

Congress of the United States

Washington, DC 20515

March 8, 2023

Mr. Michael Nutter
Chair

Treasury Advisory Committee on Racial Equity
U.S. Department of the Treasury

Ms. Felicia Wong
Vice-Chair

Treasury Advisory Committee on Racial Equity
U.S. Department of the Treasury

Dear Chairman Nutter and Vice-Chair Wong,

Congratulations on your appointments to the inaugural Treasury Advisory Committee on Racial Equity (TACRE). This is a first-of-its-kind committee, representing a historic opportunity to center racial equity in our nation's economic agenda. As you consider the advice and recommendations the committee will provide to Secretary Janet Yellen and Deputy Secretary Wally Adeyemo on efforts to advance racial equity in the economy and address acute disparities for communities of color, we urge you to support "Baby Bonds," a bold vision for racial and economic justice. This policy would provide every child in America with unprecedented opportunity for financial security.

The last three years of the COVID-19 pandemic have only further exposed vast economic inequities along racial lines. Today, the median white family has eight times the wealth held by Black families, and the 400 wealthiest Americans hold more wealth than all Black families in the U.S. combined.¹ To be clear, these disparities are the result of intentional policymaking. For generations, federal, state, and local policy stripped wealth and opportunity from Black and Brown people while embedding bias in our tax code to reward the affluent families over working class and poor people. We have an opportunity to ensure an economic recovery that addresses the injustices of the past and present and moves us towards an economic future that leaves no family behind.

The *American Opportunity Accounts Act* would address these wrongs by establishing a national "Baby Bonds" program, providing a federally-funded savings account to every American child. This proposal, crafted in partnership with leading academics, researchers, and policymakers, represents a once-in-a-generation opportunity to close the racial wealth gap and unleash economic opportunity for every American.

The *American Opportunity Accounts Act* would represent the most ambitious federal effort to directly

¹ *Members Of The Forbes 400 Hold More Wealth Than All U.S. Black Families Combined, Study Finds*, Forbes (2019, January 14) <https://www.forbes.com/sites/noahkirsch/2019/01/14/members-of-forbes-400-hold-more-wealth-than-all-us-black-families-combined-study-finds/?sh=192b31b46771>

combat wealth inequality. At birth, every child would be given an “American Opportunity Account” seeded with \$1,000. Every year thereafter, children would receive between a \$0 and \$2,000 deposit, depending on family income, with funds sitting in a low-risk account managed by the Treasury Department. Beginning at age 18, account holders would be able to access and utilize the funds for wealth-building activities including homeownership, higher and continuing education, and entrepreneurship—the kind of investments that change life trajectories and break generational cycles of poverty.

The impact would be transformative: at a cost of approximately \$60 billion annually, less than 10 percent of what we currently spend to subsidize wealth-building through the tax code, we can give every American a stake in our economy and agency over their future. We can also begin to address persistent inequities: recent studies by Columbia University² and Morningstar³ have found that Baby Bonds would substantially close the racial wealth gap.

In several states and localities, including Connecticut, District of Columbia, California, and New York, legislative proposals inspired by Baby Bonds have passed or are pending.⁴ While some details vary, each proposal ensures that money would go into an account and gain returns for 18 years before an individual can access the funds for a specified purchase, such as college tuition or a down payment on a home. These proposals by cities and states highlight the growing momentum and support for this legislative proposal across the country, paving the way for eventual federal passage.

As TACRE begins its tenure, we urge you to study the merits of this legislative proposal and consider including it in your reports to the Department of Treasury. When it comes to racial justice, we cannot afford to wait. Baby Bonds is exactly the type of bold, comprehensive program necessary to advance racial equity in the economy and address acute disparities for communities of color.

Sincerely,



Cory A. Booker
United States Senator



Ayanna Pressley
United States Representative

² *Universal Baby Bonds Reduce Black- White Wealth Inequality, Progressively Raise Net Worth of all Young Adults*, The Review of Black Political Economy (2019, November 6) <https://doi.org/10.1177/0034644619885321>

³ *Baby Bonds: Income-Based Program Designs Show Promise for Closing the Racial Wealth Gap*, Morningstar, (September 2020) https://www.morningstar.com/content/dam/marketing/shared/pdfs/Research/wp_Policy_Baby_Bonds_final.pdf?utm_source=eloqua&utm_medium=email&utm_campaign=&utm_content=25079

⁴ *Baby bonds: States plan their own 'trampoline into the middle class'*, Yahoo Finance (2022, February 4) <https://news.yahoo.com/baby-bonds-states-enact-their-own-trampoline-into-the-middle-class-153138941.html>