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ASSETS NECESSARY FOR GETTING AHEAD

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BYLINE: RAY BOSCHARA Guest columnist

In an annual autumn ritual, the Census Bureau has released its latest statistics on poverty and income. After falling for four consecutive years, the poverty rate rose to 11.7 percent in 2001.

But this figure, whether rising or declining, tells only part of the story about poverty in America: It measures only income. For a more complete picture - and a more disheartening one - it is necessary to measure the assets of the poor as well.

Between 1983 and 1998, the last year for which a comparison can be made, income poverty declined by about 16 percent, while asset poverty rose by 14 percent. Today fully one-quarter of the U.S. population is asset-poor. This means that, if they had to live only on their net worth - savings, home equity and other assets - they could survive at the poverty level for three months. Take away home equity, or consider only liquid assets, and the poverty rate jumps to nearly 40 percent.

When families don't have enough income, they can't buy enough food, shelter, clothing and other necessities. With 33 million Americans now classified as officially "poor," income poverty is a huge problem.

But at least twice as many families don't have enough assets, and so they lose their economic security and their ability to plan, dream and pass on opportunities to future generations. Lack of income means that you don't get by, but lack of assets means that you don't get ahead.

Both income and assets are clearly important measures of well-being. But when the government frames the problem in terms of income, the solutions are framed in terms of income. Hence reports of rising poverty are usually met with calls for greater income and food assistance, higher rental subsidies

and increases in the Earned Income Tax Credit and the minimum wage. The need for the poor to save and build assets is hardly discussed.

In fact, it turns out that the federal government has two policies. For the non-poor there is more than \$300 billion a year in tax breaks or incentives for individuals for asset development: tax deductions for home mortgages, favorable treatment for contributions to retirement plans or college-savings plans, myriad benefits for small-business ownership and stock investment. More than 90 percent of these benefits go to families earning more than \$50,000 a year. Combine these inaccessible income-tax breaks with strict asset limits in public-assistance programs, and the poor face asset denial.

It's not that the government doesn't spend on the poor - it's that it spends very differently on the poor. They are grudgingly provided with barely enough income and food to get by, while better-off Americans receive generous subsidies to build assets to get ahead.

This disparity in asset accumulation shows up in data on wealth inequality, which not surprisingly dwarfs income inequality and reaches well into the middle class. The top 20 percent of households earn about 56 percent of the nation's income, but command 83 percent of our wealth. The bottom 60 percent, the majority of the country, earns 23 percent of the nation's income but owns less than 5 percent of the wealth, and the bottom 40 percent earns 10 percent of the national income but owns less than 1 percent of the wealth.

Despite the greater magnitude of wealth inequality, however, income inequality - like income poverty - receives far more public attention.

To be sure, there have been some efforts to rethink the poverty line, including a comprehensive study by the National Academy of Sciences, some of whose recommendations are now included in annual census reports. And some advocates for the poor have proposed the use of a self-sufficiency standard to better capture the needs of the poor.

Most helpful, however, would be a set of policies to help the asset-poor, not merely the income-poor. We know that such policies can work: In a nationwide demonstration project, in which savings are matched on a 2-for-1 basis, the poorest of the poor - those at 50 percent of the poverty line or below - are saving more than 3 percent of their income.

We can help the poor accumulate more assets with matching deposits and refundable tax credits for savings that lead to home ownership, higher education, business development, investment and retirement. To combat pervasive child poverty and enable asset accumulation throughout life, we could establish a savings account at birth for every person in America.

If we continue to combat poverty primarily in terms of income, we do not merely mislead ourselves with a false sense of progress or an insufficient sense of urgency. We also deny the poor benefits and strategies for improving their lives that we have long offered to millions of other Americans.

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