

[Transcript] The Ezra Klein Show / Why This Economist Wants to Give Every Poor Child \$50,000

One of my long time obsessions as a policy reporter is the question of wealth. Most of American politics, most of American economic policy, I would say, is about the question of income. What wages look like, whether they're rising or falling, for whom. When we talk about inequality, we're typically talking about income. But wealth is as important, I think maybe more important. We don't measure it as well. But it says more about what a family, what a person can actually do under duress. It says more about how they can invest in their future. It says more. Knowing their wealth can often tell you a lot more than their income can. About the long-term prospects of that family. And wealth has this other quality, again, different than income, which is it is where the past compounds into the present. Where injustices of the past compound into the present. Where the benefits of the past privileges of the past compound into the present. Wealth is where the long story of a family or a country makes a reality of the moment. And for that reason, it's uncomfortable. Wealth is uncomfortable. Because what does it mean to inherit? What does it mean to ask people to pay up for the sins of those who came before them? But on the other hand, much more so than income, if you don't do anything about wealth, it just compounds and the inequalities of a society go greater and become more present every single day. So for all those reasons, I've long been interested in policies that would do something about the wealth gaps we have. Often what we do is we make policy to make wealth inequality worse. In the time I've covered politics, we've made the estate tax a lot looser. We've made the thresholds beneath which it doesn't apply much higher. You can pass down millions of dollars before you get taxed now. We also have just a ton of tax policy meant to help people build wealth, which is great. We help people buy homes and we help people go to college and we help people do all these good things. The problem is you can only get that policy if you have some wealth to put into these advantageous accounts in the first place. What we don't have a lot of is policy that helps people who don't have wealth build it. And so I've been very intrigued by this idea that the economists Derek Hamilton and others have put forward called Baby Bonds, which would be this proposal to simply give people wealth, everybody. Now, not everybody would get the same amount. You'd get a lot more if you were poorer than if you were rich. If you did not have wealth as a family than if you did, you would not be able to use it for anything. It's circumscribed. It's a wealth building policy, not just a policy to help people spend, but more so than anything else out there. It has this potential to all in one swoop, really shift the wealth distribution of the country, really make sure that everybody has a chance to enjoy the benefits of wealth, as opposed to that being something that is reserved for those who got it from generations before them, but that those who did not have that luck simply are left without. Derek Hamilton is a professor of economics and urban policy at the New School. He served on the Biden-Sanders Unity Task Force and was an advisor to Bernie Sanders. His ideas have been picked up into lots of pieces of federal legislation, and Baby Bonds in particular has been introduced by Cory Booker and Ayanna Presley in Congress, not in its exact form of his, but in a pretty close one. So this is a policy actively under consideration. It is something you can imagine passing at some point in the future if it were something Democrats prioritized, if it were something that they wanted to make the thing they did if they got power again. So should they? That's what I

[Transcript] The Ezra Klein Show / Why This Economist Wants to Give Every Poor Child \$50,000

wanted to talk to Hamilton about. As always, my email is reclineshow@nytimes.com.

Derek Hamilton, welcome to the show. Thank you, Ezra. Pleasure to be on with you.

We talk a lot in American politics about income, about wages, but something you write that sticks in my head is that, quote, wealth is the paramount indicator of economic prosperity and well-being. Why? I mean, think about what you can do with wealth that you can't do with income.

If you have a child that's about to enter college, chances are your income's not going to be able to afford you the choice to send that child to any school that they could actually get into.

Some schools just simply might be too expensive. If you're faced with a legal challenge and you want to hire a high-priced attorney, the cost will be such that you will have to use some wealth and income probably couldn't afford you that attorney. I mean, we can think of other things as well. So even aside from economic security, if you want to do things with your life, suppose I realize that my passion isn't to be a professor, but I really have this innovative idea and I want to bring it to market. Well, if I have capital, I'm better positioned to bring that idea to market. If I want to move and purchase a house somewhere, you know, basically the point is that wealth affords you economic agency in ways that income does not. Income is largely used to pay your expenses that happen on a periodic basis, whereas wealth gives you the ability to withstand shocks and the ability to make investments. Ultimately, wealth gives you choice in ways that income does not. There's a line I've seen you use that that brought to mind where you and co-authors talk about wealth as being a way to fully participate in the market. What do you mean by that?

You know, think about income. If you are a worker, you can't just simply decide that you want to leave your job and do something else. But if you have wealth, if you have a stock of assets, it gives you the freedom, the choice to really negotiate with whatever it is you bring to market, be it your labor or your innovation or some ideas. So wealth with that stock, that provides you really agency to make choices.

So I think people particularly who listen to this podcast are probably somewhat familiar with looking at the American economy through the lens of income and inequality. What changes either

in the data or in the distribution when you begin to look at it through the lens of wealth and equality? Wealth is so concentrated in the United States. You know, very few people own a great deal of the wealth. And of course, if we look at race, that becomes even more dramatic. So if we compare inequality and the domains of income versus wealth, essentially there is no comparison. We can cite statistics, but the gist of it is very few people own most of the nation's wealth. Well, let me cite some. You cite numbers from 2019 that suggest the top 10% of households own about 70% of all wealth, 70%. And so that's twice the net worth of the bottom 90% of households

combined. This is one of those places where I think if you marinate in it for long enough, you begin to really feel the unfairness in the economy. For income, if you want more of it, you have to go out and work for it. You have to go lift a box or have a new idea or write marketing copy or something. But wealth isn't like that. What you got to do to get more money from wealth is just let your money go out there and make money on its own. So the number here that I think is really striking is real household income that the money people work to get. It grew by about 30% between 1989 and 2018. The S&P 500 grew by about 400%. So if you're working a job and

getting

raises, you can make more money over decades. But if you just had enough money that it could sit there in the S&P 500, it went up by multiples. And you didn't really have to do anything new to get that at all. So this gets to something that's become very famous in policy circles in the last couple of years, which is Thomas Piketty's famous R is bigger than G equation. So let's hope in for folks who aren't familiar with it. You could walk through it. R over G . All right. So... He's not excited already. The rate of return to capital has grown and continues to grow at a much faster rate than overall growth. And that is how society has been structured. And if you don't have interventions from an entity like the government sector to allow for some redistribution, oftentimes due to tax code, then you end up in a perpetual cycle where those that have the benefit of capital continue to grow their capital. And then here's the other point that growth rate in capital certainly can transform political situations to benefit capital in the first place.

So in other words, it's not just economic growth that becomes compounded. The power associated with that increased wealth translate into ability to influence the political structure and system so as to have a feedback to grow your wealth even more. Yeah, I was going to get into this later, but maybe we should get into it now, which is that I think it can be easy to hear this conversation about wealth and markets and think of this as an automatic process of capitalism. But even putting aside the way we structure markets, there is a huge amount of tax policy.

I think the estimate I saw in one of your papers was over \$700 billion a year that is designed to wealth build. And on the one hand, that policy is facially neutral. It's there for in theory anybody, but you need to have wealth to use it.

So do you want to talk a bit about what the tax code is doing here and the way we are manipulating, increasing and advantaging wealth in the tax code?

Yeah, the extent to which our tax code incentivizes wealth and capital growth, it centers on existing wealth and capital growth. Now, it need not be that way. We could use the tax code in a way to promote new wealth. There's the famous study called Upside Down.

They came out of prosperity now that shows that we spend about in excess of \$700 billion in promoting

asset development in the United States. And what are things associated with asset development? The different ways in which we tax capital gains versus wages. The different ways in which we treat homeowners versus renters. So you're able to deduct the interest payments on your mortgage from your taxes, whereas a renter doesn't have that access. So we may even think as a society, that's a good thing. You know, wealth is good for society, but the problem is to whom that tax code benefits. So the more accurate estimate of \$700 plus billion, about a third of that will go to people earning over a million dollars. The bottom 60% of earners will receive about 5% of that distribution. So one could reimagine a tax code that spends similar amounts of money, but does it in a more distributionally fair way? Because as we've been talking, a lot of that is associated with having existing capital in the first place. So the government is strategically directing public resources in a way to promote even greater growth of those that have wealth to begin with. And I want to get at one of the dynamics in this, because a lot of this is very well-meaning. So there's a great statistic in one of your papers about how fewer than 3% of Americans

have what are called 529s or COVERDELL accounts, which are these tax-advantaged accounts to

[Transcript] The Ezra Klein Show / Why This Economist Wants to Give Every Poor Child \$50,000

save

for education. And it's great, right? You know, helping people put money away for kids' college in a tax-free way, helping them build for the future. I mean, you don't have to be running any kind of scheme to make America unequal to think that would be great. But most people don't have them because most people can't save that much money in them. And so I think we're used to thinking

about tax policy as being unequal when it's sort of designed unequally. But you can have a policy or accounts that are totally neutral. Anybody can take advantage of them. But if you don't have money to put into them, you can't. And so in effect, they become a way that people are pretty wealthy can keep a lot of money tax-free that if you, you know, are not that wealthy, you don't have access to anything like that. Yeah, I mean, fundamentally, wealth begets more wealth. And if we have a society that uses the tax code, the privilege of existing wealth, that only enhances that framework, that equation. But again, if we could reimagine a tax code, there's nothing wrong with promoting wealth for the American people. The problem is how we do it and to whom it's distributed. So if we set up structures, incentives, and straight up grants that allow people to get into an asset that can passively appreciate in a more egalitarian way, that would be better. You know, that same amount of money could be used to facilitate a down payment for somebody to get

into home ownership who otherwise wouldn't get into home ownership. And it's still growing to nations, saving and wealth, but doing it in what I would say a more fair, just and even productive manner. I'm going to put a pin in that because I want to get to that policy, but I want to go through a couple more pieces of the wealth context first. And one thing here that I want to be careful about, we keep talking about wealth as if it's one thing. And the examples of you so far are things like stocks and homes. But the composition of wealth, I mean, what we measure as wealth includes a lot of things. And the composition of what wealth people have changes as you go up and down the class ladder. So could you talk a bit about the different types of wealth and how the wealth that people in the working class have, if they have it, tends to be pretty different than people in the richer segments of society? That's right. I mean, if we get into issues of diversified portfolios, we know that it's better to not have all your eggs in one basket. But one needs to realize that if you have a little egg to begin with, it's hard to spread it amongst many baskets. So in the American case, the asset that most people start out with, and again, it's for those individuals that are able to get into substantive ways to generate wealth and assets, it's often a home. As such, the composition of their wealth is often primarily in a home in a large percentage way. But as you grow your wealth, you're able to use that additional wealth to diversify your financial portfolio. Then you start to get into things like stock ownership and potentially even business ownership.

And that gets to something I think important here, which is at the beginning, you gave the example of wanting to start a business or sending a kid to an expensive school or maybe needing to get a lawyer. If you've got a bunch of stocks sitting around and your wealth is in stocks and you need to sell some of them to do that, so be it. If your wealth is in your home, it's not that that isn't real. You can sell your home. But there's a lot that comes along with selling your home from having to move to another home to it maybe being a very emotionally important part of your life and the place where your kids grew up. I mean, there is a difference,

[Transcript] The Ezra Klein Show / Why This Economist Wants to Give Every Poor Child \$50,000

I think, between having your wealth tied up in the place you live and having it invested in a hedge fund. If we look at financial wealth as the sole category, these disparities that we started out describing in the beginning, they grow even wider, which is your point. We also think about the benefits of a home. You really need a residence, you know, some place to actually live and also the attachment that comes along with social ties. But we offer various other amenities with your home as well, such as a school. The quality of your school is attached to the neighborhood that you live in. Those that can afford affluent neighborhoods and a home to match often are in better school districts so that their kids even end up with a better hand when they become an adult and begin the process of wealth building.

We've talked here a bit about wealth inequality and wealth composition. Tell me about the Black-White

Wealth Gap. Now that's dramatic. The Black-White Wealth Gap is such that the typical Black household

throughout American history has rarely had more than a dime for every dollar as the typical White household. Not just wealth as an outcome, but its functional role, what it can do for you.

So we end up in locked-in inequality. And what makes it more pernicious is that locked-in inequality is often defined by the race that you're born into.

And so this is probably a point to ask. Are we talking here about means or medians? And how are those two measures different? And was looking at one of them get you that looking at the other one misses and vice versa? If we were to look at mean, the differences we're citing are even more dramatic. If we were to look at the mean wealth difference, Black people as a group own about 3% of the nation's wealth. Black people make up well over 12% of the nation's population, but own about 3% of the wealth. I think a fairer number is to use the median if we're thinking about differences across race, because then you want to look at what's typical about a Black experience versus a White experience. But if we look at the mean, the mean is more dramatic because America has a wealth inequality period. So we have a problem with a concentration of wealth

regardless of race, but it becomes more pernicious when we look at race. We have a small few that own

an inordinate amount of our nation's wealth, and that small few is overwhelmingly White.

So we can have racial justice where we would have a more fair distribution of wealth, and that would be great, but that still wouldn't achieve economic justice.

So in the dimensions of wealth, we need to be concerned with both economic and racial justice.

Just imagine as a thought experiment, we passed a policy that really solved or deeply narrowed, and we'll talk about a policy like this, the median wealth gap. So the typical Black household, the typical White household, now they look pretty similar or much more similar at least from wealth, but does nothing really on the mean wealth gap because your Bill Gates's and your Elon Musk's and so on, they're unaffected by this policy. And so on the one hand, you have really dramatically changed the wealth gap on one measure and barely changed it on another.

What have we solved in that world, and what haven't we solved?

We haven't solved economic justice. Now we've redressed racial justice, which again would be no small feat. And if I were to flip your framing slightly Ezra and say, we can close the mean racial wealth gap hypothetically by creating simply a class of Black billionaires so that the

[Transcript] The Ezra Klein Show / Why This Economist Wants to Give Every Poor Child \$50,000

mean distribution across race was equal. But that would still leave large racial disparities between the typical experience. In other words, a handful of Black billionaires would not solve our problem, but could at least in theory close the racial wealth gap. I'll add one other thing to make the point crystal clear. The mean wealth of a White family in America is close to a million dollars. We know that the typical experience of a White family is not a millionaire experience. But that's because of that high concentration of wealth that drags the distribution in a skewed way towards a million dollars. The more typical experience of a White household is in the hundreds of thousand range. I believe it's closer to 200,000 dollars.

So if we were to use the mean and not the median, we would not exactly be using the accurate pinpoint

to understand the typical experience between a Black and White household.

One of the reasons I think the Black-White wealth gap is unusually important to focus on is a question of racial justice, is that it's where the story of our past compounds into our present. And you've done a lot of work on both the shape of it now, but the causes of it. So how do you understand how America ended up with a wealth gap like we have?

You know, many of us are well familiar with our history, and we know that America's had a sorted history in its treatment of Black people, beginning with slavery. And you know, it's been characterized as the original sin of America, where you had people literally living in bondage and serving as capital assets for a White land-owning plantation class. We also know, and we let this conversation up with how wealth is generated. It's generated mostly passive. We know that it's intergenerational, that households that have children are able to bequest to their children, a capital foundation that allows them to not only have wealth, but grow their wealth. So we understand how wealth is created, and we understand the history of America

is such that Black people started out in bondage. And then another pivotal point that should be made is that a White asset-based middle class didn't simply emerge. It was public policy, policies like the Homestead Act, policies like the GI Bill, establishments like fair housing authorities that facilitated long-term mortgages at very low interest rates, that provided the capital and the structure so that White families can get into things like a home. And in the case of a GI Bill, a college degree without the albatross of educational debt to get into a managerial professional occupation. Ira Katz Nelson has a phenomenal book called *When Affirmative Action was White*, which really lays this out. What Ira Katz Nelson also describes in this book is the ways in which that policy was designed or that set of policies were designed, implemented, and managed that benefited White people and to a large extent excluded Black people. So let's give an example. Imagine a Jim Crow context for which one is trying to apply their GI Bill to purchase a home in an area. Well, the choice set that you have to purchase a home is much more limited if you're Black. The access to go to a bank and receive a loan to provide a mortgage associated with that initial capital is very different if you're Black. I think the estimate that Ira Katz Nelson offers when we think simply about higher education and not even home ownership

that the GI Bill provided enough capital for Americans to rival that that we spent on the Marshall Plan that played a large part in rebuilding Europe. So this surge of government resources enabled a population and also enabled institutions that benefited White people at the

exclusion of Black people. When Black people were able to accumulate assets, you know, when they were able to overcome circumstances and actually accumulate wealth, it never received the political codification to be immune from malfeasance, terror, threats, and outright thefts, the ways that White people property ownership was afforded. You know, a big example would be Tulsa, Oklahoma, when we had the race massacre in which a community was that was at least working to middle class was decimated overnight. And then, of course, this was not isolated. There were many examples where physical destruction, even if it's not leading to the actual physical terrorism that decimated Tulsa, Oklahoma for Black people, the threat of violence, the fear, the threat that if you don't engage in a certain way, if you don't act a certain way, if you are not kept in your place, you literally could lose your life. That has impacts on a community, on a population's ability to generate wealth. So this is our sorted history. But what is important for this conversation that we're having Ezra is that the paramount indicator of not just economic security, but economic agency in one's life has been structured in America through public policy such that we have this large gap of about one dime for every dollar, which is an implicit economic indicator of our historical past. One statistic I've seen you use that I find unbelievably striking here, because I think the myth in America, the belief oftentimes is, look, you get a college education, get a job, you get ahead. And that's available to anybody now, even if it always hasn't been. But something that you and co-authors have found is that households in America headed by white high school dropouts have more wealth on average than households headed by Black college graduates. That's pretty remarkable. And that's the beauty of trying to describe that we have structural racism in America. You can simply point to descriptive indicators that we all associate as the keys to success and find out that not only do we have disparities across race at various indicators of whether you're married, not married, highly educated, not highly educated, formally incarcerated, never been incarcerated, but these disparities grow as we move up into higher status indicators. So the disparities across wealth get larger at higher levels of education. The disparities across wealth don't subside when people get married. They actually get larger. With the statistic you cited earlier, you can look at the highest status indicator for Black people like a college degree, like being married or whatever the domain we want to look at, and look at the lower indicator for white individuals and see that in something like wealth, the disparities are often such that the white person is better off in wealth than the Black person, even though the Black person has the highest status indicator. It dispels this myth, this notion that all you have to do is do these things and you'll be fine. Of course, with thin group, more education is associated with better outcomes, but across groups, the disparities remain and even get larger, and that's not a coincidence. That's a structure. One point you've made is that one thing you see in the data is that the reason it's often hard for Black families to build wealth, and this gets to this whole broader context you're describing, is that as they do build wealth, there are more people who need their help in their communities and their families, and so there tends to be more. If you're somebody who you're part of a middle class or upper middle class family and you get some money, odds are that people around you don't need it that much, but if you're somebody who's the only person in your family who's got into college and it was a huge effort for the family to put you through college, and now you're a doctor, let's say, but a lot of people around you don't have much and they need help with medical bills

[Transcript] The Ezra Klein Show / Why This Economist Wants to Give Every Poor Child \$50,000

or fall behind on rent or whatever, and you need to help them, that puts a break on wealth accumulation

that somebody from a wealthier family just doesn't have as much of. I was curious if you could talk a bit about that dynamic and what you see of it. Of course, that's personal. I've been able to acquire resources in ways that other people in my family have not, both immediate as well as extended family,

and I well understand the demands to want to provide for others so that they can have a good economic experience and not be vulnerable. Altruism isn't the problem, that's a good thing, but it's a problem that these structures of inequality extend well beyond the individual, but have large spillover effects as well. So one thing I take from all this is that it's just really hard to change wealth distribution, that you actually need real policy to do it, and just something we were talking about earlier, we have put a lot of policy into place to do it.

We have all these tax breaks, we've also cut the estate tax a lot over time, so we're taxing wealth a lot less than we have at other points in American history, but you have a pretty big policy idea that has been taken up in Congress that would do quite a bit here called baby bonds. So tell me about the baby bonds concept. Baby bonds just recognizes the ways in which wealth is generated. Wealth begets more wealth. We know that the difference between low wealth and high wealth individuals began with capital. So what baby bonds does is it provides a birthright to capital. It says irrespective of the economic situation in which you're born into, we will endow you with capital such that when you become a young adult, you can purchase an asset that provides that passive savings, that passive appreciation where you get economic security, you get economic agency that comes along with wealth as a birthright.

So how much capital are we talking about?

Conceptually enough so that the individual when they become a young adult can be able to get an education without debt, have a down payment to get into a home, or some capital to be able to bridge with a business loan to start a business. That's the idea. The program is structured such that the average account would be about \$25,000, but they could rise upwards to \$50,000 for those that are born into the most wealth poor family. Now that's the policy described at the federal level. If we think about state level policies where they don't have the purchasing power that the federal government has, they are constrained in an annual way based on their budgets. We've seen places like Connecticut be able to come up with an endowment of about \$3,200 for all Medicaid-born babies. So Connecticut, Washington DC, and various other states, they're not waiting on the federal legislation. They're beginning to try to redress intergenerational poverty given the constraints of their fiscal budgets with as little as \$3,200 at birth. And that \$3,200 at birth, it'll be managed similar to other state pension programs where the treasure of those states or those localities try to grow the accounts as large as possible. And there are estimates that in the case of Connecticut, a child born into poverty as measured by being a Medicaid birth could have about \$10,000 when they become a young adult to contribute towards some down payment, some nest egg so that they can build wealth. Let's hold on the bigger proposal, the federal proposal for a minute, the one that could be up to \$50,000 for somebody born into the most wealth-poor households. So as I understand it, there are strictures on what you can use that money for. You can use it to go to college, you can use it to buy a house, you couldn't use it, I guess, to invest in Bitcoin or to fund your gaming habit or to buy gym membership or just

[Transcript] The Ezra Klein Show / Why This Economist Wants to Give Every Poor Child \$50,000

to help out your family members. I don't want to put this all as leisure spending. Why? Why not trust people to spend the money the way they need to spend it.

And let's be fair, this policy will not be, I'll use this word again, the panacea to redress all of the economic insecurity that we have. There is the difference between income and wealth, and both are critical and important for individual family and community well-being.

So the program is restricted not to be paternalistic, but to ensure that it's being promoted in a way to actually build wealth. We gave the example of being born into families that are not so affluent, thereby might very well require needs on individuals that are able to attain social mobility. If you were to offer me a baby bond when I was a young adult, when I was coming into the working age of my life, graduating from college, graduating from school, it's likely I would have had a relative who could have used that money in order to avoid some really detrimental

circumstance, like being evicted, like being able to pay a light bill, like being able to address some of their immediate income needs. Now those things are critical and important, and I would have been happy to be able to make those contributions if I had the money. However, it wouldn't have grown my wealth. So I think we need to restrict the accounts, not because we don't trust people to make astute decisions for themselves, because we need public policies that are really aimed at the attribute for which we want to address. That's the whole purpose of why you might want to restrict it. So in the first part of our conversation, we talked about the size of wealth inequality in America. We talked about the black-white wealth gap in its mean and median forms. Some analyses have been run on this idea. What would this do for those? Which gaps would it close and which gaps would it not? Naomi Zody, she has this great simulation study that projects the impact of baby bonds on the black-white wealth gap, and she calculates that for recipients of the account, the young adults that would actually receive the account, it would cut the racial wealth gap in half by 50%. That's one generation. Imagine what it can do for subsequent generations. It can trend us towards closing the racial wealth gap. We've been focusing

on race, but there's a lot of wealth poor white individuals in this country as well, and they absolutely would benefit. So to me, this would be a program that is an automatic stabilizer in the sense that not just for the immediate recipient generation, but future generations as well, and to the extent that capital grows and generates inequality in America, we have a policy that in perpetuity trends us towards a society that affords people regardless of the income that they're born with, the race in which they're born to have access to something as critical as capital so that they can actually have an opportunity to build wealth. So the numbers we're talking about here for the poorest families are pretty big, \$50,000. And I think it is reasonable for somebody to hear that and say, yeah, it'd be nice, but there's no way we can afford to functionally have.

I like to think of this as a universal basic wealth program. What would the cost of it be?

And how could it be paid for? So yeah, I got two lines of critique. One is the universal basic wealth aspect. It's universal in the sense that everybody would have access to wealth. It would not be basic in the sense that everybody wouldn't get the same level of wealth as an endowment. But the main question that you raised, and we should address it, the cost of the program would be \$100 billion in total. \$100 billion seems like a big number. \$50,000 to the most wealth poor person seems like a big number. But we need to put that number in context.

[Transcript] The Ezra Klein Show / Why This Economist Wants to Give Every Poor Child \$50,000

Let's put that number in the context of one of the ways in which we began this conversation. The federal government is already subsidizing the assets of American people to the tune of well over \$700 billion a year. So we actually can afford to pay for this. I mean, we actually have already spending an effect that's promoting asset development. So with the existing pool of resources that we're using in the tax code, we could take a portion of that and do something as dramatic as redress these problems that we started off talking about, this massive wealth inequality that we began with, this racial wealth gap that has been structured in an immoral way since the inception of our country. So the meat is a lot of good news for \$100 billion. We really can achieve an egalitarian society that affords everyone the benefits that come along with wealth.

I think one worry here would be, so imagine we pass it tomorrow. You have this generation of kids when they turn 18, they have 50,000 or 50,000 that's been growing in the markets more or less depending on where they started out. And now all of a sudden, you have this profusion of, say, higher ed educations that know there's this whole generation that's about to graduate with more money, particularly people who maybe wouldn't have had access to places like them beforehand, or that all these people have money burning in their pockets and they want to try to convert it to money they can use. So somehow maybe they could pull in a house, but they can't spend it on many

things. You can imagine two things happening here. I think one is a lot of predation, and the other is inflation. And I think that's a particular concern in higher education where we've seen that before, where if there's a lot more money people can suddenly spend on higher education, the higher ed organizations raise prices and figure out ways to park people without money, without necessarily giving them a lot more for the dollar. So when you're talking about a big bank policy like this, how do you make sure it doesn't just get eaten up by highly informed, clever, and not even always malicious, just self-interested actors?

I mean, Ezra, I think you're spot on with that question, and I think it's a huge concern. We know history has taught us that two forms. One is if we know there's going to be a cash infusion into a population, a great deal of individuals, corporations, and other institutions are going to figure out ways in which they can usurp some of those resources in order to benefit themselves, and the potential biggest predator in this program very well could be universities and colleges that simply inflate their tuition to absorb the accounts in a way that it doesn't have a real effect. So to redress that, you will definitely need to include financial protections in the program. One of the benefits of, say, the investments going towards a home, it wouldn't be enough resources to literally purchase a home. It will require some form of a mortgage. So through federal protections to define what are the criteria to receive that mortgage and the criteria by which banks and other financial institutions could issue that mortgage, that becomes another check by which government can regulate the program in a positive way. Similarly, if you go get a business loan, you can't get a loan for just any businesses, there's some criteria. So that becomes another implicit check to redress some of the potential financial malfeasance, especially if government regulates the type of loans that can be coupled with the account. Let me also say that it would be great if this program was coupled with other programs like tuition-free public education. You know, I think in the 21st century, we need things well beyond baby bonds. We need a package of public goods aimed at ensuring that people have

[Transcript] The Ezra Klein Show / Why This Economist Wants to Give Every Poor Child \$50,000

the essential resource without which they simply are vulnerable. And capital is clearly one. And in the 21st century, not just a high school degree, but a college degree becomes another essential element. So if you had tuition-free public universities, that would be a constraint on tuition costs that could avoid some of that inflation that you've been describing. And in one other feature of the program, I don't think we should require people to use the accounts once they turn 18. Indeed, there should be provisions for an account that provides a normal rate of return and be accessible for when the child becomes an adult and also is ready to use the account. So another criticism is wealth inequality is bad, wealth concentration is bad. But for everything we talked about earlier, there are distinctive dynamics to the black-white wealth gap that reflect specific historical horrors visited upon black Americans. And so a race-neutral policy simply isn't the right way to approach that. How do you think about that? You know, I'm an advocate for reparations. I think reparations and baby bonds address complementary things, but not the same things. Reparations is a retrospective, racially just program that does two things. It requires atonement. It requires truth and reconciliation. It requires the federal government to take public account and atone for the state complicit malfeasance that have taken place in the past and led to the conditions that exist today. So that's not empty. That's valuable because a lot of the rhetoric by which we make policy today is grounded in narratives and norms. And it's often grounded in narratives and norms that position black people as deadbeats, as welfare queens, as predators themselves, as undeserving, undesirable, as a drain on public budgets. Now, of course, that doesn't just affect black people. That limits our ability to deal with white poverty as well. So that reparations leads to a different framing and understanding of both poverty and inequality that not only offers dignity to a population that has been stigmatized, that has been demonized throughout American history, but also creates new pathways and understanding in a more accurate and a more just way of thinking about poverty and inequality, not just for black people, but for all people going forward. Whether we're ready for it today or ready for it tomorrow, we should commit to it and commit to it as a movement because it is the right thing to do. That should be reason enough. But it will not be enough to really provide for the economic security and the access to wealth in a forward-looking way. It will redress the past and it will put black and white people on far more even kill in both economic and political contexts. But we know what capital does. Capital consolidates, iterates, and it excludes. In other words, wealth begets more wealth and wealth builds upon itself. So even if we redress the past, going forward, capital will concentrate among certain entities in American society and we need a natural stabilizer. We need an automatic stabilizer. We need a public policy that in perpetuity ensures that everyone has access to a capital foundation, particularly in their formative years of being a young adult so as to build wealth. We need to go well beyond subsistence programs, which are critical and necessary, but really will not build wealth. Let me ask about one final example before we wrap up here, which you talk about in your paper, which is seed okay, the seed for Oklahoma kids experiment. They were putting, at least for a treatment group, \$1,000 into a 529 savings account, the kind of account we talked about earlier for pretty poor kids, and then they tracked what happened to that treatment group and their parents against groups that didn't get that \$1,000. What did they fund? You know, they're great lessons from that seed okay experiment. They could inform us about

baby bonds. In addition to the wealth building attributes associated with baby bonds, the seed okay showed us that families knowing that their child is going to receive this endowment when they become a young adult, invested more in that child, tried to promote that child to double down on their education. Children had better grades as a result from that endowment than they otherwise would have without that endowment. Children had better outlooks on life. They had higher aspirations knowing that they were going to receive that account when they became an adult. You know, the good thing about baby bonds is it has spillover effects well beyond promoting the wealth of an individual that receives the account. It can literally change the horizon by which poor families and black families engage with the state. These are groups that are often engaged in punitive ways with the state, where the state is imposing a fine, where the state is saying you can and can't do this. If the state were to offer an endowment, I think it will promote civic engagement. I think that black families, poor families, and other marginalized families will see the state in a different light and it will lead to more civic engagement which will benefit us all as a society. It will also change the horizon of that child with regards to things like education. If you're going to receive an endowment, you very well might be incentivized to invest in attributes like schooling such that you'll benefit to a greater extent from that endowment when you become a young adult. In addition to changing the horizon by which a family thinks of the state so as to promote civic engagement, it also can create more touch points in a positive way by which the state can engage with families in a productive way.

I suspect that prenatal care will become greater utilized amongst low-income families as a result of baby bonds. If an expectant mother understands that this account is being established, well, it creates an opportunity where we literally could send out literature promoting these are the types of steps that you should pursue in order to have a healthy child which could promote more healthy children and greater lifestyles going forward. But it need not end at prenatal care, just like social security, where we get estimates of our social security accounts periodically and it provides a point in which the state can send literature and information to households. We can use the point of baby bonds to have positive interface of the state and the population so as to promote more healthy living for the recipients in our society at large. I think that's a great place to end. So as our final question, what are three books you'd recommend to the audience? Three books? Well, you heard me talk about *When Affirmative Action Was White* by Eric Ketch Nelson. I mean, that is foundational for me. It's foundational for me because it demonstrates what government can do in order to promote the human rights of all of us, to promote a great society for all of us. The lesson from *Affirmative Action Was White* was that if we're going to do it this time, we need to make sure that we design, implement, and manage the policies not in an exclusive way, but in an inclusive way. The second book, which is foundational for me, is *Racial Conflict and Economic Development* by Arthur Lewis. Anybody trying to understand the intersections of politics, economics, and identity group stratification or racial disparity, I highly recommend that you read that book. And then finally, a book that I've read more recently by Natalie Diaz, who is an Indigenous poet. The book is called *Post-Colonial Love Poems*. Natalie has this incredible way of presenting social theory and prose in ways that link people to the environment. It has had huge impact in my understanding about society in general, and it did it with poetry in a way that words themselves matter in our understanding and are critical if we want to come up with social policies to move to a better society.

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Derek Hamilton, thank you very much.

As I appreciate you so much. Love your podcast. Thank you.

This episode of the Ezra Klein Show is produced by MFAGAU. Fact-checking by Michelle Harris, mixing by Jeff Geld. The show's production team includes Annie Galvin, Roger Karma, and Kristen Lin. Original music by Isaac Jones. Audience strategy by Shannon Busta. The executive producer of New York Times' opinion audio is Annie Ross Strasser, and special thanks to Afim Shapiro and Christina Similuski.