

Status of Asset Building Worldwide

Ray Boshara, New America Foundation
Michael Sherraden, Center for Social Development

INTRODUCTION

Asset building has the potential to influence and reshape a wide range of social and economic policy debates around the world—but presently there is little trans-Atlantic or global dialogue on the issue. In Europe, for example, debates about social insurance, fiscal policy, pension reform, social exclusion, poverty reduction, and expanding Europe's middle class are largely devoid of the assets perspective. In the U.S., and to some extent Europe and Australia, we could be approaching a “tipping point” around the importance of fostering “ownership societies” but that promising framework risks being co-opted by advocates of policies that would further asset ownership for those who already own a lot. In developing countries asset building strongly intersects with microfinance initiatives, the “sustainable livelihoods” framework, and with discussions related to the seminal works of Amartya Sen and Hernando DeSoto—yet there have been only a few opportunities for systematic discussion, learning, and collaboration. Pervading many policy debates in nations across the world is an unmistakable trend toward the use of individual asset accounts to achieve a broad range of domestic policy goals. This trend presents both risks and opportunities, but the trend is barely recognized in discussions of social policy.

This brief paper is divided into two parts: (1) the current state of asset building research, policy and initiatives, and (2) asset building efforts on the horizon.¹

I. CURRENT STATE OF THE FIELD

Research

Research conducted in the 1990s established the asset building framework, with books such as *Assets and the Poor*, *Black Wealth/White Wealth*, *Assets for the Poor*, and *Savings for the Poor*. These publications inspired further research as well as demonstration projects, both of which have produced important evidence and findings. Perhaps most significantly, research (from both primary and secondary sources) suggests that (1) the poor can save and accumulate assets and (2) assets have positive social, psychological, and civic effects independent of the effects of income.

Most notably, the “American Dream” Individual Development Account (IDA) Demonstration in the U.S. (organized by the Corporation for Enterprise Development and the Center for Social Development) and the Savings Gateway Pilot Project in the U.K. (sponsored by HM Treasury) produced evidence that participants could save in structured accounts. These findings were consistent with earlier research by Stuart Rutherford in 1998 showing that very poor people in developing countries save and manage their money. Regarding asset effects, research summarized by Scanlon and Page-Adams in the U.S., longitudinal U.K. data analyzed by Bynner and Despoditou, and several quantitative and qualitative studies on IDAs and secondary data by CSD, suggest that assets change the way people think, act and feel about their circumstances and future life chances for themselves and their children.

These ideas were doubted by many when initially posited by Sherraden in 1991, and have had some influence in changing academic and policy discourse in recent years. The idea that the poor should accumulate assets is now almost common, language such as “asset-based policy” is now mainstream, and research of many aspects of asset accumulation, distribution, and impacts is increasing.

Three other broad publications in the assets field are worth noting. Proceedings from the “Inclusion in Asset Building Symposium,” organized by the Center for Social Development (CSD), are forthcoming. Recently *Social Development Issues* published a special edition on assets (with Sherraden serving as Guest Editor) which includes articles on U.S. and international asset building research. In 2003, OECD published *Asset Building and the Escape from Poverty*, probably the best report on the state of asset building worldwide. While directed primarily at a Western European audience, this report argues that asset policies hold the potential to transform “passive welfare states” into “active social investment states,” through (a) the act of saving and the reciprocity it implies, and (b) the “asset effects” along with the greater return on scarce public dollars and better citizenship they may promote.

Finally, other asset building projects and research are being pioneered around the world. In addition to primary and secondary research efforts connected to policies and projects in the U.S. and U.K., asset building projects and/or research efforts are underway by researchers in Hong Kong, Australia, Sweden, Taiwan, China,

Singapore, Canada, Uganda, and Mexico, and research continues as well through various programs of the OECD.

Policy

Research and demonstrations have also had a profound influence on public policies in the U.S. and abroad. In the U.S., American Dream Demonstration (ADD) data—especially data showing that poor people can save—was instrumental in moving forward federal IDA legislation and was critical to the development of President Clinton’s half-trillion dollar Universal Savings Account proposal in 1999. These data also placed IDA researchers in high-level discussions and commissions regarding retirement savings policy and Social Security reform. Assets research was influential in the decision by nearly all states to raise their asset limits for public assistance recipients, as permitted by the 1996 welfare overhaul. And recently the assets framework and evidence have directly influenced U.S. policymakers, including Congressmen Patrick Kennedy and Harold Ford and Senator Jon Corzine, to soon introduce bi-partisan legislation (*The American Stakeholder Act of 2004*) which would create a savings account for every child at birth. In addition, Congressman Ford plans to introduce comprehensive asset building legislation later in 2004.²

International policy developments have also been significant. The assets framework and data also had an influence on the development of the Child Trust Fund (CTF) policy and Savings Gateway demonstration in the U.K. The universal CTF, to be introduced in 2005, will be the most inclusive and progressive asset building policy on the planet. Within the U.K., Scotland is contemplating some additional asset building initiatives. In addition, Ireland has adopted a matched savings plan designed to increase savings for lower- and middle-class savers. In North America, Canada has embarked on asset building primarily through its 3,675-account “LearnSave” demonstration, basically IDAs for post-secondary education and microenterprise, and a similar “HomeSave” demonstration project is under consideration. In Mexico, while the asset building term is not always used, asset building for the poor is underway through some microfinance efforts (BANSEFI), a higher-education promotion program (reaching some 800,000 students), and a matched savings program aimed at homeownership.

In Asia, the most explicit application of asset building is in Taiwan, where the city of Taipei has launched a 100-account Family Development Account demonstration project. Singapore has long used its Central Provident Fund to successfully foster asset accumulation, education, and social development for its entire population, although the primary motivation for the recent “baby bonus” and Child Development Account policies—which provide state deposits for second- and third-born children, but not first-borns—was pro-natal, not the “progressive universalism” aimed at nationwide stakeholding that underpins the CTF in the U.K. In South Africa, a microfinance institution (NURCHA) has fostered savings for homeownership for about 20,000 poor households.

Finally, it should be noted that national Individual Learning Account (ILA) schemes, primarily in Western Europe, as well as recent efforts by the OECD’s Directorate for Education in support of “lifelong learning,” have intersected with asset building discussions in the U.S. and abroad.

Initiatives

Asset building initiatives and organizations were launched in the U.S. in the mid-1990s and have been sustained by the Ford Foundation and many others, especially the Mott, Annie E. Casey, Citigroup, Fannie Mae, and (more recently) the Schwab Foundations. The two major initiatives supported by foundations are ADD (to test IDAs) and, more recently, SEED (to test children’s savings accounts). The organizations these and other national foundations have supported, which have been exclusively in the non-profit sector, include the Corporation for Enterprise Development (CFED), the Center for Social Development (CSD) at Washington University in St. Louis, Consumer Federation of America, Shorebank, Center for Community Capitalism at UNC-Chapel Hill, First Nations Development Institute, Self-Help, various microenterprise organizations, the Asset Development Institute at Brandeis and, more recently, the New America Foundation and the Initiative on Financial Security at the Aspen Institute. Less explicitly and directly, but promoting asset building as well, are SELF-HELP, the Capital Ownership Group at Kent State University, RESULTS, Demos, the Center on Budget and Policy Priorities, and the Brookings Institution.

Outside the U.S., asset building has also been led by non-profit organizations, although recently some high-level bi-lateral and multi-lateral institutions have organized or supported asset building initiatives. On the non-profit front, Canada’s asset building efforts have been led by Social and Enterprise Development Innovations (SEDI), while U.K. efforts have been led a Labour-affiliated think-tank, the Institute for Public Policy Research (IPPR). Non-profit organizations are poised to lead many other asset building efforts as well. Regarding international institutions, the LEED Programme of the OECD has played an important role in promoting asset building to its members through publications and events, with more activities expected. The German Marshall Fund of the U.S. has also directly supported asset building per se, including supporting the OECD delegation to the 2002 IDA conference in Windsor and the subsequent OECD publication on assets mentioned earlier. The World Economic Forum, in partnership with the New America Foundation and others, hosted a small but important international meeting on assets last November, and this meeting laid the foundation for a well-received session on “Ownership and the Investment State” at the WEF’s Annual Meeting in Davos in early 2004. Possible follow-up activities are presently being discussed with WEF staff in Geneva.

In January 2004, USAID sponsored a workshop on asset building and sustainable livelihoods, bringing together for

the first time leading thinkers working in both developing and developed countries. And finally, the World Bank, Inter-American Development Bank, the United Nation's International Fund for Agricultural Development, several bi-lateral donors (including USAID and the United Kingdom's Department for International Development), along with a multitude of private-sector donors have supported research and projects aimed at asset building in developing countries—including work on microfinance, remittances, land reform, property rights, and natural assets—although these donors have not always used an asset building terminology or framework.

II. ON THE HORIZON

Several asset building efforts are on the horizon worldwide. In China, IDA research was cited in the National Party Congress in 2002, and an asset building conference in China is planned for September 2004. In Australia, a 12-point “ownership” agenda—which includes “nest-egg” accounts, IDA-type matched savings accounts, and lifelong learning accounts—has been introduced by the leader of Australia's Labor Party, Mark Latham. Canada is poised to elevate its level of asset building under the leadership of its new Prime Minister, Paul Martin, who publicly committed recently to creating incentives for low-income families to save for their children's education—a proposal initially dubbed “Learning Bonds.” A new think-tank in New Zealand,

headed by Harvard economist David Skilling, plans to launch an initiative on asset building in 2004. Finally, new or expanded matched savings account projects and policies, modeled after IDAs, are being contemplated in Uganda, South Africa, Puerto Rico, and the Middle East.

For further information, contact:

Ray Boshara
Director, Asset Building Program
New America Foundation
1630 Connecticut Avenue, NW 7th Floor
Washington, DC 20009
202-986-2700 - phone
202-986-3696 - fax
boshara@newamerica.net
www.newamerica.net and www.AssetBuilding.org

Michael Sherraden
Director, Center for Social Development
Washington University
One Brookings Drive
Campus Box 1196
St. Louis, MO 63130
314-935-6691 - phone
314-935-8661 - fax
sherrad@gwbmail.wustl.edu
<http://gwbweb.wustl.edu>

¹ Most publications discussed in this report can be found at www.AssetBuilding.org

² For a more thorough report and analysis of federal assets policy efforts in 2003 and 2004, see “Federal Assets Policy Report and Outlook 2004” published by the New America Foundation and available at www.newamerica.net and www.AssetBuilding.org.