

The New York Times

WEDNESDAY, JULY 23, 2003

For Every Child, a Stake in America

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WASHINGTON
Prime Minister Tony Blair of Britain came to Washington last week to bolster President Bush against his critics on Iraq. Let's hope the two leaders found a moment to discuss domestic policy as well — particularly Mr. Blair's effort to give every child a stake in Britain's economic future.

Each British baby born after last Sept. 1 will receive a trust fund worth at least \$400, and up to \$800 for the poorest one-third of children. The government will make smaller supplementary payments when the child turns 5, 11 and 16 years old — and relatives or friends can contribute limited amounts tax-free over the years. Add to this the magic of compound interest, and the account could be worth \$7,000 when it matures on the child's 18th birthday. In large part, the idea is to help the 16 million Britons — out of 60 million — who have no savings or equity at all to join the middle class.

Mr. Blair's initiative is the latest example of a concept that political scientists call "stakeholding." In postwar Japan, land was redistributed to millions of farmers, laying the foundation for the country's economic renaissance. Singapore has achieved one of the highest rates of savings and home ownership in the world largely because of laws requiring workers to put a portion of their earnings (and making employers contribute a matching amount) into a trust called the Central Provident Fund. And in the United States, a quarter of adults today can trace their family legacy of asset ownership to the Homestead Act that, beginning under Abraham Lincoln, awarded land in the American West to those pioneers with the courage to settle it.

Why not, then, some version of stakeholding here in the United States, a Homestead Act for the 21st century? This country could certainly use it. The poorest 60 percent of Americans collectively owns less than 5 percent of the nation's wealth; one-quarter of white children and half of nonwhite children grow up in households with no resources at all for investment.

A United States version of baby bonds would have the political advantage of not being based on the politics of resentment — soaking the rich to help the poor is an idea most Americans reject — but on the politics of opportunity; that is, creating a larger middle class. In fact, members of Congress from both parties have in recent years proposed versions of retirement savings accounts for all children.

Here's how such a system might work in the United States. Each of the four million babies born every year would receive a deposit in an American stakeholder account. Initial deposits could range from, say, \$1,000 to \$6,000. Yes, it would be difficult to free up this money in a time of deficits, but as a long-term investment it would be money well spent.

Unlike Mr. Blair's baby bonds, which can be spent on anything after the recipient reaches age 18, Bush baby bonds would be restricted to higher education or technical training, a small business or a first home, or they could be put aside for retirement.

While all Americans would participate, it would be of the greatest benefit those born in low-income families, who have the greatest need for lifetime asset accumulation. It doesn't take an army of economists to know that society as a whole

reaps huge rewards when we have more owners, savers, taxpayers and entrepreneurs — and fewer people depending on the state; their communities and others for their livelihood and well-being.

Over the next decade, the United States may well spend \$100 billion or more to give the Iraqi people, for the first time, a real stake in their society — without doubt a worthy investment. But as our attention inevitably shifts back to domestic economic security, we should consider a new level of stakeholding in America as well. □

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