A FAB idea

Should every child receive a bank account at birth?

You come into the world with nothing, the saying goes. A new campaign proposes to change that by giving every newborn child in the world an online bank account with $100 in it. The aim of the Financial Access@Birth (FAB) campaign is to do something about the fact that half the world’s population has no access to mainstream financial services. This is a huge handicap, exposing people who are typically already on the poverty line to risks that wealthier folk can manage through savings or insurance, and leaving them to pay unregistered moneylenders through the nose.

The campaign is the brainchild of Bhagwan Chowdhry, a finance professor at the University of California, Los Angeles, and is starting to attract some prominent supporters, including Peter Singer, a well-known philosopher, and Vijay Mahajan, an Indian social entrepreneur.

FAB dovetails with another big idea: an effort being led by Nandan Nilekani, an outsourcing tycoon turned government minister, to provide every Indian with a legal proof of identity in the form of an electronic smart card. The prospect of a bank account with $100 in it—this initial amount would be untouchable until the child’s 16th birthday—would encourage parents to register their newborn babies. The account could then be used by governments or charities to make direct payments, to fund things like the child’s education or health care.

Opening accounts for babies has been tried before, but only in rich countries such as Britain, Canada and South Korea, where its potential impact is far smaller. Mr Chowdhry expects the parents of the richest 35m children born each year voluntarily to forgo the free money, which would leave accounts for the other 100m newborns born each year to be funded. The campaign proposes that national governments each donate one-fiftieth of one percent of GDP to cover the estimated $10 billion annual cost.

That is still a tough sell in today’s economic climate: one issue to be thrashed out is whether the accounts have to be funded at birth, or whether the money needs to arrive only when the child turns 16. But governments are not the only potential donors. The idea sounds perfect for banks, which would gain a potentially lucrative army of future customers and could polish up their battered images at the same time.