

DC's pioneering 'Baby Bonds' plan aims to narrow wealth gap

By Ashraf Khalil | AP

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WASHINGTON — Aaliyah Manning's dreams of becoming a psychologist ended abruptly during her freshman year at Potomac State in West Virginia when the cost of continuing her education became overwhelming.

"The money just wasn't there," she said. "I knew I wasn't going to finish so I just had fun."

After a year, Manning, 25, was back in the nation's capital working fast food jobs. Now she lives largely on public assistance in a two-bedroom apartment with her boyfriend, his mother and his 9-year-old daughter from another relationship. She still has student debt and there's a baby boy on the way.

She sees a brighter future for that baby, thanks to a landmark social program being pioneered in Washington. Called "Baby Bonds," the program will provide children of the city's poorest families with up to \$25,000 when they reach adulthood. The money is to be used for a handful of purposes, including education.

"It would be such a different opportunity for him, a lot different than what I had," Manning said of her soon-to-arrive baby.

In just over a decade, the Baby Bonds idea has moved from a fringe leftist concept to actual policy, with the District of Columbia as the first laboratory. Lawmakers from coast to coast are monitoring the experiment, one that proponents say could reshape America's growing wealth gap in a single generation if instituted on a federal level.

One week after giving birth to her second child, a daughter named Kali, Aaliyah Wright told The Associated Press that she did not anticipate having much savings to help her children when they reached adulthood, especially with about \$80,000 in student loan debt.

She and her husband, Kainan, are on Medicaid despite steady jobs (she's a case worker at a nongovernmental organization and he's a barber) and an estimated annual income of about \$70,000.

Even at that income level, their new daughter still would qualify for the city's Baby Bonds program, although at a lower level.

"At that stage of maturity and adulthood, that money can be a door opener to some pretty big things," Kainan Wright said

Despite the name, the bonds are more accurately trust funds, designed to provide a boost of capital at a critical time in the lives of the country's poorest children. At age 18, each enrolled child would receive a large lump sum payment that can be used to pay for higher education, invest in a business or make a down payment on a home.

"Think about all the things that people with money do to support themselves or what parents do for kids," said Kenyan McDuffie, a District of Columbia Council member who pushed through Washington's Baby Bonds program last summer. The clock started ticking in October and as of mid-August the city has so far identified 833 babies born since then who will receive up to \$25,000 when they turn 18.

"Think about all those young folks who are going to be here in a city trapped in poverty, graduated from high schools turning 18," McDuffie said. "And then having an account with money in it for them."

It's an expensive and long-simmering investment that by definition will take a generation of sustained political willpower to truly bear fruit. The district's program will cost \$32 million for the first four years alone.

The idea was originally proposed in 2010 by academics [William Darity and Darrick Hamilton](#) as a way to break the poverty cycle by giving children of poor families a chance to build long-term equity — either actual property, a stake in a business or the earning potential that comes from higher education.

It came to mainstream attention when [Sen. Cory Booker, D-N.J.](#), made it a centerpiece of his 2020 presidential campaign.

"I think it's an idea that's growing," Booker told the AP. "And it's a big idea. It's on the level of Social Security. It's on the level of Medicare. One generation would create a dramatic change."

But for politicians, the price tag can be daunting. Booker's national plan envisioned annual costs of \$60 billion, something he proposes financing by raising taxes on the wealthy.

For now, the Washington experiment will be closely watched by other state and local governments, with Baby Bonds proposals recently emerging in Wisconsin and Washington state and Massachusetts studying the issue. California just created a more targeted version, with Baby Bonds funds specifically for children who lost parents to COVID-19.

Manning and her boyfriend, Darren Gibson, say the expectation that their child will be part of the district's first Baby Bonds generation is a much needed injection of hope. Gibson, 26, left high school three credits short of graduation. Now he's the sole earner for his growing household, making less than \$10,000 per year as a videographer shooting music videos for local artists.

"It takes such a burden off my shoulders," he said. Gibson said he will raise his son to make good use of that money when he matures. "It's on me to work on him and make sure he follows his ambitions."

The concept's journey from academic thought experiment to on-the-ground policy received a major boost from the national conversation on poverty brought on by the pandemic. The economic iniquities exposed by COVID-19 fueled calls for a new approach to the cycle of generational poverty. And the Baby Bonds concept, already familiar from Booker's campaign, gained fresh momentum with multiple proposals receiving serious consideration at a state level.

But most of them have failed to see daylight.

Gov. Phil Murphy, D-N.J., made headlines in 2020 for backing a Baby Bonds proposal. But the Legislature stripped it out of his budget, and Murphy did not propose it again.

In June 2021, Connecticut's legislature approved the country's first state-level Baby Bonds program. But in May of this year, lawmakers, in coordination with the governor's office, chose to delay the program's start by two years.

That makes Washington, D.C., the first real test case.

Connecticut's treasurer, Shawn Wooden, who championed the program, said he was surprised and disappointed by the delay in his own state but remains convinced that the policy's time has come.

"There's quite the level of interest in this, and always with these things we need what we call first movers," Wooden said. For the concept to spread, "there needs to be success in Connecticut. There needs to be success in the District of Columbia."

Wooden has discussed Baby Bonds with members of President Joe Biden's domestic policy team. McDuffie's office has fielded queries from multiple state governments.

The concept is new enough that it's still being tinkered with in real time, with multiple models and internal debates among advocates on issues such as how best to determine eligibility. Washington's program is so new that the 833 families who have qualified have not been informed yet and will not be until the city hires a fund manager.

Connecticut's will automatically enroll any newborn from a family on the state's Medicaid program. Booker's proposal would have sidestepped that issue by granting every child born in the country a Baby Bonds fund and \$1,000 in seed money. Then, all subsequent payments into the fund would have been heavily weighted toward poorer families.

Washington's program is open to families on Medicaid who make less than 300% of the federal poverty line, meaning earnings of up to about \$83,250 for a family of four. With those parameters, it is designed to benefit not only the impoverished but also families like the Wrights who might be considered lower-middle class.

At their income level, their daughter will receive closer to \$15,000 instead of the \$25,000 limit.

There is one inevitable quirk in the system: Any Baby Bonds program has to set a start date that excludes anyone born before it. In the case of the Wright family, Kali, would receive benefits but her older brother, Khaza, would not. Aaliyah Wright was fine with that.

"OK, so I know my future is set for one child," said Wright. "So now I need to really focus on making things work for him."

There are differences among plans in the size of the final payout. Booker's proposal would have paid about \$46,000 to children of the poorest families, while the district expects to pay out a maximum of \$25,000. Connecticut's plan would pay an estimated \$13,000 — something Wooden described as "pretty much the floor" for a serious attempt at a Baby Bonds program.

Naomi Zewde, an assistant professor in health economics at the City University of New York who conducted a 2019 analysis of the concept, set the lowest impactful payment at \$15,000.

"It has to be a sum of money that's kind of outside what people would normally come across," she said.

Zewde's analysis suggested that a nationwide federal Baby Bonds program would massively reduce the racial wealth gap between white and Black Americans in a single generation, even as it boosted both races.

Currently the median wealth of young white Americans stands at \$46,000, compared with \$2,900 for Black Americans.

For a Baby Bonds program to succeed, it has to be on a national level and have strong popular support, advocates said.

Darity, a Duke professor who co-authored the original Baby Bonds proposal, points to Britain, which instituted a similar program called the child trust fund in 2005. But the program was discontinued and all future payments halted in 2010 in a government austerity campaign.

"I think the assessment in England was that they had not built grassroots support for the policy when they started it," he said. "So there wasn't any strong resistance to eliminating the plan."

In the United States, the program already has been strongly endorsed by prominent liberal organizations such as the Urban Institute and Prosperity Now.

But there are detractors.

Veronique de Rugy, a senior research fellow at George Mason University's Mercatus Center, said the one-way nature of the deposits, with no mechanism for the families themselves to add money, "does nothing to encourage the culture of savings."

She added that the program could tie up millions that could be used to address immediate societal conditions that also help feed the cycle of poverty.

“A lot of these kids are still going to be stuck in bad schools,” she said.

Michael Strain, an economist at the conservative American Enterprise Institute, says Baby Bonds advocates will struggle to persuade lawmakers around the country to make such an expensive commitment. “I absolutely think it’s a hard sell,” he said. “The 18-year lag is less of a political obstacle than the price tag.”

Wooden rejected the perception of Baby Bonds as having no payoff for 18 years, saying the benefits will be immediate and measurable. That nest egg, he said, will inspire real-time changes in planning, academic achievement and overall ambition in both children and families.

“There is a high value that should be placed on hope,” he said. “We know what hopelessness looks like in our communities.

Manning, the young expectant mother in Washington, said the knowledge that the money was waiting for her son would change how her family talks about his future.

“It would be much more focused,” she said. “Do you know what you want to do? What are your plans?”

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