



Asset Building Advocates Press for Shift to ‘Save and Invest’ Economy

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www.community-wealth.org, October 2010

Over 1,000 people from across the country gathered to participate in the third biennial Asset Learning Conference, held from September 22nd through 24th by the Corporation for Enterprise Development (CFED) in Washington, DC. CFED has long promoted measures that would encourage savings among low- and moderate-income people. Programs that bolster savings or “assets” among the poor, asset building advocates contend, can be a powerful complement to traditional anti-poverty programs (such as food stamps). According to CFED, approximately one quarter of Americans are “asset poor” – that is, their savings are less than the amount necessary to support three months of consumption at a “poverty line” expenditure level.

At this year’s conference, titled the “Asset Movement in Its Moment,” speakers argued that the Great Recession provided an opportunity for a shift in direction in the U.S. economy from one based on spending and consumption to one based instead on savings and investment — and, consequently, there was the opportunity to reshape anti-poverty strategy to facilitate efforts by lower income Americans to build savings and thus enhance their long-term economic security.

In the opening plenary, Andrea Levere, President of CFED, laid out the organization’s core agenda. Levere pointed out that through tax expenditures, such as tax deductions for home ownership, retirement account contributions, and capital gains tax rates that are lower than the tax rate paid on wage income, the federal government already subsidizes savings to the tune of \$384 billion a year, but most of the subsidies go to the wealthiest. According to a 2010 CFED report, the average household in the top one percent of income earners receives a government subsidy of \$96,000 through these programs, compared to less than \$5 for the lowest quintile of households. CFED, Levere said, proposes to cut this “asset budget” by \$100 billion a year (which would save \$1 trillion over 10 years) and use roughly one tenth (\$8-10 billion) of that money to support a variety of measures that would boost savings.

In particular, the measures CFED advocate include greatly expanded support (from \$25 million to \$400 million a year) for individual development accounts (programs that provide a “match” for savings of qualified low-income individuals that support college education, home ownership, or small business development), a saver’s credit that would cost an estimated \$3 billion a year and be “refundable” (i.e., could be applied against payroll taxes), an “automatic individual retirement account” program that would finance the setting up of automatic employer payroll deduction for retirement savings (estimated cost of \$1 billion a year) and a child savings program that would provide \$500 at birth in a dedicated savings account for every American (estimated cost of \$3.5 billion a year). “We can enact a comprehensive wealth building for 2% of the federal asset-building budget,” Levere said.

Michael Barr, Assistant Secretary of the Treasury, was the opening keynote speaker and voiced the Obama administration's support of some of these measures, especially the automatic individual retirement account proposal and expansion of savers' tax credits.

Thomas Shapiro and Melvyn Oliver, best known for their 1994 book, *Black Wealth, White Wealth – A New Perspective on Racial Inequality*, talked about the continued racial wealth gap and suggested that CFED's "asset agenda" might be too modest. In particular, Tom Shapiro pointed out that the racial wealth gap between the median white family and the median African American family *grew* (in inflation-adjusted dollars) from \$20,000 in 1984 to \$95,000 in 2007. The reason? Shapiro and Oliver argued that federal tax policy helps deepen pre-existing racial inequalities. For example, in 2007, African Americans received \$13.4 billion in benefits for the home mortgage deduction; had the amount received been proportional to population, that total would have been 48.4 billion — a \$35 billion annual gap in federal subsidy dollars that helps widen already existing wealth disparities. Melvyn Oliver noted that, "One of the things we have overlooked is a key part of achieving equity in racial wealth is dismantling segregation. Until we bite that bullet we will have a very difficult time."

On the second day of the conference, CFED held two additional plenary sessions – one focused on savings programs that promote college education and the other on international asset building. Jose Cisneros, Treasurer of the City and County of San Francisco, talked about the San Francisco's new "Kindergarten to College" program that aims to provide every kindergarten student in the public schools with a small savings account, modeling CFED's national "child savings account" proposal. As Cisneros explained the program, all students will receive an initial savings account deposit from the City of \$100 (\$150 for kids from low-income families) with incentives for parents to make additional deposits (families will be eligible for a 1-to-1 match for the first \$100 they deposit into their children's savings accounts). The City also hopes to use the program to promote school attendance and parental financial education. The program, Cisneros said, is launching at some schools this fall and will go citywide by the fall of 2012.

The session on international asset building featured Carolina Trivelli of the *Instituto de Estudios Peruanos* (Institute of Peruvian Studies) and Faisal Rahman of the London-based non-profit Fair Finance. Trivelli discussed the "Proyecto Capital" (Capital Project) program, supported by the Ford Foundation. To date, in Peru, roughly 25,000 rural women are in the program. "The idea," Trivelli explained is that "governments to put money in savings accounts and teach people to use those accounts to improve their lives. The program has since spread to Columbia, where more than 4,000 women participate. The Center is beginning programs in Chile and Ecuador and ultimately hopes to work in eight countries.

Rahman discussed his organization's "fair finance" work in the European Union. Rahman noted that Europe has "hundreds of years of history of building assets. Few people are excluded. But it has bred a sense of complacency. Over the last 10-15 years the products and services given to those who are excluded have gotten worse. As Rahman put it, "People do save, but they get rubbish products and borrow at horrible rates. Payday lenders are so large that they sponsor football [soccer] teams in the United Kingdom." Rahman described the goal of his work as to "re-zone the way financial services industry works" so that low-income people can have full access to financial services at reasonable rates.

On the last day of the conference, public policy and small business development were leading themes. The morning plenary session in particular focused on the use of public policy to achieve scale. Clearly asset building has come into its own, it is no longer an academic field,” Jonathan Mintz, Consumer Affairs Commissioner of New York noted. But has asset building become the norm in the United States? “If we’re brutally honest,” Mintz said in response to his own question, “we are not there yet.” To get to scale, Mintz urged asset building advocates to “weave in” asset building ideas into existing anti-poverty efforts. For example, Mintz urged conference attendees to work to, “Weave in financial counseling in homeless prevention services ... weave in financial counseling as part of the domestic violence services ... embed financial counseling in mortgage modifications.” Asset building, Mintz argued, should be seen as the “super-vitamin that makes [existing anti-poverty] programs more successful.”

Martha Cowen, Special Assistant to the President for Mobility and Opportunity, Domestic Policy Council, urged advocates to build on state or local initiatives, and identify federal policies, programs, and/or regulations that can be changed or modified to scale up those initiatives. Elsie Meeks, State Director of Rural Development at USDA emphasized the importance of working at the regulatory level. David Hansell, Administration of Children and Families, US Dept. of Health & Human Services, discussed his agencies efforts to integrate asset building into the Head Start program.

The conference closed with a session on small business development. Bob Friedman, Chair of the CFED Board, noted that, “It is important to keep business development as part of asset building even if that isn’t as popular as savings.” U.S. Senator Ron Wyden (D-OR) discussed the Self Employment Assistance (SEA) program, which allows workers to use some of their unemployment benefits to start up their own business. Used in eight states, the program has been a “strikingly positive experience.” Wyden pledged to introduce legislation to expand the program to all states.

Bob Friedman, Founder of CFED, gave the meeting’s final address, as he had done at the Asset Learning Conference two years before. Recalling themes that Andrea Levere had highlighted at the beginning of the conference, Friedman called for a shift to a “save and invest” economy. Friedman called for the United States to cut current tax expenditures, 45 percent of which benefit the wealthiest one percent of households, by \$100 billion a year or \$1 trillion a year. Indeed, Friedman argued, it would be possible to cut current tax expenditures by twice that amount and still not adversely affecting savings and investment. By contrast, Friedman noted, the programs that CFED were calling for would cost at most \$10 billion a year. Such an expenditure, Friedman argued, would go a long way toward making asset building among low and moderate-income families a central part of the U.S. economy.

For more information on CFED (Corporation for Enterprise Development), see:
<http://www.cfed.org>.