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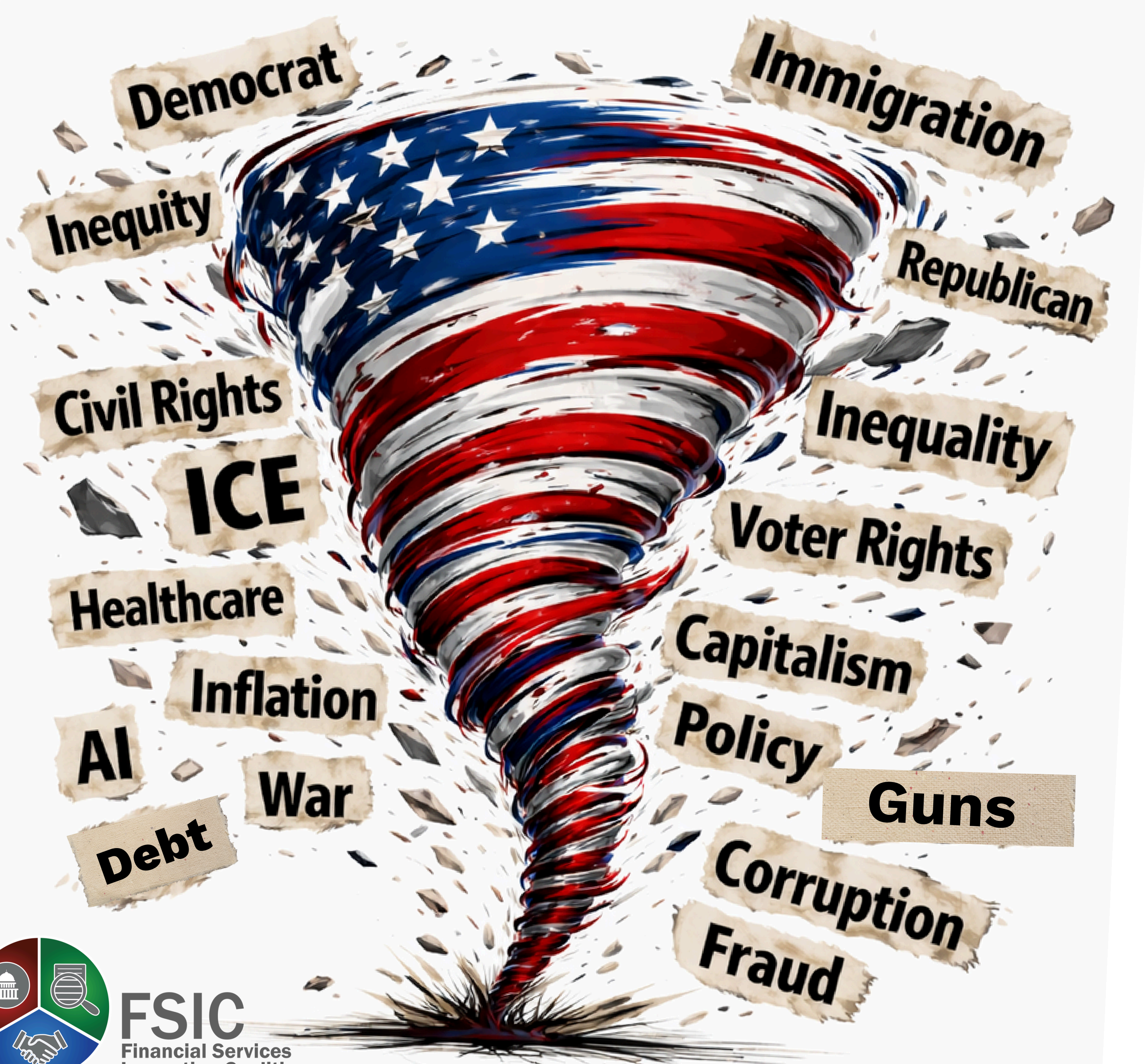
Uphill Governance in a Political Tornado



FSIC
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Letter from the editor: Kevin B. Kimble, Esq.

The United States is governing through chaos, and the cost of continued inaction is accelerating. What we are witnessing is not a series of isolated policy failures, but a compounded breakdown of governance itself. Healthcare instability, immigration paralysis, economic exclusion, technological misuse, foreign policy drift, and the erosion of the rule of law are converging into a single, destabilizing force. Policymakers must confront this reality directly: the current system is failing to deliver legitimacy, equity, or stability.

Healthcare insecurity, economic inequality, and immigration dysfunction are no longer separable issues. They are symptoms of a governing framework that has failed to modernize. Millions remain one medical emergency away from financial collapse. Labor markets rely on immigrant communities while denying them lawful, humane pathways to participation. Small businesses and minority-owned enterprises are locked out of capital despite driving local growth. These outcomes are not accidental. They are the result of policy choices that prioritize preservation of outdated systems over equitable outcomes.

This dysfunction is now being magnified by rapid technological change. Artificial intelligence, automated decision-making, data-driven finance, and digital assets are already determining who gets credit, insurance, employment, healthcare access, and government services. In the absence of clear rules, these systems are embedding historical bias into digital infrastructure at scale. Without intervention, technology will not disrupt inequality—it will harden it.

The rule of law is the connective tissue holding these failures together. Selective enforcement, regulatory ambiguity, and legislative paralysis have created uncertainty for markets and communities alike. Equity cannot exist where laws are applied inconsistently. Innovation cannot thrive without predictable governance. Democracy cannot function when large segments of the population experience government as arbitrary or inaccessible.

Foreign policy instability reflects this same internal weakness. A nation unable to govern emerging technology, financial systems, and social inclusion at home cannot credibly lead abroad. Global economic power is increasingly defined by who sets the rules for data, artificial intelligence, digital finance, and consumer protection. Retreating from that responsibility cedes influence and undermines long-term national security.

This moment does not call for rebuilding the old order. It requires a new modern Reconstruction, one designed for a multiracial, digital, and globally integrated economy. That reconstruction must be policy-forward and explicit: minorities and historically excluded communities must participate directly in designing the laws, regulatory frameworks, and economic systems that govern the 21st century. Inclusion after harm is insufficient. Equity must be engineered into policy at the point of creation. ***FSIC*** has consistently argued that financial inclusion, consumer protection, access to capital, responsible innovation, data equity, artificial intelligence governance, and digital asset oversight are civil rights issues in a modern economy.

This is not ideological. It is operational. Stability, growth, and democratic legitimacy depend on inclusion. A system that consistently excludes large segments of its population cannot sustain itself.
History will not measure this period by intentions or rhetoric. It will measure whether those with authority acted decisively while there was still time. The next era of American governance must be more inclusive, more accountable, and more just than the last—or it will fail.

White Paper: History, Honesty and Economic Justice

By: Darold Cuba

Executive Summary: "True reconciliation does not consist in merely forgetting the past." Nelson Mandela's warning frames this white paper's central argument: the United States cannot achieve a fair, resilient economy without honestly confronting the historical roots of its racial wealth gap. Far from being accidental or cultural, today's vast economic disparities—particularly between Black and white households—are the direct result of deliberate public policy choices and sanctioned violence spanning slavery, Jim Crow, and the twentieth century.

The paper demonstrates that Black Americans were systematically denied wealth-building opportunities while white Americans were repeatedly subsidized. Broken promises such as "40 acres and a mule," exclusion from land grants under the Homestead Act, the destruction of prosperous Black communities through racist terror, and federal policies like redlining and the discriminatory administration of the GI Bill collectively engineered the modern racial wealth gap. These were not isolated injustices but a coherent system of advantage and exclusion whose effects compound across generations.

The analysis rejects the myth that present-day inequality reflects individual effort or merit. Instead, it argues that inequality was created by policy—and therefore can be reversed by policy. Honest historical reckoning is presented not as moral symbolism, but as a practical prerequisite for effective economic solutions and genuine national reconciliation. Suppressing or sanitizing this history, as seen in recent curriculum bans, only entrenches "historical amnesia" and blocks meaningful reform.

The paper outlines a path forward grounded in truth-telling and repair: robust history education, formal acknowledgments, truth and reconciliation processes, and targeted investments in housing, education, and finance. It underscores that the United States already has precedents for reparative action and highlights global examples—such as Germany's post-Holocaust reparations—that show accountability strengthens nations rather than divides them. Economically, the case is blunt: racial inequality has cost the U.S. trillions in lost GDP.

Confronting the past is not divisive; it is necessary. The full white paper, expanding this argument and its policy implications in detail, will be released soon.

Despite Claims, Economic Headwinds Rise for Consumers

By: G. Michael Flores, CEO, Bretton Woods Inc.

Headline indicators continue to suggest resilience in the U.S. household sector, but that assessment is increasingly incomplete. While aggregate balance sheets remain large in nominal terms, households' capacity to absorb shocks has deteriorated materially. Higher leverage, uneven income growth, and the re-emergence of fixed-payment obligations are converging as labor market momentum softens and credit availability tightens.

As of Q3 2025, total U.S. household debt stands near $18.6 trillion (FRBNY). Mortgage balances comprise roughly $13.0 trillion, while non-mortgage liabilities continue to rise: approximately $1.2 trillion in credit card debt, $1.66 trillion in auto loans, and $1.65 trillion in student loans. These levels are not, in isolation, destabilizing. Their significance lies in who holds the debt, at what cost, and with how little buffer.

Delinquencies: Concentrated Stress, Not Aggregate Collapse

Aggregate serious delinquency rates remain contained near 2.8%, but this masks increasingly concentrated deterioration. Credit card delinquencies are rising fastest among lower-income households, where pandemic-era excess savings have been exhausted, and price pressures remain most binding. Auto loan stress is intensifying among subprime and near-prime cohorts, driven by higher vehicle prices, higher interest rates, and longer loan terms.

Student loans represent the sharpest inflection. Following the resumption of repayment and credit reporting, serious delinquency rates have risen from below 1% to above 7% year-over-year.

While part of this increase is mechanical normalization, it nonetheless reveals a large population of borrowers with minimal repayment elasticity. The issue is not mass default, but the absence of financial slack once payments resume.

Labor Markets: Deceleration Beneath the Headline

The unemployment rate has remained between 4.1% and 4.6% through late 2025, but labor market quality has weakened. Payroll growth has slowed, hiring has become more selective, and job openings have declined materially from post-pandemic highs. Cooling is most evident in wage-sensitive and discretionary sectors, where firms are responding to margin pressure and softer demand.

Real wage growth has turned modestly positive, roughly 1.4–1.5%, but this is insufficient to rebuild household balance sheets after several years of real income compression. For a growing share of households, incremental wage gains are being absorbed by higher debt servicing costs, not savings or discretionary consumption.

Shock Absorption Is Limited

The key vulnerability is not leverage per se, but thin margins. A rise in unemployment to the mid-6% range, consistent with mild historical recessions, would materially stress households already operating close to cash-flow break-even. Even modest income disruptions, hours cuts, job transitions, or volatility in earnings could quickly translate into higher delinquency rates.

Crucially, households no longer benefit from the extraordinary policy insulation of the early 2020s. Excess savings have largely been depleted, fiscal transfers have normalized, and refinancing channels are constrained by higher interest rates.

Credit Tightening Amplifies Asymmetry

Lenders are responding rationally. Banks and nonbanks are selectively tightening underwriting standards, particularly for higher-risk borrowers. This is not a system-wide credit freeze, but it meaningfully reduces households' ability to refinance, consolidate debt, or smooth temporary income shocks. Credit is becoming less available precisely where balance sheet flexibility is weakest.

Why This Matters

This is not the forecast of an imminent household debt crisis. It is a warning that the household sector is operating with a much narrower margin for error than headline statistics imply. The risk is distributional before it is systemic, but distributional stress scales.

When millions of households simultaneously reduce consumption to manage cash flow, the macro effects accumulate: slower demand growth, uneven increases in delinquency, and localized credit losses that propagate through the economy.

The American household is not collapsing. But it is less resilient, more rate-sensitive, and increasingly exposed to relatively modest adverse shocks. In that environment, fragility, not leverage alone, is the binding constraint.

ACA Healthcare Subsidy Elimination - Probable Outcomes for Workforce Health and Productivity

By: Brady J. Buckner, Editor & President, FSIC

A less healthy workforce is bad for business and will adversely affect GDP. If the enhanced Affordable Care Act (ACA) premium subsidies expire, the result will not be a marginal policy adjustment - it will be a significant, predictable shock to health coverage, health outcomes, and the economy. Millions of people will lose insurance or become effectively underinsured, not because their health needs disappeared, but because coverage becomes unaffordable. Decades of health services research show that insurance status directly affects mortality, productivity, and quality of life. The following analysis synthesizes the best available projections and empirical evidence to estimate how many additional people are likely to die, how much workforce productivity will be lost, and which day-to-day quality-of-life declines are most likely to occur if coverage losses materialize in 2026.

Productivity in the workforce is likely to be lost There is a direct macroeconomic estimate for 2026 explicitly tied to the expiration: the Commonwealth Fund (using IMPLAN modeling, drawing on Urban and CBO inputs) estimates the subsidy expiration would reduce state GDP by about $40.7 billion in 2026 and cost about 340,000 jobs. (Commonwealth Fund) Those figures already incorporate downstream effects (reduced health-care spending, reduced earnings for health-sector workers, and ripple effects to suppliers and local economies), so they function as an "all-in" productivity/employment hit rather than a narrow measure of absenteeism.

At the individual level (which ultimately drives productivity), the dominant pathway is cost-driven delays in care and medication non-adherence that worsen health status and functional capacity. KFF polling (updated December 11, 2025) finds 36% of adults skipped/postponed needed care due to cost in the prior year, 21% did not fill a prescription due to cost, and among uninsured adults under 65, 75% went without needed care due to cost; 18% report their health worsened after skipping/delaying care (and 42% among uninsured adults under 65). (KFF) Translating that into lost work time is inherently assumption-heavy without employer-claims data, but directionally it implies more acute episodes, more disability/limitations, and more presenteeism (working while sick), especially for people managing diabetes, cardiovascular disease, cancer follow-up, asthma/COPD, and serious mental illness.

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The best-supported starting point is the projected coverage loss from the subsidy expiration: Urban Institute estimates 4.8 million more people uninsured in 2026 (and 7.3 million fewer with subsidized Marketplace coverage) if enhanced premium tax credits are not extended. (Urban Institute) This is consistent with broader summaries that premiums would rise sharply for many subsidized enrollees and push a sizeable fraction out of coverage. (KFF)

To extrapolate mortality, you have to apply an estimated annual excess-death rate associated with being uninsured. Two widely cited baselines imply a range: the Institute of Medicine estimated about 18,000 deaths/year attributable to uninsurance (early-2000s), while a later analysis (Wilper et al., AJPH 2009) estimated about 44,789 deaths/yearassociated with lack of coverage; these differ in methods, populations, and era, so using them as bounds is more defensible than picking one. (Urban Institute)

Translating those historical estimates into an annualized “per uninsured person” risk and applying it to 4.8 million newly uninsured yields a rough ~2,800 to ~8,000 additional deaths in 2026 (order-of-magnitude estimate, not a precise forecast). The underinsured effect is harder to quantify cleanly. Still, cost-related care avoidance is common even among insured people. It is associated with self-reported worsening health, which would plausibly raise morbidity and some mortality beyond the “newly uninsured” calculation. (KFF)

The most common quality-of-life declines are the predictable consequences of delaying care: worsening symptom control, more pain, more functional limitation, and higher stress from medical bills. KFF polling shows large shares skipping or postponing care due to cost, and a measurable share reporting that their health worsened as a result (with uninsured adults under 65 much more likely to report deteriorating health). (KFF) For people with ongoing conditions, this typically shows up as fewer routine visits and labs, deferred imaging/procedures, fewer mental health visits, and lapses in medications - leading to worse day-to-day functioning even before it shows up as hospitalization.

The second major quality-of-life hit is financial and psychological: medical debt, fear of seeking care, and “treatment tradeoffs” (cutting pills, using OTC substitutes, avoiding recommended tests) that increase anxiety and reduce perceived security. KFF reports 41% of adults have had some form of medical/dental debt (2022 measure) and high levels of worry about affording unexpected bills; the uninsured are especially likely to report affordability problems. (KFF) Federal public-health summaries also emphasize that uninsured adults are less likely to receive preventive services for chronic diseases (diabetes, cancer, cardiovascular disease), which is a straightforward mechanism for reduced quality of life via avoidable complications and disability. (Health.gov)

The evidence points in one direction: coverage loss translates into avoidable harm. An estimated 4.8 million additional uninsured people plausibly corresponds to several thousand excess deaths in 2026 alone, alongside widespread worsening of chronic disease and mental health. Economically, the impact is not abstract - hundreds of thousands of jobs and tens of billions of dollars in GDP are projected to disappear as poorer health and reduced health spending ripple through the labor market. On a human level, the most common outcomes will not be rare catastrophes but sustained declines in daily functioning: unmanaged pain, skipped medications, untreated depression, delayed diagnoses, mounting medical debt, and persistent stress. These are not speculative effects; they are the documented, repeatable consequences of making health care unaffordable at scale.

New Analysis Challenges Q3 2025 U.S. GDP Report
Questions Raised Over Data Quality, Potential Misinterpretation of Economic Strength

By: William Michael Cunningham, Principal and Chief Economist, Creative Investment Research

A comprehensive new analysis from Creative Investment Research casts doubt on the widely-reported 4.3% real GDP growth estimate for the third quarter of 2025, released by the U.S. Bureau of Economic Analysis (BEA) on December 23, 2025. The research highlights significant data collection and methodological issues that may have produced an overstated view of economic growth, particularly for corporate profits and headline GDP performance.

BEA reports that real GDP increased at an annualized rate of 4.3% in Q3 2025, driven by consumer spending, exports, and government outlays, while investment fell and imports decreased less than in the prior quarter. The quarterly release also shows a notable jump in corporate profits—$166.1 billion in Q3 versus $6.8 billion in Q2—which has raised questions about the stability of reported economic trends.

However, the latest BEA estimate is unique in American statistical history:

- It replaces both the "advance" and "second" GDP estimates normally released throughout the quarter due to data disruptions from the October–November federal government shutdown.
- BEA acknowledges delays in key source data and reliance on mixed estimation methodologies, raising concerns about accuracy and revision risk.

In addition, the analysis references ongoing issues in other macroeconomic releases—most notably the employment situation report from the Bureau of Labor Statistics (BLS)—where data gaps and higher standard errors due to the shutdown further weaken confidence in headline economic statistics.

"Our assessment is not that BEA deliberately inflated the numbers, but that the structural risks to this estimate are unusually high," said William Michael Cunningham, Chief Economist at Creative Investment Research. "With key inputs delayed or imputed, headline GDP figures may overstate true economic momentum and obscure underlying weaknesses in areas such as income growth and labor force participation, especially for Black women."

The report also highlights the divergence between GDP and Gross Domestic Income (GDI)—another key measure of economic activity—which showed notably lower growth than GDP in the same period. Analysts often regard such divergence as a signal that initial GDP estimates may be overstated or prone to future revisions.

This press release urges policymakers, financial market participants, and business leaders to interpret the Q3 2025 GDP estimate with caution and to consider alternative indicators for economic planning until final revised numbers are released by BEA in January 2026.

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CONTACT US

Info@fsicoalition.org

www.fsicoalition.org

@FSICoalition

@FSICoalition