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**Asset-Based Policies and Financial Services:
Toward Fairness and Inclusion**

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Asset-Based Policy and Financial Services: Toward Fairness and Inclusion

In social policy we may be in an era of transformation. Policies that were put into place during the 20th century, both in the United States and abroad, are today in a period of strain, questioning, and revision. Although typically discussed in the political terms of Left and Right, the sources of policy strain are primarily technological and economic.¹ Social policies of the 20th century were designed for an industrial society with low-skilled and relatively stable labor markets. When a household was without labor income due to death, disability, job loss, age, or some other factor, social policy was designed to provide income to support basic consumption. These policies were successful in many respects, notwithstanding the fact that America's social policy was never as comprehensive or generous as most policies in Western Europe.

In the 21st century, we live in a world where technological changes have produced very different labor markets. Greater skills are needed, jobs are less stable, and income inequality is growing. Hacker (2004, 2006) has identified increased income volatility and downward mobility; he finds income instability in the mid 1990s to be several times higher than in the early 1970s. He also points out that employment-based social benefits and government programs have eroded, and risks have shifted from collective intermediaries (governments, employers, and insurance pools) to individuals and families. Although specifics might be debated, this key observation is accurate. What we are now witnessing may be a major revision in the social contract that was worked out for the industrial era.

¹ The dominant relationships appear to be: Technology shapes economic organization., and economic organization shapes social issues and policy responses of the state. These are not new observations. These simple relationships were the underlying theme—and perhaps most important contribution—of Karl Marx (1867), and they have been repeated by a wide range of scholars in economics and sociology.

In this environment, the growth of income inequality and increased risks shouldered by individuals should certainly be understood as an issue of social injustice and human hardship—but also as an issue of a rapidly changing political economy in the information age. It is no longer clear that collective forms of income support will be the singular policy response to today’s economic circumstances. In this environment, there is declining political support of means-tested programs, and perhaps even declining political support for some types of social insurance, a primary pillar of the welfare state. Although usually discussed in terms of values and politics, the underlying dynamics of change are operating on the larger stage of technology and history. Industrial-era policies are being questioned and new policy directions are being considered and explored in many countries. No one can predict the outcome of this era of social policy transformation—nor can we even be optimistic that new policies will be constructive for families, communities, and nations. So far, we have reason to be disheartened and pessimistic about what is happening. We live in a time of increasing hardship and great uncertainty.

But at the same time, there are opportunities for positive change. As with the creation of welfare state policies in the 20th century, there is a sense that major new reforms may be required—although we do not know what they will be. Searching policy discussions, creative innovations, and applied research projects are underway. At this meeting and elsewhere, many committed people are engaged in this task.

Asset-based policy and low-income households

As one part of the larger tapestry of policy transformation, an active discussion of asset inequality and asset-based policy arose in the United States in the 1990s (Sherraden, 1991; Wolff, 1994; Oliver and Shapiro 1995). This has led to a growing body of theory, policy innovation, and research. In simple terms, asset-based policy suggests that individual, household, and community well-being (or “welfare”) is derived not solely from a certain level of income

and consumption, but also from building assets to invest in life goals and to enhance long-term economic stability and social protections. Asset building is viewed, in part, as a constructive response to information-age economies and labor markets. In addition to greater financial stability, assets may yield positive psychological, social, and political effects. This growing discussion has led to policy innovations and testing of asset-building policies, as well as financial services that can be more inclusive and fair for the whole population. The key observations and reasoning for asset-based policy can be briefly summarized.

Inclusion, productivity, and security across a lifetime are based on a wide range of social and economic resources. Economically, the two major resources are income (flows) and assets (stocks). While income and assets are closely connected, they have distinctive properties, and very likely distinctive effects. Building assets may enable individuals, families, and communities to expand their capabilities and security in ways that income alone does not. Asset-based policy typically focuses on building financial and tangible wealth aimed at both social protections and social and economic development. Because asset holding is inevitably intertwined with financial services, consideration of asset-based policy must include financial services as well.

Dimensions of poverty and its distribution are different when approached from an assets perspective. Asset poverty (low stocks of economic resources) may leave people vulnerable to unexpected economic events and unable to take advantage of opportunities offered by a prosperous society. Many studies have found that the rate of asset poverty is extremely high, e.g., reaching 37% for the whole population and 61% for Blacks and Hispanics when the asset poverty measure is the equivalent of three months of income at the poverty line (Haveman & Wolff, 2005). These figures indicate that many U.S. families have little financial cushion to sustain them in the event of a job loss, illness, or other income disruption. Also, social and economic development of these families may be truncated due to lack of resources to invest in

education, experience, home, business, and other key assets (Sherraden, 1991). Moreover, patterns of asset holding define and perpetuate racial and class divisions (Oliver & Shapiro, 1995; Shapiro, 2004).

Asset-based policy is not new. The United States and many other countries already have large asset-based policies. In most cases, these operate through the tax and employer-based systems, so that public transfers occur via tax benefits (e.g., the home mortgage interest deduction, tax deferments for a variety of retirement accounts, tax benefits for College Savings Plans, and other emerging policies, such as Health Savings Accounts). These asset-based policies have grown rapidly in recent years and today are approaching \$400 billion per year, representing a huge proportion of federal expenditures tax subsidies to individuals, and at least 25% of all “welfare state” expenditures. A fundamental point about these policies is that they are highly regressive. Nearly all of the public subsidies go to the non-poor (CFED, 2004; Howard, 1997; Seidman, 2001; Sherraden, 1991).

Although some people seem to believe that the poor cannot or do not need to accumulate assets, this view is inaccurate and a disservice to the poor. Building assets is a concept that applies to the rich and poor alike—every household must build assets for security and development. But low-income individuals and families typically do not participate in existing asset-based mechanisms. The poor are less likely to own homes, investments, and retirement accounts, where most asset-based policies are targeted. The poor have little or no tax incentives, or other incentives, for asset accumulation. And asset limits in means-tested transfer policies may discourage saving by the low-income population. Altogether, the poor face a very different—and inferior—asset-based policy structure.

Assets and liabilities

Asset-based policies should be considered in light of the overall distribution of wealth. Survey of Consumer Finances data show that the top 10 percent of U.S. households ranked by income earn 42 percent of the nation's income, yet they own 67 percent of total family net worth, while the bottom 60 percent earn 18 percent of the nation's income and own less than 10 percent of the nation's wealth (Bucks, Kennickell, and Moore 2006).

Recently, the Center for Social Development at Washington University has been working with the Urban Institute and the New America Foundation on a comprehensive review of theory and evidence on household assets and policy implications. The project, known as *Poor Finances*, is just published by Urban Institute Press as *Asset Building in Low-Income Families* (McKernan & Sherraden, 2008). As part of this larger project, Adam Carraso and Signe-Mary McKernan of the Urban Institute summarize household assets and liabilities.² Conclusions from this work illuminate what is happening in households with limited incomes.

Assets of low-income families. The typical bottom quintile family may own a car (65 percent of families) valued at \$4,500 and hold a checking or savings account (76 percent of families) valued at \$600. The bottom quintile families who own a home (40 percent) valued at \$70,000 raise total median assets for all bottom quintile families to \$17,000, a figure still nine times less than what third quintile families own. Most bottom quintile families do not own a home (60 percent), have no retirement account (90 percent), and have no business equity (96 percent). Social Security and Medicare, if considered wealth, comprise roughly 90 percent of expected wealth for low-income families.

² Most of the wealth data in this section come from tables produced by Bucks, Kennickell, and Moore (2006) using the 1995-2004 Survey of Consumer Finances (SCF), Lerman (2005) using the 2001 Survey of Income and Program Participation (SIPP), and Lupton and Smith (1999) using the 1992 Health and Retirement Study (HRS). To allow comparisons over time and across data sets from different time periods, all values are converted to 2004 dollars using the Consumer Price Index for All Urban Consumers.

Liabilities of low-income families. The typical bottom quintile family may hold debt (53 percent) valued at \$7,000, a level six times less than the debt that most (84 percent) third quintile families hold. Bottom quintile family debt is most likely to be credit card debt (29 percent of families) valued at \$1,000, installment loans (27 percent of families) valued at \$5,600, and home-secured debt (16 percent of families) valued at \$37,000. Debt burdens for bottom quintile families that carry debt can be high: 27 percent of bottom quintile families have debt-to-income ratios greater than 40 percent. The combination of assets and liabilities for bottom quintile families results in median net worth valued at \$7,500, only about one-tenth of the net worth of third quintile families.

Assets of less-educated families. The typical family headed by someone who did not graduate high school owns a home (56 percent) valued at \$75,000, a car (70 percent) worth \$7,400, and hold a checking or savings account (72 percent) worth \$1,100. In total, a typical less-educated family may own assets worth \$49,900, or a little less than a seventh of the assets owned by the typical family headed by a college graduate. Most families with less than a high school education do not own any retirement accounts (84 percent) or any business equity (96 percent). While less-educated families may not appear well off, the majority own a home (although home purchases may be completed later in life relative to higher-income groups).

Liabilities of less-educated families. The typical family headed by a person with less than a high school diploma holds debt (53 percent) valued at \$12,000, or about one-ninth the debt of a family headed by a college graduate. The reason for the disparity is that while 56 percent of families without a high school diploma own a home, only 25 percent owe mortgage debt (valued at \$44,000) compared with 61 percent of college graduate families (valued at \$125,000). Families headed by a person without a high school diploma are slightly more likely to carry installment debt (28 percent) valued at \$7,000 and credit card balances (30 percent) valued at

\$1,200, than mortgage debt. The combination of assets and liabilities for families headed by a person without a high school diploma result in median net worth valued at \$21,000, just one-tenth the net worth of families headed by a person with a college degree. The net worth gap by education group starts out small at younger ages and then widens sharply with age. However, unlike bottom quintile families, the majority of less-educated families are homeowners, which makes them relatively better off from an asset standpoint.

Assets of single-headed families. The typical single-headed family may own a home (55 percent) worth \$120,000, a car (77 percent) valued at \$7,600, and hold a checking or savings account (88 percent) valued at \$2,000. In total, a typical single-headed family may own assets worth \$83,400, or less than one-third of the assets owned by the typical married or cohabiting family. Most single-headed families do not own any retirement accounts (65 percent), financial assets beyond their checking/savings account, or any business equity (94 percent). Again, as with families headed by persons without a high school diploma, single-headed families may not be as bad off as bottom quintile families from an asset standpoint, as a slim majority are homeowners.

Liabilities of single-headed families. The typical single-headed family holds debt (67 percent) valued at \$24,000, a little more than a quarter of the debt that most (82 percent) married or cohabiting families hold. The reason for the disparity is that, very similar to less-educated families, only 32 percent of single-headed families owe mortgage debt (valued at \$75,000) compared with 59 percent of married or cohabiting families (valued at \$105,000). The typical debts owed by a single-headed family, therefore, are most likely to be credit card debt (41 percent) valued at \$1,000 or installment loan debt (37 percent) valued at \$8,600. The combination of assets and liabilities for single families results in median net worth valued at

\$40,000, or about one-fourth the net worth of married or cohabiting families. The net worth gap by marital status starts out small at younger ages and then widens sharply with age.

Assets of non-white or Hispanic families. The typical family headed by someone who is a non-white or Hispanic owns a vehicle (76 percent) worth \$9,800 and a checking or savings account (81 percent) worth \$1,500. This non-white or Hispanic headed family may own a home (51 percent) worth \$130,000 or a retirement account (33 percent) worth \$16,000. In total, a typical family headed by a non-white or Hispanic headed family holds assets worth \$60,000, or a little more than a quarter of the assets held by a white non-Hispanic headed family. While only 49 percent of non-white or Hispanic headed families do not own a home, 67 percent have no retirement account and 94 percent have no business equity.

Liabilities of non-white or Hispanic families. The typical non-white or Hispanic headed family holds debt (73 percent) valued at \$30,500, less than half of the debt that most (78 percent) white non-Hispanic families hold. The reason the gap is not larger is because enough non-white or Hispanic headed families pay mortgages (37 percent) worth \$83,000 in comparison with white non-Hispanic families (52 percent) with mortgages worth \$98,000. Non-white or Hispanic headed family debt is somewhat more likely to be credit card debt (47 percent) valued at \$1,600 or installment loan debt (43 percent) valued at \$9,600, than mortgage debt. The combination of assets and liabilities for non-white or Hispanic headed families results in median net worth valued at \$25,000, less than one-sixth the net worth of white non-Hispanic headed families.

Assets of renter families. Based on our findings, the typical renter family owns a car (73 percent) valued at \$7,200 and holds a checking or savings account (81 percent) valued at \$1,100. Renter families that own a retirement account (26 percent) valued at \$11,000 raise total median assets for all renter families to \$12,200. Still, this amount is less than one-twenty-fourth of the median assets held by homeowner families. Renter families do not own homes (almost by

definition), they are unlikely to hold retirement accounts (74 percent) or other financial assets other than a transaction account (about 43 percent), and have no business equity (96 percent).

Liabilities of renter families. The typical renter family holds debt (63 percent) valued at \$7,800, about one-twelfth the debt that most (82 percent) homeowner families hold. This is almost entirely because these families do not own homes and so do not pay mortgages. Renter family debt is therefore most likely to be installment loan debt (45 percent) valued at \$8,700 or credit card debt (also 40 percent) valued at \$1,500. Debt burdens for renter families that carry debt are typically very low: only four percent of renter families have debt ratios greater than 40 percent compared with 15 percent of homeowners. Still, 19 percent of renters are delinquent on their debts compared with just 6 percent of homeowners. The combination of assets and liabilities for renter families results in median net worth valued at \$4,000, just one-forty-sixth the net worth of homeowner families. Our findings indicate that homeownership status makes the largest difference in net worth among all of the classifiers considered.

Portrait of a low net worth family. A descriptive portrait of a low net worth family is of a family in the bottom income quintile, headed by someone under 35 years of age, lacking a high school diploma, non-white or Hispanic, and single. Families who do not own a home are much more likely to have low net worth than families who do own a home.

Assets over the life course

As another part of the *Poor Finances* project, Mark Rank at CSD has analyzed assets over the life course. By its nature, asset accumulation unfolds over a period of years and decades, and the effects of such accumulation can best be understood within the context of the entire life course. As Rank summarizes, five factors stand out as important:

Intergenerational transmission of assets. Gale and Scholz (1994) estimate that intended family transfers and bequests account for 51 percent of current U.S. wealth, while an additional 12

percent of wealth is acquired through the payment of college expenses by parents.

Consequently, nearly two-thirds of the net worth that individuals acquire comes through family transfers. An even higher estimate comes from Kotlikoff and Summers (1981), who argue that, as of 1974, more than 80 percent of the net worth is the result of intergenerational transfers.

Parents with considerable wealth are therefore able to successfully pass on these assets and advantages to their children. As a result, it is estimated that “children of the very rich have roughly 40 times better odds of being very rich than do the children of the poor” (Gokhale and Kotlikoff 2002, 268). A key mechanism through which wealthier families are able to utilize their assets intergenerationally is through education. Wealthy families are able to acquire high-quality primary and secondary educations for their children. This is accomplished either by purchasing a home in an affluent school district or by sending their children to private schools. Shapiro’s (2004) in-depth interviews conducted with parents in Boston, St. Louis, and Los Angeles support this point. This process has been shown to be robust with quantitative data as well. Hochschild and Scovronick (2003) summarize this body of research and find that inequalities in family wealth are a major cause of inequalities in schooling, and inequalities of schooling reinforce inequalities of wealth among families in the next generation. As Keister (2000) observes, “The transfer of wealth from one generation to the next may be the single most important determinant of who owns what, how they got it, and what effects it has on both individual- and system-level outcomes” (252).

Race and ethnicity. A large body of work (Conley 1999; Feagin 2000; Oliver and Shapiro 1995; Shapiro 2004) documents that race, and particularly being African American, plays an important role in constraining the ability of individuals to accumulate significant assets during their lifetimes. According to this research, the black/white wealth gap is significantly larger than the income gap. Shapiro (2004) reports that the typical black household earns roughly 60 cents for

every dollar earned by their white counterpart, while they hold only 10 cents of wealth for every dollar of wealth held by a white household. Part of this racial effect is related to intergenerational transmission of wealth. Additionally, patterns of residential segregation mean that black children are more likely than white children from similar social class backgrounds to attend schools that are severely segregated and lacking in resources (Massey and Denton 1993; Orfield and Yun 1999). These patterns also apply to Latino children, albeit to a lesser extent (Orfield and Lee 2004). As a result, minority children are less prepared to compete in the labor market, which in turn affects their ability to build assets. In addition, racial and ethnic minorities continue to be discriminated against in the housing market. Research has indicated that black and Hispanic renters are more likely to be excluded from housing made available to white renters; black and Hispanic home buyers learn about fewer available homes than white home buyers; and blacks and Hispanics are more likely to be turned down for home loans than their white counterparts (Yinger 1995; 2001). For example, one study found that blacks and Hispanics applying for mortgage loans in Boston were 82 percent more likely to be turned down than whites, even after controlling for credit qualifications and type of loan (Munnell et al. 1996). A reanalysis by Ross and Yinger (2002) resulted in similar patterns. The result of such housing market discrimination is higher rent burdens, poorer quality housing, and increased residential segregation for African Americans and Hispanic Americans. This in turn reduces the ability of racial minorities to build significant wealth.

Income. As Edin (2001) and others have demonstrated, the accumulation of assets over the life course largely depends on having an income surplus, along with the belief and faith that one's income will remain relatively stable from one month to the next. The role of income in building assets and wealth across time has been empirically demonstrated in a number of studies (Keister 2000; Ziliak 2003). Using a simulation model, Keister (2000) finds a strong positive association

between income levels and wealth mobility (as measured by increase in decile of net worth) during the 1980s and early 1990s. According to Keister, for those making more than \$100,000, the increase in the odds of upward mobility is over 7 times greater than for those earning less than \$10,000. These increases in odds are estimated with many other demographic influences on wealth ownership and mobility controlled. Having a strong and reliable source of income is clearly fundamental to an individual's and a family's ability to build assets over time. Although there is evidence that even those in poverty have the ability to save (Schreiner and Sherraden 2007; Schreiner, Clancy, and Sherraden 2002), a critical factor in the building of assets is nevertheless the level and stability of income over time.

Family structure. A large body of research shows that family structure and changes in family structure strongly affect accumulation of wealth. In particular, single-mother families are at a disadvantage compared to married-couple families. In the Caner and Wolff (2004) study mentioned earlier, marriage is found to be an important avenue for escaping from asset poverty, while single parenthood is a route into asset poverty. This same study also noted that for the elderly, decreases in the asset poverty rates were associated with marriage and increases in the asset poverty rate were associated with being unmarried. Additionally, Reid (2004) finds that experiencing a divorce is one of the most important factors in the transition from owning to renting, regardless of race or income. For low- and middle-income households, a divorce increases the likelihood of leaving homeownership by 9.8 and 10.6 times respectively. Lupton and Smith (1999), using both the Health and Retirement Survey and the PSID, find a large and significant effect of marriage on the accumulation of financial assets and net worth across the life course. In an analysis of the National Longitudinal Survey of Youth (NLSY), Zagorsky (2005) reports that married respondents experienced a net worth increase of 77 percent over single

respondents during the time of the study. Those who experienced a divorce suffered a significant drop in their overall net worth.

Life stages and the timing of life events. The risk of economic deprivation vis-à-vis the family life cycle was noted in some of the earliest pioneering work on poverty. More than 100 years ago, Rowntree (1902) described how certain stages of the life cycle were associated with a greater risk of economic hardship. While circumstances and labor patterns have changed, particular stages in the life cycle continue to correspond with hardship and prosperity. Recent work has continued to show the importance of the life cycle in understanding patterns of income and wealth accumulation (Gourinchas and Parker 2002; Keister 2000; Kennickell and Starr-McCluer 1997; Rigg and Sefton 2004). Individuals at earlier stages of the adult life cycle (e.g. those in their 20s and 30s who are starting a family) tend to have relatively few assets; those in their prime earning years of the 40s and 50s tend to see their assets grow; while the retirement years display a leveling off and slight decline in the value of assets. Moreover, particular events at certain stages of the life cycle can have large effects on the ability of individuals to accumulate assets in later adulthood. For example, a teenager who has a child out-of-wedlock will likely experience a cascading negative effect on her ability to build assets later in life. She may have to drop out of school, thus decreasing her ability to find high-wage employment and in turn significantly hindering her ability to save a portion of her income. This not only impacts her life trajectory, it affects her children as parental age has been shown to be a factor in the accumulation of assets available to children. Using the National Education Longitudinal Study of 1988, Powell, Steelman, and Carini (2006) find that the older the mother, the more likely and the earlier parents started to save for college, the more they actually saved for college, the more likely the child attended a private high school, and the more likely the child used a computer in the home for educational purposes. Likewise, the timing of other unanticipated events

(unemployment, health problems, divorce) at particular points in the life course can have profound effects on later patterns of asset accumulation (e.g., see Voyer 2004). Conversely, the presence of assets may reduce the likelihood and/or the severity of such events, resulting in a virtuous cycle that then leads to greater asset accumulation as individuals age.

Policy innovation and testing: The symbolic and practical role of IDAs

With the above patterns in mind, we may now turn to policy responses. How can social policy create more inclusive asset building? The past two decades have witnessed an increase in awareness of the role of assets in well-being and development of families and communities. One policy innovation has been Individual Development Accounts (IDAs), which have in some respects come to symbolize inclusive asset building. Insights that led to IDAs came during discussions with “welfare” mothers during the 1980s. The women said that a major part of their challenge was that they could not “get anywhere” because they could not accumulate resources for long-term goals such as better housing, education, starting a small business, or even moving to a better neighborhood. These discussions led to a proposal IDAs as a structured form of asset building. IDAs were proposed as a universal and progressive strategy to bring the poor into asset-building policies. As originally proposed, IDAs would include everyone, provide greater support for the poor, begin as early as birth, and be used for key development and social protection goals across the lifespan such as education, home ownership, business capitalization, and retirement security in later life (Sherraden 1988, 1991). IDAs have instead been implemented in the form of a short-term “demonstration” programs targeted toward the poor, as yet far from a comprehensive asset-based policy.

IDA innovations, demonstrations, and research have been widespread. There is not room in this discussion to detail policy development and research findings. In brief, we have evidence that IDA participants can save; features of IDA accounts (beyond the matching incentive) are

strongly associated with savings outcomes; assets can accumulate for IDA participants, particularly in the form of home ownership; and staff-intensive IDAs in community-based applications can be costly to deliver (see Mills et al., 2004, 2006, forthcoming; Schreiner & Sherraden, 2007; Sherraden, forthcoming; Sherraden & Boshara, forthcoming; Sherraden & Shanks, forthcoming; Margaret S. Sherraden et al., forthcoming). A fourth wave of a randomized IDA experiment (part of the “American Dream Demonstration”) is now underway with the very important mission of asking what has happened to IDA participants and controls during the subprime lending meltdown and rising foreclosures. Anecdotal information from the field is that IDA participants have done better than others in holding onto their homes; we do not know if this is in fact the case, and ADD4 will provide solid experimental evidence.

Since asset-building and IDAs were first proposed, there has been modest policy progress in the United States. A meaningful impact has been the increases in welfare asset limits in nearly all states in the 1990s and 2000s, influenced in part by the discussion of assets and public policy. Regarding direct public resource allocation, IDAs were included as a state option in 1996 “Welfare Reform Act”. The federal Assets for Independence Act, the first public IDA demonstration, became law in 1998. Other bills to extend IDAs are regularly before the US Congress (Boshara, 2003; Cramer, Parrish, & Boshara, 2005). Over 40 US states have adopted some type of IDA policy (Edwards & Mason, 2003). All of this signals a change in thinking and widespread policy innovation, though not yet a major change in policy.

Regarding other policy influence, IDA research contributed to President Clinton’s 1999 proposal for Universal Savings Accounts and 2000 proposal for Retirement Savings Accounts (Clinton, 1999, 2000). Beyond the United States, research on IDAs has considerably influenced asset-based policy developments in the United Kingdom, including the Saving Gateway and Child Trust Fund (H.M. Treasury 2001; H.M. Treasury 2003; Sherraden 2002; Paxton 2003;

Kempson et al. 2003, 2005; Kelly and Lissauer 2000), Family Development Accounts in Taipei (Cheng 2003), IDAs and the Learn\$ave demonstration in Canada (Kingwell et al. 2004, Leckie et al. 2008), and asset-building programs for the poor in Australia, Uganda, Peru, China, Korea, Hungary, and elsewhere.

IDA and other matched savings policies, services, and products continue to develop in the United States. To take some recent examples, FDIC Chairman Sheila C. Bair suggests that “IDAs are a relatively low-risk way for banks to introduce underbanked individuals to the financial mainstream. IDAs can help people of modes means build assets and can help banks tap into new markets” (Federal Deposit Insurance Corporation, 2007). In their 2008 Presidential campaigns, Hillary Clinton and John Edwards proposed matching savings in 401(k) plans of middle- and low-income workers. The United Way of America has announced a \$1.5 billion initiative on Family Financial Stability that includes IDAs and savings.

A pathway to inclusion: Universal Child Development Accounts (CDAs)

A serious discussion of asset-based policy began in the United Kingdom in 2000 (Blunkett 2000, Kelly and Lissauer 2000, Nissan and LeGrand 2000). In a major policy development in April 2001, Prime Minister Tony Blair proposed a Child Trust Fund for all children in the United Kingdom, with progressive funding. In April 2003, Blair announced that he would go forward with the Child Trust Fund. Beginning in April 2005, each newborn child has been given an account, retrospective to children born from September 2002. The children receive an initial deposit of at least 250 pounds, and children in the bottom third of family income will receive 500 pounds. additional government deposits are not yet specified. In addition to the United Kingdom, other countries are expanding or adopting CDAs (Loke and Sherraden, forthcoming). Currently Yunju Nam at CSD is working on Child Development Accounts with the government of Korea, where the plan is to cover the bottom half of the

population by 2010 (Nam, 2007; Sherraden, 2006; Sherraden & Han, 2007). In the United States, universal and progressive accounts for all children at birth have been proposed in the United States for some time (Sherraden 1991, Lindsey 1994, Boshara and Sherraden 2003, Cramer 2004, and Goldberg 2005). Policy discussion on children's accounts is bipartisan and active (Boshara et al. 2005; Cramer et al. 2007; New America Foundation, 2006).

Children's Development Accounts (CDAs) may be a promising pathway to inclusive asset building in United States. As one perspective on this, the United States is one of the few economically advanced nations without a children's allowance (monthly cash payment to all families with children). The average children's allowance in Western Europe is 1.8 percent of GDP. The United States is unlikely, for ideological and political reasons, to adopt a children's allowance, but a CDA is ideologically and politically much more likely. Even 0.1 percent of US GDP would be enough for \$3,000 in a start in life account for every newborn (see Curley & Sherraden, 2000).

What do we know? In-depth study of first and second graders in applied research in a child development accounts (CDA) program, finds that young children so engage is saving behavior for the long-term goal of college education (Margaret S. Sherraden et al. 2007). Based on this study, there is empirical evidence that young children can articulate that the purpose of their saving is for college (Elliott and Margaret S. Sherraden 2007), and that this is associated with their aspirations and expectations (Elliott 2007).

Studies using the Panel Study of Income Dynamics, looking at the impact of wealth on child developmental outcomes, find that, controlling for many other factors, parental wealth is positively associated with cognitive development, physical health, and socio-emotional behavior of children (Williams 2003, Shanks 2007). Using the PSID Child Development Supplement, looking at 3 to 12 year olds, household wealth is associated with improved math outcomes and

reduced problem behaviors. These results support the proposition of assets leading to better well-being of offspring--in this case, above and beyond economic well-being. The study finds that the effects occur even among very income-poor families, and that wealth seems to be a better predictor of well-being as children grow older. A study using the National Survey of Families and Households finds that asset accumulation in low-income, single-parent families is associated with higher educational expectations on the part of the mother, and later on higher educational achievement of the children (Zhan and Sherraden 2003). In this research, when assets are included in regression models, the effects of income become non-significant, indicating that studies predicting social outcomes of economic conditions, but do not include assets (which is the vast majority), may be underspecified.

Orr (2003), using the National Longitudinal Survey of Youth, looks at the influence of household wealth on math achievement scores and finds significant positive results. Orr's interpretation is that wealth may influence "cultural capital" (being culturally appropriate in the Bourdieu sense), which tends to enhance academic achievement over time. She suggests that household wealth may explain a good portion of the black-white achievement gap. From a somewhat different perspective, Thomas Shapiro (2004), relying on in-depth interview research, documents that many parents use wealth, sometimes even modest amounts, to create "transformative" opportunities for their children, e.g., moving to a better school district. Consistent with this, Dalton Conley (1999) uses the PSID to look at the influence of childhood household wealth on adult outcomes. He finds that parental wealth in childhood helps to predict both high school graduation and college graduation. Effects of wealth are stronger than the effects of income. In sum, wealth appears to influence both outlook and behaviors of parents regarding their children's education, both early education and subsequent education.

There is today a growing body of evidence that early childhood education may be among the best investments in long-term development (Barnett 1995 reviews 36 studies of early childhood programs and finds evidence of long-term improvements in grade retention). CDAs would not provide early childhood education, but rather create assets for education, which we hypothesize would change how parents think about and engage with their children's early development (see studies cited above). Whether these hypotheses will be supported by the evidence we cannot say at this time. If so, then early asset accumulation for children's education might take its place alongside early childhood education as a policy tool for educational development.

In applied research, the Ford Foundation and several other foundations are supporting a large demonstration of CDAs in the form of the SEED (Saving for Education, Entrepreneurship, and Downpayment) initiative. The goal of SEED is to model, test, and inform a universal and progressive CDA policy for the United States. SEED is a demonstration and research partnership among CFED, CSD, the School of Social Welfare at the University of Kansas, the New America Foundation, Research Triangle Institute, Institute for Financial Security of the Aspen Institute, and others. The goal of SEED is to model, test, and inform a universal CDA policy for the United States. SEED has several components, including SEED accounts at 12 community-based sites, one of these quasi-experimental, a true experiment, multiple research methods, federal policy, state policy, and communications.

The SEED experiment, in a competitive RFP process, selected the State of Oklahoma as the research site. Oklahoma was selected because of a very good State College Savings (529) plan, which is the policy vehicle for SEED OK; large subpopulations of African Americans, Hispanics, and Native Americans; and dedicated interest from the State Treasurer and other Oklahoma State officials. Approximately 1350 randomly-selected SEED participants have been

given a 529 account with \$1,000 at birth, with an additional \$1,000 available in matching funds. Families will be encouraged to make additional deposits. The same number of randomly-selected controls will receive no treatment but are free to enroll in the State 529 plan as they choose. At this writing, the baseline SEED OK survey is completed.

Universal, progressive CDAs has been a longstanding interest of CSD, going back to the original proposal for IDAs. In this regard, SEED for Oklahoma Kids, or SEED OK is a large experiment to test this important idea. This study is about long-term investment and development of children; it is not about short-term amelioration of income poverty. Experiments in a population are uncommon, and therefore this project will be of considerable interest to policy scholars, and research results will directly inform the potential of a universal policy of CDAs in the United States. By the end of seven years, we hypothesize positive impacts of SEED OK savings for parental attitudes and behaviors related to education, and cognitive and educational development of children, and within the seven-year window of the study, children's educational achievement. The key impacts to be tested are: savings for children's education; total household savings; other household assets, liabilities, and net worth; parents' financial knowledge; children's financial knowledge; parents' aspirations for children; children's aspirations, especially for education; children's cognitive development; children's socio-emotional development; and children's pre-school and early school performance. The current plan is to follow the respondents for seven years, but other researchers may follow later. Ideally, researchers will re-survey this group when they are older, perhaps at ages 12, 18, and 24. With quality data collection at Wave 1, SEED OK will be set up as a long-term public good with the potential to yield useful knowledge over an extended period of time.

Assets and credit: Understanding the subprime meltdown and foreclosures

The primary emphasis in asset-based policy is on saving for long-term investments. But financial life is complex, and credit is also a necessary feature of building assets. In this regard, we would be remiss if we did not address the current credit crisis in subprime lending for housing. In the midst of this crisis, the country and researchers are still in a period of shock and confusion. It is difficult at this stage to assess accurately what has happened, but we can identify major outlines and issues.

The larger picture is that in the 2000s annual household savings dropped to under 1% of disposable income, a level not seen since the 1930s, and total household debt mushroomed to record levels, with an increasing proportion (now about 72%) in mortgage debt. In this context, and to oversimplify, the financial services industry and some others look at mortgage defaulters as people who should not have taken out home loans in the first place. The opposing view is that borrows should not have been set up with loans that were sure to fail, sooner or later. The first is a consumer decision-making view, and the latter a regulatory view. A great deal hinges on how this is finally documented and understood.

While firm data will later make this more clear, it seems likely that 90 plus percent of the problem lies in subprime lending was due to lax regulation in an atmosphere of easy monetary policy and unethical lending practices. In this regard, a few key figures may be helpful. A key point in this regard is that since 1998 less than 10% of subprime loans went to first time home buyers. Subprime lending consisted mostly of predatory loans to people who were already home owners, either in the form of second mortgages (home equity lines of credit) or to purchase another house. We do not know much about how subprime victims were doing financially before the subprime loans—no doubt some were struggling with homeownership (see Reid, 2004, for thorough review of evidence on low-income home owners), but we do know they were *already* living in their own homes. Given this simple fact, it would be a stretch to conclude that

most subprime victims are people who should not have owned homes—especially given the documented long-term financial benefits of home ownership for most households (data above).

As another piece of the broad outline, the press and some others have talked about the home ownership boom of the 2000s, as if this has been a historical aberration, and often implying or suggesting that too many low-income people were pushed into home ownership—with the well-meaning help of government policy and community organizations—who should not have been. What is the historical picture? There was much greater percentage growth in home ownership in the 1940s and 1950s than in the 2000s. During the recent homeownership “boom” the percentage of owners went from 64% to 69% in the 2000s. For perspective, the rate went from 43% to 54% in the 1940s, and from 54% to 62% in the 1950s. Prior decades’ increases have sometimes been much larger, yet they did not result in a crisis of foreclosures—indeed, just the opposite. The US economy grows over time; people living in the 2000s on average have greater resources than people living in the 1960s; home ownership has been a primary source of wealth accumulation in households. Under these circumstances, it is not unreasonable to expect that percentages of home owners would increase with an expanding economy.

There is no fixed ceiling on the desirable or appropriate percentage of home ownership. While 100% is impossible, it is not at all clear that 69% is too high. As an outlying example, Singapore has a home ownership rate over 90%, which has created probably the most egalitarian society on earth in terms of wealth. The government subsidizes home ownership at the bottom through a broad range of price and fee reductions. This wealth base in households makes it possible for most low-income Singaporeans to maintain a reasonably stable life even while income inequality—as in most of the world—is increasing (Vasoo & Lee, 2004; Sherraden et al., 1995).

Returning to the US subprime crisis, the broad data indicate that this is not a home-ownership disaster, but a credit regulatory failure. People were tricked and shoved into large loans with bad terms, too often using unethical and sometimes illegal measures. As a simple comparison, we regulate carefully to make sure that poisons do not end up in our drinking water or breakfast cereal, yet for some inexplicable reason it has been acceptable to market toxic home loans that are sure to destroy household finances and well-being. Given the existing broad data, it would be premature, and probably faulty, to conclude that the people affected by the subprime meltdown should not have been attempting to accumulate assets in the form of home ownership. Also, to balance this discussion, the long-term benefits of homeownership should be kept in mind. McKernan and Lerman (source) summarize:

For families able to ride out housing market downturns, the returns to homeownership can be large, especially after accounting for the level and variability of rents families would otherwise have to pay if they rented instead of owned their dwelling. Even in low appreciation environments, owners in low- and middle-income neighborhoods achieve modest gains in wealth after 7-10 years over renters. But the potential returns to homeownership go beyond finances. Research finds that homeownership improves outcomes for children of homeowners—such as higher educational attainment and lower teen-pregnancy rates—likely because of homeownership’s role in increased residential stability. These findings are particularly important for low-income families.

In wrapping up this discussion, we should also return to the key policy point that nearly all home-ownership subsidies go to the top half of the income distribution. Federal spending on homeownership programs was roughly \$176 billion in 2007, and 99 percent was in the form of tax subsidies (Cramer, O’Brien, and Boshara 2007). As discussed above, subsidies provided as tax breaks mostly benefit high-income families. Of the two largest homeownership

expenditures—the mortgage interest deduction and deductions for property taxes—for instance, 60 percent goes to households in the top 10 percent by income while the bottom 50 percent of households get less than 3 percent (Woo and Buchholz 2007). More low-income people would be able to own homes and better homes, and lead more stable lives, if home ownership subsidies were distributed fairly to all households—or better, if shelter subsidies, broadly defined, were distributed fairly to the whole population, and people could decide to use these resources for renting or owning as they think best. For the low income households who choose ownership, Reid (2004) suggests additional research so that we know better what is happening to them, and greater policy supports.

Directions for policy and financial services

As yet another part of the *Poor Finances* project, asset-based policy directions have been suggested by Reid Cramer, Sherraden, and McKernan.

Foundations of a more inclusive asset-based policy. The distinction between income and assets, as well as implications of this distinction for social policy, have resonated among policymakers. Initial research findings were also encouraging. Demonstration projects offered evidence that low-income people could in fact save under the right conditions. These research results addressed an initial concern with the asset-building approach, which questioned whether the poor, with low incomes by definition, could save. Income maintenance strategies remain prominent in antipoverty discussions, but it is a fair assessment that policymakers throughout government and across the political spectrum now seriously consider the “assets perspective” when focusing on the long-term social and economic development of individuals, families, and communities. Contributing to the accumulation of financial and tangible wealth is an appropriate public policy goal because it is relevant, achievable, and measurable (Sherraden 2005).

Many of the policy devices already employed in asset building are embedded in the tax code. In recent years a proliferation of tax-preferred account systems—along with other tax deductions, credits, and deferrals—have subsidized a broad range of saving and asset building. These asset-based policies have grown rapidly in recent years and today represent a significant proportion of overall federal expenditures and tax subsidies. All told, the value of these asset-building tax expenditure programs is expected to exceed \$407 billion in fiscal year 2008, including over \$176 billion a year to support homeownership and over \$111 billion to subsidize retirement savings (Cramer, O’Brien, and Boshara, 2007). As mentioned above, most low-income families are denied access to these asset-based policies delivered through the tax code. For example, in fiscal year 2005, less than 3 percent of the benefits from federal asset-building programs went to the bottom 60 percent of households as measured by income. The top 20 percent, in contrast, received nearly 90 percent of the benefits (Woo and Buchholz 2007).

If inclusive (universal and progressive) asset accumulation is the goal, structured saving *plans* that represent large bundles of key constructs are likely to be an effective policy package (Clancy, Orszag, and Sherraden 2004; Sherraden 2005). Current savings plans—all of which are created by public policy—include 401(k) plans in the private sector, 403(b) plans in the nonprofit sector, the Thrift Savings Plan for federal employees, and state-run 529 plans for postsecondary education. While none of these plans reach the entire population, the plans have potential to deliver bundles of services and institutional support structures that can lead to greater inclusion. The bundles could include greater *access* through availability to all, outreach, and ease of registration; greater *incentives* at the bottom through progressive matching and elimination of fees on small savings; greater *information* through financial education; greater *expectations* through higher match limits and target savings amounts; and greater *facilitation* through automatic enrollment and direct deposits (Sherraden et al., 2003; Schreiner & Sherraden, 2007).

Savings plans, which can be provided by the private sector, are often supported by public policies. Tax benefits to employers that offer 401(k) plans encourage the provision of these savings opportunities in a fundamental way. Similarly, 529 plans offer families a chance to save for the specific objective of paying for postsecondary education. Additional proposals have been previously made to build on this model and even though they have not been enacted, they reflect the potential of this approach. President Clinton proposed universal savings accounts, essentially an inclusive 401(k) plan for all workers, with greater subsidies at the bottom. And the bipartisan ASPIRE Act calls for creating a universal and progressive children's savings account modeled on the Thrift Savings Plan (Cramer 2006). Such proposals have potential for inclusion that is extremely unlikely for savings products in the private market.

The main point here is that households with lower incomes and fewer resources are much less likely than others to benefit from a bundling of institutional characteristics delivered as policy "packages." They are less likely to own homes, they have low tax liabilities, and their employers may fail to offer saving opportunities. To overcome these limitations, more inclusive policy interventions will be required, and the impact of these efforts will be more effective if they build on institutional theory and evidence.

The search for inclusive policies and financial services. Key findings from research may suggest directions for future asset policy. Four conclusions are worth highlighting for their policy implications. The first is that saving is a process shaped by institutions, not merely individual preferences. For example, research examining the savings performance of IDA participants has demonstrated that expectations (in the form of a target savings amount) have a large effect, as participants increased their savings 40 to 50 cents for every dollar the target was increased. The savings match and offer of direct deposits have helped people continue to save in IDA programs, though savers have not increased net monthly amounts saved (Schreiner and Sherraden 2007).

These findings suggest that policies intended to promote savings behavior might be more effective if they identify ways to combine incentives with other institutional supports. To take one example, Stegman (1999) explores the potential of electronic benefits transfers. A key will be these types of links between policies and financial services. Considering how the range of institutional constructs can be bundled together in an expansive delivery system should inform future asset-based policy efforts.

The second conclusion is that homeownership plays a special role in how families build assets. Homeownership is a goal that families often strive to achieve, representing the culmination of a savings process, and also serves as a primary means of possessing and augmenting wealth. Homeownership, therefore, can be a signifier of the asset-poverty threshold and a potential gateway to ongoing and long-lasting benefits. Families often use homeownership to continue wealth building through the accrual of equity and real estate appreciation. Beyond the provision of shelter, homeownership provides access to a bundle of goods and services provided at the local level, such as schools, neighborhood amenities, and social standing. There is evidence that children of homeowners, controlling for other factors, are better off in many ways (e.g., improved educational attainment, decreased teenage pregnancy, improved emotional and cognitive development). Yet for lower-income families, there is still much that can be learned about the benefits and potential pitfalls of homeownership. Owning a home and holding a mortgage creates risk and liability that for some households may exceed the positive effects of homeownership. The falling home values and rising foreclosures that began to appear in 2007 reinforce the extent of these risks and should focus the attention of policymakers on how to identify and encourage responsible homeownership. Despite risks and challenges, homeownership deserves a prominent place in any discussion on assets policy in the United States, especially opportunities for first-time homebuyers.

The third conclusion is that private retirement savings are a crucial asset for the typical middle-income family, yet are missing for the typical low-income family. Social Security is the key retirement support for low-income families. Social Security is the major program of social insurance in the United States, and it is enormously successful in providing support in retirement, as well as disability and survivor benefits. But this support is basic. The policy challenge, in relation to this discussion, is how to build retirement assets in addition to Social Security for the whole population.

The fourth conclusion with major policy implications is that assets are associated with multiple positive outcomes, and these outcomes extend beyond consumption. Assets are valuable as a source of economic security, but they also may encourage their owners to plan for the future, make productive investments, and invest in their communities. The association between assets and beneficial child outcomes suggests that “asset effects” may be a long-term phenomenon, best approached over an extended time horizon. The existing evidence on asset effects warrants continued research, especially given potential links between wealth and civic engagement, and the ramifications of these connections for a democratic society. Overall, research linking assets with positive outcomes is suggestive for the poor and nonpoor alike. This evidence, combined with the observation that current policy creates disincentives for many lower-income families to accumulate wealth, provides a compelling rationale for implementing and testing policy options that would make asset-building more inclusive.

Characteristics of an inclusive and integrated asset-building policy. *Inclusive* and *integrated* asset-based policy would have several key characteristics. First, it could provide the means to reach a large number of people, perhaps even all people. Second, it could occur throughout life and be flexible enough to adjust to changes in an individual’s life course. Third, it could consider assets needed over the life course in an integrated fashion—from a bank account to a home or

business, through retirement. Fourth, it could offer greater subsidies to people with fewer resources and greater need. It would provide incentives for building assets to low-income families (not just high-income families) and minimize disincentives—such as asset limits in means-tested public-assistance programs. And fifth, it could be large enough to support adequate levels of accumulation in a meaningful way (Sherraden 2005). If inclusive and integrated asset-based policy is useful as a social policy framework, policymakers may want to explore policy options that support asset building in a manner that is more universal, lifelong, flexible, progressive, and adequate.

There is no single strategy for an inclusive and integrated asset-building approach. Because assets can be held in many different forms over the life course, many policy levers can be used to help families build assets. These range from simplifying and liberating means-tested asset limits, to broadening and making tax credits refundable so that they reach low-income families, to a reformed pension system that complements Social Security (Cramer, O'Brien, and Lopez-Fernandini 2008; Perun and Steuerle 2008). While financial and tangible assets have been the focus of this book, education and its interaction with asset outcomes is also important. The aim is for life long policies that use public resources somewhat fairly.

One specific example of an inclusive policy structure may be an account-based system designed to promote long-term asset accumulation. This is consistent with the larger policy shift that addresses some domestic goals through provision of individual asset accounts instead of large-scale, categorical programs. An inclusive account-based policy would provide a platform and infrastructure that would facilitate saving and asset accumulation.

For this platform to be effective, accounts may be offered that are simple, widely available, and portable. Technically, information technology already exists that would enable such a system to be managed efficiently. Financial services are well developed in the United

States. Public policy can and should rely on private sector providers. For example, an impressive public-private partnership has already demonstrated ability to run such a large-scale system through the federal Thrift Savings Plan. This experience can be drawn upon in building a larger, more inclusive account system.

As with the current array of tax-preferred savings accounts, the financial services sector should play a primary role because it offers a high degree of security, transparency, and efficiency. These markets can facilitate investment within the framework created by the public sector and will establish the institutional structures that maximize access, provide protections, and minimize costs. Whether the accounts and subsidies are tax-preferred and for what income levels will have important implications for progressivity (Butrica et al. 2008). A focus of policy deliberations in this area should be the search for the most effective ways to achieve these ends for the greatest number of families.

Extending opportunities for savings and inclusive asset building points to the role of an effective delivery system and underscores the relevance of accessible savings plans. Savings plans, such as those for 401(k) retirement plans or 529 college saving plans, have features that lend themselves to *inclusion*. These include centralized accounting, provision of financial information, low-cost investment options, direct deposit, and automatic defaults. Most plans allow their participants to choose from a range of investment options. Expanding choice, while offering protections through diversification and professional management, is an effective combination. All told, the plan structure presents an opportunity to bundle together many of the constructs that determine saving action and maximize saving performance (Clancy et al. 2004; Clancy, Cramer, and Parrish 2005).

A well-designed, low-cost, inclusive savings plan could have broad benefits by encouraging savings, promoting economic development, and creating a more engaged citizenry.

Although many of the challenges in constructing an inclusive account-based system are significant, they can be dealt with during the process of program design. Rules and regulations will be required to clarify eligibility, the role of the private sector, and the delivery of incentives and subsidies. A more fundamental challenge for policymakers may be to identify ways to use the assets perspective to inform ongoing social policy deliberations in ways that both embrace and also move beyond a focus on social insurance.

The idea of an inclusive asset-based social policy, seldom discussed 15 years ago, is today ascendant. The language of assets is now part of a bipartisan lexicon and represents an opportunity to establish asset-building policies for the whole population, including lower-income households. The rise of asset-based policy discussion and the introduction of assets into the calculation of poverty have opened up a broader range of policy options. These options include proposals to foster ownership more broadly and to create specific avenues for savings, responsible homeownership, and other forms of wealth building. While there is still much to learn, pursuit of these policy objectives offers considerable potential.

Conclusion

It seems possible—indeed likely—that the years ahead will bring continued questioning and reformulations of social policy. We should anticipate that a new social contract, which would take decades to evolve, would retain the most effective features of current social policy, including Social Security retirement as social insurance, but also incorporate new directions. In this regard, in a future social contract there might be somewhat less emphasis on borrowing and somewhat more emphasis on saving and building assets as a foundation for future development—in public policy as well as in households and communities. In brief, the consumption-oriented welfare state may give way to a social contract that balances consumption with savings and investment.

If indeed we are in this historical position (which of course is impossible to know when we are so close to it), it may be helpful to reflect on the emergence of the Social Security Act of 1935. This Act has been the greatest single social policy success in the history of the United States, profoundly successful in reducing poverty among the elderly and protecting against risks of disability, loss of breadwinner, and much more. This time around, can we hope to be as successful in policy reformulation? This is a high bar.

And how will a new social contract come about? Most likely it will be borne in crisis (one thinks of soldiers pensions coming out of the Civil War, and the Social Security Act coming out of the Great Depression). We do not know if or when such a crisis will present itself. Perhaps it is already beginning in the current credit crisis, which is now becoming global and threatening to spread to new areas of credit and asset holding. All of this is unpredictable.

As in the past, a group of very capable people will have to be ready with new ideas if and when a major economic and social policy failure occurs. This was the case with the Social Security Act. Wilbur Cohen, one of the architects of Social Security, and my professor when I was in graduate school at the University of Michigan several decades ago, spoke very convincingly about incrementalism in social policy—the step by step movement toward a desired end. Interestingly, he never talked about big changes happening all at once. But as a graduate student I could not help but notice that Cohen’s incrementalism was successful only because it occurred in the context of the biggest vision for social policy in the history of the country. A constructive tension between large vision and small steps may again repeat itself. At this stage, there is little consensus on what the large vision should be.

We are a long way from being able to replicate a policy achievement on the scale and with the positive impacts of the Social Security Act, and it would be foolish to be overly confident in the face of huge challenges. But nonetheless a similar scale of policy change and

impact may be required for social policy in the century ahead. We cannot know what the characteristics of this new policy formulation will be. However, given current trends in the US and abroad, we have reason to believe that asset-building in the form of individual accounts will continue to play a growing role in 21st century policy. If this assessment is correct, the greater risk ahead may be not that people own assets, but that they do not. If policy moves in this direction, and as emphasized throughout this paper, the primary challenge for an asset-based policy will be inclusion of the whole population with progressive subsidies for the poor.

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