

Idea of 'baby bonds' isn't necessarily out of left field

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Democratic presidential front-runner Hillary Rodham Clinton handed her leading Republican opponent a gift when she casually mentioned to the Congressional Black Caucus that she liked the idea of giving every child born in America a \$5,000 bond.

"When that young person turns 18, if they have finished high school, they will be able to access it to go to college or maybe they will be able to make that down payment on their first home," she said in a Sept. 28 appearance.

Former New York Mayor Rudolph W. Giuliani -- and many other conservatives -- pounced.

"Pandering to the point where I think they think the American people are stupid," said Giuliani.

A week later, Clinton backpedaled: "This is an idea I threw out. It is not a policy," she told supporters at a Chicago fundraiser. "When I come forward with a specific proposal, I always tell you what I think it will do and how I would pay for it."

Giuliani, though, was on a roll. He e-mailed out press releases with pictures of \$5,000 "Hillary Baby Bonds."

"Now, I know this never occurs to the people like Hillary and the other Democrats here in Washington, but you know something? I got news for you: This costs money," Giuliani told a gathering of the Americans for Prosperity Foundation in Washington on Friday. "Doesn't come from the trees. Doesn't come down from heaven. It costs money."

Clinton's idea is not as farfetched as Giuliani has made it out to be. Britain instituted a similar program in 2005. Recently the socialist prime minister of Spain proposed such a plan for his country, in part to reverse the country's anemic birthrate.

A modified version of the idea -- involving amounts smaller than \$5,000 -- has bipartisan support in this country.

In 2004, Sens. Rick Santorum (R-Pa.) and Jon Corzine (D-N.J.) proposed the America Saving for Personal Investment, Retirement and Education (ASPIRE) Act, legislation that would have given every baby a minimum \$500 endowment, untouchable for 18 years, at which time it could be used to help pay for college, put a down payment on a house or start a business.

Recently, Time magazine offered its own version of the bonds in a cover story extolling the idea of national service. In its Sept. 10 issue, Time Managing Editor Richard Stengel advocated a \$5,000 baby bond that could be cashed in between the ages of 18 and 25 on one condition: that the young adult perform one year of national or military service.

"The idea of investing in young people and having it triggered by national service has dividends because you are getting people to work for the common good," he said in an interview. He added: "In another sign that I am not Hillary Clinton, I didn't get slammed for the idea."

The notion of a baby bond is grounded, according to supporters, in the concept of the American ownership society, which was a tenet of President Bush's 2004 campaign (when the practical application was privatizing Social Security).

"The intellectual history of this idea is property ownership -- the Homestead Act, the GI Bill -- conscious efforts to spread property ownership through the population," said Ray Boshara, director of the Asset Building Program at the nonpartisan New America Foundation, which helped craft the ASPIRE legislation and advised British officials on their program. "That has broad bipartisan support."

The idea, he said, is to put children on a path toward lifetime savings and wealth accumulation, a notion that appeals to conservatives and liberals.

On Wednesday, in fact, the ASPIRE legislation was quietly reintroduced in the House of Representatives by a bipartisan coalition. Boshara said the reaction to Clinton's remarks -- especially Giuliani's -- made some Republican supporters nervous.

"Even if Rudy Giuliani thinks it's a good idea, he's not going to say that," said Boshara. "This is a campaign, and this was an easy target. I suspect that \$500 would not have received quite the denunciation that \$5,000 did."

Slightly more than 4 million babies are born in this country every year. Money in a baby bond plan would be invested and augmented by matching funds. Financial education would be part of the program. The goal would be to have around \$20,000 available to each young adult when he or she turns 18.

"If you have assets as a kid, it changes your mind-set and your orientation, and conservatives love that part of the idea," said Boshara. "For Democrats, it's more about opportunity. When everyone was talking about Social Security and savings and retirement security, this was the only idea that brought Democrats and Republicans together."

But conservative economist Stephen Moore, an avid supporter of the ownership society concept, doesn't see the logic of baby bonds.

"No question that asset ownership does lead to changes in behavior; that's an argument that conservatives have been making for years and years and years," said Moore. "There is a difference between building up wealth and just giving people wealth."

"It's the classic case in Washington of single-entry bookkeeping: We're going to give everybody that [money], but where does the money come from? Either from printing it or taxing us or borrowing, and any of those options are bad for children, not good for children."

Meanwhile, Clinton spokesman Howard Wolfson said Friday that Clinton would unveil her economic policy this week. Baby bonds, he said, will not be part of it.