

Billionaires vs. Babies: How Congress Favors the Rich Over Our Children and How We Can Fix It



Over the past several decades, the United States has built a system that favors billionaires over babies and perpetuates economic inequality and racial disparities that harm America's children.

Because of racist policies that favor the rich and powerful, economic inequality has worsened since the 1970s. Led by conservatives, Congress has built an unfair tax code, stacked the deck for the wealthy—who are disproportionately white—and stoked racial fears as a pretense for gutting the food, housing, and healthcare assistance that help families thrive and flourish.¹ Because politicians put up barriers to prosperity for communities of color and continue to advance an unfair tax code, the gap between the richest few and everyone else has exploded.²

Today, 10.5 million children live in poverty,³ while the 12 wealthiest people in the United States have a combined fortune of more than *\$1 trillion*.⁴ **Decades' worth of economic growth has inflated the fortunes of the super-rich while leaving behind most families, particularly families of color.** Over the last 30 years, corporate profits and private fortunes have ballooned—the top one percent has seen its wealth nearly triple in that time—while the bottom 50 percent has not experienced any growth in wealth.⁵

Even during economic crises, when the vast majority struggle to get by, the rich keep getting richer. During the first year of the COVID-19 pandemic, for example, U.S. billionaires saw their collective wealth rise by more than \$1.3 trillion to a total of \$4 trillion, while tens of millions of families with children lost jobs and weren't able to put enough food on the table.⁶

This rampant economic inequality has contributed to the racial wealth gap, which is today as wide as it was almost 60 years ago, before the passage of the Civil Rights Act.⁷ Today's median Black family owns less than 13 percent of the median white family's wealth, and the median Latino family owns less than 20 percent of the median white family's wealth.⁸ Black families are also twice as likely as white families to have no wealth at all.⁹ The 400 richest people in the U.S. hold more wealth than every Black household, plus a quarter of Latino households, combined.¹⁰

At every turn, this widespread inequality hurts our children. Families with low and middle incomes cannot provide adequately for their children when resources are concentrated among the wealthiest few. As lawmakers chose to invest in tax cuts for wealthy corporations and billionaires, income inequality rose; and inequality is linked to worsening outcomes in children's education, health, and success.¹¹ Put simply, our economic rules favor the rich at the expense of the rest, and in turn, our children suffer.

Nowhere is the bias toward the wealthy more evident than in the tax code. Our tax laws drive inequality by making it easy for the extremely wealthy to hold and expand their fortunes while continuing to get rich off the profit everyday people produce. For example, money earned from a job is taxed at a much higher rate (up to 37 percent) than money earned by selling assets like stocks and bonds (20 percent) which is the primary way the ultra-rich make their money. What's worse, the tax code heaps regressive taxes like the sales tax, payroll tax, excise tax, and property tax on low- and middle-income families while massive corporations pay almost nothing in taxes; in 2020, 55 of the country's largest companies paid *no* federal income tax *at all*.¹²

The tax code's preferential treatment of wealthy individuals and corporations was exacerbated in 2017 when Congressional Republicans spent \$2 trillion on a tax cut for the wealthiest few individuals and corporations and eased taxes on large inherited fortunes.

Inequality is not inevitable. In America, the game is not fair. The rules, as set by lawmakers, favor the wealthy over everyone else. But policymakers can choose a new way forward. Congress has the power to overhaul the tax code to ensure the wealthy pay their fair share immediately. In turn, we can use the revenue to invest in programs that cut child poverty, advance racial equity, and boost economic security in our housing, while funding baby bonds, education, child care, and cash programs to build a more just and equal society where every child has the chance to succeed.

We can fight economic and racial inequality and improve the odds for children. Congress has built a tax code that works for millionaires and billionaires at everyone else's expense—especially our children. It doesn't have to be this way. *Here are eight ways Congress could fight inequality through the tax code and invest in children instead of billionaires¹³:*

Divest from Billionaires by...	Invest in Children by...
... enacting a one percent wealth tax on the wealthiest 0.1 percent who park their fortunes in investment accounts and watch them grow tax-free. This change would raise about \$190 billion per year. ¹⁴	... permanently expanding the Child Tax Credit (CTC) to provide a monthly allowance for every child, regardless of family income. An improved CTC could cut child poverty in half and significantly reduce racial disparities for Black and Latino children. ¹⁵
... taxing the profits from investments in stocks and bonds similar to income from working a job. This change would raise about \$130 billion per year. ¹⁶	... guaranteeing families access to high-quality, affordable child care for their children from birth to when they enter school.
... charging a 0.1 percent fee on speculative Wall Street trading. This change would raise nearly \$80 billion per year. ¹⁷	... building long-term wealth by establishing a savings account for every child in America that receives an annual contribution from the government, as provided for in the American Opportunity Accounts Act, commonly known as “baby bonds.”

... closing the “trust-fund loophole” that allows the rich to pass their invested wealth to the next generation tax-free. This change would raise about \$40 billion per year.¹⁸

... raising the value of the Earned Income Tax Credit (EITC) for all low-wage workers, including caregivers, workers without children, and immigrants who are not currently eligible for the program.

... raising the corporate tax rate that was slashed from 35 to 21 percent in 2017 and establishing a minimum corporate tax to prevent tax avoidance. This change would raise about \$36 billion per year.¹⁹

... providing free school meals for every child in public schools.

... reforming the mortgage interest deduction that mostly helps well-off people make their mortgage payments. Eighty percent of this money goes to the wealthiest 20 percent.²⁰ This change would raise about \$30 billion per year.²¹

... ensuring every family eligible for federal housing assistance receives that help. Currently, only one in four families gets a housing voucher due to underfunding.²²

... raising the top tax rate on the wealthiest individuals that was cut in 2017 from 39.5 to 35 percent and reinstating the estate tax on large fortunes. This change would raise about \$22 billion per year.²³

... subsidizing employment for adults in families with children who lack regular paid employment to ensure that everyone who wants a job can get one.

... taxing companies that pay their CEOs exorbitant salaries while paying their workers poverty wages. This change would raise about \$15 billion per year.²⁴

... eliminating barriers for immigrant parents and children in SNAP, Medicaid, TANF, and many other programs.

Endnotes

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- ¹³ In each case below, the amount of revenue that could be raised by the proposed tax change matches or slightly exceeds the estimated annual cost of the proposed policy change it's paired with.
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