Universal Baby Bonds Progressively Raise Net Worth of All Reduce Black- White Wealth Inequality

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CUNY Graduate Center

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How unequal is the wealth distribution?

If we take 100 people to represent the U.S. and $100 to represent its wealth…

How unequal?

$40
Goes to just one guy

How unequal?

Another
$40 goes to
the next 9

$40

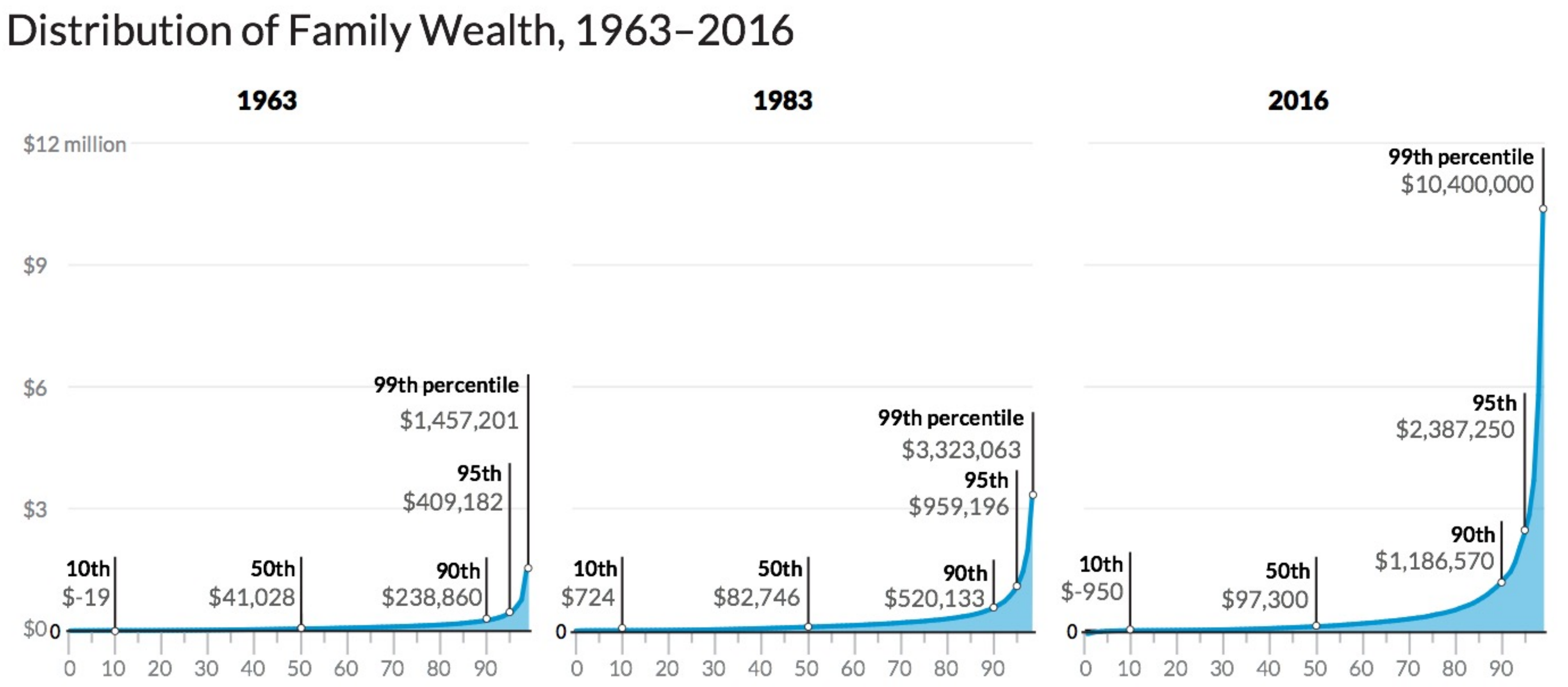
How unequal?

The last $20 is spread across 90 Americans

$40

$40

Concentration of Wealth is Increasing



Source: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2016.

Note: 2016 dollars.

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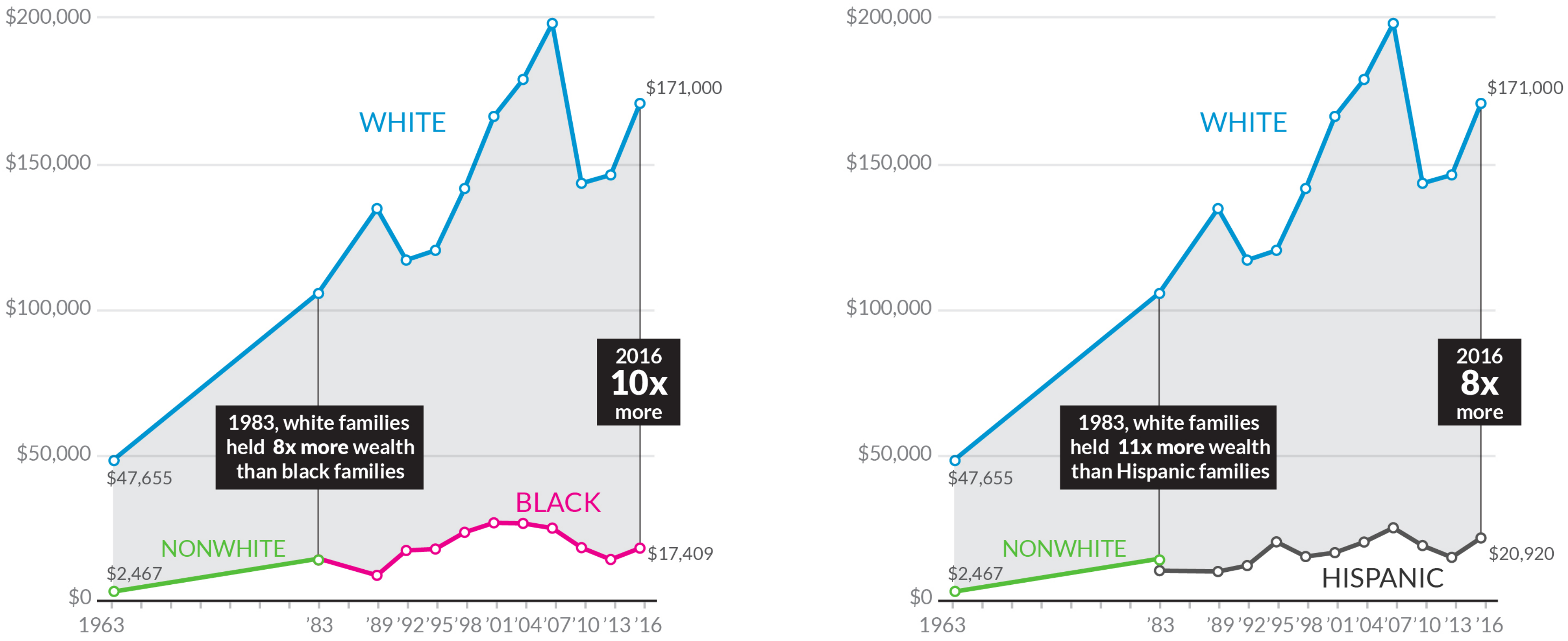
Racial Disparities in Wealth are Persisting

Median Family Wealth by Race/Ethnicity, 1963–2016



Source: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2016.

Notes: 2016 dollars. No comparable data are available between 1963 and 1983. Black/Hispanic distinction within nonwhite population available only in 1983 and later.

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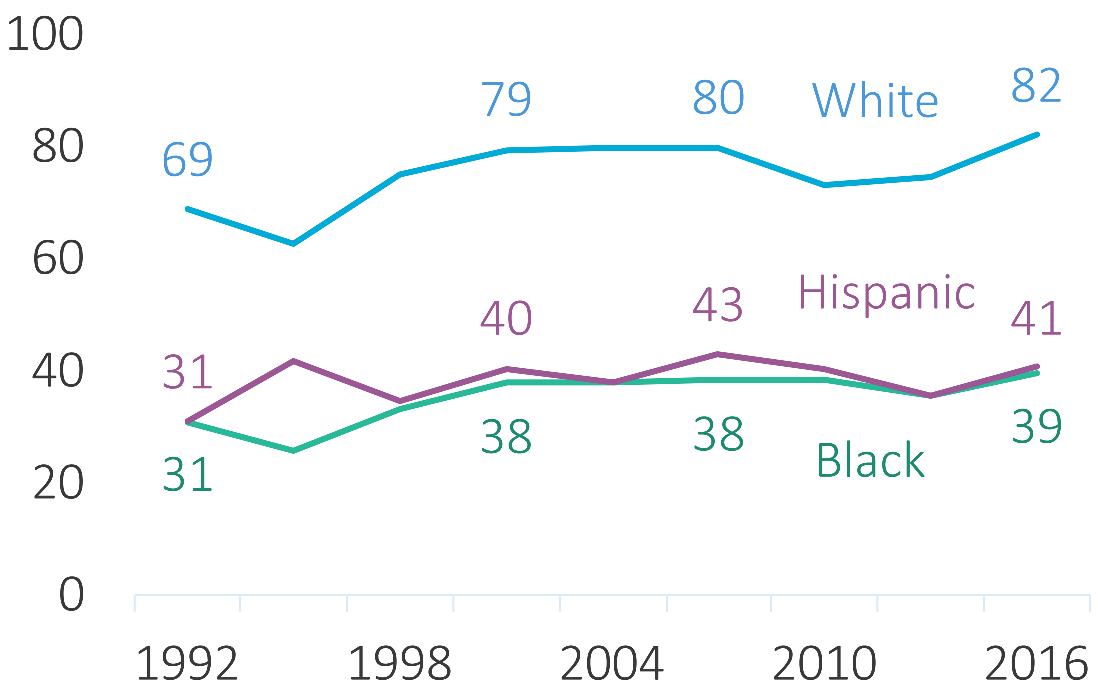
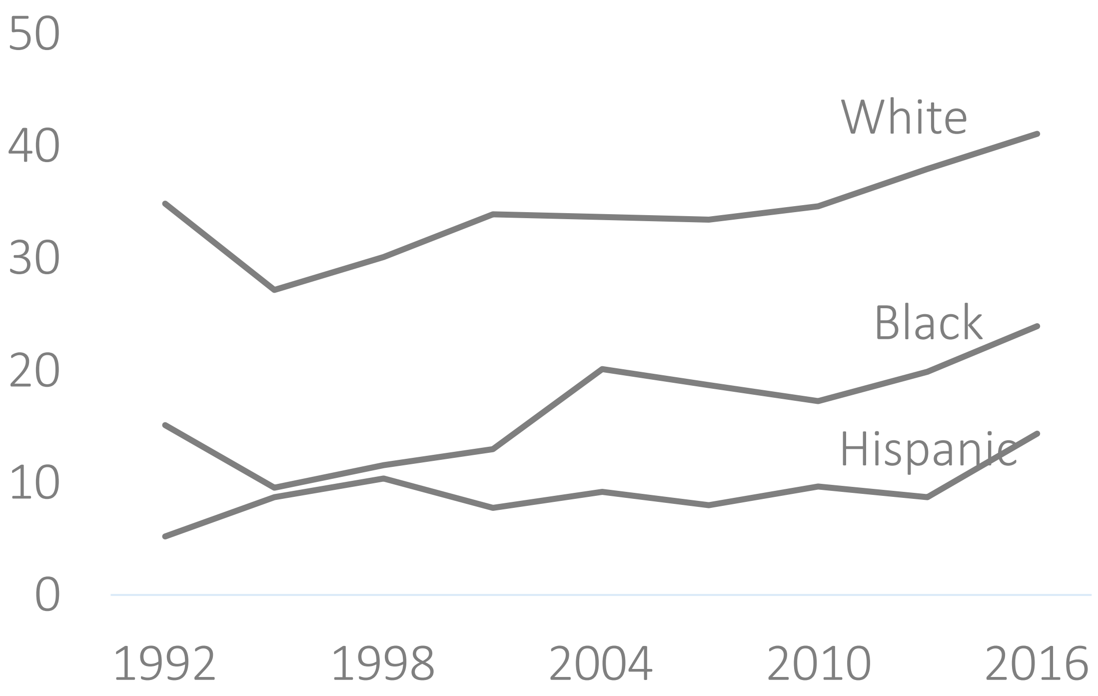
Of all the factors contributing to racial wealth inequity for households with kids…

Income by Race (Thousands)



Percent with Bachelor's or More



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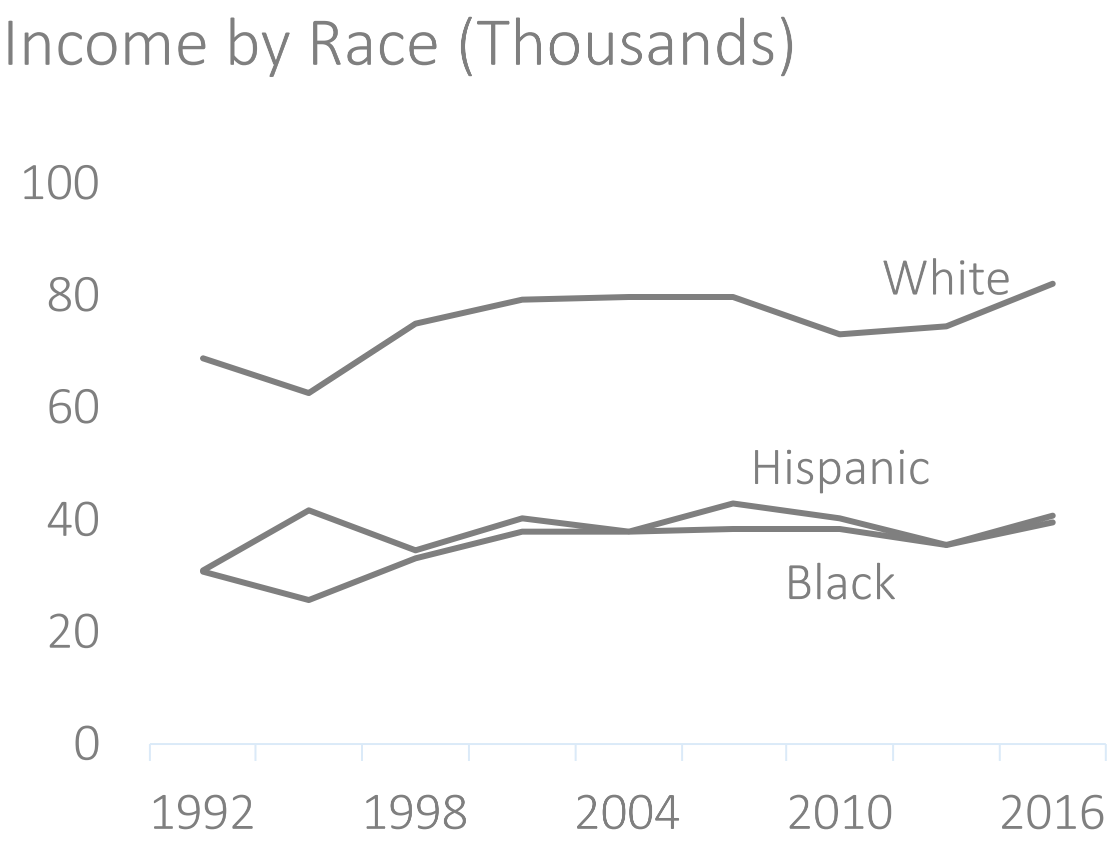

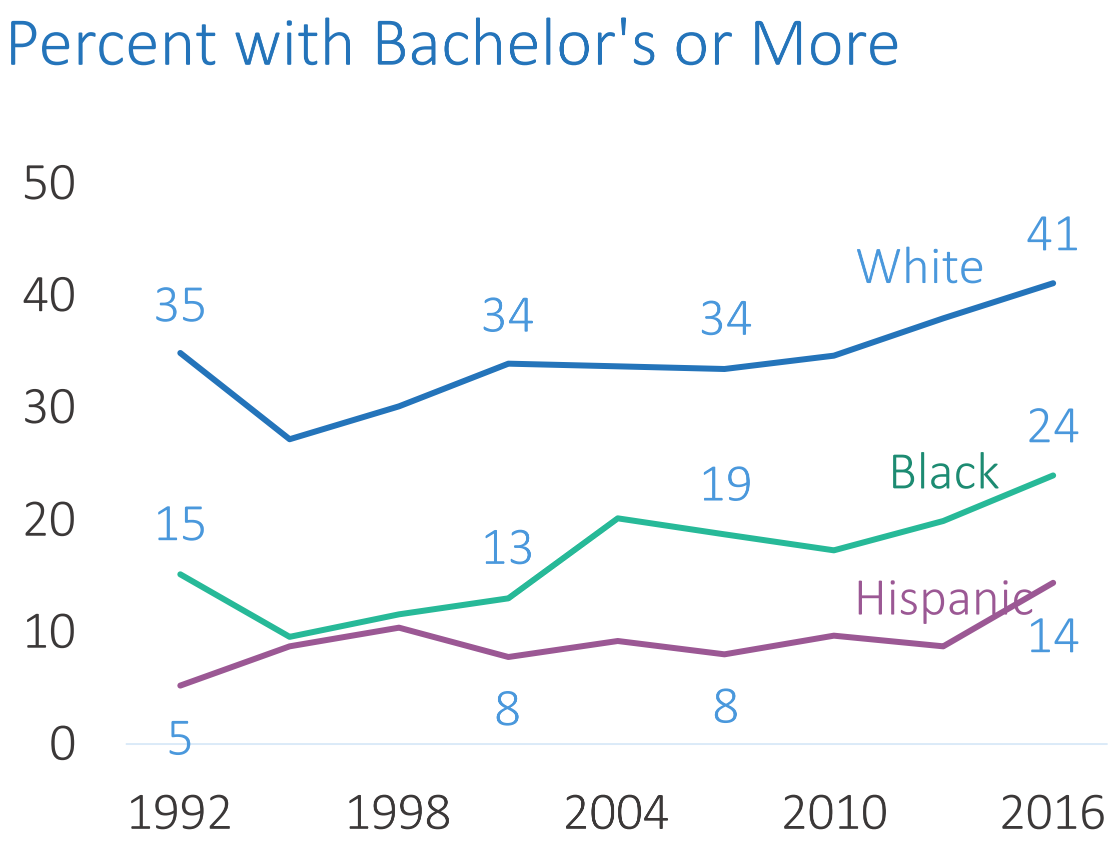

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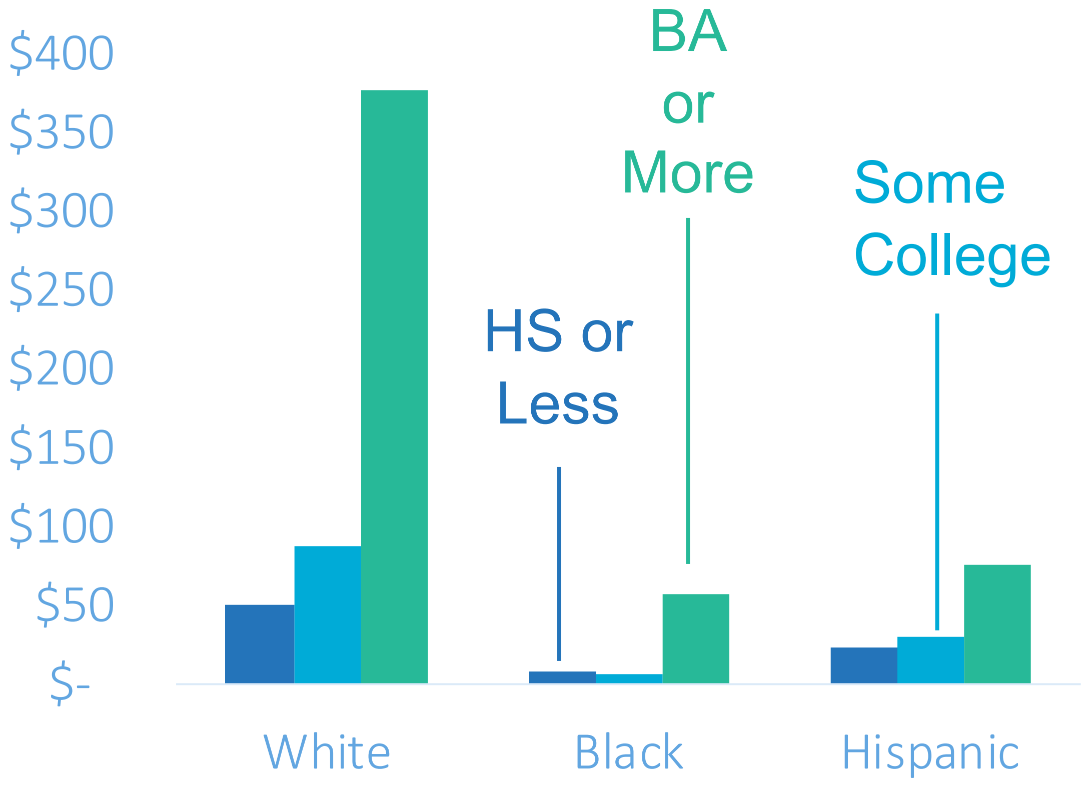
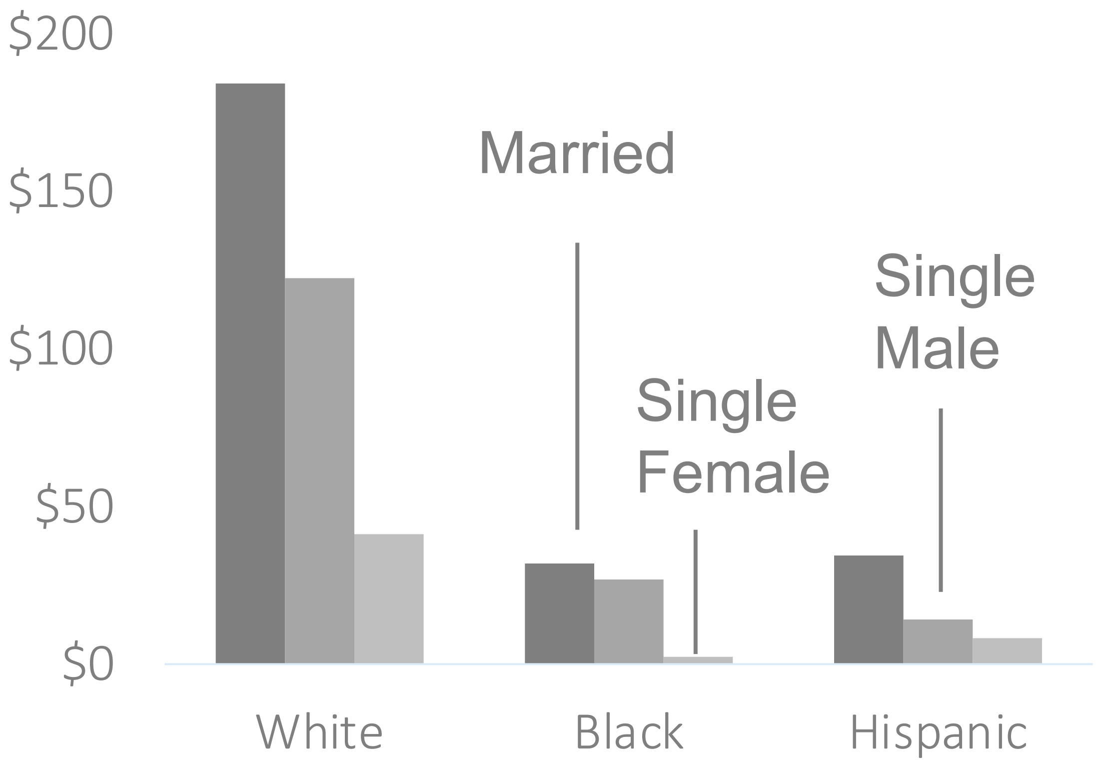
Race, and its historical legacy, is more influential than behavior

Net worth by race and education (1,000s)



Net worth by race and family structure



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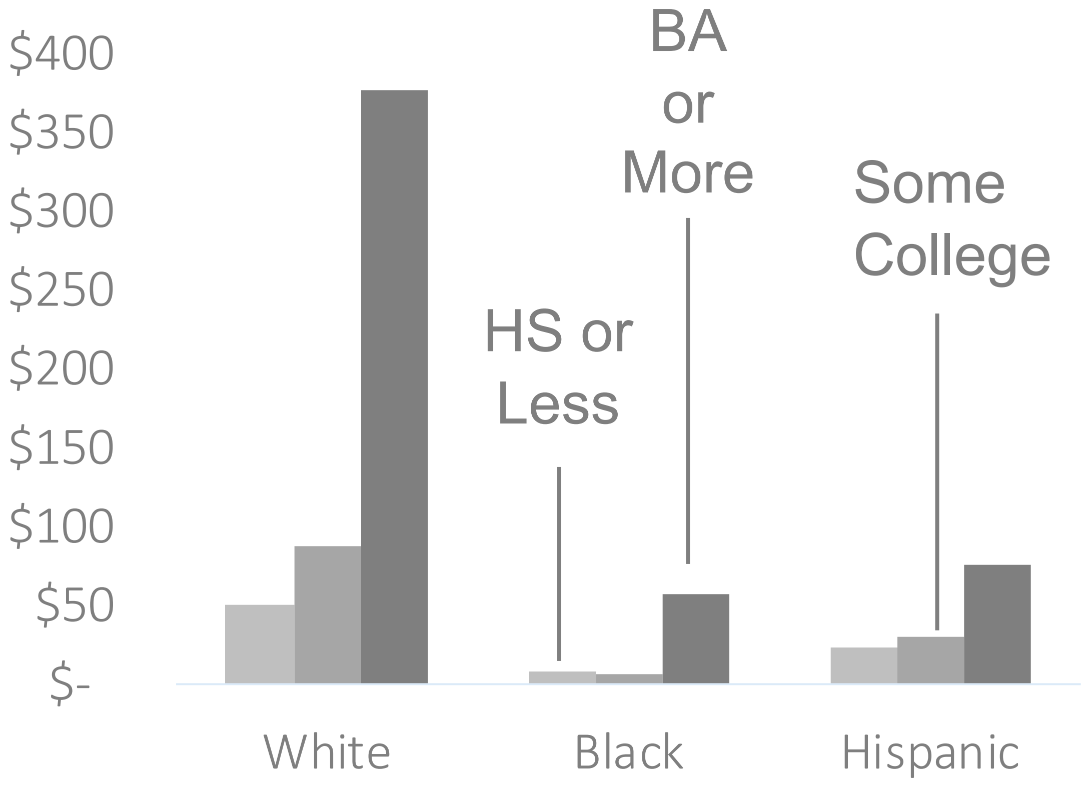

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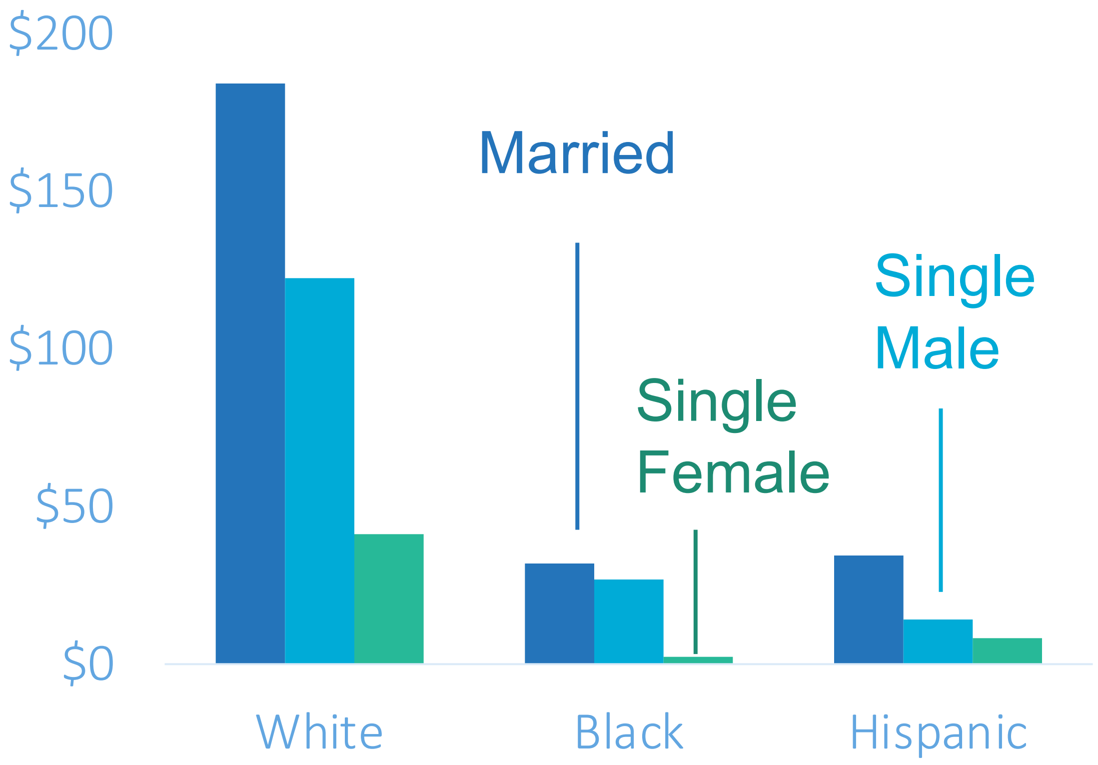

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Race, and its historical legacy, is more influential than behavior

	Demographics	Penalties & Rewards	Interactions
Parenthood	0.213***	0.534***	-0.115***
Female	0.568***	0.295**	-0.170**
Income	1.581***	-4.051***	-0.371***
High education	-0.150**	0.249***	0.354***

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Wealth provides stability, growth, power

Acts like insurance

- Risk- averse consumers derive utility from knowing they have protection, even without using it

Enables educational advancement and social mobility

Confers social standing, community influence, political access

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Hard to Save While Poor, Despite Existing Programs

529s depend on parental participation, regressive tax breaks

Individual Development Accounts are difficult to stick to

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Longitudinal wealth data from birth through Young adulthood

Young adults in 2015 PSID, ages 18-25

Household net worth at birth and in 2015

- Match to 1989 wave if born between 1989 and 1991, 1994 wave for 1992-96
- All inflated to 2015$

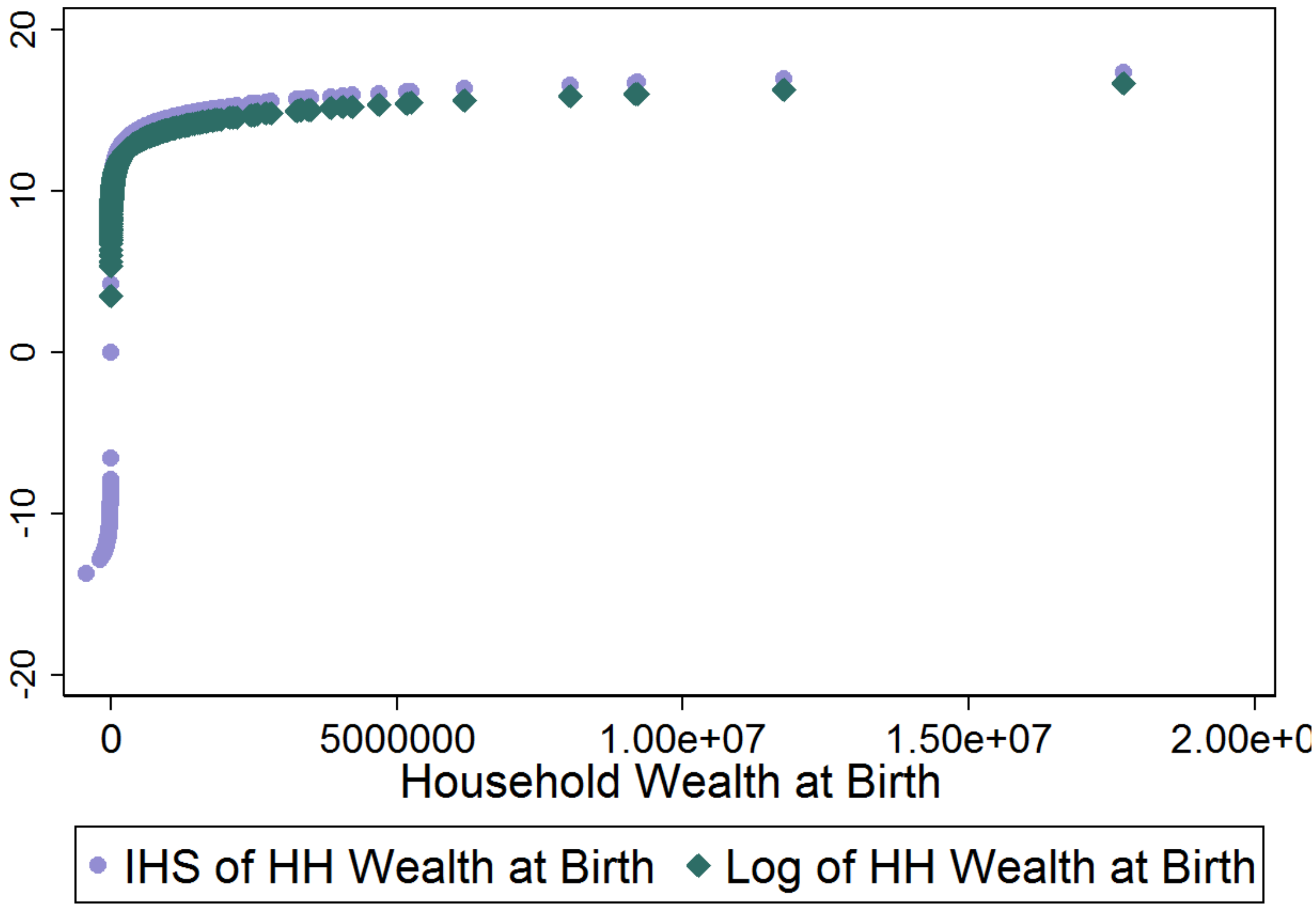
Progressive Bond Design

Assign categorical bond values by quintiles of wealth

Smooth out discrete values by regressing on HIS-transformed wealth

- Log(birthwealth + sqrt(birthwealth^2 +1)

IHS similar to log > $0, but allows negatives



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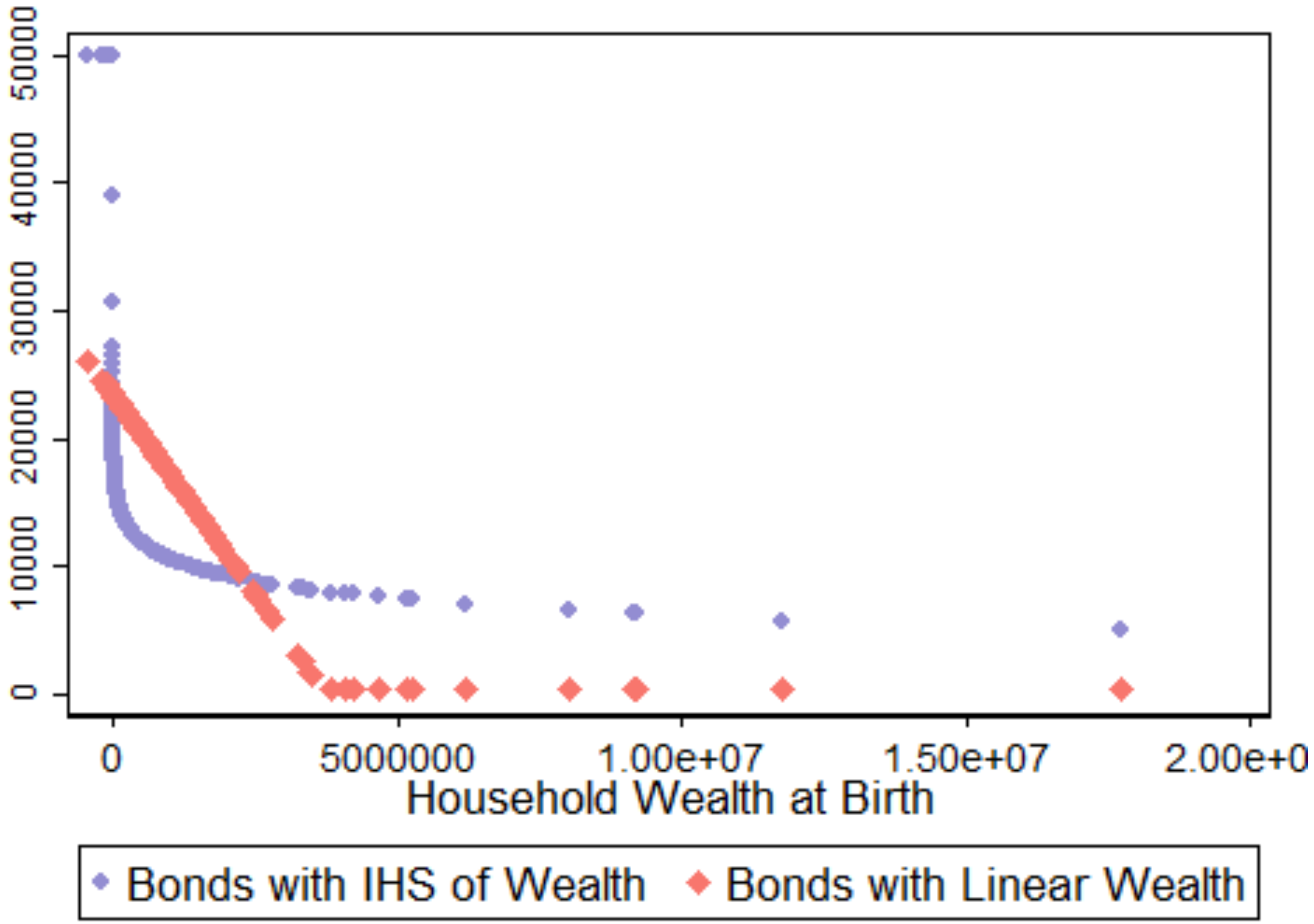
More progressive than a linear regression



Total Cost Benchmarks to original estimate

	Age Less than 1 Year (1)	Age 1 Year (2)	Average of (1) and (2)
Number of Births	1,734,917	6,301,550	4,018,234
Total Bond Value (Billions of 2015$)	$35.20	$128.82	$82.01

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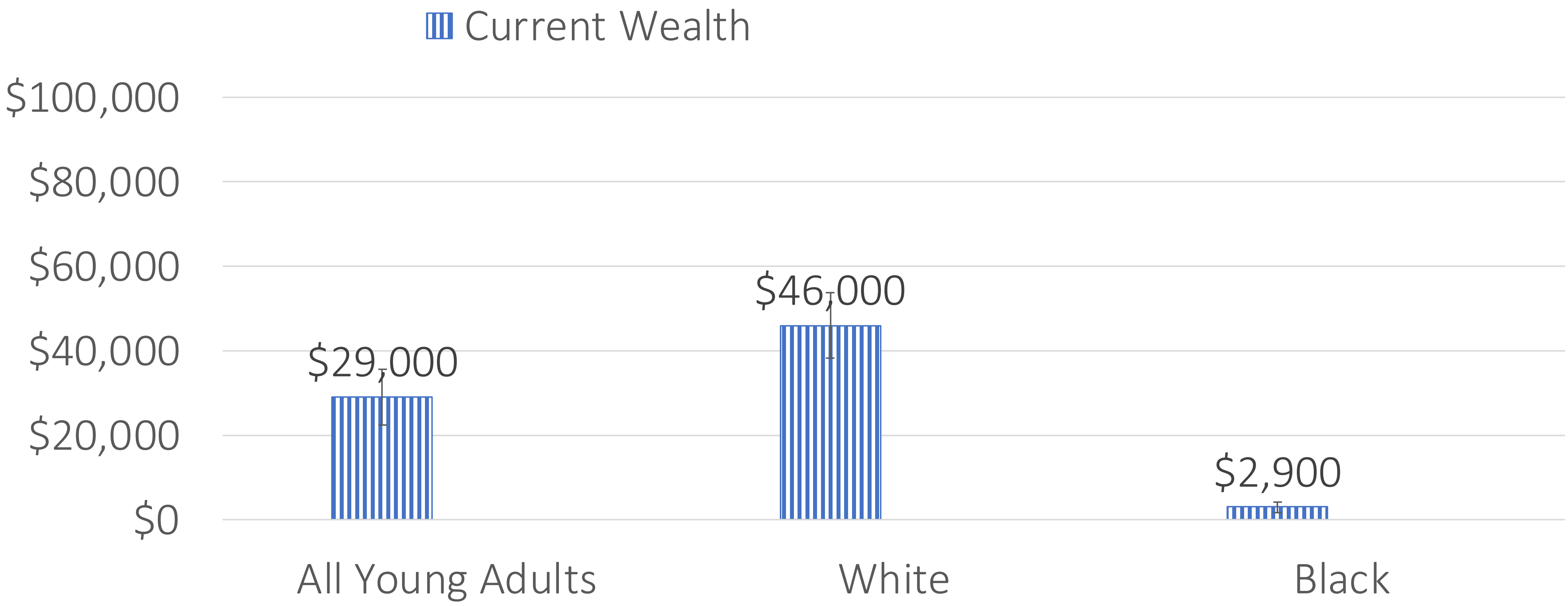
Universal Baby Bonds Reduce Median Racial Wealth Gap



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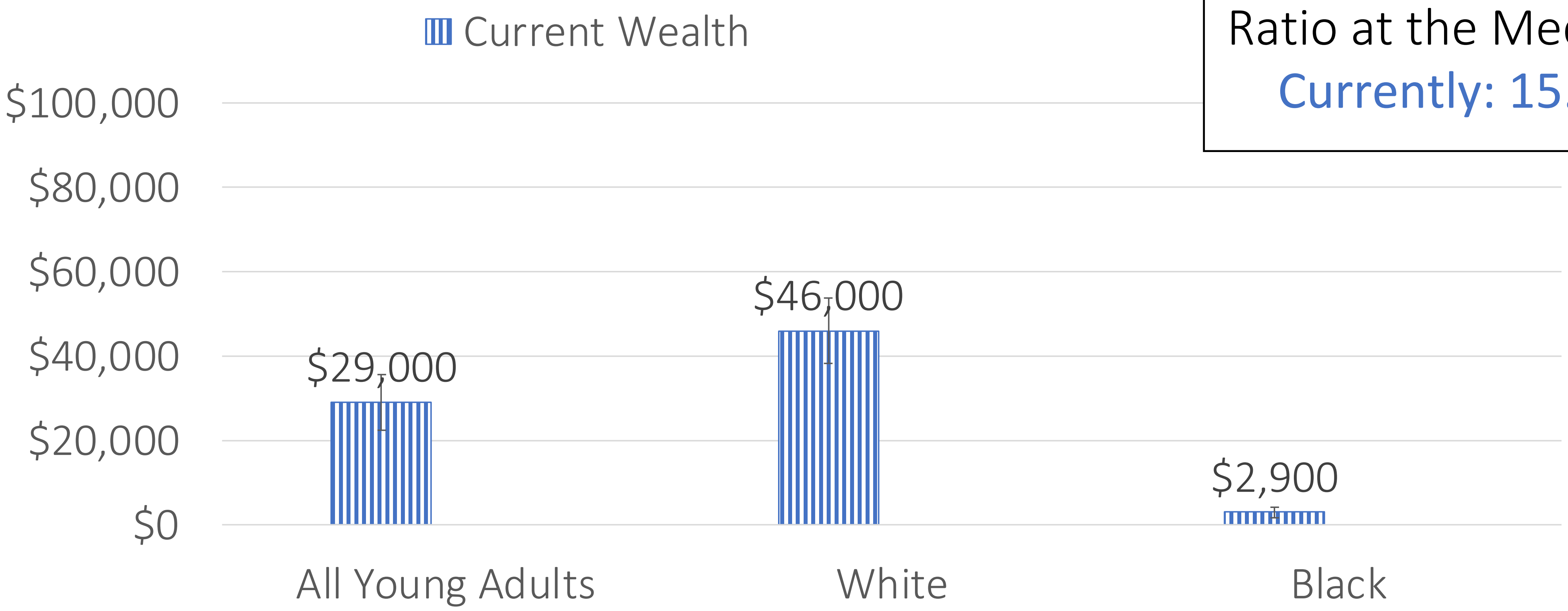

White-Black Wealth Ratio at the Median
Currently: 15.9

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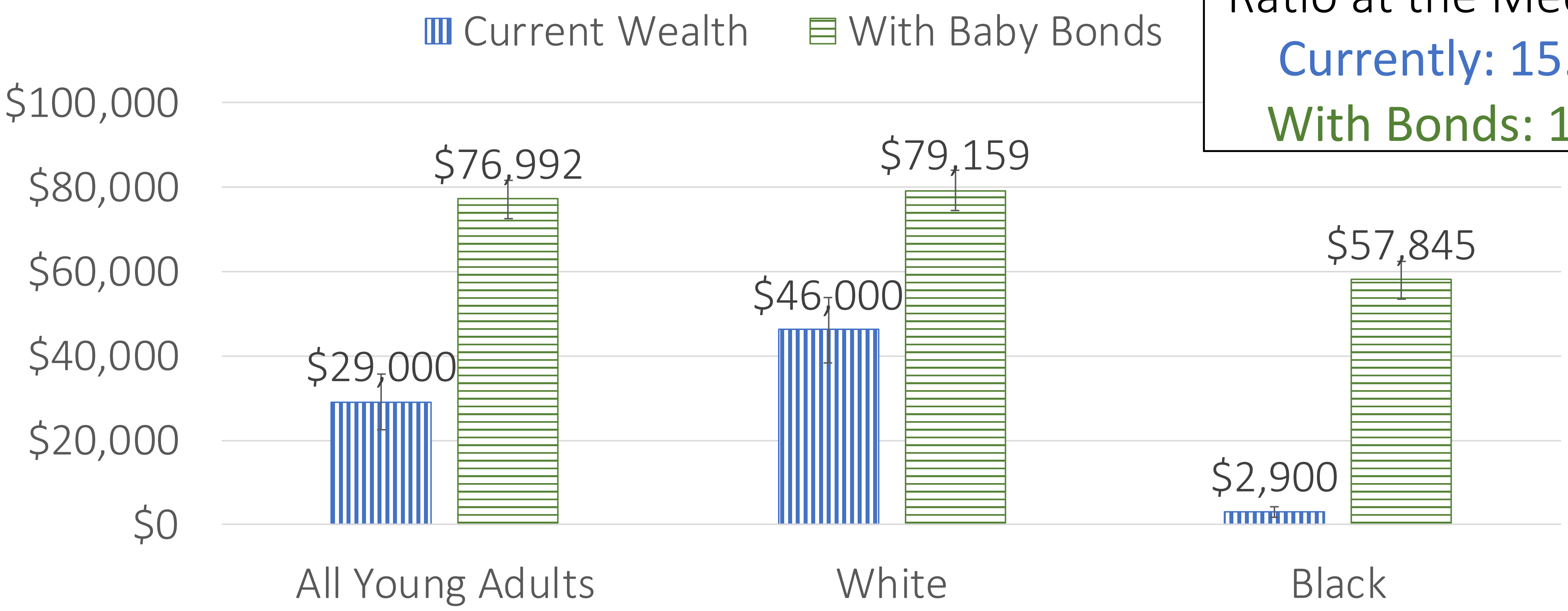
Universal Baby Bonds Reduce Median Racial Wealth Gap

White-Black Wealth Ratio at the Median
Currently: 15.9
With Bonds: 1.4



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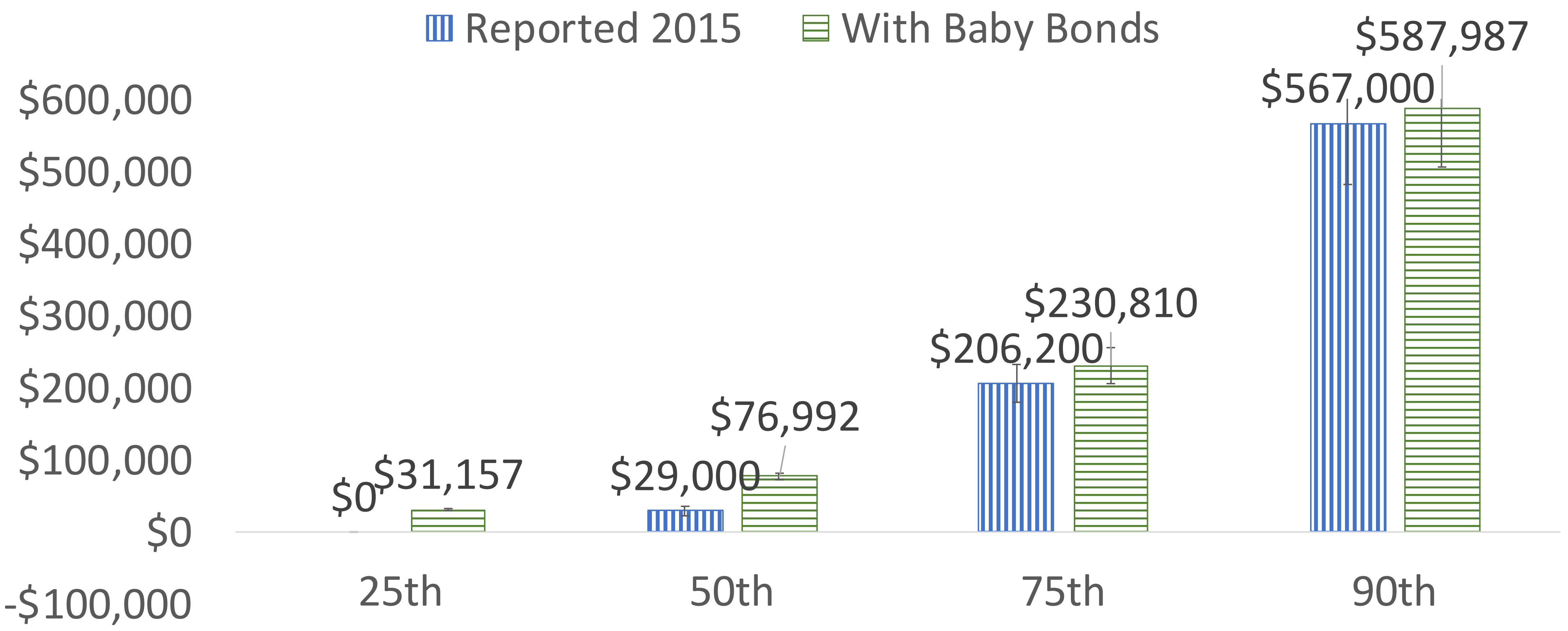
Greater Wealth Increase at Bottom and Middle



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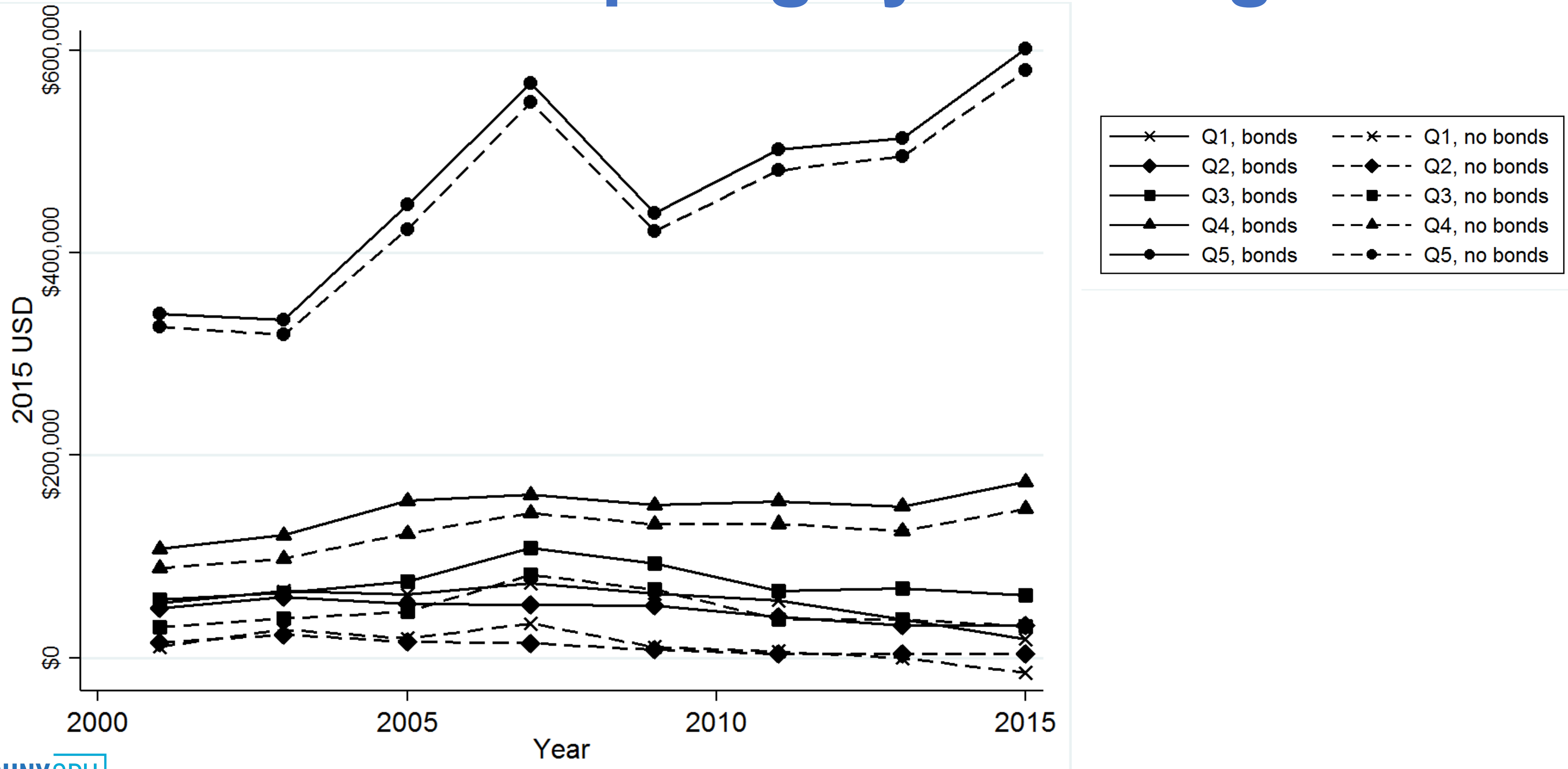
Wealth ownership largely unchanged



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Bonds Reduce Top Decile's Share of Wealth

Wealth Deciles	Net Worth Reported 2015		Net Worth With Baby Bonds	
1	-2.5%	-2.8% 1st-3rd deciles	-1.2%	0.6% 1st-3rd deciles
2	-0.4%		0.7%	
3	0.0%		1.1%	
4	0.2%	30.7% 4th-9th deciles	1.5%	34.4% 4th-9th deciles
5	0.6%		2.2%	
6	1.8%		3.0%	
7	3.8%		4.5%	
8	8.1%		8.1%	
9	16.2%		15.2%	
10	72.1%	72.1% 10th decile	65.0%	65.0% 10th decile

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3	0.0%	1st-3rd deciles	1.1%	1st-3rd deciles
4	0.2%		1.5%	
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6	1.8%	30.7%	3.0%	34.4%
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Bonds Meaningfully Improve Wellbeing

Federal Reserve Indicators of Economic Wellbeing

- Can you borrow $3,000
- Do you expect to inherit money?

Raises wealth for all groups and moves towards egalitarianism

Can prevent future poverty and need

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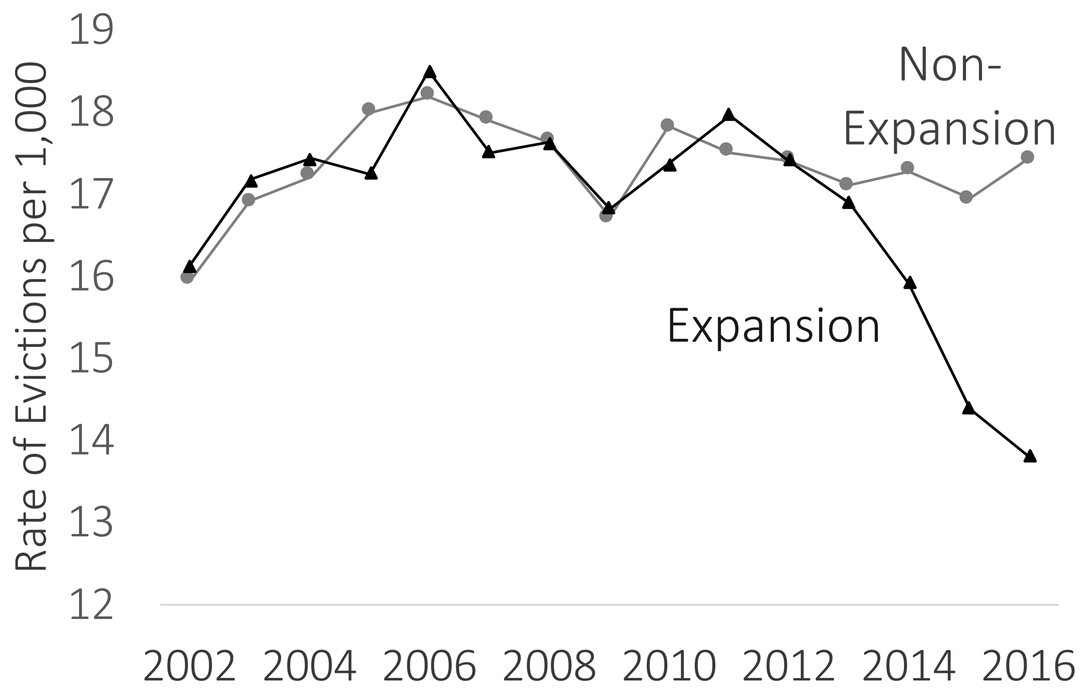
Public policies, like Medicaid expansion, work together to prevent poverty

Medicaid Expansion reduced home evictions



Zewde, Naomi, and Christopher Wimer. "Antipoverty Impact Of Medicaid Growing With State Expansions Over Time." *Health Affairs* 38.1 (2019): 132-138.

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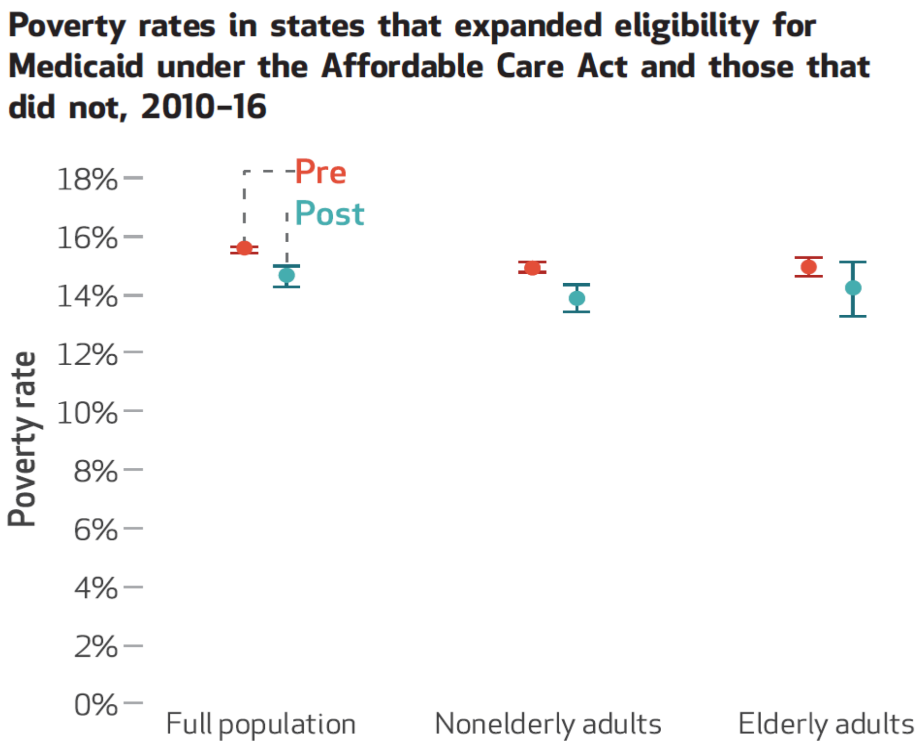

Zewde, N., Eliason, E., Allen, H., & Gross, T. (2019). The Effects of the ACA Medicaid Expansion on Nationwide Home Evictions and Eviction-Court Initiations: United States, 2000–2016. *AJPH*, *109*(10), 1379-1383.

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