

Assets, Poverty, and Children

**The Fedele E. and Iris M. Fauri Lecture
University of Michigan School of Social Work**

Michael Sherraden, PhD (MSW '76, Ph.D. '79)
Benjamin E. Youngdahl Professor of Social Development
George Warren Brown School of Social Work
Washington University in St. Louis

with assistance from

Min Zhan, PhD
Assistant Professor
School of Social Work
University of Illinois, Champaign-Urbana

Trina Williams, PhD
Assistant Professor
School of Social Work
University of Michigan, Ann Arbor

Delivered November 14, 2002
Revised October 7, 2003

Assets, Poverty, and Children

In this lecture, I raise the possibility that, in order to protect and enhance the well being of children in impoverished households, public policy should promote not only income support, but also asset accumulation.¹ Assets are a key to family development, and very likely have positive effects on child outcomes, independent of the effects of income.

Definitions and Reasoning

Income is comprised of the financial resources and goods that people take in, used mostly for short-term consumption. Assets are the financial and property resources that people accumulate for future consumption, security, and investments to improve their long-term condition. In economic terms, income is the *flow*, and assets are the *stock*. In accounting terms, income is reflected on an income statement (the money coming in and going out), and assets are reflected on the balance sheet (assets, liabilities, and net worth). The financial life for any business, organization, household, or individual has these two basic dimensions: income and assets, flow and stock. As every accountant and every householder knows, both dimensions are fundamental to understanding financial well being. In reporting on an organization, an accountant would not study only the income statement and omit the balance sheet. In thinking about the future, a parent would not look only at the monthly paychecks, and forget the savings account.

Income is assumed to be an approximation of consumption² and is the standard policy definition of poverty and well being. To be sure, income and consumption are essential to maintain a basic standard of living, but as public policy, income does not appear to improve long-term conditions. We know that income transfer policies for the poor do not improve pre-transfer poverty. In this sense, income maintenance is correctly named; it helps to maintain people in their poverty. Some might consider this an acceptable policy for adults or the elderly because they are grown, “formed” in their development, and responsible for themselves (I would disagree with this view), but it is certainly not acceptable for households with children. Children are the future human capital of the nation. A public policy that does not seek development of households with children is not a sound policy.

In public policy for the poor, including poor households with children, we have focused almost exclusively on income. Policy provides very few subsidies or incentives for asset accumulation by the poor. Moreover, means-tested income transfer policies typically have asset limits, which retard asset accumulation (Carney & Gale, 1999; Engen & Gruber, 1995; Feldstein, 1992; Gruber & Yelowitz, 1997; Hubbard et al., 1994; 1995; Hurst & Ziliak, 2001; Neumark & Powers, 1998; Powers, 1998; Silverman, 1997; Ziliak, 1999). In short, U.S. policy not only fails to promote asset accumulation by the poor, but actively discourages it.

For the poor, like everyone else, development occurs through asset accumulation and investment. If the poor do not accumulate and hold assets, they are unlikely to do better. Assets create choices. With assets, choices can be made to invest in geographic mobility (e.g., move to a better neighborhood or a move to find a better job), invest in education for one's self or one's children, invest in a computer and internet access, invest in home ownership (the primary wealth accumulation vehicle for most Americans), or for some, invest a small business.

In addition, assets can be passed to future generations. Because family development is a long-term process that occurs across generations, asset building is fundamental. A key test of public policy should be whether the next generation is better off (Oliver & Shapiro, 1995). On this score, means-tested income transfer policies cannot be considered a success. Asset-based policies have the potential to do better.

Asset-Based Policy

Many Americans are asset poor. For 1998, using the standard of three months of liquid assets at the income poverty line, Haveman and Wolff (2000) report that 40% of American households are asset poor. Among households with children, the figures are 44% for married families, and 70% for single, female-headed families.

¹ This lecture borrows from several published sources, including Schreiner, Clancy, and Sherraden (2002), Sherraden (2001a, 2002), Sherraden & Morris (forthcoming), Zhan & Sherraden (2003), and Zhan, Sherraden, & Schreiner, forthcoming). I would like especially to recognize the contributions of Min Zhan and Trina Williams to this lecture.

² The relationship between income and consumption is empirically not strong. Measures of direct consumption would be better reflections of this concept of poverty, but consumption measures are much harder to define and implement, so income is used as a proxy.

Asset-based policy is not a new idea. For example, the Homestead Act of the 19th century distributed 160 acres of land to each homesteading household and had a major impact on economic and social development of the U.S. frontier. A large portion of Americans living today had an ancestor who benefited from the Homestead Act, though the beneficiaries of the free land were primarily white (Williams, 2000). As we shall see, considerable asset-building policy for the non-poor has been developed in recent decades, but the poor have not been included.

During the past decade, a small but growing body of work has emerged suggesting that public policy should promote not only income support, but also asset accumulation for the poor (Sherraden, 1988, 1991). Emergence of asset-based policy can be seen as part of a much larger discussion and debate about the adequacy of income-and-consumption as a sole definition of poverty and well being. This debate is rich and expanding. There is increasing recognition that social policy should promote not only maintenance, but also development.

Toward Capacity Building

Reflecting this, the best social policy alternatives move beyond the idea of consumption-as-well-being, toward what Sen (1985, 1993, 1999) identifies as functionings or capabilities. From this perspective, asset accumulation is one policy pathway to increase capabilities, i.e., increasing the capacity of people to attain what they have reason to value. In large measure, this thinking comes out of research and policy in social and economic development in less developed nations. (Asset-based definitions of poverty have been prominent in development studies, which occur in “less developed” [i.e., more impoverished] countries.) In less developed countries, widespread income support policy is not affordable, and attention has been directed toward development. For the most part, “poverty” scholarship in the richer nations and “development” scholarship in the poorer nations have been distinct fields of inquiry and policy-making. The subject matter is basically the same, but the policies, programs, measures, and research methods are mostly different. With Sen’s reformulations, it could be that the boundaries between these fields of inquiry will not be as distinct in the future as they have been in the past.

In the language of social intervention, increasing capabilities as an approach to well being focuses on *building capacities* for social and economic development more than on maintaining a certain level of consumption. Capacity building aims to increase individual and household resources, connections, knowledge, and abilities to function more effectively, to solve problems, and to increase well being along multiple dimensions. The emphasis is on long-term development more than on maintenance of a current standard of living. The aim is to find interventions that provide a foundation for future growth and eventually yield multiple positive outcomes.

Thus, capacity building should not be considered a replacement or alternative to income support as a policy strategy; the two are complementary. Current income and consumption obviously matter, and so do long-term growth and development. The challenges for academics and policy-makers are to specify the meaning of different approaches, gather empirical evidence, and make policy decisions that include an appropriate balance between short-term support and the long-term development.

As one approach to capacity building, Sherraden (1988, 1991) suggests tangible and financial assets as a strategy for development. He offers general propositions on likely welfare effects of asset holding, such as increased orientation toward the future, increased self-efficacy, increased civic participation, and improved welfare of offspring. These propositions are well short of an integrated theory or theories, but they suggest research agendas in which hypotheses can be specified and tested. The practical rationale behind this thinking was recognition that the non-poor benefit from asset-based policies, with large public subsidies, to which the poor do not have access.

Asset accounts as a policy instrument can, of course, be used for other forms of capacity building, especially development of human capital. Accordingly, one of the main purposes of proposals for children or youth accounts is to help finance education and training. In contrast to most economically developed nations, the United States has never enacted a monthly children’s allowance, but a child savings account for education may have greater political potential (Curley and Sherraden, 2000).

The Trend Toward Asset Accounts

The goal of income-based policy has been to support people when they did not have income from industrial labor markets. The primary form of income support for the non-poor has been social insurance, and for the poor it has been means-tested transfers or “welfare.” In the developed economies, income-based policy typically comprises most of social policy, and social policy comprises most of federal spending. However, in many countries, asset-based policy has emerged in the past few decades and is growing rapidly.

In the United States, a shift to asset-based policy can be seen in the introduction and growth of 401(k)s, 403(b)s, IRAs, Roth IRAs, the Federal Thrift Savings Plan, Educational Savings Accounts, Medical Savings Accounts, Individual Training Accounts, State College Savings Plans (529 Plans), and proposed individual accounts in Social Security. Some of these are public and some are called “private,” but it is important to note that the “private” plans are defined by public laws and regulations, and receive substantial subsidies through reduced tax obligations, which the Congressional Budget Office calls “tax expenditures.” In an accounting sense, tax expenditures are not different from direct expenditures, only a different way of distributing public benefits. Looking at the purpose of existing asset accounts, primarily for retirement security, it would be appropriate to call these welfare transfers to the non-poor elderly. Of course, this is not what we say. Most people with a 401(k) want to believe they have been prudent in saving for their retirement in a private-sector account.

All of the above asset account policies have been introduced in the United States since 1970, and different uses are emerging. At present, asset accumulations in 529 Plans for education are expanding rapidly. Overall, asset accounts, for various purposes, are a creative and expanding area of social policy, while direct expenditures for income support are under political attack. From today’s perspective, it seems likely that the shift to asset-based policy will continue. It is possible that this is a passing phase, but more likely it represents a long-term trend. As income support was the hallmark of the 20th century welfare state, it could be that asset accounts will be the hallmark of 21st century social policy (Sherraden, 1997).

Asset-Based Policy is Regressive

Unfortunately, asset-based policies, as they have appeared to date, are less inclusive and more regressive than income-based policies. Asset-based policies have greatly favored the rich and middle class over the poor. The reasons are twofold: first, the poor typically do not participate in the asset-based policies that currently exist, e.g., most of the poor do not have jobs that offer 401(k)s, and second, asset-based policies operate primarily through tax expenditures that benefit the poor little or not at all, because the poor have little or no tax obligation (Howard, 1997; Sherraden, 1991). The tax policies could theoretically be “refundable,” meaning that those with no tax obligation could get a payment from the government (a form of negative income tax), but the Congress is very reluctant to enact refundable tax credits (the only major exception is the Earned Income Tax Credit). All asset-based policies that we are aware of do not have refundable tax credits, and nearly all of the public benefits go to the non-poor. Tax expenditures to individuals for asset accounts, home ownership, and financial or business investments total more than \$300 billion per year.³ (To assess the scope of this, \$300 billion is roughly equivalent to 25% of all direct federal social expenditures, including Social Security, Medicare, and all other programs; and \$300 billion is much more than we spend on all programs combined that are targeted to the poor, including Medicaid, Food Stamps, “welfare”, rent subsidies, and others.) Well over 90% of this \$300 billion goes to households that earn over \$50,000 per year. For example, in 1999 two-thirds of tax benefits for pensions in the United States accrued to the top 20% of households, while only 2.1% went to the bottom 40% (Orszag & Greenstein, 2000).

This point may bear repeating: public policies for asset building are making the comfortable more comfortable, the rich richer, and leaving the poor as they are. The common perception of social policy in the United States is that resources are redistributed downwards from the rich to the poor by the federal government. This is to some extent true for direct expenditures, but it is decidedly not true for tax expenditures. There is a large and somewhat “hidden” asset-based policy in the United States (Howard, 1997; Seidman, 2001; Sherraden, 1991). Many people accumulate assets, and do so in a manner that cannot be described accurately as “saving.” Rather, for most Americans, most assets accumulate in structured systems, defined, regulated, and subsidized by public policy.

Most Americans with retirement accounts, home equity, and financial and business investments seem to be little aware that they receive subsidies for these assets.⁴ If the nature, scope, and effects of existing asset-based policies

³ State governments provide additional tax benefits.

⁴ Not recognizing tax expenditures as benefits can be viewed in at least two ways. Possibly recipients are unaware or do not “connect the dots.” Or it could be that people view tax benefits not as “benefits” but instead as less confiscation of their income by the government. This latter perspective hinges on whether the existing structure of taxation (before tax breaks) is viewed as legitimate. Some people do not think so. I suspect that, for most people, not recognizing tax breaks as benefits is some combination of hazy awareness and underlying resentment of taxation.

were better understood, perhaps the public would support greater inclusion of the poor. A major policy goal should be educating the general public about existing asset-based policy, and working toward greater inclusion.

Rationales for an Inclusive Asset-Based Policy

The rationales are fairness and practicality. The reasoning for *fairness* is suggested above. If we are to have \$300 billion per year in asset accumulation subsidies, why not distribute the money equally? Let us take a concrete example. The home mortgage interest tax deduction today subsidizes \$1 million mortgages and mortgages on second homes (i.e., luxury housing). There is no good policy rationale for this; it is an inefficient use of scarce public funds, and it distorts investment flows into underutilized houses, an unproductive use of capital. As it stands, wealthy homeowners may collect \$20,000 or more in housing tax benefits per year, while poor homeowners collect nothing. At a minimum, why not give everyone the same housing benefit? If distributed equally to all homeowners, the benefit would be about \$1,000 each. But even this would be questionable public policy. What is the rationale for assisting rich homeowners? I would prefer a progressive policy, one that gave more to the poor, so that home ownership can be extended as broadly as possible.

The reasoning for *practicality* is that asset holding may have multiple positive effects beyond potential for future consumption. When people begin to accumulate assets, it is likely that their thinking and behavior changes in ways that are positive for household development. Accumulating assets leads to psychological and social effects that may include more long range planning, better care of property, increased learning about financial affairs, greater confidence, stronger families, more positive social relations, increased civic participation, and increased social status and involvement (Sherraden, 1991). To mention only a few examples from research, there is evidence that, controlling for other factors, home ownership is associated with greater residential stability, maintenance and upkeep of the home, and social and political involvement at the local level. Controlling for other factors, home ownership *and* financial assets are associated with higher educational attainment in children (for a summary of research see Scanlon & Page-Adams in Boshara, 2001). Using the Panel Study of Income Dynamics, Conley (1999) finds that family wealth during an individual's adolescence affects outcomes later in life. He demonstrates that the typical ways of measuring socioeconomic status (household income, parental education, and occupation) neglect the importance of assets, particularly in distinguishing differences in outcomes between whites and blacks.

In Sen's (1985, 1993, 1999) language, assets may be one pathway to increase capabilities. Indeed, positive effects of asset holding are widely believed to be true. This is bedrock social philosophy in America, reflecting the Jeffersonian idea of small property holding as the basis of a thriving democracy. If positive "asset effects" do occur, inclusive asset-based policy would be a sound public investment. Unfortunately, effects of asset holding have not been a central question in applied social research (social scientists have focused more on effects of income and education). Existing research, scattered across academic disciplines, seems to indicate that positive effects of asset holding may occur, but most studies are not rigorous, and results have to be considered inconclusive.

Major intellectual challenges lie ahead in specifying theoretically how effects of assets might occur, and undertaking sound research to test whether or not they do occur, for whom, and in what circumstances.⁵ This is a long-term project. In the interim, it may be prudent to assume that people, and the nation, are better off when asset holding is widely distributed. Jefferson was likely on the right track about this.⁶

⁵ It might be added that there is also a rather weak knowledge base on well being effects of income. The reason for this is that income-based poverty scholars have *assumed* that income, as a proxy for consumption, is equivalent to well being (reflecting the perspective of welfare economics). When well-being effects of income are assessed, assets are seldom included in the models. As seen in the paper summarized later in this lecture, when assets are included in regression models with income, the effects of income can become non-significant. If income makes people better off (very likely it does) it should be demonstrated in what ways and how much people are better off, while controlling for assets, and vice versa. If we had better knowledge of different aspects of well being due independently to income, and also due independently to assets, scholars and politicians could make better policy judgments.

⁶ However, Jefferson's vision of who should own property in America should be sharply revised to include people of every race, gender, and nationality (Oliver and Shapiro, 1988, 1995; Conley, 1998).

Some Research Findings on Assets and Single Mothers with Children

We turn now to summaries of two studies to illustrate theoretical issues, empirical agendas, and some early results in studies of asset-based policy.⁷ I select two studies that focus on single mothers with children, because these households may be considered less able to accumulate assets than others, and children in single-parent households may face reduced life chances.

The first study is on effects of asset holding on mother's expectations and child educational attainment (Zhan & Sherraden, 2003). This study finds that, controlling for income and many other factors, assets are associated with child educational attainment, perhaps through cognition of parents. This study may illustrate potential well-being effects of household assets on children. The second study is based on intervention research at the Center for Social Development at Washington University in St. Louis.⁸ It is a report on savings performance of welfare mothers in IDA programs (Zhan, Sherraden, & Schreiner, forthcoming). Results indicate that former and current welfare households save as well as other poor households in IDA programs. Based on these findings, we cannot assume that impoverished single-parent households cannot participate successfully in asset-building programs.

Assets, Expectations, and Children's Educational Achievement in Female-Headed Households

Theory. A large body of work from an economic deprivation perspective suggests the importance of family economic resources in children's well being (Becker, 1991, 1993; Becker & Tomes, 1979, 1986). Within this perspective, Sherraden (1991) makes a distinction between income and assets in terms of economic resources, and highlights the importance of assets as representing more than deferred consumption. The meaning of assets extends beyond providing a flow of income for consumption. Assets are important because they can bring security to its owners, especially in times of hardship or economic stress such as unemployment, illness, or family breakup. Assets may also increase power and control: "Most people use income for day-to-day necessities, by contrast, assets often bring income, power, and independence" (Oliver & Shapiro, 1995, p. 32). Command over resources can change people's cognitive schemata and enhance their life chances. Assets can create a "stake" and position in the society for the owners. Assets may have a wide range of positive personal and social effects on well-being beyond consumption. These effects may include greater future orientation, development of other assets, improved household stability, greater focus and specialization, a foundation for risk-taking, increased personal efficacy, increased social influence, increased political participation, and enhanced welfare of offspring (Sherraden, 1991).

Of particular relevance in this study is the possibility that assets may enhance the welfare of offspring. First, asset holding is more stable across generations than is level of income. Sherraden suggests that of all the forms of influence of parents on their children, financial assets may be the easiest to transmit (1991). Second, as mentioned above, assets provide an important cushion for many families to survive economic crises, therefore assets holding can reduce negative effects of unanticipated income losses on children. Third, assets accumulation may enhance personal efficacy and create an orientation toward the future. Sherraden theorizes that assets impact people's attitudes and behaviors, and the effects of assets may be different from the effects of income. For example, homeowners tend to be higher in life satisfaction, self-esteem (Rossi & Weber, 1996) and more likely to be involved in community improvement activities (DiPasquale & Glaeser, 1999; Rossi & Weber, 1996). Assets may have positive effects on expectations and confidence about the future, and help people make specific plans with regard to work and family. In one study based on the Panel Study of Income Dynamics (PSID), savings and house values had significant and positive links with attitudes and behaviors such as prudence, efficacy, horizons, and connectedness (Yadama & Sherraden, 1996). In turn, attitude changes may lead to other social, economic and intergenerational outcomes (Scanlon, 2001). For example, Shobe and Page-Adams (2001) highlight the independent and mediating role of future orientation and suggest that assets may help people first shape hopes and plans, which in turn lead to positive social and economic outcomes. According to this view, parents with assets may perceive a brighter future for their children than those who do

⁷ There is not space in this lecture to present tables with data and statistical results. The reader can go to the published articles, to working paper versions of these studies on the CSD webpages, or may request regression analyses from the Center for Social Development.

⁸ I use the term intervention research to make the point that, although the IDA study would ordinarily be called "policy research" or a "policy study", it is in fact an intervention with individuals, looking at outcomes of individuals, and in this sense is not different from intervention research in "direct practice." The only difference perhaps is that the IDA study is designed to have policy implications. Overall, there is not a great difference between "direct practice research" and "policy research", despite the fact that social work scholarship may be organized in these separate spheres.

not hold any assets, which in turn may positively affect parenting behaviors and investment, and thus children's educational attainment. This argument is consistent with socialization perspectives, such as role model theories (Cohen, 1987; Mead, 1934) and culture of poverty theories (Lewis, 1966; Murray, 1984; Wilson, 1987), which claim that low economic resources reduce ability to be good parents due in part to transfer negative attitudes and behaviors to children.

Evidence. While it is well documented that parental income is positively related to children's well-being, few studies have analyzed the role of parental assets, especially among low-income families. Most existing studies that examine intergenerational effects of assets have focused on educational achievement of children. For example, Alwin and Thornton (1984), using data from an 18-year (1962–1980) longitudinal study of white families and children in the Detroit metropolitan area, find a positive relationship between a measure combining income and assets and the amount of completed schooling. Similarly, a study using the PSID by Hill and Duncan (1987) reports that parental income from assets is positively related to completed schooling. Some recent studies have found stronger relationships of parental financial assets than of income. For example, Mayer (1997), using data from both the PSID and the National Longitudinal Survey of Youth (NLSY), reports that investment income and inherited income explain more variance in children's educational achievement and outcomes than does total family income. Children also appear to benefit from living in households where parents are homeowners. Essen, Fogelman, and Head (1977), in their study of 16,000 British youth, find that 16-year-old children of homeowners are more likely to have higher math and reading scores than those living in public housing. Kane (1994) finds that homeownership is associated with high school graduation and college entry rates for African-American youths. These findings are consistent with those of Green and White (1997); in an analysis using four large, national data sets, these authors report that, after controlling for education and income, children (17–18 years old) of homeowners are less likely than the children of renters to drop out of school. Aaronson (2000) also finds that homeownership is positively associated with children's high school graduation, and this is partially explained by residential stability.

Other studies addressing the relationship between parental assets and children's well-being have found positive relationships of assets with children's savings behavior (Bernheim & Garrett, 1996; Lunt & Livingstone, 1992; Pritchard, Myers, & Cassidy, 1989), the probability of adult children's home ownership (Henretta, 1984), and self-esteem among adolescents (Axinn, Duncan, & Thornton, 1997; Whitbeck, Simmons, Conger, Lorenz, Huck, & Elder, 1991). Studies have also found that parental assets may help children avoid risks of teenage pregnancy (Green & White, 1997; Scheuler-Whitaker & Pandey, 1998), and delay timing of marriage (Axinn & Thornton, 1992). Assets appear to reduce vulnerability to poverty for children in female-headed households (Cheng & Page-Adams, 1996). Regarding mechanisms for transfer of asset effects, Henretta (1984) suggests that the positive relationship of parents' home ownership with adult children's home ownership may be mediated through parental expectations.

Data and analyses. The data for this study come from the National Survey of Families and Households (NSFH). NSFH wave 1 (1987–1988) consists of interviews with a national random sample of 13,017 respondents consisting of a main sample of 9,643 respondents, and an over sample of 3,374 respondents including blacks and single-parent families (Bumpass & Call, 1988). In collecting NSFH data, one adult per household was randomly selected to be the primary respondent, and one child was also randomly selected from each household as "focal child". A five-year follow-up survey (wave 2) of the sample was conducted between 1992 and 1995. From these data we extracted all female-headed households, which is a household unit consisting of an unmarried female partner and at least one dependent child aged 12 to 18 years old. One "focal child" was randomly selected from each household and the sample includes these children living in these households. The final sample for the study includes 591 children who are 12 to 18 years old. Children's high school graduation is from wave 2. All other variables used in this study are from wave 1.

The dependent variables are measures of children's educational achievement. We use academic performance and high school graduation. Mothers' expectations of their children's educational achievement is measured with the question "How much education do you think your (child) will probably get?" The independent variable, mother's assets, is measured by their home ownership and savings.

Because of their potential influence on the outcome of interest, several control variables are included, including mother's age, race/ethnicity, educational status, employment status, total household income, number of children and adults living in households, county poverty rate, age of children, and gender of children. For the logistic regression analysis of children's high school graduation, children's academic performance is also included as a control variable.

Ordinary Least Squares (OLS) regression is conducted to test the effects of mothers' assets on their expectations and children's academic performance, and effects of mothers' expectations on children's academic performance.

Logistic regression analysis is used to examine the effects of mothers' assets and expectations on children's high school graduation.

The mediating effects of mothers' expectations on the causal link between mothers' assets and children's educational achievements is examined from the multiple regressions conducted (Coginini, Alsup, & Gillespie, 1995).

Results. Of the 591 mothers, 57% are White, 33% are African American and 8% are Hispanic Americans. The average age of the mothers is 40. There are, on average, two children under 18 and 1.3 adults living in households. The average years of mothers' education completed is 12. About 25% have less than a high school degree, 41% have a high school diploma, and 34% have post-secondary education. At the time of interview, 71% of mothers are employed. The average proportion of families living under the poverty line in the counties where the sample resided is 10.9%.

Mean household income (excluding investment income) is \$17,773. Forty percent of the mothers in the sample own their home, and 45% have a savings account. Amounts in savings accounts is small; only 17% of respondents have saved \$3,000 or above. The mean value of mothers' expectations of their children's educational achievements is 4.4, approximately equivalent to a two-year junior or community college. Specifically, about one-third of mothers (29%) expect their children to finish high school; 27% expect their children to finish one to three years of college education; 32% expect their children to get a bachelor's degree; and 12% expect their children to get a graduate degree.

The mean value of children's academic performance is 6.4, equivalent to a grade point average (GPA) of B. Eighty-two percent of children indicate at the second interview (wave 2) that they have graduated from high school. The distribution of this dichotomous variable is adequate for use in a logistic regression model (Morrow-Howell & Proctor, 1992). The sample consists of 46% female and 54% male children.

Hierarchical multivariate models have been executed in which two indicators of children's educational achievements (academic performance and high school graduation) are regressed on the control variables and mothers' assets. Results of the OLS regression model of children's academic performance indicate that the overall model is significant and explains about 11% of the variance in children's academic performance. The association between mothers' home ownership and children's academic performance is positive and statistically significant. Compared with children of non-homeowners, children of homeowners have better academic performance. Amount of savings is not associated with children's academic performance.

Results of logistic regression on children's high school graduation indicate that the model is significant. Mothers' savings has a statistically significant relationship with children's high school graduation. The odds of high school graduation for children whose mothers had savings of \$3,000 or above are 1.3 times the odds for children whose mothers were without savings. Mothers' home ownership may be positively related children's high school graduation, but the association is not statistically significant.

In order to examine the effects of mothers' assets on their expectations of children's education, mothers' expectations have been regressed on control variables and assets variables. The model is significant and explains 21% of variance in the dependent variable. Mothers who own a home have higher expectations than those who do not own a home, and mothers who have a savings account with \$3,000 or above have higher expectations than those without a savings account.

The above analyses indicate that income does not have statistically significant links with mothers' expectations or children's educational achievements. Previous studies, which have not included asset variables, have found statistically significant associations of income on children's academic performance or high school graduation in female-headed households (Duncan, Brooks-Gunn, & Klebanov, 1994; Garfinkel & McLanahan, 1986; McLanahan, 1985; Shaw, 1982). To explore whether including asset variables affects the estimates for income, we have repeated the above regression analyses on children's educational achievements and mothers' expectations, but with the assets variable deleted. Without controlling for savings and home ownership, household income has statistically significant and positive associations with children's academic performance and high school graduation. Income also has a statistically significant and positive relationship with mothers' expectations. However, when assets are added to the model, the sizes of the coefficients decrease and all three relationships are no longer statistically significant.

In order to examine possible effects of mothers' expectations on children's outcomes, hierarchical multivariate models have been executed in which children's outcomes are regressed on the control variables, mothers' assets, and then mothers' expectations with their children. For each dependent variable, Model I shows the effects of mothers' assets on children's outcomes, excluding their expectations in the model, and Model II estimates the same effects including the latter in the model. The estimates of both models include the set of control variables.

We turn first to the relationship of mothers' expectations with children's academic performance. The overall model is significant. The associations between mothers' expectations of their children's educational achievement and children's academic performance are statistically significant and positive. The children whose mothers have higher expectations for educational achievement have higher GPA compared with the children whose mothers have lower educational expectations. After controlling for mothers' expectations in the model, home ownership is still related to children's performance, but the estimate declines from .42 to .27.

We turn next to logistic regression analysis on children's high school graduation. The model is significant. Mothers' expectations of children's educational achievements have a statistically significant association with the probability of children's high school graduation. Children of mothers who have higher expectations are more likely to graduate from high school. Specifically, one-unit increase in mothers' expectations is associated with 55% increase in the predicted odds of high school graduation for their children. After mothers' expectations are entered into the logistic model, mothers' savings (\$3,000 or above) is still positively associated with children's graduating from high school, but the coefficient decreases slightly from .26 to .24.

Summary and discussion. Results of regression analyses indicate that mothers' assets are positively associated with their expectations and children's educational achievement, and mothers' expectations are positively related to children's outcomes. After controlling for expectations, relationships between mothers' assets and children's educational achievements remain statistically significant, but coefficients are reduced. Therefore, mothers' expectations partially mediate the relationship between home ownership and children's academic performance, and also partially mediate the effects of mother's savings on children's high school graduation. Specifically, savings are related to the probability of children's high school graduation, and home ownership is related to children's academic performance. These results suggest that future studies should examine differential intergenerational effects of different types of assets.

Home ownership is not related to children's high school graduation in this study, which is not consistent with findings from previous studies (Essen, Fogelman, & Head, 1977; Green & White, 1997; Kane, 1994). Poor quality of housing owned by the respondents in this study may contribute to this inconsistency. It may be that housing quality rather than home ownership mediated the relationship between home ownership and children's high school graduation. It also suggests the importance of considering neighborhood conditions when examining the possible effects of assets.

Turning to effects of savings, only savings of \$3,000 or above are related to children's outcomes, compared with mothers without a savings account, who constitute over half of the study's respondents. Lower amounts of savings (\$1 to \$2,999) are not related to children's outcomes. It appears that not merely ownership of a savings account, but also the amount of savings in the account, may matter. Perhaps there is some threshold in asset accumulation above which positive effects may occur (a possibility raised by Sherraden, 1991). More studies are needed to examine the possible lumpiness of asset effects.

Mothers' assets, both home ownership and savings, are also positively related to their expectations for children's schooling. This may be evidence that assets have positive attitudinal effects and help develop greater future orientation (Yadama & Sherraden, 1996). Parents' expectations of their children's success in life is not only an expression of their perception of the world around them, but also an expression of their assessment of their ability to supervise and invest in the future of their children. Therefore, the positive relationship of assets with parents' expectations indicate that assets may change the way people view the world, and perhaps also the way the world responds to them.

The positive association of mothers' assets and their expectations is important in a very practical sense. Numerous studies find positive relationships between parental expectations or aspirations and their children's educational achievement (e.g., Astone & McLanahan, 1991; Axinn, Duncan, & Thornton, 1997; Coleman, 1988; Furstenberg, & Hughes, 1995; Hanson, McLanahan, & Thomson, 1997; Reynolds & Gill, 1994; Smith, Beaulieu, & Seraphine, 1995). The results of this study also find that the relationship between mothers' assets and children's educational outcomes operates partially through expectations. This provides insight into mechanisms that may transmit the effects of parental assets on children's well-being.

Previous research suggests that parents' assets may have stronger impact on children's outcomes than does income (Mayer, 1997), and may provide effects beyond that of income (Yadama & Sherraden, 1996). This study finds that, without controlling for savings and home ownership, household income is related to children's academic performance and high school graduation, as well as mothers' expectations. However, when asset variables are included in the regression, income is not related to children's educational achievements or mothers' expectations. It appears that coefficients for income are misleading when asset variables are omitted (Cho, 1996; Ramanathan, 1995). These

results suggest that models that seek to explain effects of economic resources on family outcomes may be under specified if they include income but not assets. This would apply to the vast majority of studies in this area of inquiry.

We interpret the above results with caution because of possible alternative explanations for positive relationships between mothers' resources and children's well-being. Asset accumulation could result from a wide range of personal, family, or community characteristics. All these factors could independently affect children's education or mothers' expectations, and it is not possible to control for all these factors in regression analyses.

Also, two-way causation may be present in the relationship between mothers' resources and their expectations. For example, it is possible that assets affect attitudes and behaviors and that attitudes and behaviors also cause asset accumulation (Sherraden, 1991). Previous studies, using simultaneous equations, find that attitudes and behaviors do have significant impacts on asset accumulation, and vice versa, possibly representing a virtuous circle (Yadama & Sherraden, 1996). Also, two-way causation may be present between children's achievement and mothers' expectations. Achievement might cause higher expectations, and vice versa, which would be another possible virtuous circle. Indeed, these patterns of causation seem likely.

Implications. Keeping in mind the possibility of alternative explanations, the findings of positive relationships of assets with parental expectations and children's educational outcomes may lend support for policies that promote asset accumulation as a strategy to protect poor women and their children. In addition to approaches of income supplementation and human capital development, efforts to enhance the well-being of single mothers and their children should perhaps also focus on helping them build economic assets.

Welfare Reciprocity and Savings Outcomes in Individual Development Accounts

We turn now to applied research, testing asset-building policy for the poor, focusing in this study on the saving performance of past and current welfare recipients.

Theory. Economists suggest both direct and indirect effects of welfare programs with asset limits on the savings of welfare recipients. The major direct effect is that, in order to receive many forms of government assistance, households may not accumulate assets above the federal or state mandated limit (Hubbard, Skinner, & Zeldes, 1994, 1995). Thus, means testing on assets is a disincentive to save. These authors also suggest that welfare programs have two indirect negative effects on savings. First, the provision of public assistance decreases precautionary saving because it reduces the uncertainty facing households during the times of economic hardship. This effect is more relevant to low-income people because welfare payments are high relative to their resources. Second, the restriction on asset holdings of welfare programs implies an implicit tax of 100% on wealth in the event that an earnings downturn or large medical expense causes the household to seek welfare support. This effect is stronger for the group with lower lifetime income, in part because the uninsured risks of medical spending are a larger fraction of their normal consumption levels. Overall, means-tested welfare programs have the greatest negative effects on saving for low-income groups because the guaranteed consumption floor represents a larger fraction of their lifetime income. The threat of the loss of this income due to breaking asset limits discourages saving.

Highlighting the effects of institutional factors on the savings behaviors of low-income people, Sherraden (1991) argues that factors other than income and preferences may influence saving behavior and that low savings by poor people might be partly explained by limited access to institutionalized structures for saving. Relevant institutional features may include access to institutionalized saving mechanism (e.g., employer-provided pension plans), information (e.g., financial education), incentives (e.g., matches for savings), and facilitation (e.g., payroll deduction; Beverly & Sherraden, 1999). From this perspective, means testing on assets is a strong disincentive to save and poses a threat to long-term wealth accumulation among welfare-dependent individuals. Furthermore, many welfare recipients seem to have understood the existence of asset limits as "no-savings-allowed", and despite recent changes to relax asset limits in public assistance, many recipients are unaware of these changes (Hogarth & Lee, 2000).

While different theoretical perspectives are consistent regarding negative effects of asset tests on savings, the effects of increasing asset limits are more ambiguous. The institutional view of savings proposed by Sherraden (1991) assumes that individuals manifest a fair amount of rationality and predict that individuals will respond positively if the constraints of blocking assets accumulation are eliminated and if attractive saving incentives exist. Therefore, the poor will save more if assets limits that determine welfare program eligibility are relaxed or eliminated. Others argue that the effect of increasing the asset limit on savings depends on whether or not and how the poor responds to the change (Hubbard et al., 1995; Powers, 1998). For example, the response to the elimination of asset limits of the poor could be weak because they have very low permanent incomes. When people have fewer resources to save, they must

make a greater effort if they want to save more. Also, although households with low permanent incomes may respond to the asset test, those households with assets sufficiently above the original asset limits but not much above the new limits might reduce wealth in order to qualify. Under these circumstances, raising limits could reduce wealth accumulation and also increase welfare caseloads.

Evidence. Several studies have documented the negative effect of assets limits on a variety of government-public assistance and social-insurance programs on wealth accumulation among low-income households (Carney & Gale, 1999; Engen & Gruber, 1995; Feldstein, 1992; Gruber & Yelowitz, 1997; Hubbard et al., 1994; 1995; Hurst & Ziliak, 2001; Neumark & Powers, 1998; Powers, 1998; Silverman, 1997; Ziliak, 1999). Relevant to the discussion of this study, for example, Silverman (1997) found that 49% of public-assistance recipients indicated that they would save more if the government did not cut their benefits because of their savings. Similarly, Carney and Gale (1999) found that receipt of public assistance was related negatively to wealth accumulation.

Some of these studies also examine how relaxing asset limits is related to the savings of both current and potential welfare recipients. For example, Powers (1998) found that a dollar increase in the AFDC asset limit was associated with about \$.25 additional savings of potential AFDC recipients (female-headed households). Using data from PSID and state-level variations in AFDC, Food Stamps, SSI, and Unemployment Insurance, Ziliak (1999) suggests that means-tested welfare programs as a saving disincentive contributes 25% of the rich-poor savings gap, but little impact on net wealth (including stocks, bonds, savings, business equity, vehicle equity, and housing and other real estate equity). The recent study by Hurst and Ziliak (2001) found that a \$1,000 increase in the assets limits was associated with a \$170 increase savings for households at high risk of entering welfare. These researchers also found evidence that households of modest risk to enter welfare dissaved in response to higher asset limits. This finding is consistent with the discussion by Hubbard et al. (1995) of possible negative effects of raising asset limits on the savings of the “near-poor”.

This study examines savings behaviors of welfare recipients in IDAs, a matched savings program for the poor. The study is the first quantitative assessment of the savings patterns of low-income populations in a structured savings program, and how savings patterns of welfare recipients are different from the people who have never been welfare recipients.

Data. As mentioned, IDAs are special savings accounts that are designed to help low-income people build assets for household development and long-term economic security (Sherraden, 1988, 1991). IDAs are based on an institutional theory of saving, designed to improve access, information, incentives, and facilitation of saving by the poor. The American Dream Policy Demonstration (known in short as the American Dream Demonstration or ADD) is a national demonstration of IDAs for low-income households.⁹ A primary purpose of ADD is to find out whether IDAs are successful, in what ways, and for whom. ADD is scheduled to run for four years (1997–2001), with research extending several additional years. Program staff collect demographic and savings information for the evaluation of ADD with the Management Information System for Individual Development Accounts or MIS IDA (Johnson, Hinterlong, & Sherraden, 2001). Savings data come from monthly passbook savings account records from depository institutions.

All 14 IDA programs in ADD were run by 13 private, not-for-profit host organizations.¹⁰ Six of these organizations are in community development organizations, two in social-service agencies, two in a bank or credit union, two in housing-development organizations, and two are collaboratives among multiple sub-sites. Regarding funding partners, 14 sites have not-for-profit funders (foundations play the largest role); nine have corporate funders (most often the banks where IDAs are held); and eight have public funding. All programs in ADD matched home purchase, microenterprises, and post-secondary education. Job training, home repair, and retirement were matchable uses in some of the programs.¹¹ Because the 14 ADD programs are funded by private foundations and run by community-based organizations, there is limited influence of state policy. Although each program in ADD received

⁹ The ADD project is funded by a consortium of foundations and is the first systematic test of IDAs. The Corporation for Enterprise Development (CFED) designed ADD and guides it. The Center for Social Development (CSD) at Washington University in St. Louis designed and is overseeing the research. Research methods are multiple, including an experiment, cost studies, in-depth interviews, and a program level survey. The report here is from program monitoring data.

¹⁰ One host organization has two IDA programs.

¹¹ See Sherraden et al. (2000) for a description of the programs in ADD.

guidelines for “best practice” institutional structures for IDA programs, each one modified and enforced the rules as it saw fit or according to its own administrative ability. Therefore, specific program and administrative characteristics vary from program to program. For example, match rates in ADD range from 1:1 to 7:1, with the most common match rate of 2:1. Eight programs have annual deposit limits, ranging from \$180 to \$3,000; and six programs have lifetime deposit limits, ranging from \$1,800 to \$8,000. As noted below, these program features as well as program dummies are included as control variables in the analysis.

Participants in this analysis include all enrollees, including those who have dropped out of the program without a matched withdrawal. Because these host organizations usually target the “working poor” (people who work and who are at or below 200% of the poverty line) and ADD participants are self-selected, ADD participants differ systematically from the general low-income population.¹² Specifically, compared with general low-income populations, ADD participants were more highly educated and more likely to be employed. Also, compared with general low-income population, a higher proportion of ADD participants were women, African-American, and never-married.

We include five measures of different aspects of savings and asset accumulation (Schreiner et al., 2001). The first measure, Average Monthly Net Deposits (AMND), is defined as deposits plus interest minus unmatched withdrawals, divided by the number of months of participation. AMND measures net deposits but also controls for the length of time that a participant has saved. All else constant, greater AMND implies greater saving and asset accumulation in IDAs, and it is the key outcome measure. The second measure, the savings rate, is defined as the ratio of AMND to gross monthly household income as measured at enrollment in the IDA program. It measures the rate at which inflows of resources are converted into IDA deposits. This measure is important because it shows how much participants save relative to their current income. Deposit frequency, the third measure, shows how steadily a participant saves through time, and it is defined as the number of months with a deposit (excluding deposits of interest) divided by the number of months of participation. The fourth measure, net deposit as a percentage of the pro-rated match cap, is defined as the ratio of the AMND to monthly savings target. The monthly savings target is the total match cap (i.e., the limit on the amount of deposits that can be matched) divided by the time cap (i.e., the number of months after opening an account in which a participant may make matchable deposits). If deposited each month and not removed as an unmatched withdrawal, this level of savings would lead to net deposits equal to the lifetime match cap by the end of participation.¹³ Therefore, this measure indicates the closeness of actual saving behavior to that which would take full advantage of match incentives. The last measure, unmatched withdrawals, is a dichotomous indicator of whether a participant made an unmatched withdrawal or not. Because IDAs are a matched savings program designed for certain purposes including homeownership, education, job training, and business capitalization, the presence of unmatched withdrawals indicates that participants, by circumstances or preferences, succumb to shorter-term consumption needs or wants.

The independent variables are welfare reciprocity status of participants: those who never received AFDC/TANF, those who formerly received AFDC/TANF (before the enrollment of ADD), and those currently receives TANF (at enrollment of ADD). Thirty-seven percent of participants received AFDC/TANF before enrollment, and 10% received TANF at enrollment. Altogether, 38% of participants had received either AFDC or TANF at some point,¹⁴ and 62% of participants had never received welfare.

Control variables include both program and participants characteristics. This study includes a large number of controls: 11 institutional characteristics and 31 participant characteristics. In order to control for heterogeneity of the programs, institutional characteristics include program and administrative factors that may affect savings such as match rate, match cap, financial education, and measures of program inputs. Program dummies were also included in the regressions to control for unobserved factors correlated with a given program or site. A large number of participant factors were also controlled, including participants’ demographic and IDA enrollment characteristics; these included gender, age, location of residence, marital status, race/ethnicity, education, employment, household income, assets, liabilities, insurance coverage, previous relationship with host organization, referral by partner organization,

¹² Comparison statistics use the Survey of Income and Program Participation (SIPP) from the U.S. Census Bureau (see Sherraden et al, 2000 for explanation; comparison originally developed by Sondra Beverly).

¹³ IDAs in ADD have both a match cap and a time cap because funds are limited in time and amount.

¹⁴ The numbers do not add up because some people received AFDC/TANF both before enrollment and at enrollment.

date of enrollment, length of participation, and use of direct deposit.¹⁵ These control variables were selected if they were in MIS IDA, were expected to influence outcome variables, had sufficient variation, and were unlikely to be caused by outcome variables.

Analyses. A Heckman two-step regression was conducted in order to control for the bias of exit (dropout) self-selection (Greene, 1993; Heckman, 1979; Schreiner et al., 2001). When participants leave an ADD program without having taken a matched withdrawal, they are defined as exits (dropouts). Their balances are removed as unmatched withdrawals or become unmatchable. For exits, net deposits are zero by definition. The two-step regression procedure is more appropriate for this study than an ordinary least squares regression because exits from IDA programs likely represent a distinct group compared to participants who do not exit. Unobserved factors that influence exit may also influence AMND and other outcomes measures. Mixing the two groups would obscure patterns of interest.

The first step of the Heckman two-step technique is a probit regression on exit status for all participants. In this step, because the dependent variable (exit vs. non-exit) is dichotomous, a probit model is used. The second step is least-square regression¹⁶ on savings outcomes for non-dropouts, using the transformed residuals from the probit as a regressor. For probit models, because the estimates do not have a direct interpretation, the estimated coefficients are converted to units of percentage points of change in the predicted risk of non-dropouts given a unit change of independent variable (Schreiner et al., 2001). In the OLS regression model, the R-square is 41%, which is high compared to most other studies of savings performance.

Results. On average ADD participants had AMND of \$25.42, and this represented 2.2% of their average monthly income. They saved on average 67% of their savings target, and the mean of deposit frequency was 58% (about 7 months out of 12). About 16% of participants had dropped out, and 37% of participants had made unmatched withdrawals.

Results of the first step of Heckman two-step regression predicts the probability of exiting from the IDA program. In ADD, as of June 30, 2000, 16% of enrollees (N=383) had exited, and the exit rate was not equal across programs (Schreiner et al., 2001). Results indicate that, compared to those who never received welfare, participants who received TANF at enrollment were 0.76 percentage points more likely to drop out, and those who received AFDC/TANF before enrollment were .09 percentage points less likely to drop out. These are not large effects and the relationships were not statistically significant. In other words, this sample provides no statistical evidence that participants in ADD who received TANF were no more or less likely to exit than others.

The second step of the Heckman two-step regression on savings outcomes shows the relationship between welfare status and savings outcomes after controlling for other factors. The results indicate that receipt of AFDC/TANF, whether before or at enrollment, was not significantly related to AMND, savings rate, deposit frequency, or net deposit relative to the savings target. In other words, with other observed factors in the model constant, receipt of welfare is not correlated with unobserved factors that reduce saving. Also, receiving welfare was not significantly associated with the probability of unmatched withdrawals.

Discussion. Because savings in IDAs do not count in asset tests on public assistance, and because IDAs provides institutional supports that are likely to facilitate saving, such as matches, financial education, and monthly savings goals, IDAs are assumed to stimulate savings for participants. Drawing on a large research project, this study is the first quantitative assessment of how savings patterns of past or current welfare recipients are different from those who have never received welfare in a matched savings program for the poor. The results indicate that, after controlling for many program and participant variables, welfare receipt before or at enrollment in IDAs did not significantly affect savings outcomes. We can conclude that welfare recipients in ADD had the ability and willingness to save when they were provided structured opportunities to accumulate assets.

Because ADD participants are both self-selected and program-selected, we cannot, based on this study, predict what would happen if IDAs were provided to an entire welfare population or an entire poverty population. We can say only that among this group of IDA participants, past and current welfare recipients saved as well as others. This finding provides support for theories suggesting that asset limits in welfare programs may discourage savings. Results also provide support for an institutional view of saving, suggesting that the poor, like everyone else, may respond positively to saving access, information, incentives, and facilitation.

¹⁵ A fuller explanation of the regression is in Schreiner et al. (2001). Complete regression analyses are available on request from the Center for Social Development.

¹⁶ We run a probit regression on the presence of unmatched withdrawals. There is only a single step in this case.

We interpret the results with caution because of several limitations of this study. First, as mentioned, participants in ADD are both self-selected and program-selected. Therefore, ADD participants, in some aspects, are different from the general low-income population. We cannot address self-selection into participation through ADD data. Therefore, the results in this paper pertain to a particular population and must be tentative. Second, savings in IDAs may not necessarily represent a net increase of wealth. These savings could simply be transferring savings from other assets towards IDAs. In other words, asset shifts are possible for ADD participants (Schreiner et al., 2001). Third, through the analysis of these data, we cannot fully reveal exactly what kind of institutional characteristics caused savings or carefully sort out effects of different factors. Further studies that compare savings behaviors of welfare recipients inside IDAs and outside IDAs may help identify such factors.

Implications. Notwithstanding limitations, findings suggest that the response of welfare recipients to savings incentives is not different from that of people who are not on welfare, after controlling for income, assets, liabilities and a wide range of other characteristics. Welfare reciprocity itself, in the absence of asset limits, appears not to be linked with saving performance. IDAs may be a potential way to help welfare recipients to accumulate assets and escape poverty over the long-term. It may be desirable for public policy to encourage and support IDAs or other similar savings strategies for low-income families. For example, some states have lifted assets limits for welfare recipients by adopting IDAs in welfare reform plans.

Policy Directions

Until relatively recently (Oliver & Shapiro, 1990, 1995; Sherraden, 1988, 1991; Wolff, 1995), there was little explicit attention to asset building policies for the poor. Income support has been the central feature of the welfare state of the twentieth century, and has been largely taken for granted as the main theme of anti-poverty policy. Today there is a growing discussion of complements to income-based policy. For example, innovations in matched savings for low-income and low-wealth households, such as Individual Development Accounts (IDAs), and proposed Universal Savings Accounts (USAs) are designed with this larger policy context in mind (Clinton, 1999; Sherraden, 1991).¹⁷

Policies and programs designed to promote asset accumulation have increased during the past decade. In particular, IDAs have been used as a community development and public policy tool. IDAs are special savings accounts that are designed to help people of low-income build assets for increased self-sufficiency and long-term economic security. Account holders receive matching funds as they save for purposes such as buying a first home, job training, going to college, or starting a small business. IDAs are included as a state option in the 1996 federal “welfare reform” law. Two national IDA demonstrations are underway; one is a foundation-supported project known as the “American Dream Demonstration,” which began in 1997, and the second is the federally-funded Assets for Independence Act which became law in 1998 (Sherraden, 2000). Some states have included IDAs as part of their state welfare reform plans and allow TANF funds to be used for IDAs. At least 30 states have passed IDAs or related legislation designed to enable low-income residents to save, and other states have created IDAs via administrative decisions; altogether, over 40 states now have an IDA program of some type (Edwards, 2002).

However, IDA and similar asset-building programs for the poor are at this time relatively small. Though funding may be from federal and/or state governments, IDA programs are currently community-based projects serving tens or hundreds of people each, and no state has more than a few thousand IDA participants. Much is being learned in this demonstration phase, but this is not an implementation model that can go to large-scale. To create a significant impact in asset accumulation by the poor, it would be necessary to increase the number of IDA participants substantially. This would require a large-scale public policy that makes asset-based policy widely available and efficient. Based on the results of the above research, such policy should perhaps be designed especially to encourage and support asset accumulation strategies for low-income mothers with children.

To create a significant impact in asset accumulation by the poor, it will be necessary to expand the number of IDA participants substantially, eventually reaching millions of people, just as 401(k)s reach millions of the non-poor.

¹⁷ Proponents of asset-based policy for the poor (Sherraden, 1991; Oliver and Shapiro, 1995; Briar Lawson, 1998; and others) have not argued that income-based policy should be reduced. The suggestion is that income support alone is not enough because it does not achieve long-term development of impoverished households. Income support should be accompanied by asset building. In this sense, an asset-accumulation approach is seen as a longer term strategy for smoothing financial well-being and creating opportunities for upward mobility, while income maintenance objective covers short term needs and risks.

This expansion would require a large-scale public policy that makes asset-based policy widely available and efficient. Social workers could advocate for federal and state governments to expand IDAs and other asset-based policies for the poor. Promising policy directions include passage of the *Savings for Working Families Act*, which is at this writing in the Congress, and expansion of IRAs, 401(k)s, and other tax-benefited saving plans to include subsidies for the poor. Proposals for a universal, progressive children's account have been introduced in the United States and may be politically viable (Curley & Sherraden, 1999). One promising vehicle for universal and progressive children's accounts are State College Savings Plans (529 Plans) because they are administratively centralized and cost efficient (Clancy, 2001). Whatever policy tools are used, the goal should be to provide welfare recipients and others in poverty with structured and subsidized programs for asset accumulation.

In general, inclusive asset-based policies would enable low-income, low-asset individuals to accumulate savings and invest in assets such as homes, businesses, and their own human capital. Matched savings programs are one form of asset accumulation policy gaining political support and action. Savings programs entail subsidizing the savings of low-income households, if the savings are used for defined purposes, such things as education and training, home buying, or self-employment and business development.¹⁸

The United States: Asset-Based Policy Discussions

As indicated above, the focus on asset-based policies for the poor is *not* to seek targeted policies for the poor (this was not Sherraden's original proposal for IDAs), but to lay the groundwork for inclusion of the poor in large-scale policies. In this regard, there has been modest progress.

Influence of IDAs. In his State of the Union address on January 27, 2000, President Clinton cited the experience of IDAs in proposing a large-scale, progressive asset-based policy:

Tens of millions of Americans live from paycheck to paycheck. As hard as they work, they still don't have the opportunity to save. Too few can make use of IRAs and 401(k) plans. We should do more to help all working families save and accumulate wealth. That's the idea behind the Individual Development Accounts, the IDAs.¹⁹ I ask you to take that idea to a new level, with new retirement savings accounts that enable every low- and moderate-income family in America to save for retirement, a first home, a medical emergency, or a college education. I propose to match their contributions, however small, dollar for dollar, every year they save.

Occasions when government leaders have made large and progressive asset building proposals have been few, but they are becoming more common. In the United States, President Clinton proposed Universal Savings Accounts in 1999, which would be like a 401(k) for all workers, with deposits and matching funds for those with lowest incomes, at a projected expenditure level of \$33 billion per year. This was a huge vision of progressive asset-based policy, but the proposal went nowhere in the Congress during 1999. In 2000 it was reduced considerably in size and called Retirement Saving Accounts, which also went nowhere. During the Presidential campaign of 2000, Al Gore proposed a version of this plan called Retirement Savings Plus, which was to be a progressive add on to Social Security. Both Republican and Democratic Members of Congress have proposed universal Children's Savings Accounts in recent years. However, none of these large-scale, progressive asset-building proposals has yet become law in the United States.

¹⁸ Whoever is providing the match decides what the uses of matched savings can be. The most common in IDAs are home ownership, education, and business capitalization. This is not to say that these are the only possible or best uses of matched saving. Empirically we do not know very much about what the best uses would be. I suspect, for example, that a washer and dryer would be an excellent investment for a poor family that otherwise had to use a laundromat. Related to this, some might think that uses should be unrestricted, that it is paternalistic to tell the poor what they can purchase with their matched saving. It is indeed paternalistic, but in the same way that asset subsidies for the non-poor are paternalistic (e.g., the home mortgage interest tax deduction is only for people who own homes, tax benefits for retirement pensions are only for people who leave the money in restricted accounts until retirement age, and so on). Ultimately, legislative bodies will make decisions on use of asset accounts. Developing empirical evidence on outcomes associated with different potential uses can contribute to this process.

¹⁹ Prior to Clinton's speech, the Center for Social Development was working with the White House and Treasury Department, providing data from IDA research in ADD (later published in Sherraden et al., 2000). The fact that CSD provided evidence that very poor people can save in IDAs was influential in President Clinton's proposal.

During the 2000 presidential campaign, George W. Bush proposed \$1 billion in tax credits to financial institutions that match savings of the poor in IDAs. His proposal was similar to a bill under consideration in the Congress known as the *Savings for Working Families Act*.²⁰ During the campaign, Governor Bush (2000) said:

If a low income person is able to save up to \$300 dollars, we will encourage banks, with a federal tax credit, to match that amount. The money can then be withdrawn tax free to pay for education, to help start a business or buy a home.

The great promise of our time is to fight poverty by building the wealth of the poor. A home to anchor their family. A bank account to create confidence. And, I believe, a personal Social Security account, which would give millions of low income Americans, not just a check, but an asset to own, a stake in our prosperity.

After taking office, President Bush has continued to support the *Savings for Working Families Act* during 2001, 2002, and 2003. At this writing it has not been enacted. There is general and bipartisan support in the House and Senate, and support from the White House, but the Chairman of the House Ways and Means Committee, who sits in a key policy position, has been opposed.²¹

United Kingdom: Plans for “Saving and Assets for All”

A serious discussion of asset based policy began in the United Kingdom in 2000 (Institute for Public Policy Research, 2001; Kelly & Lissaur, 2000; Nissan & 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. He also proposed a demonstration of a Saving Gateway, matched saving for the poor.²² Blair (2001) said, “As a Government, we are committed to extending power, wealth, and opportunity to the many, not just the few.” He offered a vision of inclusion:

I believe we have already made important strides in extending opportunity for all – through improving skills and work, through improving living standards and through improving the quality of public services.

But now we want to add a fourth element: more people getting the benefit of assets and savings, so that we help spread prosperity and opportunity to every family and community.

Because now too many young children are still excluded from the chance to go to university, to own their own home, to have financial security or a career, I want to see all children grown up knowing that they have a financial stake in society. I want to see all children have the opportunity of a real financial springboard to a better education, a better job, a better home – a better life. I want to see every child make the most of themselves.²³

²⁰ The Savings for Working Families Act (SWFA) was initiated by Michael Stegman of the University of North Carolina, working with the office of Senator Joseph Lieberman. The Corporation for Enterprise Development (CFED) has led in the progress of SWFA on Capitol Hill.

²¹ Passing legislation in the US Congress is a daunting task. There are a thousand ways for legislation to fail. In the long run, this is probably desirable; fewer bad laws are enacted. But in the short run, policy-making is unbelievably challenging. A great political insight for me over the past decade is that in a parliamentary system, as in the United Kingdom, the Prime Minister can make a proposal and it is *expected* to become law. It is one thing to know this from high school civics class, but another to see it in action.

²² The Institute for Public Policy Research (IPPR) has led asset-based policy work in the UK (e.g., Kelly and Lissauer, 2000; IPPR, 2001). In June 2000 Sherraden was respondent to a speech on asset-based policy in London by David Blunkett, then Secretary of State for Education and Employment. IPPR and CSD co-hosted an international conference on asset-based welfare in London in January 2001. In October 2001 Sherraden joined Alistair Darling, Secretary of State for Work and Pensions, for speeches on “Wealth and Welfare” at the annual meeting of the Labour Party, and consulted with Treasury Minister Ruth Kelly on design of the policies. All of this was organized by IPPR.

²³ It is perhaps noteworthy, that the words of Clinton, Bush, and Blair quoted in this chapter sound much the same. Were it not for contextual references, it would be difficult to determine which leader made which statement. What does this say about the political ideology of asset building? At a minimum it suggests that asset building does not fit neatly into the traditional right and left political categories.

Child Trust Fund. The Child Trust Fund would be based on the principle of *progressive universalism*, wherein “every baby would receive an endowment, but those in families on lower incomes would receive a larger lump sum. Every child in the United Kingdom would receive at birth a deposit into an account of 300 to 500 pounds (approximately \$430 to \$720 USD). In addition, three additional deposits, ranging from 50 to 100 pounds, would be made as the child grows up. Additional contributions could be made by parents, relatives, or friends. A limited number of investment options would be available, including money market, bond, and equity funds (H.M. Treasury, 2001). By the time the child reaches 18 years of age, the Child Trust Fund could be in the range of 5,000 to 7,000 pounds (\$7,200 to \$10,080 USD).²⁴

In April 2003, Prime Minister Blair announced that he would go forward with the Child Trust Fund.²⁵ The funding has been earmarked, and the UK public expects this to happen. Beginning in 2005, and retroactive to September of 2002, each newborn child will be given an account. At this writing details are being worked out.

Saving Gateway. The Blair plan “is also concerned with ensuring that current and future generations of adults are encouraged to save for themselves.” The second program is a Saving Gateway, “which would build on the universality of both Individual Savings Accounts (ISA) and a Child Trust Fund,” and would add progressive features, including matching funds. The Saving Gateway is much like IDAs in the United States; it targets lower-income households, who have lower levels of savings, and is intended to help “develop a saving habit.” The government makes a 1:1 matching deposit for every pound saved up to a fixed limit. Financial education, information, and advice are part of the program. The Saving Gateway is available to individuals for a limited time. The account is invested for a minimum of three years, and then either cashed or transferred to existing savings instruments such as an ISA, a retirement pension, or the Child Trust Fund of a child of their choice (H.M. Treasury, 2001).²⁶ Currently, Saving Gateway is in operation at several sites in the United Kingdom in a pilot phase. The plan is to roll it out across the country in the future.

If fully implemented as planned, the UK policy would possibly be the largest progressive, universal asset building policy of any country in the world. It would signal a new direction in policy that, over time, might expand. As David Blunkett (2000), when he was Secretary of State for Education and Employment, observed: “We are on the cusp of a different way of looking at the welfare state – one which focuses on capital and assets.” The *progressive funding* in these universal proposals is noteworthy, wherein the poor receive more. This is in contrast to some proposals in the United States that call for equal deposits for all (e.g., Ackerman & Alstot, 1999). Also important is the *life-long accumulation* that is embodied in the UK proposals, rather than one large lump sum at birth or at the age of 18 or 21.²⁷ Instead of equal lump sum deposits, the UK proposal for progressive funding and long-term asset accumulation with deposits at birth and throughout the growing up years may be preferable. In the United States, this has been suggested by Sherraden (1991), and Lindsey (1994) has proposed a Child Social Security Account, wherein assets would build over time by government and private contributions.²⁸

Focus on Children

Asset holding may make the most sense in the case of children. This is true for several reasons. First, asset building is a long-term process and starting early will result in greater accumulations. Second, asset holding probably

²⁴ Nissan and Le Grand (2000) were influential in the Child Trust Fund proposal.

²⁵ In November 2002 Prime Minister Blair organized a seminar at 10 Downing on the Child Trust Fund proposal. The session was chaired by Home Minister David Blunkett. Michael Sherraden from CSD and Bob Friedman for CFED participated. A dinner with Chancellor of the Exchequer Gordon Brown followed the seminar. Sherraden (2002) provided the opening remarks after dinner, relying significantly on findings from research on IDAs. Later, aides to Blair cited this dinner as crucial in the decision to go ahead with the Child Trust Fund. It was Brown who made the funding decision.

²⁶ The Saving Gateway copied from IDAs and is much the same. It is at present implemented in only a few places as a demonstration, much like the American Dream Demonstration.

²⁷ Those who have raised children through the teenage years might have reason to wonder if a large, lump sum, unrestricted payment to all 18 year olds would be a wise national policy. For better versions of this idea, see Tobin (1968), Haveman (1988), and Sawhill (1989).

²⁸ Perhaps we can take some professional pride in that social work scholars are the first to make proposals for lifelong accounts beginning at birth.

changes outlook and attitudes in positive ways, and research has documented that it is easier and more effective to change outlook and attitudes earlier in life rather than latter. Third, the whole family can be engaged around asset-based policy for children. In this circumstance, parental expectations for children may be changed, and parents themselves may learn from this process.

Among many possible asset-based policy options, a Children's Saving Account (CSA) offers the greatest opportunity for long-term transition toward an inclusive asset-based policy. As Goldberg is fond of saying, the first step toward an inclusive asset-based policy is to "put the plumbing in place," that is, to give everyone an account.²⁹ When accounts are in place, there will be creative policy-making and private initiatives, impossible to define or predict ahead of time, to fund the accounts. Over time, a CSA policy could develop into a system of life-long accounts for the entire population. Such a system of accounts would likely have broad political support. In Goldberg's language again, it could become a "public good," like the national highways and the Internet. In this process, if properly designed, the CSA policy could reduce class divisions and increase opportunity.

The leadership of the United Kingdom with the Child Trust Fund is an important step on the global stage. This decision by Blair and Brown in 2003 may be remembered long after the more visible 2003 decisions regarding Iraq have slipped into hazy history. The UK policy may influence CSA policy elsewhere. In the United States, there have been proposals for something like the Child Trust Fund for several years. These proposals are gradually gaining prominence, and have support within both major political parties. A major demonstration of children and youth accounts, known as Saving for Entrepreneurship, Education, and Downpayment (SEED) is being planned by the Corporation for Enterprise Development. SEED will begin in late 2003. The Center for Social Development and colleagues at University of Kansas are designing the research. The goal is to test implementation and impacts of children's savings accounts, provide concrete examples, and move this policy to the front burner.

Conclusion

It is enormously challenging to create a universal, progressive asset-based policy (Friedman & Boshara, 2000). The odds against success are great. However, for perspective, it is useful to recall that, early in the twentieth century, the odds against creating progressive social insurance policies were also great. Yet by century's end, social insurance had become, in a fiscal sense, the central characteristic of modern states. By the end of the 21st century, the social policy landscape will again look very different. Looking ahead, it seems likely that asset-based policy will continue to expand. Conceivably, it may eventually replace social insurance as the dominant form of policy in advanced economies. One reason for this will be accounts portability, even potentially across national boundaries. For example, one can imagine a policy system that is perfectly integrated in the European Community. Indeed, with the rapid expansion of information technology, one can imagine a worldwide system of asset accounts, fully portable anywhere on the planet. This policy would be well suited to information age labor markets and social conditions.

Gradually asset accounts may serve more purposes, including retirement security, home ownership, business capitalization, some aspects of medical care, education, purchase of insurance, and various kinds of investments. Asset accounts may become an integrated social and economic development policy, structured and partially funded by government but controlled by individuals and families.

The major challenge will be inclusion. If we stay on the present course, the poor will continue to be excluded from asset accumulation and will not be fully participating members in this emerging policy system. If inclusion is to be achieved, it will likely not be a political victory of the weak over the strong. Instead, it will rest on the widespread recognition (which in turn must be based on sound research) that asset building is a sensible public investment because it may increase the capabilities, engagement, and productivity of the people.

²⁹ Fred Goldberg served as Undersecretary of Treasury during the George H.W. Bush administration. He is a long-time advocate of universal children's accounts in the United States. See Goldberg and Cohen (2000).

References

- Aaronson, D. (2000). A note on the benefits of homeownership. *Journal of Urban Economics*, 47, 356-369.
- Ackerman, B., & Alstot, A. (1999). *The stakeholder society*. New Haven: Yale University Press.
- Allison, P. D. (1999). *Logistic regression using the SAS system: Theory and application*. Cary, NC: SAS Institute Inc.
- Alwin, D., & Thornton, A. (1984). Family origins and the schooling process: Early versus late influence of parental characteristics, *American Sociological Review*, 49, 784-802.
- Astone, N., & McLanahan, S. (1991). Family structure, parental practice, and high school completion. *American Sociological Review*, 56(3), 309-320.
- Axinn, W., Duncan, G., & Thornton, A. (1997). The effects of parents' income, wealth, and attitudes on children's completed schooling and self-esteem. In G. Duncan & J. Brooks-Gunn (Eds.), *Consequences of growing up poor* (pp. 518-540). New York: Russell Sage Foundation.
- Becker, G. S. (1991). *A treatise on the family*. Cambridge, MA: Harvard University Press.
- Becker, G. S. (1993). *Human capital: A theoretical and empirical analysis, with special reference to education*. Chicago: University of Chicago Press.
- Becker, G. S., & Tomes, N. (1979). An equilibrium theory of the distribution of income and intergenerational inequality. *Journal of Political Economy*, 87, 1153-89.
- Becker, G. S., & Tomes, N. (1986). Human capital and the rise and fall of families. *Journal of Labor Economics*, 43, PS1-PS39.
- Bernheim, B., & Garrett, D. (1996). *The determinants and consequences of financial education in the workplace: Education from a survey of households*, working paper no. 5667. Cambridge, MA: National Bureau of Economic Research.
- Beverly, S. G., & Sherraden, M. (1999). Institutional determinants of savings: Implications for low-income household and public policy. *Journal of Socio-Economics*, 28(4), 457-473.
- Blair, T. (2001). *Savings and assets for all*, speech. London: 10 Downing Street, April 26.
- Blunkett, D. (2000). *On your side: The new welfare state as an engine of prosperity*, speech, London: Department of Education and Employment, June 7.
- Briar-Lawson, Katharine (1998). Capacity building for integrated family-centered practice. *Social Work*, 43, 539-550.
- Brooks-Gunn, J., Guo, G., & Furstenberg, F. (1993). Who drops out and who continues beyond high school, a 20-year study of black youth. *Journal of Research in Adolescence*, 3(37), 271-94.
- Bush, G.W. (2000). *New prosperity*, speech. Cleveland, OH, April 11.
- Carney, S., & Gale, W. (1999). *Asset accumulation among low-income households*, Brookings discussion paper in domestic studies. Washington, DC: The Brookings Institution.
- Cheng, L., & Page-Adams, D. (1996). *Education, assets and intergenerational well-being: The case of female headed families*, working paper no. 96-3. St. Louis, MO: Center for Social Development, Washington University.
- Cho, Y.N. (1996). *The effects of assets on the economic well-being of women after marital disruption*, working paper no. 99-6. St. Louis, MO: Center for Social Development, Washington University.
- Clancy, M. (2001). *College Savings Plans: Implications for policy and for a children and youth savings account policy demonstration*, research background paper 01-6. St. Louis, MO: Center for Social Development, Washington University.
- Clinton, W.J. (1999). *State of the Union address*. Washington, DC: US Executive Office of the President.
- Clinton, W.J. (2000). *State of the Union address*. Washington, DC: U.S. Executive Office of the President.
- Coginini, A., Alsup, R. & Gillespie, D. F. (1995). Mediation and moderation in social work research. *Social Work Research*, 19(1), 57-63.
- Cohen, J. (1987). Parents as educational models and definers. *Journal of Marriage and the Family*, 49, 339-351.
- Conley, D. (1998). *Being Black, living in the red*. Berkeley: University of California Press.
- Curley, J., & Sherraden, M. (2000). Policy lessons from children's allowances for children's savings accounts, *Child Welfare*, 79(6), 661-687.
- DiPasquale, D., & Glaeser, E. L. (1999). Incentives and social capital: Are homeowners better citizens? *Journal of Urban Economics*, 45, 354-384.
- Duncan, G., Brooks-Gunn, J., & Klebanov, P. (1994). Economic deprivation and early childhood development. *Childhood Development*, 65, 296-318.

- Edwards, K. (2003). *State IDA profiles*, Center for Social Development, Washington University. Available [Online]: <http://gwbweb.wustl.edu/Users/csd/ida/stateIDAprfiles.html/>
- Engen, E. M., & Gruber, J. (1995). *Unemployment insurance and precautionary saving*, NBER working paper no. 5252. Cambridge, MA: National Bureau for Economic Research.
- Essen, J., Fogelman, K., & Head, J. (1977). Childhood housing experiences and social achievements. *Child Care, Health and Development*, 4, 41-58.
- Feldstein, M. (1992). *College scholarship rules and private saving*. working paper no. 4032. Cambridge, MA: National Bureau of Economic Research.
- Friedman, R., & Boshara, R. (2000). *Going to scale: Principles and policy options for an inclusive asset-building policy*, paper at *Inclusion in asset building: Research and policy symposium*, Center for Social Development, Washington University in St. Louis, MO, September 21-23.
- Furstenberg, F., & Hughes, M. (1995). Social capital and successful development among at-risk youth. *Journal of Marriage and the Family*, 57, 580-592.
- Furstenberg, F.F. (1990). Divorce and the American family. *Annual Review of Sociology*, 16, 379-403.
- Garfinkel, I., & McLanahan, S. (1986). *Single mothers and their children: A new American dilemma*. Washington, DC: Urban Institute Press.
- Goldberg, F., & Cohen, J. (2000). *The universal piggy bank: Designing and implementing a system of universal accounts for children*, paper at *Inclusion in asset building: Research and policy symposium*, Center for Social Development, Washington University in St. Louis, MO, September 21-23.
- Green, R., & White, M. (1997). Measuring the benefits of homeownership: Effects on children, *Journal of Urban Economics*, 41, 441-461.
- Greene, W. H. (1993). *Econometric analysis*. New York: McMillan.
- Gruber, J., & Yelowitz, A. (1997). *Public health insurance and private savings*, working paper no. 6041. Cambridge, MA: National Bureau of Economic Research.
- H.M. Treasury (2001). *Delivering saving and assets: The modernisation of Britain's tax and benefit system*, number nine. London: H.M. Treasury, December.
- Hanson, T., McLanahan, S., & Thomson, E. (1997). Economic resources, parental practices, and children's well-being. In G. Duncan and J. Brooks-Gunn, eds., *Consequences of growing up poor*. New York: Russell Sage Foundation.
- Hauser, R., & Featherman, D.L. (1976). Equality of schooling: Trends and prospects. *Sociology of Education*, 49, 99-120.
- Hauser, R., & Phang, H.S. (1993). Trends in high school dropout among White, Black, and Hispanic youth, 1973-1989, discussion paper no. 1007-93. Madison: Institute for Research on Poverty, University of Wisconsin.
- Haveman, R. (1988). *Starting even: An equal opportunity program to combat the nation's new poverty*. New York: Simon and Schuster.
- Haveman, R., & Wolfe, B. (1994). *Succeeding generations: On the effects of investment in children*. New York: Russell Sage Foundation.
- Haveman, R., & Wolff, E.N. (2000). *Who are the asset poor? Levels, trends, and composition*, paper at *Inclusion in asset building: Research and policy symposium*, Center for Social Development, Washington University in St. Louis, MO, September 21-23.
- Heckman, J. J. (1979). Sample selection bias as a specification error. *Econometrica*, 47(1), 153-161.
- Henretta, J. (1984). Parental status and child's home ownership. *American Sociological Review*, 49, 131-140.
- Hill, M., & Duncan, G. (1987). Parental family income and the socioeconomic achievements of children. *Social Science Research*, 16, 39-73.
- Hogarth, J. M., & Lee, J. (2000). *Use of financial services and the poor*, presented at *Inclusion in Asset Building: Research and Policy Symposium*, Center for Social Development, Washington University, St. Louis, MO, September 22-23.
- Howard, C. (1997). *The hidden welfare state: Tax expenditures and social policy in the United States*. Princeton, NJ: Princeton University Press.
- Hubbard, R.G., Skinner, J., & Zeldes, S. (1994). The importance of precautionary motives in explaining individual and private saving. *Carnegie-Rochester conference series in public policy*, 40, 59-126.

- Hubbard, R.G., Skinner, J., & Zeldes, S. (1995). Precautionary saving and social insurance. *Journal of Political Economy*, 103(2), 360-399.
- Hurst, E., & Ziliak, J. (2001). *Welfare reform and household savings*, mimeograph.
- Institute for Public Policy Research (2001). *The Centre for Asset-based Welfare- based at the Institute for Public Policy Research*, April. London: Author.
- Johnson, E., Hinterlong, J., & Sherraden, M. (2001). Strategies for creating MIS technology to improve social work practice and research. *Journal of Technology for the Human Services*, 18, (3/4) 5-23.
- Kane, T. J. (1994). College entry by blacks since 1970: The role of college costs, family background, and the returns to education. *Journal of Political Economy*, 102, 878-907.
- Kelly, G., & Lissauer, R. (2000). *Ownership for all*. London: Institute for Policy Research.
- Lewis, O. (1966). The culture of poverty. *Scientific American*, 215, 19-25.
- Lindsey, D. (1994). *The welfare of children*. New York: Oxford University Press.
- Loprest, P. (1999). *Families who left welfare: Who are they and what are they doing?* Urban Institute discussion paper no. 99-02. Washington, DC: The Urban Institute.
- Loprest, P. (2001). *How are families that left welfare doing? A comparison of early and recent welfare leavers*, New federalism: National survey of America's families, Series B. No. B-36.
- Lunt, P. K., & Livingstone, S.M. (1992). *Mass consumption and personal identity: Everyday economic experience*. Philadelphia: Open University Press.
- Mare, R. (1980). Social background and school continuation decisions. *Journal of the American Statistical Association*, 75(370), 295-305.
- Mayer, S. (1997). *What money can't buy: Family income and children's life chances*. Cambridge, MA: Harvard University Press.
- McLanahan, S. (1985). Family structure and the reproduction of poverty. *American Journal of Sociology*, 90, 873-901.
- McLanahan, S. (1997). Parent absence or poverty: Which matters more? In G. J. Duncan, & J. Brooks-Gunn (Eds.), *Consequences of growing up poor* (pp. 35-48). New York: Russell Sage Foundation.
- McLanahan, S., & Sandefur, G. (1994). *Growing up with a single parent: What hurts, what helps*. Cambridge, MA: Harvard University Press.
- Mead, G.H. (1934). *Mind, self, and society*. Chicago: Chicago University Press.
- Moore, A., Beverly, S., Schreiner, M., Sherraden, M., Lombe, M., Cho, Y.N., Johnson, E., & Vonderlack, R. (2001). *Saving, IDA programs, and effects of IDAs: A survey of participants*, research report. St. Louis, MO: Center for Social Development, Washington University.
- Morrow-Howell, N., & Proctor, E. (1992). The use of logistic regression in social work research. *Journal of Social Service Research* 16 (1-2): 87-104.
- Morrow-Howell, N., Hinterlong, J., & Sherraden M (2001). *Productive aging: Concepts and Controversies*. Baltimore: Johns Hopkins University Press.
- Murray, C. (1984). *Losing ground*. New York: Basic Books.
- Neumark, D., & Powers, E. (1998). The effects of means-tested income support for the elderly on pre-retirement saving: Evidence from the SSI program in the U.S. *Journal of Public Economics*, 68, 181-206.
- Nichols-Casebolt, A., & Krysik, J. (1997). The economic well-being of never-and ever-married single mother families: A cross-national comparison. *Journal of Social Service Review*, 23(1), 19-40.
- Nissan, D., & Le Grand, J. (2000). *A capital idea: Start-up grants for young people*, policy report 49. London: Fabian Society.
- Oliver, M., & Shapiro, T. (1990). Wealth of a nation: A reassessment of asset inequality in American shows that at least one-third of households are asset poor, *American Journal of Economics and Sociology*, 49, 129-151.
- Oliver, M., & Shapiro, T. (1995). *Black wealth/white wealth: A new perspective on racial inequality*. New York: Routledge.
- Orme, J. G., & Reis, J. (1991). Multiple regression with missing data. *Journal of Social Service Research*, 15(1/2), 61-91.
- Orszag, P., & Greenstein, R. (2000). *Toward progressive pensions: A summary of the US pension system and proposals for reform*, paper presented at Inclusion in asset building: Research and policy symposium, Center for Social Development, Washington University in St. Louis, MO, September 21-23.
- Page-Adams, D., & Sherraden, M. (1997). Asset building as a community revitalization strategy. *Social Work*, 42(5), 423-434.

- Parcel, T. L., & Menaghan, E. G. (1997). Effects of low-wage employment on family well-being. *The Future of Children*, 7, 116-121.
- Powers, E. (1998). Does means-testing welfare discourage saving? Evidence from a change in AFDC policy in the United States. *Journal of Public Economics*, 68(1), 33-53.
- Pritchard, M., Myers, B., & Cassidy, D. (1989). Factors associated with adolescent saving and spending patterns. *Adolescence*, XXIV(95), 711-723.
- Ramanathan, R. (1995). *Introductory econometrics with applications*. Florence, KY: The Dryden Press.
- Richards, L., & Schmiede, C. (1993). Problems and strengths of single parent families. *Family Relations*, 42, 279-85.
- Rossi, P. H., & Weber, E. (1996). The social benefits of homeownership: Empirical evidence from national surveys. *Housing Policy Debate*, 7(1), 1-35.
- Sandefur, G., McLanahan, S., & Wojcikiewicz, R. (1992). The effects of parental marital status during adolescence on high school graduation. *Social Forces*, 71(1), 103-121.
- Sawhill, I. (1989). The underclass: An overview. *The Public Interest*, 96, 3-15.
- Scanlon, E. (2001). Toward a theory of financial savings and child well-being: Implications for research on a child and youth savings account policy demonstration, research background paper, 01-11. St. Louis, MO: Center for Social Development, Washington University.
- Scanlon, E., & Page-Adams, D. (2001). Effects of assets on families and children. In R. Boshara (Ed.), *Building assets* (pp. 3,025-3,049). Washington, DC: Corporation for Enterprise Development.
- Scheuler-Whitaker, L., & Pandey, S. (1998). Individual, family and neighborhood influences on teen childbearing: A life options approach, working paper no. 98-5. St. Louis, MO: Center for Social Development, Washington University.
- Schreiner, M., Clancy, M., & Sherraden, M. (2002). *Saving performance in the American Dream Demonstration*, research report. St. Louis, MO: Center for Social Development, Washington University.
- Schreiner, M., Sherraden, M., Clancy, M., Johnson, E., Curley, J., Grinstein-Weiss, M., Zhan, M., and Beverly, S. (2001). *Savings and asset accumulation in IDAs*, research report. St. Louis, MO: Center for Social Development, Washington University.
- Schultz, T.M. (1959). Investment in man: An economist's view, *Social Service Review*, 33, 109-117.
- Seidman, L. (2001). Assets and the tax code. In T. Shapiro & E.N. Wolff (Eds.), *Assets for the poor: Benefits and mechanisms of spreading asset ownership* (pp. 324-356). New York: Russell Sage Foundation.
- Sen, A. (1985). *Commodities and capabilities*. Amsterdam: North-Holland Publishing Company.
- Sen, A. (1993). Capability and well-being. In M. Nussbaum & A. Sen (Eds.), *The quality of life* (pp. 30-53). Oxford: Clarendon Press.
- Sen, A. (1999). *Development as freedom*. New York: Knopf.
- Shapiro, T., & Wolff, E.N., eds. (2001). *Assets for the poor: Spreading the benefits of asset ownership*. New York: Russell Sage Foundation.
- Shaw, L. B. (1982). High school completion for young women: Effects of low income and living with a single parent. *Journal of Family Issues*, 3, 147-63.
- Sherraden, M. (1988). Rethinking social welfare: Toward assets. *Social Policy*, 18(3), 37-43.
- Sherraden, M. (1991). *Assets and the poor: A new American welfare policy*. Armonk, NY: M.E. Sharpe.
- Sherraden, M. (1997). Conclusion: Social security in the twenty-first century. In J. Midgley & M. Sherraden (Eds.), *Alternatives to social security: An international inquiry* (pp. 121-139). Westport, CT: Auburn House.
- Sherraden, M. (2000). From research to policy: Lessons from Individual Development Accounts. Colston Warne Lecture, *Journal of Consumer Affairs*, 34(2), 159-181.
- Sherraden, M. (2001a). Asset building policy and programs for the poor. In T. Shapiro & E.N. Wolff (Eds.), *Assets for the poor: Benefits and mechanisms of spreading asset ownership* (pp. 302-323). New York: Russell Sage Foundation.
- Sherraden, M. (2001b). *Toward a universal and progressive asset-based domestic policy*, speech at the Annual Meeting of the Labour Party, United Kingdom, Brighton, October 2.
- Sherraden, M. (2002). Opportunity and assets: The role of the Child Trust Fund, notes for seminar organized by Prime Minister Tony Blair, 10 Downing, and dinner speech with Chancellor of the Exchequer Gordon Brown, 11 Downing, London, September 19.
- Sherraden, M. (2003). Individual accounts in social security: Can they be progressive? *International Journal of Social Welfare*, 12(2), 97-107.

- Sherraden, M., Johnson, E., Clancy, M., Beverly, S., Schreiner, M. Zhan, M., & Curley, J. (2000). *Saving patterns in IDA programs*, research report. St. Louis, MO: Center for Social Development, Washington University.
- Sherraden, M., Schreiner, M., & Beverly, S. (2003). Income, institutions, and saving performance in individual development accounts, *Economic Development Quarterly*, 17(1), 95-112.
- Shobe, M., & Page-Adams, D. (2001). Assets, future orientation and well-being: Exploring and extending Sherraden's framework. *Journal of Sociology and Social Welfare*, 28(3), 109-127.
- Silverman, D.S. (1997). *Creating account ability: The design and implementation of Individual Development Accounts in low-income credit unions*, unpublished master's thesis, John F. Kennedy School of Government, Harvard University.
- Smith, M. H., Beaulieu, L. J., & Seraphine, A. (1995). Social capital, place of residence and college attendance. *Rural Sociology*, 60(3), 363-380.
- Steuerle, C.E., Gramlich, E., Hecl, H., & Nightengale, D.S. (1998). *The government we deserve: Responsive democracy and changing expectations*. Washington, DC: The Urban Institute.
- Tobin, J. (1968). *Raising the incomes of the poor*. In K. Gordon (Ed.), *Agenda for the nation* (pp. 77-116). Washington, DC: The Brookings Institution.
- U.S. Bureau of the Census. (1961). Statistical abstract of the U.S. Washington, DC: U.S. Government Printing Office.
- U.S. Bureau of the Census. (2000). Statistical abstract of the U.S. Washington, DC: U.S. Government Printing Office.
- U.S. Bureau of the Census. (2001). People and families in poverty by selected characteristics: 1999 and 2000. Washington, DC: U.S. Government Printing Office.
- U.S. Congress. (1996). *Personal Responsibility and Work Opportunity Reconciliation Act*. Washington, DC: U.S. Government Printing Office.
- U.S. Congress. (1998). *Assets for Independence Act*. Washington, DC: U.S. Government Printing Office.
- Whitback, L. et al. (1991). Family economic hardship, parental support, and adolescent self-esteem. *Social Psychology Quarterly*, 54(4), 353-363.
- Williams, T. (2000). *The long-term impact of the Homestead Act*, paper at Inclusion in asset building: Research and policy symposium, Center for Social Development, Washington University in St. Louis, MO, September 21-23.
- Wilson, W. (1987). *The truly disadvantaged: The inner city, the underclass, and public policy*. Chicago: University of Chicago Press.
- Wolff, E. N. (1995). *Top heavy: A study of the increasing inequality of wealth in America*. New York: Twentieth Century Fund Press.
- Wolff, E.N. (2001). Recent trends in wealth ownership, from 1983 to 1998, in T. Shapiro and E.N. Wolff (Eds.), *Assets for the poor: Spreading the benefits of asset ownership* (pp. 34-73). New York: Russell Sage Foundation.
- Yadama, G.N., & Sherraden, M. (1996). Effects of assets on attitudes and behaviors: advance test of a social policy proposal. *Social Work Research*, 20(1), 3-11.
- Zhan, M., & Sherraden, M. (2003). Effects of assets on expectations and educational achievement of children in single parent households, *Social Service Review*, 77, 191-211.
- Zhan, M., Sherraden, M., & Schreiner, M. (forthcoming). Welfare reciprocity and savings outcomes in Individual Development Accounts. *Social Work Research*. (Previously published as working paper 02-8. St. Louis: Center for Social Development, Washington University.)
- Ziliak, J. (1999). *Income transfers and assets for the poor*, discussion paper no.1202-99. Madison: Institute for Research on Poverty, University of Wisconsin.