

## POLICY BRIEF

# Guaranteed Inheritance

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*“Wealth is where history shows up in your wallet, where your financial freedom is determined by compounding interest on decisions made long before you were born.”*

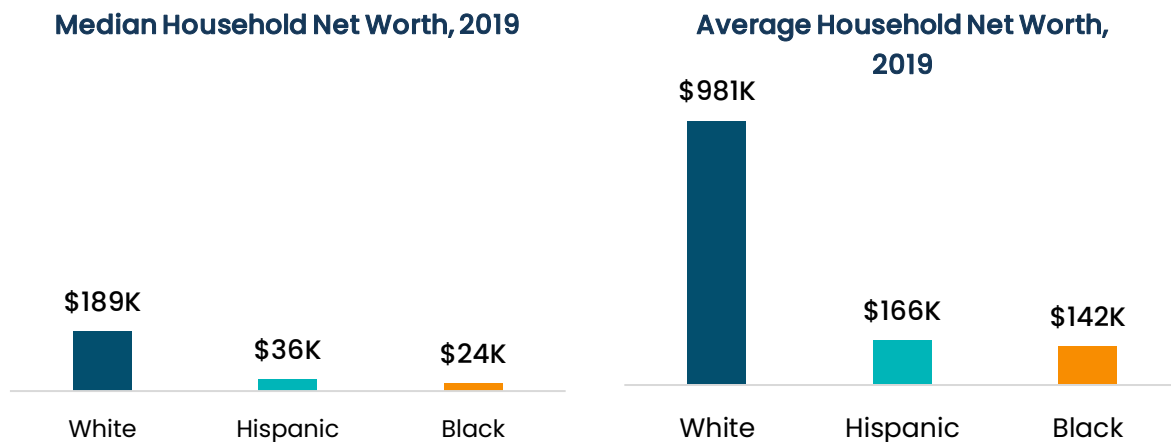
– Heather McGhee. *The Sum of Us: What Racism Costs Everyone and How We Can Prosper Together*. *One World*, 2021.

## The Problem

The [most significant predictor of future success](#) in the United States is wealth, *not* ability, hard work, personal responsibility, or motivation. In other words, the essential factor determining whether we will be able to live dignified, safe, and stable lives is [affluence, not merit](#) or any individualistic “bootstrap” attributes often used to dismiss the challenges faced by people of color. As the foundation for economic well-being and mobility, the presence of wealth surpasses income or savings in its importance.

Wealth is [the precursor to other opportunities that increase economic mobility](#), such as homeownership and higher education, providing us with greater choice, freedom, and dignity. In doing so, access to wealth reduces fear, stress, and shame, and allows us to weather economic shocks without fearing financial ruin. This privilege also enables us to live in areas of greater opportunity and care for loved ones, either financially or by taking time out of work. Most importantly, wealth serves as the foundation for [inheritances](#)—the primary mechanism for generating and sustaining wealth in this country, which enables us to pass down advantages and opportunities to future generations. The value of inheritances is important to note, as wealth gains tend to [remain stagnant through adulthood](#), meaning that if you are wealthy at age 30, you will be at age 50 through retirement and vice versa. Consequently, because wealth is closely tied to mobility, stability, and opportunity and wealth gains largely benefit the wealthy among us, we see inequality continue to widen—particularly along racial lines.

Today, people of color<sup>1</sup> face a massive wealth gap—[one that persists even when you hold things like education neutral](#)—in which the median white family in the U.S. now has roughly [eight times](#) as much wealth (\$189,100) as the typical Black family (\$24,100) and [five times](#) the wealth of a typical Hispanic family (\$36,050). The gap is about the same for mean wealth, with white families’ average of \$980,550 being about [six and seven times higher](#), respectively, than the average for Hispanic (\$165,540) and Black (\$142,330) families. For Black families in the U.S., this amounts to a racial wealth gap now estimated to be as large as [\\$14 trillion](#), more than half the size of the U.S. economy.



**Source:** Board of Governors of the Federal Reserve System. "[Survey Of Consumer Finances, 1989-2019: Net Worth by Race or Ethnicity.](#)" The Federal Reserve System. 2020.

The absence of wealth held by people of color in the United States is not coincidental. Instead, it is the consequence of [over five centuries of institutional racism, exploitation, and oppression](#) perpetuated first by early settlers and colonial occupiers and then by elite institutions and the federal government through 250 years of Black enslavement, the theft of Indigenous land, 100 years of racial segregation, and more than four decades of [skewed tax policies](#). This systemic racism has [boosted the wealth of white households while suppressing the economic vitality of households of color](#). Thus, as a

<sup>1</sup> Throughout this document, we use the terms “people of color,” “communities of color,” “workers of color,” and other similar phrases to refer to Black, Indigenous, Latine, Arab, Middle Eastern, Asian, and Pacific Islander people. We use these terms not to erase the experience of any group but to demonstrate the shared impact that systemic racism and white supremacy have had on us.

key driver of the [Oppression Economy](#) we operate within today, the racial wealth gap embodies the [cumulative, compounded effects of centuries of racism](#) in the United States.

To reverse the enduring impact of white supremacy, institutional racism, and systemic oppression that has stifled our economic potential, we must reimagine how we create new, re-establish prior, and protect existing wealth to create guaranteed wealth for people of color. This is critical for creating a [Liberation Economy](#) that serves the basic needs of people of color, where we find safety and security, and where we are valued. To change our economy, we must create new systems to transfer the nation's wealth from the elite institutions benefiting from the [Oppression Economy](#) to people of color who have been deprived of the wealth we have earned over generations.

## **The Policy Solution and Potential Benefit to People of Color**

To confront historical and generational inequities, we must design and implement a federal reparations program and a national Baby Bonds program. These solutions are focused on acknowledging and repairing the harms of systematic and generational violence, theft, exploitation, and exclusion perpetrated against Indigenous peoples and enslaved Black people. The impacts of these injustices continue to reverberate through Indigenous communities, which had a [median household wealth of just \\$5,700](#) in 2000, which was about one-twelfth of the median wealth held by all households at the time (\$65,000). Similarly, the [40 million Black descendants of enslaved people—who, as of late 2020, accounted for about 12% of the U.S. population—currently own less than 2% of the nation's wealth.](#)

By taking these kinds of transformative steps, we can help create a [Liberation Economy](#) that ensures people of color can thrive, and pass on ease and abundance to future generations. The urgency to reimagine our approaches for creating, re-establishing, and preserving the wealth of people of color is unequivocally clear: without intervention, Black and Brown wealth could hit [zero by the middle of this century](#). This is why corrective and transformative actions like reparations and Baby Bonds at the federal level are not just recommended but urgently needed—they

represent the only means by which we can genuinely close a racial wealth gap centuries in the making.

Consider, for example, a reparations [proposal](#) from economist William “Sandy” Darity Jr. and folklorist Kirsten Mullen that would aim to [provide about \\$840,000](#) to each eligible Black household who are descendants of enslaved people. This amount is the difference between average white and Black household wealth. Though such a program would require at least \$14 trillion—an amount only the federal government could provide—it would entirely close the Black-white wealth gap at the mean. Similarly, a [study](#) by scholar Naomi Zewde examined the projected impact of a national Baby Bonds program, where each newborn receives a public investment ranging from \$500 to \$50,000, depending on family wealth at birth, which mirrors a proposal by economists Darrick Hamilton and William Darity Jr. The analysis projected that Baby Bonds would reduce the Black-white wealth gap at the median by over 50%. Likewise, the [American Opportunity Accounts Act](#), proposed by Senator Cory Booker (NJ) and Congresswoman Ayanna Pressley (MA-07), would provide each newborn an initial \$1,000 public investment with annual deposits of up to \$2,000 based on family income until the age of 18 years at a cost of around \$60 billion per year. An [analysis](#) showed this program could shrink the Black-white wealth gap by nearly 75%, and the Latine-white wealth gap by about 65%.

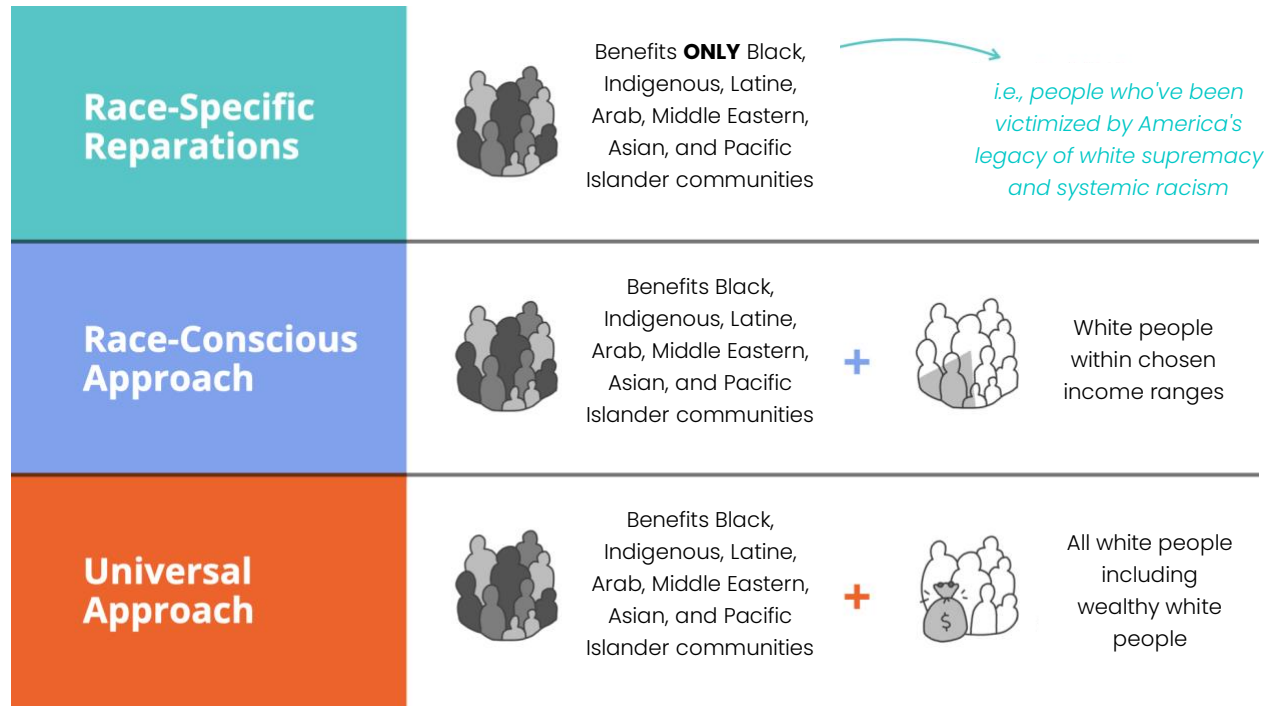
While the costs of these programs are steep, so too are the costs of inaction. In fact, unaddressed racial economic inequality has already cost the U.S. economy, and consequently all of us, [an estimated \\$16 trillion](#) over the past two decades. By 2028, it could cost the economy an [additional \\$1.5 trillion](#). As we move toward a future where people of color will make up the majority of the nation's population—[a reality that has already taken hold among our nation's children](#)—the economic costs of an ever-growing racial wealth gap will have a significant, negative impact on us all.

## Moving Toward Liberation: Guaranteed Inheritance Policy Design

The concepts of providing reparations for historical injustices and establishing a birthright to opportunity for the nation's children have a long history in the U.S. For example, when it comes to Baby Bonds, [in 1797](#), Thomas Paine proposed that the government give 15 pounds (about \$1,800 in today's dollars) to every person when they reached 21 years of age, while [in 1935](#), President Franklin D. Roosevelt purchased "baby bonds" for each of his five grandchildren and himself. As for reparations, the federal government and several state governments have also occasionally repaired the harm their actions have caused others. For example, in 1974, the federal government provided monetary reparations to victims and families affected by the [Tuskegee experiment](#), while in 1988, it provided [reparations to Japanese-Americans](#) who were wrongfully imprisoned during World War II. At the state level, states like North Carolina and Florida have created reparations programs for their roles in the [forced sterilization of Black women](#) and the [Rosewood massacre](#). Yet, while securing the future of subsequent generations and redressing state-induced harms are interwoven with our history, the nation has neither fully addressed the violence and theft it perpetrated against Indigenous peoples nor met the unfulfilled promise of "[40 acres and a mule](#)" made to newly freed Black people following the end of slavery.

While creating, re-establishing, and preserving the wealth of people of color through reparations can be accomplished in a variety of ways, we firmly believe that reparations must be implemented as a **race-specific reparation** aimed squarely at the Indigenous and Black communities whose families' histories, legacies, and realities have been indelibly shaped by genocide, theft, slavery, and institutional racism. In contrast, a Baby Bonds program could be implemented through a **race-specific approach**, meaning that the program is offered exclusively to people of color—Black, Indigenous, Latine, Asian, and Pacific Islander communities—who've been victimized by America's legacy of white supremacy and systemic racism. Alternatively, as with the American Opportunity Accounts Act, such a program could be implemented through a **race-conscious approach** that uses income as a proxy to target support to

those with the least resources.<sup>2</sup> Or such a program could take a **universal approach**, meaning that supports are broadly available to all.



Regardless of the approaches taken, our aim should always be the systemic correction of racial inequity. As such, policymakers, advocates, and organizers considering policies to support the creation of a [Liberation Economy](#) must always deeply consider the tradeoffs involved in applying race-specific, race-conscious, and universal approaches.

While we see reparations and Baby Bonds as mutually reinforcing solutions for addressing America’s enduring racial wealth gap—with one having the potential to significantly close a large element of this gap and the other helping to maintain racial wealth parity in the long term—we must not view reparations as one among many options to address this problem. Instead, reparations must be viewed as *the* prerequisite for reconciling America’s original sins of slavery, the genocide of

<sup>2</sup> Ideally, using wealth as a proxy to target support would better serve to uplift communities of color. Unfortunately, as of today, governments—at both the federal and state level—have not developed reliable and consistent methods to value assets and track wealth over time as they have for income.

Indigenous peoples, and the theft of Indigenous land. After all, the [Oppression Economy](#) we navigate today was built, shaped, and sustained through the theft, exploitation, and exclusion of Indigenous peoples and Black people throughout our history.

At the same time, we also must recognize that closing the racial wealth gap through bold and necessary interventions like reparations and Baby Bonds is only part of the work required to establish a [Liberation Economy](#). To achieve a future where all Black, Indigenous, Latine, Arab, Middle Eastern, Asian, and Pacific Islander people can thrive, we must also dismantle the systems that continue to extract wealth from our communities and enable the concentration of wealth in the hands of a few wealthy, largely white, households. Absent solutions that address rampant capital accumulation in the hands of a few—through vehicles like the stock market and savings—even a \$14 trillion reparations program [would not be enough to permanently close the racial wealth gap](#).

While there are a number of actions we can and should take to address racial wealth inequality, the following two are crucial for bridging and ultimately closing the ever-growing racial wealth gap.

- **Establish a reparations program for indigenous and black communities impacted by systemic racism, white supremacy, and the legacy of slavery:** To date, various states and localities—such as [Evanston, Illinois](#); [St. Paul, Minnesota](#); [Providence, Rhode Island](#); and [California](#)—have made notable progress in recognizing, acknowledging, and attempting to rectify their role in perpetuating racial injustice, discrimination, and the institution of slavery. By contrast, federal efforts have stalled at simply establishing a task force to study the impact and potential design of a reparations program to address the federal government’s role in slavery. Although state and local initiatives are commendable, the only adequate redress for communities harmed by systemic racism, white supremacy, and the legacy of slavery is federal reparations that provide substantial economic compensation to the Black and Indigenous communities, in the form of cash and land. Anything less, while important, is simply not enough.



When providing reparations for Indigenous peoples, the federal government must move to return [Indigenous lands to Indigenous hands](#), as groups like [NDN Collective](#) and their [Land Back campaign](#) are calling for. Beyond turning over federal lands to Indigenous peoples, the federal government should also [facilitate the turnover of state-controlled land](#) while also giving tribes, not [corporations](#) or [trusts](#), total control over it. Additionally, the federal government should [provide Indigenous communities with monetary compensation to buy private property](#) and build wealth in other ways.

To rectify the theft of labor and other harms stemming from the legacy of slavery, reparations for Black communities must aim to pay the long-overdue debt owed to Black America—in cash. While numerous proposals exist for researching, designing, and implementing a national reparations program, Darity and Mullen propose a [multi-step process](#) that uses liquid assets, such as endowments held in trust accounts, as a reparations policy tool. They also advocate for this investment to elevate the Black share of wealth to at least match the Black share of the population.

Further, as part of their extensive writing on the [cumulative cost of Black reparations](#) and [how reparations can be implemented in the United States](#), Darity and Mullen call for action to study and rectify other American atrocities against Black bodies and Black citizens, including the over 100 [white terrorist attacks that resulted in the loss of lives, property, and, therefore, intergenerational wealth](#). As we work to build a new kind of inclusive and supportive economy, we firmly believe that comprehensive efforts like these are needed to truly reckon with America's history and current state of racial injustice.

- **Establish a baby bonds program for all newborn children in the united states:** To establish a [birthright to wealth and opportunity](#) over the long term, we should move to implement a national Baby Bonds program to support the future aspirations of every one of the four million babies born each year in the country. Elevating proposals by Darity and Hamilton, and Senator Booker and Congresswoman



Pressley, this would require the U.S. to implement a universal policy that provides meaningful and sustained investments in the economic potential of the nation's children from birth through their 18th birthday.

Applying a race-conscious lens, [Darity's and Hamilton's proposal](#) would involve the federal government establishing an account at birth for every child with an initial deposit between \$500 and \$50,000, depending on their family's economic circumstances. This account would then grow at a fixed rate comparable to inflation until the child turns 18. Alternatively, as [proposed](#) by Booker and Pressley through their [American Opportunity Accounts Act](#), the government could provide an initial deposit of \$1,000 in a new federal account (managed by the U.S. Treasury Department) that is available to all children. This account would then be boosted annually with additional investments of up to \$2,000, depending on the family's economic circumstances. Regardless of the approach taken, the money in these wealth-building accounts would ensure that the lowest-wealth children—who are disproportionately children of color—have substantial capital to invest in their futures when they become adults.

However, building on the federal framework put forward through the [American Opportunity Accounts Act](#) and [policy design features proposed by Hamilton and Prosperity Now](#), we believe that for a Baby Bonds program to be effective at bridging the racial wealth gap, [several key features need to be included in its design](#). These features and enhancements should include, but not be limited to, the following.

- **Universal eligibility and automatic enrollment:** Every child born in the U.S.—regardless of their immediate family's size, immigration status, interactions with the carceral system, or disability—should receive an account held and backed by the U.S. government. To ensure that all eligible children participate and benefit from the program, they should be automatically enrolled at birth (or at other touchpoints later in their lives).
- **Publicly funded, progressive, and equitable support:** The federal government should fully fund a national Baby Bonds program, providing the most support to

those with the least resources over the course of a child's first 18 years of life. Additional funding for non-white families who are disproportionately affected by wealth disparities and historical economic harm should also be incorporated into a national Baby Bonds program.

- **Significant and protected investments:** A national Baby Bonds program should provide the nation's lowest-wealth children with at least \$90,000 in support by their 18th birthday. This would further ensure the racial wealth gap is more effectively bridged and that all children can more meaningfully build wealth when they come of age through multiple sources of appreciable assets.

By doubling the investments offered through the [American Opportunity Accounts Act](#), all children would be provided with \$2,000 at birth, with progressively larger annual investments of up to \$4,000 provided to lowest-wealth children, sliding incrementally by \$500 for children in families at various percentages of the federal poverty level (FPL), until support reaches zero at 500% FPL. While doubling the program could increase its annual cost to over \$120 billion per year, the government could fully pay for this significant investment by eliminating preferential tax treatment for capital gains and preferred dividends, which [each year cost the government over \\$140 billion](#).

To ensure that funds are protected through a child's 18th birthday, all Baby Bonds funds should be housed within an accessible, low or no-cost account managed by the U.S. Treasury Department (or state treasurer offices for local initiatives). These funds should then be administered in ways that generate a guaranteed 3% growth rate or rate of return above current inflation, whichever is higher. And until a child turns 18, these accounts should be locked, with no additional deposits or withdrawals allowed.

- **Multiple points of entry to participate and individual beneficiaries:** To foster equity and ensure all children have the resources needed to build wealth and economic security when they become adults, a national Baby Bonds program should create additional opportunities for children and young people born before

the program's enactment to benefit from its support. Therefore, at the time Baby Bonds are enacted into law, the program should be made available to all children in the country under the age of 13 years, with each child provided with appropriate and proportionate levels of support. Whether they are enrolled as a newborn, a child, or a young person, upon turning 18 years old, any funds within a Baby Bond account should be immediately made available to the child beneficiary.

Much like the conversation around reparations is advancing at the state level, so too are conversations about Baby Bonds throughout the country. However, while state and local efforts to create local versions of Baby Bonds programs—from [California](#) to [Connecticut](#) to [Washington, DC](#)—are laudable and important, only the federal government has the resources to fund wealth-building programs at the scale needed to meaningfully address the ever-growing racial wealth gap. In other words, although they are promising down payments for bridging the racial wealth divide, state and local Baby Bonds programs should not eliminate the need for federal investment in the future.

Still, developing, advocating, and implementing more state and local Baby Bonds programs can serve as important testing grounds and learning tools that can help to inform the creation of a future national program. For example, an ongoing debate among local and national policymakers, experts, and advocates is about using funds from Baby Bonds programs. Some proponents have called for restricting the use of funds to exclusively promote wealth accumulation through higher education, homeownership, and entrepreneurship. Others believe people should have the agency to use their Baby Bonds funds for the purposes that best serve their needs.

Debates like these exist because wealth is more than just about financial assets—it's also about access to healthcare, income, education, and other provisions that facilitate economic mobility, both in the short-term and long-term. While these debates will continue into the foreseeable future, the different strategies and insights state and local programs take in establishing parameters for fund usage and other program features will provide rich insights for optimizing the design of a national Baby Bonds program that serves needs of people of color and other marginalized

communities to the fullest extent. This is why it is important that we continue to push our state and local governments to leverage Baby Bonds to address local racial economic disparities and further the conversation on feasibility and impact.

Beyond creating national or local Baby Bonds programs, we also need to more deeply understand how the racial wealth gap affects communities of color beyond the top-line racial and ethnic identities because economic inequality not only persists but also is often overlooked at the intersection of other identities. For example, among the six most common surveys used to assess wealth inequality—the [Survey of Consumer Finance](#), the [Survey of Household Decision Making](#), the [Survey of Program Participation](#), the [American Community Survey](#), the [Panel Study of Income Dynamics](#), and the [Health Retirement Study](#)—only four have an LGBTQ proxy to identify same-sex couple households. This is concerning, considering that research suggests [transgender and immigrant women also experience the adverse effects of multiple biases impacting their earnings and economic opportunity](#).

To comprehensively understand how wealth affects other identities, such as gender, sexual orientation, and immigration status, the aforementioned surveys, along with all federal agencies, should collect and share more demographic information and develop demographic proxies that will help to expand quantitative data on sexual orientation, gender identity, and other identities within our communities that are often overlooked. Having this level of data can help us to make more compelling arguments for support to policymakers and others in positions of power.

## **The Road Ahead to Liberation**

To address all harms caused by institutionalized racism, we need bold, transformative policies that confront the long history of violence, financial exploitation, and privileges given to white households at the expense of other groups. By implementing solutions like Baby Bonds and reparations that address historical injustices and by guaranteeing that people of color have some level of generational wealth we can depend on and build on, we can begin to make strides in confronting our past.

As a national movement-support organization building the power of people of color to totally transform the economy, we believe those closest to the problems are best suited to develop, shape, and advance the solutions that will get us to where we need to go. This brief, [which is part of an ongoing series of resources](#), aims to provide organizers with bold policy platforms. These platforms can be used to guide conversations with communities and policymakers to advance racial justice. We invite you to use and refine the information in this brief in whatever ways are most helpful to your work and your community. We also invite you to engage with [Liberation in a Generation](#) in further developing this idea.

To build a Liberation Economy in one generation, we must ensure that advocates, community organizers, residents, and other leaders of color are empowered and centered in this work to create an economy where all people of color can truly prosper.

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Liberation in a Generation is a national movement support organization building the power of people of color to totally transform the economy—who controls it, how it works, and most importantly, for whom. We bring together advocates, community organizers, economists, and other proven and emerging leaders of color across the country to build a Liberation Economy, within one generation.

[www.liberationinageneration.org](http://www.liberationinageneration.org)