanders of Vermont and Kamala Harris of California -- at the front of the pack.

"In the lead-up to the 2008 crisis, I rang the alarm bell as I saw the same tricks and traps emerging in mortgages," Warren says, recalling her pre-Senate record, in a Medium post. "And after I proposed a new federal agency to protect consumers -- and President Obama signed that agency into law in 2010 -- I spent nearly a year setting up the new Consumer Financial Protection Bureau and helping write new rules to crack down on financial scams."

**Warren Hits Wall Street, Targets Private Equity Firms For ‘Legalized Looting’ | Boston Globe**
Senator Elizabeth Warren on Thursday escalated her long battle with Wall Street, calling for new rules to curtail the private equity industry by making firms responsible for the debts and other obligations of the companies they purchase, and changing tax rates and loopholes that aid them.

Accusing the industry of “legalized looting,” Warren castigated private equity firms for lining their pockets even when the companies they purchase fail, connecting the issue to the growth of corporate profits and the stagnation of wages in the American economy.

“Far too often, the private equity firms are like vampires — bleeding the company dry and walking away enriched even as the company succumbs,” Warren wrote in a Medium post announcing her plan. “Washington has done little to rein these firms in or to ensure that their incentives align with the best interests of the economy.”

**At Netroots Nation, a Worker’s Voice Spoke Volumes | The American Prospect**
The Netroots Nation presidential candidate forum was a sleepy affair, with four hopefuls mostly rehashing existing positions before a generally admiring audience. But one moment shook that

up, when Sarah Woodhams, a 33 year-old former employee at Toys “R” Us, took the stage with her baby to pose former Housing and Urban Development secretary Julián Castro a question.

As the Prospect has documented, private equity firms KKR and Bain Capital, along with real estate firm Vornado, took over Toys “R” Us in a leveraged buyout and dumped over $5.3 billion in debt on the company, digging a hole that proved impossible to climb out from. Toys “R” Us operating income grew each of its final three years, and in 2017, its final year, it was responsible for 1 out of every 5 toys sold in the U.S. But the $450 to $500 million in annual interest payments pushed the retailer into insolvency, while the private equity managers walked away with advisory and management fees, deductions, and tax write-offs.

This is a troublingly familiar story: private equity loads up companies with debt, strips out the profits, and leaves an empty carcass along the road in the aftermath. It has become a particular tragedy for the retail industry, a sector with 4.85 million workers that has seen dozens of private equity-induced bankruptcies over the years, leading to lost jobs and misery for hundreds of thousands of families.

**Buyout Firms Eye Bargains From Brexit Britain | Private Equity News**
Private equity firms spent the first half of the year reluctant to fill their cupboards with UK investments. But now, impatient to spend the record piles of cash they have amassed, buyout groups are whizzing around the markets looking to fill their shopping trolleys with bargains. And public companies are at the top of the list.

In June alone, there were almost $10bn-worth of private equity deals in the UK announced across several sectors, making it by far the most active month this year, according to data from Preqin.

**Warren, Ocasio-Cortez Press Shopko’s Owner on Severance Pay | Bloomberg Law**
Senator Elizabeth Warren and Representative Alexandria Ocasio-Cortez are asking executives at Sun Capital Partners Inc., the private equity firm that owned department store Shopko until its liquidation this year, to explain what they’re doing about severance pay for workers who lost their jobs.

In a letter sent July 19 to co-Chief Executive Officers Marc Leder and Rodger Krouse, the lawmakers asked whether Sun Capital is breaking its promise to provide the extra pay.

**Sen. Baldwin Seeks Input From Shopko Employees Left Without Severance | Green Bay Press Gazette**
Baldwin, D-Wis., said she met with the former employees Saturday at her field office in Green Bay to gather input for legislation she hopes can prevent the same fate for more workers and companies.

She described what happened to Shopko after Sun Capital Partners bought it in 2005 as straight out of the "private equity playbook." She said firms like Sun Capital acquire companies like Shopko and sell off assets like real estate, keep profits rather than reinvesting them, add debt to balance sheets and leave workers and communities unpaid.

**Putting the Equity Back Into Private Equity | Wall Street Journal**
Rising stock valuations are forcing private-equity firms to contribute more cash to their leveraged buyouts. That is likely to drag down performance in the long term even as pensions and other investors increasingly turn to private equity to boost returns.

Private-equity firms contributed 52% to the purchase prices of companies they bought in the second quarter of the year, according to data from research firm Covenant Review, a unit of Fitch Solutions, up from 45% in the first quarter. That compares to an average of 47% and marks the highest quarterly figure since Covenant Review began tracking the data in January 2017.

## STUDENT LOANS AND FOR-PROFIT SCHOOLS

**Statement: Income-Share Agreements Are Just Student Debt With A Fancy Name**

**Trump Picked His Perfect Education Secretary in Betsy DeVos | Bloomberg Businessweek**
There's something mildly disingenuous about DeVos's contention that she's been the subject of undue scrutiny. She came to Washington in 2017 to serve Trump, who had agreed to pay $25 million the previous winter to settle claims that his namesake for-profit university bilked students. For decades, DeVos has promoted what she refers to as "school choice," arguing that parents should be able to decide which school their children attend—with the government providing subsidies in the form of vouchers if they select a private one. Small wonder she has encountered opposition not just from Democrats and their teachers' union allies, but also Republicans in rural states where traditional public schools are often the sole option.

Yet DeVos has been surprisingly effective on one front, and it could change the U.S. education landscape for decades. In early May she was feted by the conservative Manhattan Institute in New York, where she reeled off a list of the Obama-era initiatives she'd overturned or was in the process of reversing concerning civil rights and student protections. It was almost as if she were displaying a collection of scalps. "We're breaking the stranglehold Washington has on America's students, teachers, and schools, starting with all the social engineering from the previous administration," she boasted. Outside, protesters all but called for her head. Inside the marble-columned banquet hall, listeners repeatedly interrupted her with applause.

**Private Student Loan Debt Growing for College Students | Bloomberg**
In the pecking order of meeting college costs, consumers usually don't turn to private student loan markets until they have exhausted all other means. And for good reason -- private loans are generally more expensive and more difficult to obtain.

While the private student loan debt market is just a sliver of the $1.6 trillion in outstanding student loans, it has grown to more than $100 billion with 1.4 million borrowers, according to a report by LendEdu.

Private student loans are offered by private lenders seeking a profit. Typically, interest rates are higher and a good credit score is needed to qualify. Private loans are by no means guaranteed. Only about a third of loans were approved with a co-signer this year, based on a Lendedu database of about 200,000 private student loan applicants. Fewer than one-in-10 applicants were approved without a co-signer.

**All The Ways Student Debt Exacerbates Racial Inequality — 'It's Like Landing In Quick Sand' | MarketWatch**

The gulf in wealth between black and white families underpins much of the disparity in borrowers' experiences. The wealth gap means that black students are more likely to borrow for college than their white peers, and they tend to borrow more.

Student debt is "a fact of life for students of color if they want to attain higher education," said Mark Huelsman, associate director, policy and research, at Demos, a left-leaning think tank. That's the case if they attend public colleges and even public, two-year colleges, he added. "The bigger problem is that the payoff to a college degree is lower for students of color than it is for white students," Huelsman said.

**There's Too Much Emphasis On Reducing Student Loans And Not Enough On Reducing Risk | Washington Post**

If higher education is ever going to break the cycle of endless tuition increases matched by ever-increasing student debt, an essential step will be to find innovative alternatives that reduce the risks involved and give colleges an incentive to send graduates into the world with educations that make them coveted by employers. Over the past decade, dozens of colleges across the country — most of them smaller institutions, which are especially vulnerable to declining enrollment and falling revenue — have begun trying alternatives that could help point the way.

Taking a page from the retailing playbook, colleges including Pacific Lutheran University in Washington, Keystone College in Pennsylvania and Houghton College in New York offer their student-customers financial assistance in paying back loans after graduation if a borrower doesn't land solid employment.

Each program is unique, but they generally operate by providing payments to the student borrower to reimburse federal and private student loan payments for as long as the borrower's income stays below a predetermined income threshold. At Pacific Lutheran University, the PLU Pledge provides financial assistance to help borrowers who earn less than $43,000 annually after graduation. Borrowers who make $20,000 or less annually are reimbursed for 100 percent of their student loan payments. As a borrower's income rises toward the $43,000 threshold, the reimbursement rate is reduced. The assistance continues until the borrower's income surpasses $43,000 or until the loans are completely paid off.

**Department of Education Hit with Lawsuit Over Mismanaged Student Loan Forgiveness Programs | Legal Reader**
Student loans have been in the news a lot, with many presidential hopefuls touting promises of student loan forgiveness and what not. But how realistic is total student loan forgiveness, especially when people currently signed up for forgiveness programs are having trouble getting their loans forgiven? For example, a recent lawsuit filed Thursday against the U.S. Department of Educations and Education Secretary Betsy Devos claims millions of public sector employees, including teachers, "have been denied relief of their student loan debt under government programs because of mismanagement by the U.S. Department of Education."

The lawsuit was filed by the American Federation of Teachers on behalf of a handful of alleged victims. It argues the Department of Education has "long bungled its management of the programs, leaving borrowers who followed the rules stuck with their entire student debts." The complaint states:

"(The department) has eviscerated the statutory promise of loan forgiveness for those who have spent a decade or more in public service dutifully repaying their loans."

**The Charter School Primary | The American Prospect**
When Bernie Sanders, the Vermont senator running for president, released his wide-ranging education plan in mid-May, most of the media coverage focused on his proposals around charter schools. Commenters specifically focused on his calls to ban for-profit charters, which represent about 15 percent of the sector, and to halt federal funding for new charter schools until a national audit could assess the impact of charter growth in each state.

To fight back, many charter supporters have sought to cast Sanders as uniquely extreme on the issue, especially in his efforts to link charter schools with segregation. But it's hard to target Sanders as extreme when the entire 2020 field has joined and even surpassed Sanders on the issue. The charter school movement's complete loss of clout in the Democratic Party is one of the more surprising stories of the election cycle.

**Education Department Scrutinizes Foreign Funding To U.S. Campuses | Politico Pro**
The Trump administration is stepping up scrutiny of foreign gifts and contracts that flow to U.S. colleges and universities, warning campus officials that they need to more fully report such arrangements to the government.

Education Department officials in recent weeks have opened investigations into at least four large universities over alleged failures to properly report foreign funding: Georgetown University, Texas A&M University, Cornell University and Rutgers.

And the Trump administration has signaled that it's planning additional steps to beef up enforcement of federal rules governing foreign gifts to colleges. For instance, department officials are considering publishing a notice declaring that colleges' compliance with the foreign gift reporting requirement "is in the national security interest of the United States," according to a July 3 letter sent by Deputy Education Secretary Mick Zais.

## SYSTEMIC RISK

**Letter to Regulators: [Letter to Federal Reserve on Bank Ownership and Control]**

**[If Cracks Are Forming In The US Economy, Banks Didn't Get The Memo] | CNN**
If a [recession] is brewing in the United States economy, it will come as a surprise to the nation's largest banks.

Big banks are [hauling in fat profits], driven not by the ebbs and flows of [fickle financial markets], but by strength in the real economy. Specifically, they're cashing in on steady growth in spending and borrowing from American households — the main driver of the US economy.

During the second quarter, Bank of America ([BAC]) and JPMorgan Chase ([JPM]), the [two leaders] of the US banking industry, each made more money than ever before. Even scandal-ridden Wells Fargo was [able to grow its customer deposits].

Banks, which are at the front line of the economy and talk to business clients every day, struck an optimistic tone about the health of the US economy — even as they warned of negative repercussions from looming rate cuts by the Federal Reserve that are aimed at speeding growth.

**[Could Climate Change Spark a Financial Crisis? Candidates Warn Fed It's a Risk] | Inside Climate News**
A few of the Democrats running for president have started warning about climate change in a way that voters rarely think about yet can profoundly affect their lives. To sum it up: If you think the housing crisis was bad, wait until you see how the climate crisis plays out for financial markets.

The candidates are urging the Federal Reserve—the United States' central bank—to work with financial institutions around the world to confront climate risks that could trigger cascading collapses.

They also want regulators to ensure that America's financial system is resilient to the impacts of climate change.

**Watch: [This Risk could 'Stop the Market in its Tracks'] | CNBC**
Even if the Federal Reserve cuts rates later this month, Wilmington Trust's Meghan Shue warns the market is vulnerable to a correction.

Shue sees a number of red flags that could prevent stocks from staying at record highs. She shifted to neutral from positive on the market in early May in reaction to the U.S.-China trade talks breaking down.

**Banks Get the Late-Cycle Blues | Wall Street Journal**
Banks are showing symptoms of late-cycle exhaustion.

Quarterly results from a trio of big U.S. lenders showed slowing loan growth and declining net interest margins. Goldman Sachs looks less impacted than peers thanks to a well-timed diversification drive but, if the economic cycle does turn, none look attractive.

The timing of Goldman's expansion into consumer lending is also fortuitous, as that business remains a bright spot for many banks. The risk is that an economic downturn will cause losses, especially on the kind of unsecured consumer lending with which Goldman is experimenting. Given the small scale of this lending, though, any fallout would be manageable for the bank, at least in this cycle. On the other hand, many of Goldman's core businesses, from trading to investment banking, are highly cyclical. Its shares are no place to hide out if a recession is coming.

## ELECTIONS, MONEY, AND POLITICS

**Alexandria Ocasio-Cortez Outraises PAC-Backed Democrats On Finance Panel | Politico**
Reps. Alexandria Ocasio-Cortez and Katie Porter are proving that you don't need Wall Street money to raise big bucks on the House Financial Services Committee.

The freshman Democrats have emerged as two of the top fundraisers on the powerful panel, which has long been a draw for corporate campaign contributions because of its sprawling jurisdiction over the finance industry.

But Ocasio-Cortez, Porter and other progressives who joined the committee this year are shunning contributions from corporate political action committees and don't appear to be suffering for it. That's due, in no small part, to their star power and the attention they've gotten from viral hearing moments where they've faced off against bankers and Trump administration officials.

**Bank Lobby Builds 'Political Machine' to Spend for 2020 House and Senate Races | CNN**
The trade association for the nation's banking industry is ramping up its political operation in Washington, planning an eight-figure effort to shape more congressional races in 2020 than ever before.

"We're building a political machine here that I think is critically important to help complement our public policy direction," Rob Nichols, the CEO of the American Bankers Association, told CNN in an interview.

The ABA's so-called Voter Education Fund, which it set up last election cycle to buy ads, polls and opposition research, support "get out the vote" efforts and train candidates, spent more than $1 million in 2018 and engaged in a dozen congressional races.

In 2020, Nichols said the fund will be "exponentially larger."

## OTHER TOPICS

**Statement for the Record: Statement to House Financial Services Committee on Facebook Libra Proposal**

**Watch: Congressional Briefing on Facebook's "Libra" Cryptocurrency**

**Mnuchin Voices 'Serious Concerns' About Facebook Currency | Politico Pro**
Treasury Secretary Steven Mnuchin today became the latest U.S. government official to voice reservations about Facebook's planned Libra digital currency, saying the company must comply with the same anti-money laundering regulations that govern financial institutions.

"The Treasury Department has expressed very serious concerns that Libra could be misused by money launderers and terrorist financiers," Mnuchin said in a press briefing at the White House, adding that virtual currencies have been "exploited to support billions of dollars of illicit activities."

**Watch: Former CFTC Advisor Sees 'Mistrust' as Libra's Fatal Flaw | CoinDesk**
Jeff Bandman, Lecturer in Global Affairs at Yale University, is an advisor at the U.S. Commodity Futures Trading Commission (CFTC) where he spun up LabCFTC. In this chat with CoinDesk's Pete Rizzo, he talks about "murder boards" and what it took for Facebook's David Marcus to face off the Federal Government.

Bandman believes Facebook's biggest problem is mistrust.

**The Fed Has No Interest in Regulating Facebook's Libra | Bloomberg**
Comments by Federal Reserve Chairman Jerome Powell to Congress last week that he has "serious concerns" about Libra, Facebook Inc.'s proposed new cryptocurrency payment system, has been cited as a major reason for the recent drop Bitcoin and other digital currencies. The link is tenuous, since Powell said virtually the same things before. Anyway, it's what he didn't say that's significant.

Powell passed up every opportunity to assert Fed intention to regulate cryptocurrencies—by default suggesting that Congress can either allow patchwork regulation or pass legislation to enhance the responsibilities and powers of the Fed or some other regulator. More specifically, Powell repeatedly refused to say the Fed would do anything about Libra other than be concerned about certain things. Powell gave the definite impression of a mildly interested spectator rather than an active participant with crisp answers and strong views—or even someone making an effort to acquire strong views.

**Facebook Executive Promises To Take Time With Libra | Politico Pro**
A top Facebook executive overseeing the company's foray into digital currency will pledge to lawmakers Tuesday that "we know we need to take the time to get this right," as the social media giant faces mounting concerns from policymakers including calls for a delay.

"I want to be clear: Facebook will not offer the Libra digital currency until we have fully addressed regulatory concerns and received appropriate approvals," said David Marcus, who heads Facebook's Calibra financial services subsidiary, in written testimony submitted to the Senate Banking Committee.

**Ex-CFTC Advisor: Facebook's Libra Could Be Both Security and Commodity | CoinDesk**
"Is it a security? Is it a commodity pool? Is it a payment token? Is it a utility token? It's a particularly important question … not just domestically, but also internationally."

So said Jeff Bandman, a former fintech advisor at the U.S. Commodity Futures Trading Commission (CFTC), speaking to CoinDesk about Facebook's Libra cryptocurrency in a live broadcast on Tuesday.

"It's not as if Facebook can just select the category itself identifies with … and regulators will just agree to it. They [the regulators] will look behind the scenes, not just the form [of Libra], but the substance and function, and they will decide what it is."

His comments come just a day after former CFTC chairman Gary Gensler argued in prepared remarks to the U.S. House of Representatives that in his view, Facebook's Libra appears to be an investment vehicle, is thus a security, and should be regulated as such.

However, Bandman argued that, given Facebook's ambitious is to reach its customers at a global scale, definitions of the token will likely vary.

**Digital Currency Battle Shows Facebook Lobbying Falling Flat | Politico Pro**
Facebook is botching its dream of becoming a new powerhouse in finance, failing to win over lawmakers and regulators who say they are far from ready to allow the social media giant's ambitious cryptocurrency plans to move forward.

With back-to-back Senate and House hearings set to kick off Tuesday morning, key lawmakers and aides from both parties said in interviews that they had not yet had the chance to meet with Facebook or had gotten incomplete, at times conflicting, information from briefings involving the company.

The backlash from Congress — fueled in part by Facebook's weak lobbying push — will likely feed efforts by regulators in the U.S. and EU to crack down on Libra, raising questions about whether its 2020 launch will proceed as planned.

**[IMF Calls For Digital Currencies Oversight](#) | Politico Pro**
The International Monetary Fund called on authorities to monitor risks from cryptocurrencies such as Facebook's Libra proposal, in a speech today by acting head David Lipton.

Virtual money could create “new monopolies” making money from consumers' personal data, while raising risks of financial instability or criminal activity, the IMF chief said, pointing to a paper published by the IMF on Monday.

**Two Economists Fuel Democratic Debate Over How Far Left to Go | Wall Street Journal**
For decades, William Darity Jr. and Darrick Hamilton toiled in obscurity. They criticized mainstream economists and politicians for failing to address racial inequality, and touted more radical remedies of their own.
Now, with the 2020 presidential campaign under way and liberal Democrats ascendant, the two economists are in the spotlight, thrust into the middle of an intraparty debate over how much to embrace big government and a race-oriented message.
Their signature ideas—guaranteed jobs for all adult Americans seeking them, government-backed trust funds for American babies and reparations for slave descendants—are being talked about on the campaign trail and, in the case of reparations, during a raucous congressional hearing in June.

**Rabid Inequality? Some On Wall Street Increasingly Blaming The Fed | Forbes**
Money goes to money. And QE and low credit costs make that all the easier.
Imagine a 25% return on a measly $1,000 investment. That’s $250. That will barely get you and a guest into Yankee Stadium. Hopefully you don’t have to park anywhere. Or eat. Or drink.
Now imagine a 25% return on a $1 million investment. That’s $250,000, which is about four times the median household income in the U.S.
For the first example, that 25% return goes to one Yankees game with your child.
For the second example, it buys your kid a 1 bedroom apartment at the luxurious Met 1 overlooking Biscayne Bay in Miami.
Low interest rates require investors to take on more risk. Most investors are investing for retirement. A few are investing to create even more wealth. They have a lot of money to play with, either as high-net-worth individuals or as endowments at places like Harvard University. They are buying stocks.