Inclusion in Privilege: Increasing Emphasis on Savings to Promote Capabilities for All

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Abstract

Defining poverty as lowness of income dominates anti-poverty efforts in America and averts attention away from schemes that promote capabilities that cumulate to build a minimally dignified life. Meanwhile, the emphasis on income limits discussion regarding another form of economic facility, wealth. Wealth, particularly in the form of saving, provides a number of different benefits to households by promoting economic, social, and psychological well-being. Currently, the United States' tax structure, welfare system, and social institutions promote wealth accumulation and asset building for middle-and-upper class households, while preventing more disadvantaged and historically marginalized portions of society. Because the United States is perpetuating injustice, it is the moral obligation of society to stop preventing disadvantaged groups from building assets and create programs to help them save. This paper looks at one such program that could benefit capability building for disadvantaged individuals: individual development accounts.

Introduction

Income inequality has engulfed Americans' discussion of poverty. Many Americans hear this phrase all too often, from local news to the President's State of the Union address. The welfare system in the US has further contributed to this common view by targeting disadvantaged households with cash-assistance programs such as TANF, SNAP, and EITC. Low income is a significant problem, and should be addressed, when Americans cannot make enough money to obtain goods and services which meet basic needs, which many would consider to be impoverishment. However, many also agree poverty should not be defined as merely income lowness. Income only captures part of a person's life, failing to truly describe her freedoms, her health, and her happiness, among other central rights that create a fulfilling life. The Capabilities Approach reemphasizes the importance of these rights, or in the words of the approach, capabilities. Poverty is thus defined throughout this argument as the deprivation of these capabilities, which create a minimally dignified life.

Although income, money received from work, should not be included in the primary definition of poverty, having money *does* contribute to achieving many important capabilities. In other words, it is a means to help achieve a satisfying life. Money can come in many other forms besides income; in fact, discussions regarding poverty have particularly been growing around wealth and assets. Wealth and assets, achieved many times by saving, help individuals and households invest for the future, rather than just the now. They act not only as a catalyst for future goals, but

also a protector from unexpected events and correlating expenses. Savings can prevent emergency situations from becoming major life crises, especially for households with little disposable incomes.

Discourse surrounding income inequality must begin to include wealth inequality in order to understand poverty on a deeper level. First, income inequality is not always problematic. With individuals possessing different skills, talents, and tastes, having some inequality in the distribution of incomes is not only necessary but also desirable in order to provide appropriate incentives. Similarly, some wealth inequality can be permitted—not everyone has inheritances, for example. However, when incomes and assets are unjustly distributed to certain groups and not others, society must draw its attention to this inequality. In the United States, disadvantaged, marginalized populations are discouraged and provided little opportunity to grow their wealth, while middle and upper income households are positively incentivized to do the same. This unfair system perpetuates to affect these populations on an economic, social, and psychological level, seriously impacting our society's freedoms, health, and happiness as a whole. As Ta-Nehisi Coates explains, "Wealth [inequality] merely puts a number on something we feel but cannot say—that American prosperity was ill-gotten and selective in its distribution."[i] We must acknowledge the wealth disparity in America and its impact on the quality of individuals' lives, and begin to discuss how we can include more people in the privilege of wealth.

In this paper, I first will discuss the flaws of the income approach to assessing poverty and its overwhelming influence on actual US welfare policy, encouraging the use of the Capabilities Approach as an alternative in order to aid understanding regarding income and wealth and their relationship to poverty issues. I will also evaluate the benefits of wealth in combating poverty-related issues, identifying savings as a critical asset for impoverished individuals, households, and groups. Next, I will examine John Rawls' theory of primary social goods in order to argue that justice in a democratic society requires the protection and promotion of wealth in order to aid capability freedom. I will then explain how the current programs promoting wealth accumulation in the United States are unjust. Finally, I will recommend individual development accounts for promoting wealth accumulation in the form of savings that will correct injustices in the asset-building policies of the US.

Income

Emphasis on Income in Poverty Discussion

Governments, non-governmental organizations, economists, and those working on development issues, among others, continue to define poverty as a lack of income. In the US, income is measured as a means to consumption. Income has no inherent value; rather we need income in order to buy the things we need and want. We may value income because it incentivizes work, which one could argue to be intrinsically valuable. However, the actual money earned is only instrumentally value in that it acts as a means to obtain items and services. The official poverty line is directly tied

to consumption, and is meant to determine the minimum level of consumption needs for a household. The US determines the poverty line—the threshold for who is considered "poor"--by taking the cost of minimum food diet from 1963 (otherwise known as the Thrifty Food Basket or TFB) and multiplying it by three.[ii] The TFB not only determines the poverty line but also dictates the recipients of the Supplemental Nutrition Assistance Program (SNAP).

Several aspects about this poverty measurement make it unreliable. First, the measure is outdated. The Thrifty Food Basket (TFB) was created over 50 years ago based on the common diets of the population. Even with adjustments for inflation, the TFB does not take into account how the diets have changed. Ultimately, the TFB budget does not equate to what constitutes a healthy, adequate diet.[iii] Next, the TFB does not differ regionally. Both wages and purchasing power vary from state to state, and thus income and consumption are going to be different for these households. In addition, areas differ largely in relation to food availability and affordability. Several regions of the US are considered food deserts, which are rural or urban areas without easy access to fresh, healthy, quality, and affordable food. Thus, TFB has unrealistic assumptions regarding food availability, affordability, and finally, preparation. Many times, households do not have the time to prepare fresh and healthy meals for their families: many laborers must work several hours in order to meet their household's needs. Many times, this results in individuals working multiple jobs at various hours, leaving very few hours of leisure time to

find transportation, go grocery shopping, prepare the food, and sit down for a meal. Consequently, the TFB is inadequate and thus our measure of poverty is inadequate.

Capabilities Approach

Looking further, as mentioned earlier, income is not important to human life: the capabilities it provides to humans are important. Many assume that if disadvantaged households gain more income, then they can buy more things and get out of poverty. However, realistically, those working against poverty related problems do not actually care about individuals' or households' consumption: they care about well-being. This argument mirrors that of Amartya Sen and Martha Nussbaum's Capabilities Approach. People's opportunities and freedoms to do and to be that which they minimally desire for a life worth living is the goal of poverty reduction, development, or other synonymous phrases. These opportunities should add up in a way to create "a meaningful existence commensurate with their equal human dignity."[iv] Income is only valuable because it helps us achieve capabilities. Thus, poverty should not be defined as income deprivation. Rather, it should be defined as the deprivation of certain central capabilities that allow humans living in a society the opportunity to live a life worthy of basic human dignity.

Although many can agree on the definition outlined by the Capabilities Approach, the ways to promote and improve capabilities in order to achieve human dignity for societies, communities, and individuals is in no way clear. Many argue that under the Capabilities Approach, income should not be used as a measurement. Sen argues

that there are other influences that create poverty (capability deprivation) that are not income related, and thus the measurement can miss much of the picture.[v] In addition, the way income is used (its instrumental relation) and distributed within households could further distort the actual level of deprivation. In support of Sen, Nussbaum criticizes GDP as a measurement of growth, which may be more inaccurate than household income due to lack of correlation between a rise in GDP and an increase in average household income.[vi] The GDP approach also tolerates immense inequalities within nations because the measure does not represent wealth/income distribution. Although these income measures may be correlated with well-being, they turn emphasis away from what we as a society care about—health, freedoms, education, etc.—and have the potential to roadblock us from tackling the relevant poverty-related issues that our world faces.

But what role should income and consumption play in poverty discussions? Obviously, we want more people to have higher incomes because that means they have more money to spend on the things that they desperately need to improve their lives and perhaps enhance their capabilities. Income cannot be removed from the discussion. Rather, we must look at how incomes, and other forms of economic freedoms, can be instrumental to development. Sen recognizes economic facility to be one of his instrumental freedoms that contribute to the overall freedom people enjoy.[vii] In this way, Sen focuses on the individual's economic entitlement to engage in economic activity, such as consumption, saving, production, or exchange. By determining economic facility to be one of the five pillars to overall freedom, Sen

clearly is in support of promoting higher incomes, yet entitlement to income is not the only form of economic freedom.

Wealth & Assets

Assets and Economic Well-Being

Assets are another form of economic facility that help to promote well-being in several forms. They first act in many ways to further economic well-being. Financial assets directly promote and create income for individuals through dividends, interests, and capital gains.[viii] Physical assets and possessions can protect income simply because the household possesses essential budget items. For example, if a worker owns a car, she does not need to budget for a taxi or a bus. In addition, she saves time commuting, thus increasing her potential time to earn money or enjoy leisure. She can also search for another job or a better job with the benefits her asset provided, which may lead to a higher wage and income. Homeownership operates in a similar way. If an individual owns a home with a low mortgage, his housing costs are low and predictable under times of other economic shocks.[ix] Furthermore, his equity increases by owning a home and making interest on his investment. However, if the home has a high mortgage, economic shocks that impact income will be detrimental to the household. For renters, economic shocks will prevent them from paying rent and thus, they could lose their asset altogether. On the other hand however, their asset (the apartment or condo) is more liquid, that is easy to sell or convert, than that of a homeowner.

Assets and Social Well-Being

Assets also play a large role in promoting well-being on a social level. Homeownership provides immense social benefits. Homeownership is culturally a symbol of success in the United States, a signal that one has reached “the American Dream”. This signal may act to build social capital and reputation within a community. Further, by investing in a home, owners naturally expand their involvement in the neighborhood, because the permanence of the home provides an incentive to invest in the neighborhood. Homeowners are more likely to be members of social networks, which are both instrumentally and intrinsically valuable. Owning a vehicle works similarly as a status symbol in many neighborhoods. Assets are also associated with improved educational outcomes: with stable economic and familial lives, students have consistent schooling and affiliation with classmates. Residential stability in homeownership is correlated with increased school quality, suggesting that educational attainment may be greater.[x]

Saving as an Integral Asset

Savings as assets are specifically important for low-income families trying to boost their capabilities. Although there are many assets that can boost capabilities—homeownership and other physical possessions are just two mentioned above—savings are particularly poignant and will be the focus of this discussion. Saving, defined as foregoing consumption, accumulates assets that can help buffer unexpected changes in income, which is crucial for financially unstable households

when short-term crises can strike often. Furthermore, savings work to diversify economic resources—with savings, households are less reliant on a consistent wage to earn income, should employment be inconsistent or an emergency threatens the household's well-being. A 2001 study looked at asset accumulation in the form of individual development accounts (IDAs), special savings accounts where account-holders deposits are matched to help them save for purpose such as buying a home, obtaining an education or getting job training.[xi] Researchers found that assets developed from the IDAs were related to better family relationships, greater affiliation with the community, and greater respect within the community. [xii]

Several studies have shown that saving plays a positive role within an individual psychologically. With emphasis on future benefits, saving has positive effects on expectations and confidence regarding the future. Respondents in the IDA study showed that a significant amount of individuals felt more confident in their future and more in control of their lives when their asset security was increased. This increased confidence is associated with greater agency in problem solving to combat against economic shocks and greater ambition towards improving one's own living situation. This confidence also has dramatic impact on social relationships and affiliation with others. Savings also combat against income instability caused by unemployment. Unemployment is associated with depression, anger, child abuse, spousal abuse, and poor academic performance and psychological health of offspring.[xiii] Assets can be used to avoid this hardship, both as liquid assets and as potential collateral, and thus promote a healthier lifestyle.

Why Wealth?

Wealth as a Primary Social Good

The accumulation of assets is one form of economic facility that promote not only capabilities but also the security of those capabilities in a way that income alone cannot. Although income is instrumental for the consumption of goods and services that help to promote well-being, assets' instrumental value is greater than income for antipoverty efforts because of its direct link to promoting capabilities. For example, let us imagine two similar women in similar abusive domestic relationships. One has savings built up, while the other does not. They both go to a women's shelter for a period of time. The woman with savings is more capable of permanently leaving the relationship and finding other, safer housing because she can immediately take out some of her savings to find a hotel, an apartment, or a house. The other woman is more likely to revert back to in her former living situation with her assailant. In other words, one has the capability of bodily integrity, one of Nussbaum's central capabilities, while the other lacks that Central Capability.[xiv]

Assets promote social, political, and economic capabilities of individuals and households, or what John Rawls would define as primary social goods. Primary social goods are the general means that support a general ends of an individual.[xv] Rawls' theory of primary social goods is that these means—in this case assets—promote an individual's conception of the good. Although individuals' conceptions of what the good is may differ, each person strives for that similar end, which is a

minimally dignified life dictated by the capability of well-being. Michael Sherraden, one of the lead scholars on asset-based anti-poverty policies, identifies the distinctiveness of assets' promotion of capabilities against income and consumption.

> "While income and consumption are obviously important, it is also true that most people cannot spend their way out of poverty. Most people who leave poverty—or to use another vocabulary, most people who develop economically—do so because they save and invest in themselves, in their children, in property, in securities, or in enterprise to improve their circumstances."[xvi]

Saving and investing in oneself, one's family, or one's community translates to increased resources, connections, knowledge, and abilities that can help reach a higher level of well-being.[xvii]

Furthermore, building assets works to sustain development and poverty alleviation because it also focuses on capability security. Jonathon Wolff and Avner De-Shalit contribute to Nussbaum's argument by stressing that public policy must provide Central Capabilities in a manner that promotes the capabilities both in the short-term and the long-term.[xviii] Going back to our example the women in domestic violence situations. They both are able to find temporary housing, because the woman without savings gets cash assistance from the domestic abuse shelter. However, the woman with savings is much more likely to secure *long-term* housing due to her asset level, while the woman without savings may have to turn back to the domestic abuse shelter, a homeless shelter, or even worse, back to her perpetrator. Assets promote capabilities for the future, and Wolff and De-Shalit find that security is integral to individuals' use and enjoyment of the Central

Capabilities.[xix] Thus, assets are essential to providing a minimally secure and dignified life.

Inequality in Asset Building

Currently, how asset policies operate in many nations, most prominently in the US, remarkably hurts some individuals, households, or communities while benefitting others. Financial structures combine with other social structures to perpetuate inequality and injustices. First, one might deem asset building policy to be badly created, but not unjust. However, the US system actively targets upper and middle socioeconomic status households. Further, the US welfare system, as stated earlier, focuses primarily on supplementing and promoting income rather than wealth. As a matter of fact, the welfare system dramatically disincentivizes low-income households from building assets. Thus the US tax and welfare system work unjustly, by excluding and penalizing both economically and socially disadvantaged households while rewarding more fortunate households,

Taxes

Asset building in developed countries exclusively help the non-poor population accumulate assets because they are linked to the income tax code. In the US, the tax code aims to give tax deductions—in other words, financial incentives—to individuals who engage in asset building activities such as financial savings, homeownership, retirement funds, education, and business capital. However, the federal tax system is extremely unfair, where the nonpoor largely receive (1) a much

less progressive tax code and (2) the majority of benefits from tax expenditures (deductions). Since the 1960s, the highest earning Americans have seen a dramatic decrease in their income taxes: in 1960, the top .01 percent of earners paid over 70 percent of their income in federal taxes, while in 2005, they only paid about 35 percent.[xx] Although this dramatic decrease has occurred for the highest earning individuals, the tax rates for middle classes have stayed constant at around 16 percent. Thus, while the tax rates have changed to benefit the upper classes, preventing them from paying over 70 percent of their income, the middle class has seen no variation. Furthermore, regarding the tax deductions that individuals and households can benefit from, the trend is dramatically regressive. 90 percent of the beneficiaries from tax expenditures earn an income of more than $50,000.[xxi] In 2011, only 2.8 percent of the federal income tax expenditures (deductions) were given to the bottom 20 percent of earners.[xxii] A 1999 study showed that 54 percent of mortgage interest deductions and 67 percent of retirement benefit deductions went to households earning more than $100,000 annually.[xxiii]

Why don't the poor benefit from the tax code as much as the non-poor? First, the poor and near poor do not earn enough income in order to benefit from the tax code. If they are earning an income at all, many times they will be exempt from paying any taxes. This is beneficial in that essential income stays in the household. Although income is protected, assets building mechanisms are stunted because of their connection to the tax code. A 2007 report by the Federal Reserve Bank showed that the poorest fifth of Americans receive on average $3 of benefits from asset-building

strategies linked to the tax code.[xxiv] Secondly, the tax code signals that in order to build assets one must have assets. Tax expenditures require that individuals already have assets in the forms of investments, retirement accounts, and homeownership in order to earn a deduction back from those assets.

Welfare

Against all odds, if low-income households do grow their assets, welfare programs discourage their security. Ever since the Great Depression, when formal welfare programs were put in place, the emphasis has been on raising households' incomes rather than wealth. The Social Security Act of 1935 created Aid to Families with Dependent Children (AFDC), which provided cash financial support to single-parent families who had income and assets below a certain level.[xxv] Although they included assets in determining eligibility, the benefits were simply income-based. Throughout the 1960s, many reforms took place that reduced the benefit reduction rate and increased emphasis on work responsibilities.[xxvi] Once again, the benefits came in the form of cash supplements to income. However, the biggest change in welfare came with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This act replaced AFDC with Temporary Aid for Needy Families (TANF). TANF promotes the short-term accumulation of income, but does not promote the long-term security of wealth. For example, a household with one mother and two children must have assets below $1,000 in order to receive TANF benefits in the state of Georgia.[xxvii] Imagine that one mother and two children receive TANF. In six months, they have $500 in savings. They live in Atlanta, and so

decide to sell their car because they have access to public transportation and want to save up for a better apartment. They receive $750 in return for the car. According to the countable asset policy of TANF, they would no longer be eligible for benefits because their countable assets are $1250.[xxviii] TANF, SNAP, and EITC all have countable asset limits, preventing households from trying to save for the long term while taking care of their immediate needs.

Social Structure Injustices

However, there are penetrating social structures, indirectly related to the tax code and welfare, that prevent the poor from building assets. Inequality begins at the workplace, where low-income households are less likely to possess jobs that offer retirement plans.[xxix] Inequality continues to the neighborhood, where low-income communities are less likely to have banks to provide savings accounts or institutions to provide financial training. Low-income neighborhoods with may lack quality schools to provide necessary education for building human capital. Inequality follows low-income individuals to the household, where they are much less likely to be able to afford a home and are left with the burden of renting. If they do own a home, they receive much less benefit from tax deductions from their mortgage interests, preventing them from building equity. They may not even have access to obtaining a legitimate mortgage, buying houses on contract from predatory lenders.[xxx] These compounding structures go further than the tax code to prevent low-income communities to engage in asset-building and even to act as a disincentive to engage in these practices. A report by the OECD from 2003 suggests

that even if the working poor earn enough money to participate in the tax code, their tax payment may be larger than their marginal income gains.[xxxi] The working poor behave based on this incentive (or lack thereof) and stop saving, have less money, and remain insecure.

Racial Injustices

Melvin L. Oliver and Thomas M. Shapiro specifically point to the disparity of asset holding between whites and blacks in the United States. The authors compared the wealth of middle class blacks in America to the wealth of their white counterparts and found that of married middle class families, white households had average net financial assets of $11,500 per year while black households had 0 financial assets.[xxxii] Many people attribute this inequality to income: black households earn less than two-thirds as much as the average white household. However, Oliver and Shapiro compared blacks' and whites' wealth at similar income levels and found that keeping income constant, black families still held less than 50 percent of the wealth of their white counterparts.[xxxiii] Even in high-earning black households, the authors found that whites still had the greater wealth, with blacks holding 23 cents of wealth for every dollar held by a white.[xxxiv] Oliver and Shapiro through their anecdotal evidence suggest that the composition of assets may play a role in accumulating total wealth. They found that blacks held assets overwhelmingly in real estate, while whites diversified across a range of investments, including homes, savings accounts, stocks, mutual funds, bonds, and IRAs, among others.[xxxv] However, due to assets interaction on a social and political level in addition to economic, the reason for such

inequality is imbedded in an extensive history of prejudice against blacks. Social structures of which assets interact with also have this history of prejudice and thus, inequality of education, job opportunity, housing, and health, among others, may also play a role in wealth inequality.

Towards a Moral Asset Building System

Responsibility for Justice

Savings, and wealth more generally, give individuals and households greater capability freedoms to create a minimally dignified life. As mentioned above, wealth is a primary social good. From Rawls' veil of ignorance, an individual does not know what his or her conception of the good is, but knows that primary social goods achieve it. The rational individual would assume that the more primary social goods, the greater chance of achieving the good life. Rawls says, "They know that in general they must try to protect their liberties, widen their opportunities, and enlarge their means for promoting their aims whatever these are."[xxxvi] Nussbaum and Sen have a similar stance: it is the accumulation of *all* capabilities that achieve a dignified life, not just achieving a few. Rawls, Nussbaum, and Sen all agree that is the responsibility of the society to promote these goods, capabilities, and freedoms for all citizens to a minimal level. Currently in the US, we have certain policies and programs that aim to promote the primary social good of wealth: however, we fail to uphold this ideal for all groups to a basic level. Thus, the US's asset building system is unjust.

Responsibility to Correct Injustice

Iris Marion Young discusses society's duty to recognize structural injustices as something that we are all responsible for combating because of the complex interactions each individual has with social structures. Young defines structural injustice as

> "social processes that put large groups of people under systematic threat of domination or deprivation of the means to develop and exercise their capacities, at the same time these processes enable others to dominate or have a wide range of opportunities for developing and exercising them."[xxxvii]

As evidenced above, the asset-building policies—both directly and indirectly through the policies' interaction with other social structures—benefit privileged households and allow them to dominate, while preventing disadvantaged communities from developing their economic and social facilities. However, Young's solution is not to place blame on individual agents, such as advantaged households or even those who uphold the tax system. Of course, the tax system works in tandem with several other social structures that millions of people engage with. Rather, Young argues that all those who contribute to structural processes that produce unjust outcomes to be *responsible* for future justice.[xxxviii] Young calls upon society to take collective action to intervene in the unjust process and try to produce better outcomes. Thus, intervention in the asset-building system calls upon not only the government in reforming tax code, but also the structures that promote homeownership, education, retirement, and savings among others. The question then becomes how should all of these agents work together in the most ethical, efficient, and beneficial way to promote asset building for all?

Possible Scheme for Asset Building: Individual Development Accounts

Given our current welfare system's emphasis on growing household income rather than wealth, there is a great need to develop asset building programs that can work with, rather than against, income building programs. While there are many different assets in question, and thus many different schemes to build assets, the focus of this discussion will be on savings. One of the potential tools is Individual Development Accounts (IDAs). Developed by Michael Sherraden, IDAs are savings accounts in which sums saved to build human capital and security are matched either by public or private sources.[xxxix] Pursuing education, receiving job training, owning a home, or starting a business are some of the activities that help to provide long-term income *and* wealth security, and so IDAs strive to build savings to pursue those goals. When the participant is ready to withdraw his savings for these purposes, the sum is matched. If the participant withdraws funds for other purposes, the sum will not be matched.[xl] IDAs primarily target the poor, and they require that participants also receive financial education.[xli] The benefits of IDAs are immense, as discussed in sections above: they promote economic, social, and psychological well-being.[xlii] From 1997 to 2003, the Corporation for Enterprise Development conducted a trial period of IDAs under the American Dream Demonstration (ADD).[xliii] Unfortunately in 2003, the program lost funding, and so the data collected only reflects this six-year period. However, ADD shows important trends about IDAs and provides the opportunity to infer larger and longer scale implications of the programs.

Correcting Injustices with IDAs

IDAs not only focus on low-income households that have historically been excluded from the asset building policies of the United States, but they also target historically marginalized populations such as blacks, women, and other non-Caucasian ethnicities. IDAs are made for the "working poor", thus 95 percent of participants were either working full-time, working part-time, working in the home, disabled, retired, or a student.[xliv] 78 percent of participants did not have a college degree and about 88 percent were below 200 percent of the poverty line.[xlv] 80 percent were women, but gender was not associated with being a saver or higher levels of saving.[xlvi] Finally, the program primarily targeted blacks, with 47 percent of participants listing their ethnicity as African American. African Americans had similar likelihoods of being savers than their Caucasian counterparts; however, blacks saved $6 less than whites. This finding is poignant for the black wealth vs. white wealth debate. Because the likelihood of being a saver is equal for blacks and whites, providing asset-building policies to the marginalized of society suggests that they will take advantage of the opportunity to save. However, because the amount of saving is less, this suggests that other factors—social, economic, and political—besides the availability of savings accounts and asset-building programs contribute to lower levels of wealth for African Americans.

Counterarguments

There are several questions lingering about IDAs. First, will the poor save? Some doubt poor individuals capability and motivation to save, arguing that if they are not

saving yet, why will they save with IDAs? Schreiner et al. found that the average IDA account accumulation was $700 per year.[xlvii] Beverly and Sherraden identified that institutions play a large role in asset accumulation, including institutionalized saving mechanisms.[xlviii] The study found that 1) saving mechanisms draw attention to the importance of saving and 2) individuals trust saving mechanisms because they are perceived as more secure and convenient. In turn, those with access to institutional mechanisms of saving, such as IDAs, are more likely to save. However, while there are institutional mechanisms to help people save, there are also institutional barriers to prevent people from saving. In a survey of IDA participants, 82 percent agreed that most of their money went towards necessities and 45 percent believed that they could not save enough money to make a difference in their IDA.[xlix] Furthermore, 22 percent of respondents reported worry over losing welfare benefits if they saved. This indicates that income support and welfare in addition to wealth support is necessary for impacting economic lives of the poor on a comprehensive level. The programs should work in conjunction, rather than opposition, to ensure the greatest impact.

Another argument surrounding IDAs is withdrawal for purposes outside the program's criteria. Unforeseen events occur that require payments, and if a household has little disposable income, it should be able to withdraw some of the savings if necessity strikes, even if the occasion does not directly contribute to human capital building. In other words, short-term needs may trump long-term goals. Under Sherraden's IDA program, these occasions mean participants must

forgo matching the sum that they withdraw for that purpose. Schreiner et al. found that 67 percent of participants had an unmatched withdrawal, with the average sum of that withdrawal being about $127.[l] A high percentage of unmatched withdrawals may be undesirable for IDAs because then poor families have less savings for their human capital activity. However, it is less desirable to put restrictions on unmatched withdrawals of the IDAs because emergencies do strike. Emergencies and basic needs must be addressed in the short-term in order for human capital to grow for the long-term. Therefore, Schreiner et al. suggest that IDA programs offer participants multiple IDA accounts: one for emergencies with no restrictions and another with more restrictions aimed to build long-term savings.[li]

Finally, because of the welfare system, assets in the form of savings can backfire on disadvantaged households by taking away their cash-assistance benefits. IDAs cannot replace welfare; rather they must complement income-support policies. Friedman and Boshara suggest two guidelines for policy reform in order to create a more inclusive set of asset-building programs for the poor.[lii] First, policymakers should stop penalizing those who participate in IDA saving schemes by raising and simplifying the asset limits on safety net programs. Currently, the asset limit varies state by state, with some being determined by the federal government and some not. The example of Georgia used above does not mean that the same experience would occur if she lived in Florida. Second, Friedman and Boshara suggest that explicit asset-building opportunities become a part of social safety net programs, in order to address both short-term and long-term needs of the working poor. For

example, the Earned Income Tax Credit (EITC) program would provide to its beneficiaries the opportunity to join an IDA program.

Conclusions

IDAs are in no way the panacea to poverty alleviation in America or even to asset-building. Several other schemes, such as Children's Savings Accounts and Mobile Money Networks, exist on a global scale to help households build their wealth. However, the research on IDAs indicates that they can boost saving frequency and saving levels. They also increase individuals' beliefs that they can save for the future, suggesting that IDAs can also correlate with building capabilities. With the growth of research and the growth in popularity regarding IDAs, perhaps this will lead to other creative schemes to promote wealth accumulation while maintaining income-support.

However, the public must redistribute its focus to include wealth in addition to income-support when discussing welfare and capability poverty in order for this change to occur. This paper has outlined how assets can provide essential economic, social, and psychological capabilities, which contribute to a minimally dignified life. If the US keeps the current asset-building policy it has now, the country will continue to perpetuate injustice for marginalized groups while rewarding historically privileged groups. However, if society recognizes the moral obligation to providing primary social goods, a just asset-building system can be materialized. As Sherraden writes, "The national economic pie is not finite. It can grow with the spirit

and ability of the people. Paradoxically, the more people who have a piece of the pie, the faster it will grow."[liii] Instead of American privilege being unlawfully and selectively distributed, all can be included in the privilege of wealth.

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