

California

## Can baby bonds reduce childhood poverty? California thinks so

A new initiative targets 58,000 kids who lost a caregiver or were in the foster system during the Covid pandemic



Under the California program, once participants turn 18, they can receive at least \$4,500 with no strings attached. Photograph: JGI/Tom Grill/Getty Images/Tetra Images RF

---

*Michela Moscufo*

Fri 21 Feb 2025 10:00 EST

**D**uring the pandemic, tens of thousands of children in [California](#) lost a caregiver due to Covid. Since then, these kids, who are predominantly [Black, Latino and Indigenous](#), have experienced instability, economic precariousness and grief that will carry long-term impacts.

This year, the state is launching an initiative aimed at helping them, as well as children who were in the foster system at the time: baby bonds.

More than 58,000 children will be eligible.

Baby bonds are state-run trust funds that children can access once they reach the age of 18. Advocates and legislators across the United States are increasingly looking to this model not only to support specific groups of underserved children, but also as one step in closing the racial wealth gap and eradicating childhood poverty.

Since tracking started in the 1960s, the national child poverty rate has hovered around 20%, far higher than most wealthy countries. Pandemic-era financial-assistance programs such as an expanded child tax credit brought child poverty rates to an all-time low of 5% in 2021, only to return to previous levels once those programs were removed.

Some states are taking matters into their own hands. [Connecticut](#) became the first state in the nation to implement a baby bonds initiative in 2023. Now, more than a dozen other states have drafted legislation that would create similar programs.

“We’re very excited,” said Kasey O’Connor, the director of the [California](#) baby bonds program. “This is an investment in their futures.”

## The baby bonds model

The baby bonds model, conceptualized by economists Darrick Hamilton and Sandy Darity in 2010, was first introduced as a federal public policy strategy to address the racial wealth gap.

The way Hamilton and Darity envisioned it, all US babies would get a bond upon birth that they could access at 18, but the amount would vary based on household income, with children from low-income families receiving more than those from wealthy families. Since the concept was to target income instead of race, baby bonds would be “race-conscious but not race-exclusive”, Hamilton said.

White households have, on average, \$250,000 in wealth, compared with \$27,000 for an average Black household and \$49,000 for an average Hispanic household, [according to the most recent Pew Research Center](#) analysis.

Although the wealth of Black and Hispanic households has grown over the years, the racial wealth gap has only widened, [according to the most recent data from the Federal Reserve](#).

But the idea of using baby bonds to close this gap is taking off. It’s “contagious”, said Hamilton, professor of economics at the New School. “The racial wealth gap is in our national lexicon in a way it wasn’t two years ago.”

Federal legislation to create a baby bonds program was introduced by the senator Cory Booker and the representative Ayanna Pressley in 2019, and is currently waiting to be taken up by the judiciary committee.

At least 10 pilot programs are being run across the country, according to David Radcliffe, director of local and state policy at the New School’s Institute on [Race](#), Power and Political Economy, who convenes a monthly planning session.

Under the California program, once participants reach age 18, they will receive access to an account with at least \$4,500 in it that they can use with no strings attached. (They can also leave the money in the account longer, so it has more time to grow.)

Unlike the original baby bonds model, the California initiative will first enroll youth, not babies, and the accounts are trust funds, not bonds, which means they will have a longer investment period and a higher rate of return.

Shimica Gaskins advocated for the baby bonds legislation as director of the California anti-poverty non-profit Grace. She said it fills an important gap for these children since, before this, “no one was focusing on the social, emotional and financial implications for [them] in the long term”.

The program, which currently has a budget of \$100m with \$15m added annually, will eventually be expanded to include all babies born to low-income families in the state, said O’Connor, the California program director - around [160,000 each year](#).

“My larger hope for this program is that this is one piece of the robust supports we have for every child in California so that they can be as successful as possible, as they transition into adulthood,” said Gaskins.

The Connecticut program, meanwhile, targets low-income households directly, by enrolling newborns who are eligible for state health insurance. Connecticut began enrolling children in 2023 and last year created accounts for more than 16,000 children, state officials said.

Each newborn is given \$3,200, which the state treasurer’s office estimates will grow to between \$11,000 and \$24,000 over the next 18 years. Unlike the California program, the use of the money is restricted to “wealth-building

programs”, such as education, down-payment assistance or starting a business.

“We understand that there is no silver bullet to addressing poverty,” said the state treasurer, Erick Russell. “We approach this as one piece of a puzzle.”

## A form of reparations

Baby bonds often come up in broader conversations around reparations.

“At all junctures, it is meant to be a reparative initiative,” said Marcus Anthony Hunter, a national reparations organizer. “Rather than individuals or adults, the focus is on children specifically.”

Baby bonds were designed to have bipartisan appeal, according to Hamilton, because babies are seen as politically neutral and because – since bonds build wealth – the programs aren’t seen as “anti-capitalist”, he said.

Simulations run to determine the potential impact of a federal baby bonds program show their promise. According to a [2019 study](#), baby bonds can significantly reduce the wealth gap. Without them, the median white wealth is 16 times that of young Black people, said the study, published in the Review of Black Political Economy. But baby bonds can reduce this disparity to a factor of 1.4. “Baby bonds considerably narrow wealth inequalities while simultaneously improving the net asset position of young adults and alleviating asset concentration,” the study said.

Another [report](#) by the Urban Institute showed that baby bonds have the potential to “reduce though not eliminate racial wealth disparities”.

Hamilton sees baby bonds and reparations as “complements, not substitutes” for other reparative programs.

“If you did the reparations, you would still need baby bonds,” Hamilton said. “Our society does what it does. Capital consolidates and it excludes.

“The big feature, if we want to redress wealth, is capital itself.”

---

**You’ve read [6 articles](#) in the last year**

Article count [on](#)

### Why you can rely on the Guardian not to bow to Trump – or anyone

I hope you appreciated this article. Before you move on, I wanted to ask whether you could support the Guardian’s journalism as we face the unprecedented challenges of covering the second Trump administration.

As Trump himself observed: “The first term, everybody was fighting me. In this term, everybody wants to be my friend.”

He’s not entirely wrong. All around us, media organizations have begun to capitulate. First, two news outlets pulled election endorsements at the behest of their billionaire owners. Next, prominent reporters bent the knee at Mar-a-Lago. And then a major network – ABC News – rolled over in response to Trump’s legal challenges and agreed to a \$16m million settlement in his favor.

The Guardian is clear: we have no interest in being Donald Trump’s – or any politician’s – friend. Our allegiance as independent journalists is not to those in power but to the public. Whatever happens in the coming months and years, you can rely on the Guardian never to bow down to power, nor back down from truth.

How are we able to stand firm in the face of intimidation and threats? As journalists say: follow the money. The Guardian has neither a self-interested billionaire owner nor profit-seeking corporate henchmen pressuring us to appease the rich and powerful. We are funded by our readers and owned by the Scott Trust – whose only financial obligation is to preserve our journalistic mission in perpetuity.

What’s more, we make our fearless, fiercely independent journalism free to all, with no paywall – so that everyone in the US can have access to responsible, fact-based

news.

With the new administration boasting about its desire to punish journalists, and Trump and his allies already pursuing lawsuits against newspapers whose stories they don't like, it has never been more urgent, or more perilous, to pursue fair, accurate reporting. Can you support the Guardian today?

We value whatever you can spare, but a recurring contribution makes the most impact, enabling greater investment in our most crucial, fearless journalism. As our thanks to you, we can offer you some great benefits - including seeing far fewer fundraising messages like this. We've made it very quick to set up, so we hope you'll consider it. Thank you.

**Betsy Reed**  
*Editor, Guardian US*



☐ Support \$5/month

☒ **Support \$15/month**

Recommended

Unlock **All-access digital** benefits:

- ✓ Unlimited access to the Guardian app
- ✓ Unlimited access to our new Feast App
- ✓ Ad-free reading on all your devices
- ✓ Exclusive newsletter for supporters, sent every week from the Guardian newsroom
- ✓ Far fewer asks for support

☐ Support once from just \$1

Continue →

Remind me in May

VISA



## Related stories

Grim details emerge in death of California man killed in trash sweep

6d ago



From sleeping in doorways to reporting on homelessness: the journalist chronicling an American crisis

7d ago



Why Trump's water releases were dangerous for California's levees

20 Feb 2025



## More from **Headlines**

Europe live

Zelenskyy to debrief EU leaders on Trump call before military chiefs head to London

22m ago

Immigration

'He is innocent': family of deported Venezuelan rebukes Trump claims

12h ago

Israel-Gaza war live

Dozens reported dead after Israeli strikes on Gaza; Israel bans traffic on main Gaza route

20m ago



**Most viewed**