ASSET-BASED ALTERNATIVES IN SOCIAL POLICY

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The modern American welfare state, initiated under Franklin Roosevelt during the 1930s and augmented under Lyndon Johnson during the 1960s, has been a sweeping, remarkable social innovation. The welfare state has achieved countless victories of caring over indifference, many of which we today take for granted. Although not perfect, social welfare policy has creatively, sometimes courageously, met the needs of the aged, the ill, the disabled and the economically vulnerable. For 40 or 50 years, the American welfare state was largely a success.

But time does not stand still. Today the welfare state—with its entitlements, public guarantees, insurances, transfers and tax expenditures—is like an aging, oversized, overloaded and well-traveled sedan. The suspension is sagging; the tires are bald, and a worrisome haze of blue smoke is billowing out behind. The welfare state is still rolling down the road, but it is in need of major repairs. Without an engine overhaul, we are not sure that it will carry us much further.

There is a growing perception that the welfare state, as it is currently structured, is not by itself sufficient for moving people out of poverty. Also, we must squarely face the reality that the welfare state, that began with a vision of security for those at the bottom, has become a huge consumption subsidy for those who are not at the bottom. The overwhelming majority of payments to individuals do not go to the poor. While exact figures are not available, we know that only about 15 percent of federal expenditures to individuals actually go to Americans in poverty. Counting tax expenditures, wealthy households receive far more in public transfers than do poor households. Although it has been politically unpopular to say so, we must face the reality that the welfare state is not helping the poor enough, and is helping some of the non-poor far too much.

Income and Consumption: The Welfare State of the 20th Century

The modern welfare state is a conglomeration of programs created over many years, responding to a variety of political appeals, sometimes with conflicting goals, and operating through a number of different policy channels (Lampman, 1971; Janowitz, 1976; Gilbert and Gilbert, 1989). Despite this complexity, the welfare state does have one overriding and distinguishing feature: It is characterized by the provision of income for consumption purposes. This is its chief activity and main effect.

We are beginning to realize that massive consumption is a short-term economic strategy that the macroeconomy cannot endure indefinitely. This is not to suggest abandoning traditional programs—indeed, they are essential—but, simply to raise a question about whether the welfare state, as we know it, is the only answer to the domestic problems that beset this country.

The same logic that applies to the nation as a whole applies to poor households. Poor households, like poor nations, do not leave their poverty by consuming more. The way out of poverty is through savings and investment.

This is not to say that the current consumption in poor households is sufficient. Many Americans do not have enough to eat; many are without basic shelter; many do not have medical insurance of any kind. These are shocking, shameful facts. Public policies that have allowed these inadequacies are not merely unjust and inhumane, but unwise as well. How is the nation to prosper in the future when nearly one-fourth of today's children are born into poverty—and the hunger, suffering, crime and ignorance that so often accompanies it?

In the last decade of the 20th century, the traditional welfare state, at least that portion oriented toward the poor, is in serious political trouble. There is a widespread perception that the policies are not working. Programs that were created in the name of community have led to isolation and alienation. There is little support, either in Washington or across the country, for increasing—or even maintaining—expenditures in current programs. Many states are now in the process of reducing expenditures and restricting welfare recipiency, and the federal government is very likely to give them more latitude to do so.

Savings and Investment: Domestic Policy for the 21st Century

One direction for consideration, in addition to the flow of income, is the stock of accumulated assets. In business economics, we take for granted that asset accumulation is important—in looking at a company, we would not overlook its balance sheet. Other economic entities, including households, are very similar. Looking at the flows but not the stocks gives us an unbalanced view of economic conditions. But this essential economic reality is very often ignored in public policy, particularly in the consideration of household welfare, and more particularly regarding poor households.

To the extent that current social policy does support asset accumulation, it is primarily in the form of tax benefits for home ownership, retirement pension accounts, and gains on invested capital. Altogether, federal tax

expenditures to individuals are estimated at $392.0 billion in 1995, rising to $504.6 billion in 1999 (Table 1), most of which is aimed at asset building. These tax expenditures go almost exclusively to the non-poor. In contrast, means-tested transfers to the poor, which total well under $200 billion per year (Table 2), typically have asset tests that effectively discourage asset accumulation. Thus, we have asset-building policy for the non-poor, but not for the poor.

A small group of scholars have attended to assets and wealth distribution, and this work is aided by occasional data sources, such as the Survey of Consumer Finances and the Survey of Income and Program Participation. Some recent and very useful studies of US asset distributions are by Wolff (1992), Oliver and Shapiro (1990), and the US Bureau of the Census (1994).

European discussions of welfare have more often looked at asset distributions (e.g., Wolff, 1987). Certain Asian welfare states, most notably Singapore's, are built fundamentally on asset accumulations rather than income transfers (International Social Security Association, 1965; Asher, 1991; Sherraden, 1995). And discussions of economic development in "developing" countries have long focused on land, business development, savings and other asset-oriented concepts (e.g., Geertz, 1962; Chandavarkar, 1985; Sherraden and Ruiz, 1989). In the United States, there has been, for some time, an interest in small business development (e.g., Light, 1972; Friedman, 1988; Balkin, 1989), and during the past several years, there has been a marked increase in microenterprise development as an anti-poverty strategy. This activity has become quite vigorous in some localities, with characteristics of a social movement. Of late as well, there is an emergent academic discussion and policy development in other areas of asset-based policy in the United States, including subsidized savings accounts for long-term goals such as education and home ownership (Sherraden, 1988 1990a; Johnson and Sherraden ,1992).

Theory and Rationale for an Asset-Based Policy

The rationale for an asset-based policy can be stated in two parts. First, economically, accumulation of assets is the key to development of poor households. For the vast majority of households, the pathway out of poverty is not through consumption, but through savings and accumulation. To put this in very simple language (and contrary to the neoclassical definition of "welfare"), not many people manage to spend their way out of poverty. Second, when people begin to accumulate assets, their thinking and behavior changes as well. Accumulating assets leads to important psychological and social effects that are not achieved in the same degree by receiving and spending an equivalent amount of regular income. Thus, in

Table 1
Estimated Federal Tax Expenditures
to Individuals and Corporations
Billions of Dollars, 1995 and 1999

	1995	1999
Tax Expenditures to Individuals	392.0	504.9
Housing		
Mortgage Interest Tax Deduction	53.5	67.8
Other Home Ownership Tax Benefits	33.4	39.8
Health Care		
Exclusion of Medical Insurance Premiums	45.8	62.6
Excl. of Untaxed Medicare Benefits	13.1	25.2
Retirement Security		
Excl. of Pension Contributions/Earnings	80.9	102.0
Excl. of Untaxed Soc. Sec. & R.R. Benefits	23.1	27.1
Excl. of Income on Life Ins. and Annuities	10.3	14.3
Capital Gains and Other Income/Property Benefits		
Excl. of Capital Gains at Death	12.7	18.3
Max. 28% Tax Rate on Capital Gains	9.1	13.9
Excl. of State and Local Income and Personal Property Taxes	24.7	31.0
All Other Tax Expenditures to Individuals	85.4	102.9
Tax Expenditures to Corporations	58.7	59.9
Total Tax Expenditures	450.7	564.5

Source: Calculated from US Congress, Joint Committee on Taxation (1994). Estimates of Federal Tax Expenditures for Fiscal Years 1995-1999. Washington: US Government Printing Office.

Table 2
Federal Spending for Means-Tested Public Assistance Programs
Billions of Dollars, 1992

	Amount	Percent
Income Support	32.3	18.1
Aid to Families with Dependent Children	13.6	
Supplemental Security Income	18.7	
Medical Care	75.6	42.3
Medicaid	67.8	
Medical Care for Veterans	7.8	
Food and Nutrition	30.8	17.2
Food Stamps	23.5	
School Lunch and Other	7.3	
Housing	17.3	9.7
Section 8 Rental Assistance	12.3	
Low-Rent Public Housing	5.0	
Education and Training	17.8	10.0
College Grants and Loans	11.1	
All Other	6.7	
Social Services	4.8	2.7
Total Means-Tested Public Assistance	178.6	100.0

Source: Ross, Jane L. (1995). Means-Tested Programs: An Overview, Problems, and Issues, GAO Report T-HEHS-95-76. Washington: US General Accounting Office (citing Congressional Research Service).

contrast to neoclassical economic assumptions, we are suggesting that assets do more than provide a storehouse for future consumption, and these behavioral effects of asset accumulation are important for household "welfare" or well-being. Below we list some of these psychological and social effects of assets, and offer them as propositions (revised somewhat from Sherraden, 1991a). These have some intuitive appeal, and certain theoretical and empirical support, but specific tests with a wide range of populations will be necessary. In this short space we cannot elaborate, but a list may be helpful.

- Assets provide greater household stability.
- Assets create long-term thinking and planning.
- Assets lead to greater effort in maintaining assets.
- Assets lead to greater development of human capital.
- Assets provide a foundation for risk-taking.
- Assets increase personal efficacy and sense of well-being.
- Assets increase social status and social connectedness.
- Assets increase community involvement and civic participation.
- Assets enhance the well-being and life-chances of offspring.

These, then, are some key propositions regarding assets and well-being. At this point, they are at a beginning level of development, but they are stated in such a way as to invite systematic tests. If future research lends support to the propositions, perhaps they can be specified and ordered into a more coherent theory.

What We Are Learning about Assets and Well-Being

The need for research on the relationship between asset-holding and well-being is critical. As a first step, the Center for Social Development (CSD) at Washington University has systematically reviewed studies from multiple disciplines and perspectives (economics, anthropology, sociology, psychology, policy analysis) to assess what is currently known about asset effects. In addition to review of prior research, CSD has embarked on a program of basic research to examine social and economic effects of asset accumulation (Sherraden, Page-Adams, Yadama, 1995). Research has focused on analyses of existing data sets, including the Panel Study of Income Dynamics (Yadama and Sherraden, forthcoming) and the National Survey of Families and Households (Cheng, 1995; Page-Adams, 1995a); and collection of new data, including a survey of auto workers (Page-Adams and Vosler, 1995), and an extensive household study of the impacts of the Central Provident Fund of Singapore, an asset-based domestic policy system (Sherraden, 1995).

In this section, we summarize findings from 25 studies addressing the personal and social effects of assets, and draw implications from this research for evaluators of IDAs and other asset-building programs. The research summarized here addresses effects of asset holding on: 1. personal well-being; 2. economic security; 3. civic behavior and community involvement; 4. women's status, and 5. well-being of children (Page-Adams, 1995b).

The first group of studies focuses on the relationship between assets and personal well-being (Figure 1). These studies demonstrate positive effects of assets on life satisfaction and self-efficacy, and negative effects on depression and problematic alcohol use. Assets also appear to be associated with self-direction, intellectually flexibility, and future-orientation. However, the effect of assets on stress is not consistent from study to study, with some research suggesting a positive relationship between assets and stress for low-income families.

Research on the relationship between assets and economic security demonstrates positive outcomes for diverse groups of asset holders, whether such security is measured objectively or subjectively (Figure 2). For example, assets helped reduce welfare receipt among low-income people with small businesses, as well as perceived economic strain among auto workers stressed by a plant closing. Other studies in this group find that perceived economic security helps explain the nearly universal desire for homeownership among British military families, and that high rates of land and small business ownership in one's community of origin have positive effects on future economic security among immigrants to the US from Mexico. Finally, asset accumulation in Singapore's Central Provident Fund has dramatically improved the economic well-being of CPF members, especially in terms of housing and health care.

The evidence on the relationship between assets and civic behavior is mixed (Figure 3). While some studies in this area suggest positive effects of assets on recycling behavior and involvement in block associations, others find limited asset effects on civic involvement beyond the neighborhood level. Further, if assets do have effects on civic behavior, these effects may not be direct. One of the studies in this group found positive asset effects on community involvement working almost entirely through cognition or knowledge about asset accumulation strategies.

For women (Figure 4), assets appear to be associated with higher levels of social status in the home and in the larger community, increased contraceptive use, and improved material conditions of families. In addition, several studies point to a relationship between asset holding and lower

levels of marital violence. This relationship seems to hold whether assets are measured at the individual level or at the household level, suggesting that both individual and joint ownership of assets increases safety from marital violence. The consistency of findings in this area is interesting, in part, because domestic violence research in the US has been overwhelmingly focused on psychological, rather than economic, issues.

Cumulatively, studies addressing the relationship between parental assets and children's well-being (Figure 5) demonstrate that assets have positive effects on self-esteem for adolescents; staying in school, avoiding early pregnancy, and facilitating saving among teens; and home owning for adult children. Assets also reduce vulnerability to poverty for children in white and African-American female-headed households. In fact, some of the strongest and most consistent empirical evidence for the positive effects of assets come from studies involving outcomes for children of parents who hold assets, particularly in the form of home ownership. Further, many of these effects are largest for children from income poor families.

Overall, the 25 empirical studies summarized here indicate that asset holding has a wide range of positive effects beyond consumption. Not all propositions are supported, but many are. Other asset effects—particularly gender-related effects—appear to be important as well. No doubt summary evidence only "scratches the surface," but the general picture that emerges is clear: asset holding has multiple personal and social effects in people's lives that would generally be interpreted as positive. Further, the research suggests that some effects of asset holding may be particularly strong for people who are economically vulnerable.

Asset-Based Policy

Asset-based policy is, in practice, not a new idea. For example, many American families during the nineteenth century were beneficiaries of a very sensible U.S. land distribution policy, the Homestead Act of 1862. The Homestead Act was a highly successful domestic policy, and a major antecedent of the welfare state (Commager, 1967).

We cannot help but wonder how different our nation might be today if, following the Civil War, freed slaves had been given the "40 acres and a mule" that was talked about at the time, but not delivered (Oubre, 1978). At a time when newly arriving European Americans were given land, newly freed African Americans, many of whose ancestors had worked on this continent for generations, were not given land. Continuously since that time, barriers to asset accumulation, particularly in residential real estate and business property, have been major—perhaps the major—impedi-

Figure 1. Effects of Asset Holding: Studies Addressing Personal Well-Being

Study	Purpose	Sample	Description	Findings
Finn (1994)	To describe empowerment experiences of low-income Habitat for Humanity participants.	22 low-income families in Cleveland area; 20 of the families were African-American.	Qualitative information about both the benefits and challenges of buying and keeping a home.	Homeowners reported personal and social benefits. Wanted on-going Habitat support.
Kohn, Naoi, Schoenbach, Schooler & Slomczynski (1990)	To test effects of ownership on the psychological well-being of men in 3 countries.	Representative samples of men employed in civilian jobs in United States, Japan, & Poland.	Class is conceptualized as ownership, control of means of production, control of labor power.	Ownership has significant positive effects on 3 of 4 measures of well-being.
Rocha (1994)	To explore role of saving and investment in explaining stress among two-parent families.	1500 randomly sampled women in two-parent families with dependent children from NSFH.[1]	Assets modeled as mediating relationships beween income, number of children, and stress.	Stress increases as assets increase for working poor families, controlling for income and children.
Rohe & Stegman (1994a)	To test effects of home-owning on 3 measures of psych well-being among low-income people.	125 low-income home-owners and 101 Section 8 control group renters. 92% African-American.	Homeowning effects tested controlling for income, education, among other variables.	Homeowning positively effects life satisfaction, but not self-esteem or sense of control.
Yadama & Sherraden (forthcoming)	To test effects of assets on efficacy, horizons, prudence, effort, and connectedness.	Data from 2871 PSID[2] respondents in 1972, controlling for attitudes and behaviors in 1968.	Effects of assets (home value and amount of savings) tested, controlling for income.	Savings, but not home value, had positive effects on efficacy, horizons, and prudence.

Figure 2. Effects of Asset Holding: Studies Addressing Economic Security

Study	Purpose	Sample	Description	Findings
Chandler (1989)	To explore transition from married quarters housing to homeowning among navy families.	30 British navy wives. Content analysis of interviews to identify common themes.	Qualitatively addressed perceived advantages and disadvantages of homeownership.	Desire to own universal, despite advantages of base housing. Perceived financial security.
Massey & Basem (1992)	To explore determinants of savings, remittances, and spending among Mexican immigrants.	Randomly selected households in four Mexican communities. Sample of 295 men.	Tested effects of owning and of being from a community with many land or business owners.	Saving and remitting higher among those from communities with many land & business owners.
Page-Adams & Vosler (1995)	To test effects of home-owning on stressed auto workers, controlling for income and education.	193 auto workers in midwestern city in 1992. Half laid off by plant closing.	Economic strain was one of four outcomes, in addition to social and emotional well-being.	Homeownering related with lower economic strain, alcoholism, and depression.
Raheim (1995)	To evaluate the first publicly-funded U.S. microenterprise program for low-income people.	Random sample of 120 SEID[5] participants who started businesses. 68% single houshold heads.	Six year follow-up focused on economic well-being of participants and their businesses.	SEID businesses had high survival rates (79%), created jobs, and reduced welfare receipt.
Sherraden, Nair, Vasoo, Liang & Sherraden (1995)	To assess effects of asset accumulation through Singapore's Central Provident Fund (CPF).	Sample of 356 CPF active members, representative of CPF total population.	Explored impact of CPF asset accumulation on economic, social and psychological well-being.	CPF improves economic well-being, foremost through housing and health care.

Figure 3. Effects of Asset Holding: Studies Addressing Civic Behavior and Community Involvement

Study	Purpose	Sample	Description	Findings
Cheng, Page-Adams & Sherraden (1995)	To test effects of assets on human capital, home maintenance, and civic involvement outcomes.	Representative sample of 356 active members of Singapore's Central Provident Fund.	Focused on the role of knowledge about asset accumulation strategies in mediating effects.	Positive asset effects, (working through knowledge) on work, home & civic outcomes.
Oskamp, Harrington, Edwards, Sherwood, Okuda & Swanson (1991)	To investigate factors that encourage and discourage recycling in a suburban US city.	Survey of 221 randomly selected adults in city with new curbside recycling program.	Tested associations between demographics, attitudes, conservation knowledge and recyling.	Strongest predictors of recycling were living in a single-family house and owning one's own home.
Perkins, Florin, Rich, Wandersman & Chavis (1990)	To explore demographic and social correlates of participation in block associations.	Data from 48 blocks in New York City using observation, police records, and surveys.	Tested association between homeowning and civic involvement in block associations.	Homeownership postively associated with civic involvement in block associations.
Rohe & Stegman (1994b)	To test the impact of homeowning, controlling for other variables, on civic involvement.	125 low-income homeowners and 101 Section 8 control group renters.	Studied neighboring and civic involvement before and, again, 18 months after home purchase.	Homeowners had significant increase in neighborhood and block association involvement.
Thompson (1993)	To compare demogaphic and social characteristics of volunteers and the general population.	Survey of rural New York county done as part of the 1990 US census.	Explored differences between two groups to inform volunteer recruitment efforts.	Volunteers more likely to be self-employed and high-income. No more likely to own homes.

Figure 4. Effects of Asset Holding: Studies Addressing Women's Status

Study	Purpose	Sample	Description	Findings
Levinson (1989)	To test an economic model of wife beating using data on small-scale and peasant societies.	90 societies selected from the HRAF PSF[3] sample. Data from ethnographic reports.	Three of the four indicators of economic inequality are asset-based measures.	Suggest that "male control of wealth and property is the basic cause of wife beating."
Noponen (1992)	To evaluate economic and social effects of microenterprise loans to poor women in India.	Random sample of 300 women participants in a model loan program surveyed in 1980 & 85.	Explored effects of access to credit for both women and their families over a 5 year period.	Access to credit improved social status of women and material conditions of families.
Page-Adams (1995)	To test effect of home-ownership on marital violence, controlling for income and education.	1038 married women whose husbands also completed questionnaires for NSFH[4] in 1987-88.	Analysis was designed as one test of the theory of well-being based on assets.	Homeownership is negatively associated with violence among white couples only.
Petersen (1980)	To explore relationships between several measures of household SES and wife abuse.	Random statewide telephone survey of 602 married women living in Maryland in 1977-78.	SES measures included homeownership in addition to husband's income, education, etc.	22% of women who rent, but only 2% of women who own, reported abuse.
Schuler & Hashemi (1994)	To test effects of credit on contraception and empowerment among Bangladeshi women.	1,305 women; 2 random samples of program members; 2 comparison group samples.	Both effects of access to credit and living in village served by credit program were tested.	Credit programs increase family support, leading to empowerment, leading to contraception.

Figure 5. Effects of Asset Holding: Studies Addressing the Well-Being of Children

Study	Purpose	Sample	Description	Findings
Cheng (1995)	To test effects of parents' SES, education, and assets on poverty among adult daughters who have children.	836 female heads of household from NSFH[6]. 548 white and 288 black single women with dependent children.	Tested effects of assets on adult duaghters' SES, controlling for parents' SES and daughter's education.	Assets have positive economic effects for female-headed families, controlling for education and parents' SES.
Green & White (1994)	To test whether children of homeowners were less likely to drop out, have babies, and be arrested.	Four large, representative data sets. PSID, HSB, PUMS, and BYS.[7] 17- and 18-year-olds.	Effects of parental homeowning tested controlling for parents' income and education.	Teens of homeowners less likely than those of renters to drop out and to have babies.
Henretta (1984)	To test effects of parents' homeowning and home value on same for adult children.	PSID[8] cases containing data on a sample member who was a child in earlier wave (1968-79).	Effects of parental home-owning and home value tested controlling for parental income & gifts.	Parents' homeowning associated with same for adult children, controlling for income and gifts.
Pritchard, Myers & Cassidy (1989)	To explore individual & family factors associated with saving and spending patterns among teens.	1619 employed teens and their parents from the 1982 sophomore cohort of the HSB[9] survey.	Family factors included parent saving behaviors and whether they had saved for college.	Parents saving patterns and saving for college associated with teen saving patterns.
Whitbeck, Simmons, Conger, Lorenz, Huck & Elder (1991)	To test effects of economic hardship and parental support on adolescent self-esteem.	451 families recruited from cohort of 7th-graders living in mid-western state in 1989.	Debt-to-asset ratio is needed to measure hardship, controlling for income & work history.	Economic hardship lowers adolescent self-esteem by reducing parental support.

ments to equal opportunity for African Americans (Sherraden, 1991a, pp. 131-139). Today, by some measures, blacks have only about one-tenth of the net worth of whites (U.S. Bureau of the Census, 1994). This huge difference in property holding between whites and blacks is, in our view, one of the most fundamental issues in race relations in America.

Other asset-based policy precedents include home mortgage subsidies under the Federal Housing Administration (FHA), land ownership support under the Farm Security Administration (FSA) and the G.I. Bill, which enabled millions of returning World War II veterans to attend college. During the 1980s, still other asset-based policies emerged, such as Individual Retirement Accounts and state-based college savings plans, although these did little to help the poor.

If asset-holding has positive effects, "welfare policy" and social policy in general should promote asset accumulation. Such a policy would recognize that individuals, families and the nation as a whole should counterbalance income and consumption with savings and investment. Asset building would become a foundation of social policy, so that many social and economic goals—perhaps especially higher education, home ownership, small business development, retirement security and even health care—would be achieved to some extent through programs of asset accumulation, even for the poorest families.

One way to do this would be through a comprehensive system of Individual Development Accounts (IDAs). This proposal has generated widespread policy discussions and a number of IDA policy initiatives. More than 30 states have proposed or implemented increases in welfare asset limits, sometimes in the form of special savings accounts for development purposes, such as education, purchase of a home or starting a microenterprise. Iowa and Texas have passed legislation calling for community-based IDA experiments. Other IDA legislation is pending in Illinois, North Carolina, Virginia and other states. President Clinton included an IDA demonstration in his 1994 welfare reform package. Federal legislation for an IDA demonstration has increasing support (Edwards and Sherraden, 1995). It appears that a number of IDA demonstrations will be occurring over the next several years, in a number of different places, with a variety of program designs, and with different populations.

Individual Development Accounts

IDAs would be optional, earnings-bearing, tax-benefitted accounts in the name of each individual and initiated as early as birth (Sherraden 1988, 1989, 1990b, 1991a, 1991b). IDAs would be similar to Individual Retire-

ment Accounts (IRAs), but would serve a broad range of purposes, and there would be deposit subsidies for the poor. Regardless of the designated purpose(s) of IDAs (housing, education, training, self-employment, retirement or other), assets would be accumulated in these long-term accounts. Federal and state governments and/or private sector organizations would match deposits for the poor. There would be potential for creative program design and partnerships among the public, private, and nonprofit sectors, in cooperation with account holders themselves. The following general guidelines might be considered for IDAs.

- IDAs would complement income-based policy.
- IDA opportunities would be available to everyone.
- Certain IDA deposits would be subsidized for poor families.
- Creative partnerships among government at all levels, the private sector, and nonprofit organizations would be encouraged in designing and funding IDA accounts.
- Deposited funds and earnings on funds would be, in whole or in part, tax-benefitted (tax-exempt or tax-deferred) when used for designated purposes.
- Ideally, individuals (or their parents or guardians) would have choices regarding how their IDA accounts are invested.
- Because asset-based welfare is a long-term concept, some of the best applications of IDAs would be for young people.
- If withdrawn for other than designated purposes, all subsidized deposits and the earnings on those deposits would revert to an IDA Reserve Fund.
- An individual could transfer, at any time during his or her lifetime or at death, without penalty, any portion of an IDA to the IDAs of his or her children or grandchildren, or other designated beneficiary.

The key would be to establish an IDA policy structure that is responsive to the goals of individual participants and local needs; can generate creative initiatives and funding from multiple sources, and can expand gradually as it demonstrates its worth. In the long run, it is possible that an IDA system, or something similar, might expand to a number of social welfare purposes, and become a significant part of what we currently think of as "welfare state" activities.

Once the structure of Individual Development Accounts was in place, even with minimal direct funding from the federal government, there would be opportunities for a wide variety of creative funding projects from the private and non-profit sectors. To build IDA accounts, one can imagine church fund raisers; contributions from civic organizations; bake sales, car washes, carnivals and other school-based projects; student-run businesses; corporations "adopting" a school or a neighborhood, and so forth. There

would be great potential for creative partnerships and entrepreneurial funding projects. The key is to establish an IDA policy structure that could attract creative funding and expand gradually as the policy demonstrates its worth.

Conclusion

As a concluding thought, we offer the suggestion that the income-based welfare state—although it was a remarkable social innovation in its time and led to many important triumphs of caring over indifference—may have passed its historical moment. As a practical matter, there is growing concern about the sustainability of consumption-oriented entitlement spending for the non-poor on so large a scale. Also, it has become apparent that means-tested income transfers for the poor, although they help to relieve suffering, do little to help people move out of poverty. As a result, the income-based welfare state, particularly that portion oriented toward the poor, is under concerted attack in the policy world. This attack is broadly-based and gaining momentum. Under these circumstances, it seems likely that the income-based welfare state will, during the coming decades, undergo a major transformation. The direction of this transformation is difficult to predict—indeed, there are reasons to fear haphazard polices created during a moment of crisis, or regressive policies created during a moment of reaction. Despite these uncertainties and risks, it seems likely that a growing theme in social policy will be policies that emphasize not merely income and consumption, but also savings and investment. If widely implemented, IDAs would eventually provide the framework of a new domestic policy based on asset-building and stakeholding. This new policy would serve as a counter-balance to the income-based welfare state.

As a closing thought, Individual Development Accounts, or some other form of asset-based domestic policy, could become, for the 21st century, what the Homestead Act was for the 19th—an investment-oriented policy to develop individual capacity, build strong families, promote active citizenship and contribute to economic growth.

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