

## **Can Baby Bonds Address Historic Racial Injustice?**

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Abstract:

The injustices that have been visited upon African Americans in the United States have a substantial economic legacy. The wealth gap between African American and White citizens is just one visible element of that legacy, but it illustrates that these injustices have caused persistent economic harm. As a response, some Black scholars and policymakers have proposed a “Baby Bonds” wealth-building policy. In this paper I complement the economic justifications for this policy by examining the philosophic case in terms of specific kinds of harm caused by racial injustice and two dominant accounts of justice used in this literature: compensatory justice and equality of opportunity. I argue that a Baby Bonds proposal cannot be justified as an appropriate response to most historic injustices, but it could be an appropriate policy response specifically to barriers to economic opportunity caused by persistent wealth gaps.

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<sup>1</sup> This paper was inspired by a critique of my work by James R. Otteson. In a joint book project debating redistribution he critiqued my habit of jumping between a compensatory justice framework and an equality of opportunity framework. This forced me to work out some important distinctions that gave birth to this paper.

In the last decade, and particularly in the last one to two years, there has been increased attention in the United States to the legacy of systemic racism. In the economic domain, one part of this conversation has focused on wealth inequality between different racial/ethnic groups. Consider the black-white wealth gap: in 2016, the typical white family had accumulated approximately ten times the wealth of the typical black family (McIntosh et al., 2020). This kind of asset inequality is at least partially the result of a history of racist institutions and outright theft, and it can also, on its own, perpetuate continued racial disparities and limit the economic opportunity of Black Americans.

A number of different policy responses have been offered to correct this problem, and there is a fairly stark disagreement, among policymakers, about which approach should be taken. Some leaders have chosen to deny or ignore racial disparities entirely. Others, particularly elected politicians in the Democratic Party, have often offered universal welfare state programs as a response, pushing for solidarity between the concerns of historically oppressed minorities and the larger movement of poor and working class people. This approach might have some advantage in electoral politics, particularly if there is already a coalition behind welfare state expansion. Others have argued for a more targeted and dramatic response to historic injustice, in the form of reparations. In the economics profession, Darity and Mullen (2020) make the most recent comprehensive case for this approach. In response to other kinds of economic racial injustice, activists have proposed other solutions still, such as affirmative action in education, hiring, and housing.

In this paper I focus on one proposed policy response, popularly known as “Baby Bonds.” The idea is to create asset-building savings accounts for children that are means-tested. These are known as Children’s Development Accounts (in the United Kingdom), American Opportunity Accounts (in the U.S. proposal). Interestingly, the discussion of this policy has centered around race, even though the policy would be at least legally race-neutral. Senator Cory Booker, for example, has argued in favor of his proposal by focusing on the fact that these accounts would have a starkly differential impact by race. Similarly, scholars that have examined the policy have done so with a particular focus on the racial wealth gap.

The goal here is to complement this economics literature by building out the philosophic justification for this policy as a response to racial injustice. To do this, I briefly catalogue the kinds of economic harm imposed on Black people in the U.S. economy that might warrant a response. Then I compare the two most important ways of thinking about racial justice in the economic sphere: compensatory justice and equality of opportunity. I then argue that Baby Bonds only make sense as a response to some of these harms and only as a way of equalizing opportunity, not as a response to historic injustices.

This is an important step for three reasons. First, people often disagree about policy for reasons that go far deeper than economists are prepared to discuss. Social scientists too often focus on the effectiveness of a particular policy proposal for meeting a particular goal, when the real disagreement lies in the nature of the harm (systemic racism) or the end goal (a theory of justice). If we are clear about the underlying injustice that warrants a response and the theory of justice that motivates the policy, we might be able to avoid some disagreements, or at least disagree better.

Second, by being clear about which kinds of harm we aim to correct, and what kinds of justice we are pursuing, we can avoid false choices between policies that need not be in competition. I argue here, for example, that Baby Bonds, reparations for the descendants of enslaved people, and affirmative action are all responses to different parts of our racist history and racist institutions. It makes sense to pursue all of them.

Third, this exercise is valuable because these kinds of anti-racist policies can be costly. Economists tend to deal only in the pragmatic consequences. We would account for the cost and the impacts of the policy. I argue that the case for creating Baby Bonds rests on stronger ground. It is not just a useful policy because it might have an effect we desire. It is also a policy that would make our economy fundamentally more just. In particular, it would offer some ethically important economic opportunities to children who might otherwise be systematically excluded.

This paper proceeds in the following order: first, I survey the nature of the racial and economic injustices that we might try to address. Second, I summarize the two dominant theories of justice used in economic arguments about racial justice. Third, I will summarize the details of the two most important Baby Bonds policy proposals. Finally, I examine these policy proposals in light of the economic harms and theories of justice I include here. I conclude that a Baby Bonds policy does not make sense as restitution for specific historic acts of appropriation, violence, or exclusion. Nor does it make sense as restitution for or a correction of the contemporary structural racism of our education or criminal justice systems. Finally, it also does not really make sense as a response to ongoing prejudice and discrimination. It does, however, offer a reasonable response to the barriers to economic opportunity caused by the racial wealth gap.

### **Economic Justice and Race in the United States**

Black Americans have, throughout the history of the U.S., been denied basic economic rights. The list of injustices is long, and too easily brushed over and forgotten. In our political rhetoric, it is too common for us to assume that the only racial injustice in the economy is overt discrimination. To the contrary, current economic disparities are the combined result of a wide variety of harms inflicted on Black Americans, Native Americans, and other minorities. When people of color demand justice, it is important to listen and consider the kind of justice they are asking for, and why.<sup>2</sup> While I cannot offer a definitive taxonomy or history of the kinds of racist harm done to people in the U.S., a brief tour will illustrate the important differences between different kinds of harm.

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<sup>2</sup> It is worth noting, for example, that calls for justice by native people often do not demand money, though certainly their argument for reparations might be strong. Instead, more often, their request is for restored land. It would, of course, be procedurally easier to come up with money than land, but monetary payments would not fit the particular injustice being protested. Native people particularly mourn the cultural warfare of the loss of land and of the Dawes Act (and other similar laws), which partitioned Native land and required that the inhabitants adopt western agricultural and community practices in order to preserve their claim.

*Criminal Harms:* First, it is worth counting those harms that come from violence to people and property, sometimes endorsed by the state. The most obvious of these is system of slavery in the United States, the horrors of which are somewhat well known. After slavery was made illegal, however, there was also the systematic campaign of terror, theft, exclusion and murder that lasted at least from the late 1800's to the middle part of the 20<sup>th</sup> century. Breed (2001) and Lewan and Barclay (2001) document that the violence of lynching included of a campaign of economic crimes that included the displacement of Black people from their land, homes, businesses, just as much as it was also a campaign of social and political control.

*Harms of Exclusion:* The United States also has a history of simply excluding minorities from opportunities to participate normally in economic life. From the end of the 19<sup>th</sup> century through the 20<sup>th</sup> century, a wide variety of laws and discriminatory practices excluded Black people from land ownership, loans, education, and access to other important institutions. Even policies like the New Deal and the G.I. Bill, which provided a safety net and funding for education and housing were often not available to Black families.

*Persistent Economic Impact of Harms:* It is reasonable to ask for redress for these historic (and sometimes current) crimes, but it is also important to note that this history has a long impact. There is a distinction to be made, then, between the original crime (say theft of land) and the economic persistence, which might include a legacy of poverty and debt for the family of the ones who were the victims of the original crime. Similarly, the post-war government programs that helped create economic mobility and a middle-class, by excluding many Black people, had the result of leaving their children out of the neighborhoods, schools, and opportunities for inheritances that their white peers could take for granted. Note that this persistence would be real and measurable even if there was no current discrimination or structural racism layered on top.

*Structural Racism:* It is also possible to separate out the ways which our political and economic system reinforce and accelerate racial disparities. As an example, many have noted that the structure of local funding for primary and secondary schooling results in minority children disproportionately attending schools that have fewer resources and less well-trained staff. This, in turn, has a documented impact on academic achievement and future labor market opportunities (Putnam, 2016). Similarly, even apart from explicit discrimination, our housing policies have often reinforced and accentuated the racial wealth gap (Solomon et al., 2019).

*Contemporary Discrimination:* Finally, there is good evidence that, even apart from all of these other harms that discrimination is still a real part of the economic experience of Black Americans. We now have a large body of research documenting labor market discrimination (Quillian et al., 2017), the health care system, the criminal justice system, and the financial system (Blanchflower et al., 2003).

These are, of course, only the most explicit kinds of racism that are clearly economic in nature. Even these broad categories of harm miss the enduring legacy of racist images and stereotypes in our culture (Bonilla-Silva, 2017; Mills, 1999). It is not a simple matter, moreover, to address this kind of racist culture through the normal vocabulary of liberalism or the tools of public policy (Graham, 2001, 2011).

When thinking about economic justice, though, even these categories present a kind of challenge. Different theories of economic justice will offer different degrees of importance to each of these kinds of harm. Further, these different harms would require different policy responses. If there is any conclusion from the setup for this argument, then, it is that we cannot talk about racism and economic justice without recognizing a plurality of harms, a plurality of theories of justice and a wide menu of policy responses that do not all hang together nicely.

When we think about the injustice that accompanies racism, there are actually a variety of different standards of justice that we might refer to. Each of these standards will have different implications. To illustrate, two of the most common conceptions of justice that are important in the writing about economic justice and racism: compensatory justice and equality of opportunity.

*Compensatory Justice:* The easiest place to start is with compensatory justice, in which a person who has harmed another is required to compensate the harmed person for the damage done. This kind of logic has an easy intuitive appeal, and it dominates writing about reparations.<sup>3</sup> Consider, for example, Darity and Mullen's (2020) case for reparations. They explicitly build an argument with the following structure:

1. Black Americans suffered numerous specific harms (slavery, Jim Crow, discrimination, etc) that have resulted in substantial present-day racial inequalities, and
2. the United States as a nation bears some of this responsibility, both because Black people were denied legal protection and because the state actually is to blame for many of the harms, and
3. justice requires that Black people be compensated the monetary equivalent of the lasting economic damage from these harms.

This way of thinking about economic justice would push policymakers toward a reparations strategy that explicitly values the value of exploited labor under the slave system, or the value of stolen land, or perhaps compensation to families of those who were denied justice for violence.<sup>4</sup>

While thinking about economic justice in compensatory terms is widely acceptable, it only applies to a subset of the kinds of economic harm that result from racism. This conception of justice makes sense for past crimes, and for those where we can specify damages. It is more difficult to use this framework to justify compensation for the persistent, downstream impact of past injustices, or as a remedy for structural racism or current discrimination, which we can often identify only in aggregate. The reliance on explicit legal valuations or legal analogies make this conception of justice ill-suited to concern about broad disparities or the downstream results of racist culture.

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<sup>3</sup> Ta-Nehisi Coates (2014), while using very similar logic in his overall argument, does explicitly note that compensation is not the end goal, writing: "What I'm talking about is more than recompense for past injustices—more than a handout, a payoff, hush money, or a reluctant bribe. What I'm talking about is a national reckoning that would lead to spiritual renewal. Reparations would mean the end of scarfing hot dogs on the Fourth of July while denying the facts of our heritage. Reparations would mean the end of yelling "patriotism" while waving a Confederate flag. Reparations would mean a revolution of the American consciousness, a reconciling of our self-image as the great democratizer with the facts of our history."

<sup>4</sup> Darity and Mullen (2020, Chapter 13) do an excellent job reviewing all of the scholars who have tried to estimate the monetary damages owed to Black people who are the descendants of enslaved people in the U.S.

This way of thinking about racial injustice will also be particularly tempting for libertarians who follow Nozick (1974) in being concerned not with inequities as such, but only with the ways in which property is accumulated. Even though reparations are often considered a progressive cause, targeted reparations for particular crimes might fit easily into a theory of justice that is still skeptical of other redistribution and not concerned with inequality. Nozick himself notes this in his seminal work (1974, p. 231).

*Equality of Opportunity:* When we are not reckoning with the specific sins of the past, Americans, at least, are more likely to think about racism and economic justice in terms of economic opportunities. This way of thinking has wide purchase in philosophical ethics as well. While there is much disagreement about economic opportunity in the literature on distributive justice, there is a fairly wide consensus, even among egalitarian philosophers that disagree, that inequalities attributable to unchosen characteristics, such as race and gender, are unjust (Anderson, 1999; R. J. Arneson, 2015, 2018). When racism results in unequal opportunities in some kind of formal or legal manner, it is easy to condemn. This shows up in the economic policy literature about discrimination, most notably, but also the literature on wealth disparities. For example, Darity et al. (2012) note that there are a number of economic opportunities that are more generally available to those with some stock of wealth, including investments in higher education and entrepreneurship. In these cases, the racial wealth gap can also create an important opportunity gap.

If we adopt equality of opportunity as our sole standard of justice, however, note that reparations may seem inappropriate except in very specific cases. The end goal of this conception of justice is that every person starts either starts with a guaranteed minimum set of opportunities, or, in more extreme circumstances, starts with the same opportunities. Equality of opportunity theories are thus sometimes called “starting-gate” theories. A concern for opportunity will require that we pay particular attention to current discrimination and structural racism built into contemporary institutions. If we are concerned at all with past injustices, our focus will be on the economic persistence of past crimes. As a result, we might care more for the current wealth gap between Black and white citizens in a particular community rather than identifying the value of land stolen from Black residents two generations in the past.

These conceptions of justice need not conflict, of course, and so it is perfectly consistent to be concerned with rectifying past wrongs, ensuring equal economic opportunities, and also worry about less clearly economic elements of racism in our culture. As Graham (2011) documents, however, theories of distributive justice in the liberal tradition are often poorly equipped to condemn the elements of culture that perpetuate racism. Liberal theories of justice, particularly those that follow Rawls, depend on a neutrality toward culture, and sometimes history. It is incumbent upon those of us who work in that liberal tradition, as just about all economics and public policy scholars do, to consider whether that kind of neutrality might end up reinforcing white supremacy through ostensibly neutral institutions.

## **Baby Bonds and the Wealth Gap**

Now that we have set out some groundwork, I can turn to a discussion of economics and policy. We can all agree that our goal is to respond justly to racism in the economy, but we might still disagree about policy responses for a number of philosophical or pragmatic reasons. We should strive, though, to craft policies with both a pragmatic justification – the results should be good – and also a sense that the policy is just. This latter conversation tends to be ignored or assumed in economic writing. Because we have tacitly agreed that economists don't engage in "normative" justifications, our guild focuses on the pragmatic. If we are talking about something like the racial wealth gap, however, we cannot ignore the fact that we are responding, in economic language, to an grave injustice. Justice is not just a nice side benefit. Policy responses should be justified on the basis of their ability to bring us toward a more just world. If they can do that, other economic justifications (growth rates, efficiency) would be the side benefit.

The economics literature about Baby Bonds policy tends to offer a very minimal philosophical or legal justification for the policy. Hamilton and Darity (2010) offer the policy as second-best option that might be politically feasible. Zewde (2020) focuses on justifying the policy on pragmatic grounds, demonstrating that it would have a substantial impact on the racial wealth gap. The closest that the economics literature on the policy comes to a justification on ethical grounds is to shift the focus to the ethical provenance of the racial wealth gap. The work of these scholars ably documents that the wealth gap is not, as some might assume, due to failures of frugality or virtue on the part of Black people. Savings behavior is quite similar across populations after controlling for income. Instead, they note that the long history of structural exclusion from the economy has prevented Black families from having the same opportunities to build wealth. Moreover, wealth has a strong persistence across generations, with a large amount of accumulated wealth coming from inheritances and in vivos transfers.

This is important evidence against one possible objection to the policy. If you are in a dispute with someone who believes that the racial wealth gap is not a legacy of injustice, this is important evidence. Overall, though, what we are offered is a somewhat minimal ethical justification for the baby bonds policy that seems to go something like this:

1. The racial wealth gap is the result of injustice.
2. Baby bonds could go part way toward alleviating the racial wealth gap, and might be politically feasible.
3. Therefore, we should adopt the Baby Bonds proposal.

This is enough of a justification for the economics literature, but we can do better. The effectiveness of the policy at reaching this one particular goal (minimizing the wealth gap) is only as powerful as the established consensus that this is an important policy goal. I think the case for this kind of policy is far stronger, and that we could craft an argument that this policy is worth pursuing even if, for example, the wealth gap is not minimized as much as we think, or even if the policy must be adopted at the cost of really substantial increased taxation. That is, those of us doing economics and public policy should get better at talking about policy in terms of justice, which has the power to trump individualistic notions of efficiency.

## Policy Details

There are at least two very similar Baby Bonds policies in discussion in the U.S. today. The policy drafted by Senator Booker would deposit \$1000 into an account for every child at birth. Over time, additional money would be deposited, with children in poorer households getting larger deposits. These accounts would accumulate, with a 2 or 3% annual return. At the age of 18, the recipient could use the accumulated money only for approved purposes, which would include higher education, purchasing a house, or starting a retirement fund. Because of means-tested deposits, the children of the most wealthy households would have less than \$2000 in their account, but children in the poorest households could have as much as \$46,000 (Matthews, 2019).

Hamilton and Darity (2010) propose a similar policy, with slightly different parameters. Because of the vast disparities in income and wealth between different racial groups, a means tested policy of this kind could be both universal in application, and also effectively target the racial wealth gap. Zewde (2020) uses data from the Panel Study of Income Dynamics to simulate the impact of a similar proposal on the racial wealth gap. She finds that such a policy would dramatically reduce the wealth difference between white and black young adults. Because of the means-testing of deposits, Matthews estimated that the average annual deposit for a white child would be \$628, whereas the average black child would receive \$1193, and the average Hispanic child \$1152 (Matthews, 2019). By age 18, then, the average account balance of a black or Hispanic young adult would be \$13,000 and \$11,000 higher than that of the average white recipient.

The best evidence seems to indicate that a policy of this type would cost the U.S. around 82 Billion dollars annually (Zewde, 2020). A cost of this magnitude could be funded in a variety of ways, but one simple way of thinking about the expense is to note that the U.S. income tax base is somewhat near 11 trillion dollars, so a flat increase in all individual income tax rates by about 0.75 percentage points would fully fund the policy. In almost any scheme of funding the proposal that uses our current federal tax system, the effect of the policy would be highly progressive.

Given all of this, the ethically-relevant features of this kind of policy are, I believe, the following:

1. **Progressive Impact:** Redistributes wealth from those relatively wealthy to those who are poor.
2. **Diminishes the Racial Wealth Gap:** The wealth gap among young recipients of the program would be diminished significantly.
3. **Universal Policy Design:** The policy uses no racial tests, and so it is legally race neutral, even if the effect is not.
4. **Paternalistic Restrictions:** The funds can only be used for long-term investment, broadly construed.

## What Kind of Justice are We Pursuing?

There are some ways of thinking about racism and justice that offer a blanket condemnation of any inequity or difference in power, and in this way of thinking, any policy that pushes against these inequities would also be a way of resisting white supremacy (DiAngelo, 2012). Clearly we could justify



the Baby Bonds proposal in these terms, but this approach would justify a wide variety of policies, some far better than others. We can be more discerning with a little work. In a recent lecture, Hamilton justified a broad policy agenda in terms of justice, and he proposed an “economic rights” account of justice (2021), which will be discussed later. In this section, I will examine the baby bonds proposal in light of the harms highlighted earlier and the two theories of justice I have focused on: compensatory justice and equality of opportunity.

### *Compensatory Justice*

First, if we adopt the compensatory justice framework, it should be clear that this baby bonds policy would be an odd choice, right from the start. Thinking in terms of compensatory justice pushes us to consider (i) who is culpable for that harm, (ii) who has been harmed, and (iii) what the best compensation is for this particular harm. Even if we answer the first question with “The U.S. federal government,” there remain three broad problems with the targeting of the baby bonds policy. First, most of those most directly harmed by all of the racist actions of the U.S. government are those Black Americans currently in adulthood. And yet this policy targets young people, mostly helping newborn children. In terms of compensation, this is backwards. As noted earlier, other policy responses, like reparations for the descendants of enslaved people or returning land to Native American groups are a much better fit for this kind of justice.

The second targeting problem arises because the policy is universal, not targeted at those groups who suffered the harm of racist government actions. From a purely compensatory framework, it is difficult to see the reason for offering these accounts not only to racial minorities, but also to white children. Even more, note that the children of Black Americans who have high incomes would not get the full benefit either, even if their families struggled against decades of racist exclusion. For political reasons, it makes some sense, as Hamilton and Darity (2010) note, to offer policies that can garner wide political support, but in making that move, we cannot easily claim that the policy is a response to some specific injustices. If we argued, instead, that there was a broad injustice in poverty and wealth gaps independent of race, then this policy would start to fit the compensatory framework.

The third targeting problem also stems from the universal nature of the policy, and that is that universal programs often come to be shaped by the group with the most power (Powell & Ake, 2017). Structural racism has a number of complicated facets, and so a simple universal policy might end up helping mostly those in a better position to take advantage of the policy because of the racial and economic position, even if the intent is to help those who are marginalized. At least at its inception, it looks like the baby bonds policies that have been proposed will have a disproportionate impact on racial minorities, as Zewde (2020) documents. However, we should pay attention to the fact that this is a policy that intends to help Black people through institutional channels that have often reinforced the economic position of white people, namely the financial system, housing markets, and higher education.

The third question presented by the compensatory framework – what is the best compensation for this particular harm – is also difficult to square with the baby bonds proposal. Savings accounts for children

is not a natural compensation for enslavement, lynching, Jim Crow laws, redlining, exclusion from government programs, lower education funding, or labor market discrimination. It is a natural fit for one particular element of this constellation of harms we have considered: the lack of inheritances and in vivos transfers in Black households due to lower levels of accumulated wealth. This particular disparity, while important, does not fit well in the compensatory framework, since it is a downstream effect of a particular harm inflicted by institutionalized racism, rather than the direct harm itself.

Stepping back, it is clear that the compensatory framework is often used when we talk about racial inequities, for good reason, but it pushes us toward a kind of logic that is a poor fit for the baby bonds proposals. The history of injustice is real, and we can point to really horrific wrongs done to specific people. It makes little sense to point to those harms and then claim that justice demands that right this wrong by addressing one of the downstream effects of a problem created by the harms we are focused on.

### *Equality of Opportunity*

Let us turn now to the second theory of economic justice considered here, which is to aim for equal economic opportunity. This way of thinking immediately turns our attention to the kinds of barriers or bottlenecks that limit the economic mobility of some participants in the economy, while advantaging others. This framework lends itself much better to a justification of the baby bonds proposal. First, though, notice that equality of opportunity, as a standard, is not as focused on compensation or redistribution. If we acknowledge the reality of structural racism, and then offer its victims compensation, after the fact, for having to live in a society that continues to marginalize them, we have not really pursued justice. At least, compensation would not be sufficient if we believe that there is some good about participatory democracy, education, and work that goes beyond the simple monetary return. So on face, it might seem like a policy of fairly pure redistribution of wealth might be a poor fit for this theory of justice.

Hamilton (2021) raises a substantial concern about the equality of opportunity framework. The notion of equality of opportunity has too often been used to shift the burden of equality back onto those who are poor, arguing that they are poor because of some personal or cultural failing. This rhetorical tactic has been particularly aimed at Black people in the United States, who are often blamed for their lack of wealth. Darity and Mullen (2020) document these attempts to justify inequality by blaming those who are asset-poor, while also documenting that Black families' lack of wealth cannot be attributed to their behavior.

Equality of opportunity has, historically, been a rhetorical device used to justify inequalities in the economy (Scanlon, 2018). As long as everyone has a fair shot at a good life, the argument goes, it does not matter that some are very wealthy and some are poor. This justification is easily turned on its head, however, particularly given the abundant evidence that equality of opportunity has not yet been offered to Black people in the U.S. Part of Hamilton's (2021) justification for an "economic rights" framework,

indeed, is that certain basic needs must be provided for before people can make really free choices in the economic realm.

Further, there remains a good case to be made for baby bonds in these “economic opportunity” terms. Scholars have documented that the legacy of white supremacy in the United States has a persistent economic impact on Black people. The mechanisms here are important. So many of the economic injustices visited on Black people have had the explicit intent of punishing wealth building and economic mobility. Moreover, government programs that have encouraged wealth building and self-sufficiency in the 20<sup>th</sup> century, namely the G.I. bill and subsidized home ownership, have largely been available only to white people. Finally, wealth building, among white people, is often a function of inheritances and transfers from family. Sometimes these take the form of monetary gifts, but they can also include funding for college, startup funds or loans for a small business, or the transfer of a family business. For century and a half after abolition, Black people were excluded from wealth building opportunities, and the result is a wide racial wealth gap.

Moreover, that wealth creates a number of ethically important economic opportunities. Wealth buys access to real participation in the economy. Family wealth enables college education, collateral for home and business loans, access to homes in neighborhoods with high-performing schools, the ability to recover from job losses and health problems, and even the freedom to take an unpaid internship or search longer for a good job. This is to say, wealth is an essential prerequisite for economic opportunity. If we want to pursue economic opportunity, a wealth-building policy makes sense. (Darity & Mullen, 2020, p. 36)

Two of the problems with the baby bonds proposal, from a compensatory justice perspective, make much more sense if we frame the policy as way of equalizing economic opportunity. First, consider the paternalistic restrictions on the use of the wealth. Those of a libertarian bent of mind, will never appreciate these kinds of policy restrictions, for good reason. A 20 year old might have a much better use of the saved money that is ruled out by the requirement that they spend it on college, a home, or retirement funds. That said, these limitations do target the savings accounts toward the wealth-building functions that have traditionally been sites of racial exclusion. This wealth building is important for a whole cycle of intergenerational economic participation.

Second, consider the targeting problems that are so apparent in the compensatory framework. This policy would give savings accounts to the children of people who were never limited by racist barriers, and it would exclude from compensation some who were subject to these barriers, but who nevertheless are now earning incomes that would prevent them from getting the benefit. If our only goal with this policy is to provide opportunities to those without, both of these targeting issues make more sense. Many who are not Black also face substantial barriers to economic opportunity, and those Black children that are in high-income households might not have to worry as much about the particular barriers that would be addressed by this policy, even if other barriers, such as discrimination, might still be a real problem.

This argument does not make Baby Bonds the best economic response to racial injustice. Enacting this policy would still leave structural racism intact in many parts of the economy. It would do nothing to limit discrimination in education, housing, finance, healthcare, and the labor market. Most notably, it clearly is not an adequate response to historic injustices that have never been made right. It is, however, a reasonable response to the diminished economic opportunities that result from the racial wealth gap, which is itself a downstream effect of centuries of racism.

## **Conclusion**

The Baby Bonds proposals offered by Senator Booker, Darity and Hamilton (2010) and Zewde (2020), are an interesting and useful contribution to the collection of policy responses to structural racism in the United States. I largely support the justifications offered by these scholars. By comparing different philosophical justifications for the policy, I have demonstrated that economists should be more clear about the kind of justice that we are trying to pursue. Baby Bonds are an appropriate response to the persistent wealth inequities that are the cumulative result of centuries of injustice. They are not an appropriate compensation for historic wrongs or contemporary discrimination.

Consider two implications of this argument. First, it is clear that we should not succumb to any forced choices between anti-racist economic policies. Reparations, affirmative action, and baby bonds are not different options for addressing the same problem. Instead, they are three different policies trying to correct three different racial injustices. Second, by clarifying the kind of injustice that needs correcting, and by offering this as an ethically appropriate response to that injustice, we can build a case for adopting the policy even in the face of pragmatic arguments against it. Because equality of opportunity has, historically, been a rhetorical device used to justify inequalities, a clear argument that opportunities are not equal, or even adequate has a strong moral appeal. The power of that kind of equality of opportunity argument, as a prerequisite for any just market order, makes it far easier to justify the taxes and redistribution that the policy would require. This is true even apart from any long-run positive effects that the policy might have, but which have not yet, to my knowledge, been documented.

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