

**Chairman Beyer, (Ranking Member Lee), Vice Chair Heinrich and other esteemed members,
Thank you for having me here today.**

I am Darrick Hamilton, Henry Cohen Professor of Economics and Urban Policy and University Professor at The New School and Director of the Institute on Race and Political Economy.

Since our nation's inception, the immoral devaluation of Black lives has been ingrained in America's political economy, and manifested in a persistent, unjust, and enormous racial wealth gap.

We often think of wealth as an outcome, but its true essence is functional. Wealth empowers individuals to consume and invest in different ways. And wealth is iterative: wealth often generates more wealth, both within and across generations.

Wealthier families are better positioned to finance elite educations, access capital to start a business, *finance expensive medical procedures*, reside in higher amenity neighborhoods, exert political influence; purchase better counsel if confronted with an expensive legal system, leave a bequest, and withstand financial hardship resulting from any number of emergencies, **including as a global pandemic!**

Our unjust racial wealth gap is itself is an implicit measure of our racist past that is rooted in a history in which whites have been privileged by government complicit political and economic intervention that have afforded them access to resources and iterative and intergenerational accumulation.

This is in contrast to a history in which blacks (and indigenous people) the personhood and whatever capital and resources they may have established, have been vulnerable to exploitation and extrapolating by **state complicit** confiscation, destruction, terror, fraud, theft and other acts of violence.

As a result, blacks as a group have very little ownership in America's land or means of production, and remain in fear of violence, incarceration and literally bondage.

At issue, is our government's complicity in generating and facilitating this racial wealth gap.

This history of disenfranchisement -- **from slavery, to the Homestead Act to sharecropping to the foreclosure crisis**. Policies like Redlining, highway construction, and exclusionary zoning have all worked in tandem with restrictive covenants and regulatory controls to marginalize black Americans and constrain their economic participation and political power.

We use words like “choice” and “freedom” to describe the benefits of a proverbial “market,” but choice is an illusion if individuals lack basic resources.

It is literally wealth that gives us choice, freedom and optionality.

Economic freedom and authentic agency is rooted in resources (political and material).

The iterative effect is that wealth and capital are used to capture social, economic and political power; and enable those who inherit this power to further create and concentrate their wealth and power.

Yet much of the framing of racial wealth gap focuses on the poor financial choices and decision-making on the part of, largely, black, Latinx and poor borrowers. This framing is tied to the “a culture of poverty thesis” in which blacks are presumed to have an undervalue for and low acquisition of education.

This framing is wrong – *the directional emphasis is wrong* – it is more likely that meager economic circumstance – not poor decision making or deficient knowledge – *constrains choice itself* and leaves poor borrowers with little to no financial options, but to attain and use predatory and abusive financial services.

Households with few assets and low incomes are **compelled** to turn to high cost unconventional alternative financial products. They generally are aware that these products are predatory, but they have *no alternatives* – other than these “last resort,” debt traps; which render recipients “**indentured borrowers**,” having to pay higher and higher interest and fees until, ultimately, they default on the original principle.

The sad irony is that those that can least afford finance in times of dire need, end up paying the most for finance.

Financial behavior and financial literacy are practically useless for households with little to no finances to manage in the first place, the issue is capital and political codification to protect that capital from exploitation and unjust seizure.

In terms of debt, what we traditionally conceive of as good and bad debt has different implications once we consider race, and the prevailing framework of targeting unprivileged racial groups with inferior housing and educational products, predatory finance, as well as ongoing housing and labor market discrimination that limits the choice set and rate of returns to home ownership and a college degree based on race and ethnicity.

High achieving black Americans, as measured by education, still exhibit large economic disparities relative to their white peers. And, when it comes to wealth, these disparities often grow, rather than subside, at higher levels of education.

We **overstate** the functional role of education to the detriment of **understanding** the functional role of wealth and power.

Racial Inequality and despair are not inevitable; rather they are the result of political choices. Likewise we can make different choices to achieve a more economy grounded in racial and economic justice.

To achieve racial justice, we need an honest and sobering confession of our historical sins for slavery – a point in American history in which blacks were literally the capital assets for a white landowning plantation class – and for sharecropping, “whitecapping”, Jim Crow, and the exclusion of blacks from the New Deal and postwar polices that built an asset-based white middle class.

However, acknowledgment alone will be empty if not accompanied by some form of material redress;

Reparations provides a **retrospective, direct, and parsimonious approach** to address the black-white racial wealth gap; moreover, it is a racially just policy because it requires the U.S to take public responsibility and atone for its long history of racial injustice.

A seed capital program, like baby bonds is an economically and racially just **prospective approach**, since it targets a domain and outcome in which whites and blacks have very little overlap, wealth.

The permanent seed capital program, would provide everyone with a capital foundation to build wealth and asset security, and, **in perpetuity**, trend towards just and egalitarian capital and wealth access.

Baby Bonds or “Baby Trusts” – provide an economic birthright to capital. The capital finance provided by “Baby Trusts” is intended to deliver a more egalitarian and “authentic” pathway to economic security, independent of the family financial position or societal patriarchy in which an individual is born.

The extent of our dramatic inequality is at least as much a problem of politics as it is a problem of economics. It is time to get beyond the false narrative that attributes inequality to individual personal deficits, while largely ignoring the advantages of wealth. Instead, public provision of “Baby Trusts” could go a long way towards eliminating the transmission of economic advantage or disadvantage across generations, and establishing a more moral and decent economy that facilitates assets, economic security and social mobility, for all its citizens, regardless of the race and family position in which they are born.