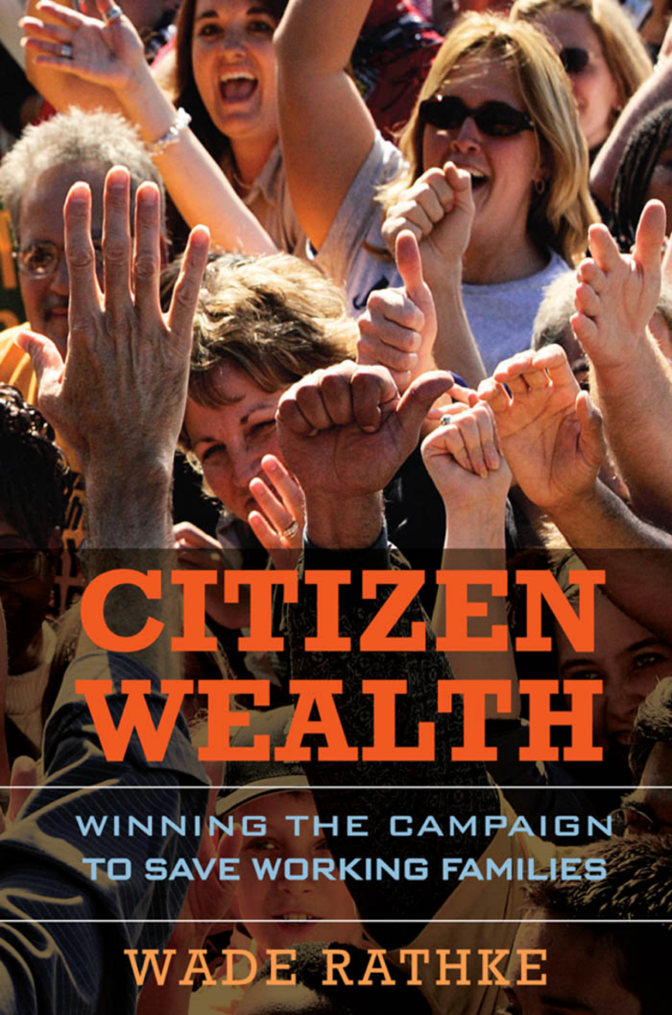

CITIZEN WEALTH

WINNING THE CAMPAIGN TO SAVE WORKING FAMILIES

WADE RATHKE

this material has been excerpted from

Citizen Wealth:
Winning the Campaign to Save Working Families

by Wade Rathke
Published by Berrett-Koehler Publishers

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Contents

Part III Changing the Terms of the Debate

Preface

I am tired of hard-working families still not being able to make ends meet. I do not believe that people have to be poor.

I do not think I am alone.

I have spent forty years as an organizer doing what I know how to do to help people pull the ends together more tightly. Some days, I think we only have to pull a little harder. Other days, I am not sure the ends will ever join. Somehow, though, rather than becoming completely jaded, I continue to believe that, if they could, a lot of people are like you and me, and would like to do something about the fact that there is way more month than money for most families.

I think the answer is taking the concept of citizen wealth seriously and then working very, very hard to get people to a place where they actually have sufficient citizen wealth. In this book I am going to try and bring you along with me.

By *citizen wealth* I mean the combination of income and assets that provides a family with a measure of real economic security.

Income includes jobs that pay living wages, the power to organize collectively to secure a higher income and better benefits at work, and the ability to access the full range of income maintenance and supports that have been created by various levels of government. Income at a sufficient level guarantees family survival.

Assets, on the other hand, add a level of security to the complex equation of family survival. Assets include savings, access to credit, and, more often than not, decent and affordable housing, including home ownership.

There is more to both income and assets than this simple list, like good healthcare coverage or access to education and training and therefore opportunity, but even progress along these simple lines begins to create real citizen wealth, and therefore real family security, widening the gap between families and potential poverty by miles rather than millimeters. This is a goal worth the work.

I am not naïve, nor do I believe that any of you should be. I think there is little point to building citizen wealth if we do not simultaneously protect what we are building from wholesale erosion. That means that we have to make sure that the wealth being acquired is not immediately dissipated by various predatory practices. We cannot forge ahead two steps toward greater family security and then let down our guard and watch people pushed back again because we did not keep in mind that it all can be taken away in a minute by hundreds of schemes devised for just that purpose.

This work means that some things have to be done better in terms of policy and the politics that drive policy, but this is not a book about policy. At least, it is not a book about just policy.

The work, in my view, really means things that we can do as individuals and communities to create the conditions that allow citizen wealth to become a major priority and thus a visible reality. Since I have been an organizer all of my adult life, much of what I argue, not surprisingly, has to do with collective action and organization. Superman may be able to do everything in the comics, but the rest of us need to join together at every level in order to build the power to do something about these issues. Furthermore, this method works, and I will share with you many examples of campaigns that have succeeded in making a difference in building citizen wealth.

All of this is so important. I wish I were sitting next to you right now and we could hash it out together. I just know that if we talked it through, you would be as moved as I am, and would be rip-roaring and ready to act. That is the organizer in me talking. I have a lot of confidence in those skills and in our ability, yours and mine, to come up with a plan and to make it happen. I am pretty clear about the fact that I am a much better organizer than I am a writer, and this worries me as we start the journey of this book together. I need you to make it through, even if there are rough and imperfect patches, because, as I have said, this is important, and there are things you and I can and should do.

So, bear with me. For my part, I guarantee it will not be boring. I also guarantee that you will learn some things you did not know before you cracked the cover of this book. I know I did.

The Road Ahead

We need to create citizen wealth and ensure the financial security that allows all families to build better lives and better futures, and here is how I have tried to tackle it in this book.

The Introduction, "From the Bottom Up," makes the case that we need to focus on citizen wealth in face of the mounting economic inequities in our society, and explains why I believe my experience as the founder and chief organizer for ACORN (the Association of Community Organizations for Reform Now) for thirty-eight years has taught me, along with a lot of other things, some lessons that are valuable in building citizen wealth.

Chapter 1, "Building a Winning Campaign for Economic Security," looks at the fact that we often fail to think about wealth and concentrate on just income when we think about economic security. Income is important, but assets are important as well because they often define a family's degree of security. These are the differences that can define why a family confronting job loss can suddenly be pushed within a few months from being solidly middle income to being homeless. It all matters.

Chapter 2, "Home Ownership Through Community Reinvestment," deals with home ownership, since the home has become the single biggest asset for working families in the United States. The centrality of increasing home ownership for families of modest means has only increased since the passage of the Community Reinvestment Act in 1977.

Chapter 3, "Stopping Foreclosures and Predatory Lending," looks at how the predatory practices in the subprime mortgage market have eroded family wealth and jeopardized home ownership. We may think we know this story all too well now, but this chapter looks under the hood at the fight to keep home loans flowing to eligible families before the lack of oversight and enforcement drowned many homeowners in foreclosures.

Chapter 4, "Making Work Pay Living Wages," looks at the successful efforts mounted in communities and states throughout the U.S. to increase wages for publicly contracted work and to raise the minimum wage to more adequate levels, despite the lag in the federal minimum wage in recent decades. In this chapter we look at the hard lesson of sometimes putting aside our "dream" goals and focusing realistically on what can win and make a difference.

Chapter 5, "Creating Wealth Through Worker Organizations," takes on an issue that too many people like to avoid. Unions mean much-needed wage and benefit security, yet unions are becoming weaker. In this chapter I argue that we should create more workplace organizations that can enable workers to come together to get the best deals available, and therefore achieve more economic security. Furthermore, in one of the unrecognized success stories of the last thirty years, just such an approach has led to the successful organization of hundreds of thousands of informal workers at the bottom in home health and home day care.

Chapter 6, "Making Earned Income Tax Credits Work for Workers," looks at the Earned Income Tax Credit (EITC), which just about every president and politicians of every stripe claim is the most effective anti-poverty program in the U.S. Despite all of the praise that EITC gets, however, significant numbers of eligible families are not getting EITC benefits, and I argue for an effective campaign to achieve what we call "maximum eligible participation."

Chapter 7, "Guarding Tax Refunds and Combatting High Prices," also takes a look at the dark side of the coin, even as I remain hopeful that the bright side will prevail. This is particularly the case with Refund Anticipation Loans (RALs), which encourage predatory cash advances to desperate families, eroding the very benefits of EITC. I then look at the steps taken by organizations to reform these practices and the great progress being made.

Chapter 8, "The Debt Trap," examines the role of debt in building citizen wealth. Debt of course often undermines citizen wealth, yet people require loans to access educational opportunities and the housing market, and credit cards are a part of our modern economy and can be a form of security for families. We do little in the microfinance area to assist families trying to broaden income opportunities, though, and we need to force established financial institutions to limit credit card abuse and push them to compete with payday lending outfits in providing small loans for low-income families.

Chapter 9, "The 'Maximum Eligible Participation' Solution," argues what I believe should be accepted as a simple truth: if a family is eligible for a benefit, then we need to do everything we can to ensure that that family receives the benefit. We need to finish the jobs that have only been partially done by existing programs at the local, state, and federal level by creating access, doing outreach, and achieving maximum eligible participation.

Part III, "Changing the Terms of the Debate," looks at the ways that both companies and organizations can lead the way to creating citizen wealth by rethinking their markets and constituencies.

Chapter 10, "Working with Corporations to Create an Asset Climate," examines the major steps taken by HSBC to move from being the largest facilitator and financer of RALs to deciding to protect its brand and move out of the market.

Chapter 11, "Business Models That Foster Citizen Wealth," looks at how H&R Block altered its business model to expand wealth for its largely modest-income clientele just as other companies including Wal-Mart and Colonial Penn Insurance had done.

Chapter 12, "Bringing Citizens into the Wealth-Building Process," talks about the potential of bringing diverse partners, from tax preparers (H&R Block) to software firms (Nets to Ladders/N2L) and community-based organizations (ACORN), to work together to create new platforms that combine many programs to achieve greater access and participation.

Chapter 13, "The Future of Citizen Wealth," makes the case that there is a campaign to achieve citizen wealth for working families that needs to be undertaken now and that there is a role for all of us in winning this battle.

As I promised, this will not be boring!

Wade Rathke
New Orleans
March 2009

Introduction
From the Bottom Up

Let us try to sing another song rather than another verse, the same as the first. I am not saying it will be easy, and I may have to catch myself as I fall into the same habits. We have memorized so many of the old verses that, at the first note we hear, it is difficult not to start singing immediately what we already know. However, we need new songs in our future with more hope and promise than those we have seen in the past. We are going to try our hardest to find a way to craft them together, so that we can all march to a different tune.

The acceleration in income inequity over the past several decades is well known and well documented. During the last twenty-five years, the gap between rich and poor has grown almost fivefold.[1] Federal tax giveaways to those in the higher income brackets have not only created shameful disparities, but have also applied additional pressures on future prospects that now must be shed. We have entire cities in the United States, including Boston, Seattle, New York, and Washington, where working families earning moderate incomes can survive only if, like farmers, they owned their land before the boom times and have not lost it in the waves of refinancing and foreclosures now buffeting the economy. This is an epidemic that has resulted in falling health standards, increased mortality, denied educational and other opportunities, depressed wages and incomes, and a score of other conditions unthinkable in a healthy and successful society. In mid-2008, a record number of Americans (more than 80 percent[2]) said that they believed the country was on the wrong track. Rather than being a Cassandra warning of dire consequences to come, I argue that such a course is not inevitable or predetermined, especially if we are willing to alter the paradigm and focus on the ways and means of creating citizen wealth.

I am not an optimist looking through rose-colored glasses; I am in fact quite the opposite.

Having worked as chief organizer for ACORN (Association of Community Organizations for Reform Now)—"first and stayed the longest"—for nearly forty years, I have encountered hundreds of campaigns designed to create citizen wealth, or at least to prevent the erosion of the financial health and well-being of our constituency of low- and moderate-income families. These campaigns have been established both in the United States and around the world.[3] None of this work has been easy, and all of it has met with fierce opposition at every twist and turn. Therefore, I cannot pretend that anything I am going to advocate from our experience or from the experiences of many other organizations is going to be met with open arms, much less with open wallets. Changing the paradigm to winning wealth for our citizens is going to be a process involving some hand-to-hand combat. My goal is to recruit you as a soldier in this new battle with every word you read.

We have to change the narrative in a clear-eyed and hard-fisted way. The Horatio Alger story of our modern Gilded Age spins out constantly in every news cycle. This includes the *People* magazine/*Forbes* 400 versions of the lives of the rich and famous. The outer limits of the absurd gap between rich and poor in the United States are defined by a story on CBS about the status and wealth envy in Manhattan between the mere millionaires and the mega-millionaires.[4] We need little more than the current profound recession, frequently cited as the worst economic situation since the Great Depression, to remind all of us of the thin line between security and deprivation and making a mockery of the stories that were so current only months before the bottom fell out.

Meanwhile, there are 300 million other Americans—and at least 32 percent of the 300 million are low and moderate income.[5] This particular population is, in fact, singing another verse that is the same as the first. These families are being dropped from health insurance coverage at accelerating rates,[6] and they are unable to finance higher education for their children.[7] All of this is taking place as the gains in home ownership over the last decade have been erased overnight,[8] leaving 3 million to 4 million families to face foreclosure.[9] All of these factors contribute to the loss of homes, which is the basis for most definitions of citizen wealth for low- and moderate-income families.[10]

I have traveled a long road to the place where I want to stand with you to fight for citizen wealth. When I was an organizer for the National Welfare Rights Organization (NWRO) in Springfield and Boston, Massachusetts, in the late 1960s, our primary slogan on every sign and banner was ADEQUATE INCOME NOW! Women on welfare did not win then and are certainly not winning now. However, in some ways this unrecognized issue is still at the center of the campaign for citizen wealth. In ACORN we saw something surprising start to happen over the decades. Since we began pitched battles in the mid-1970s against the banks that were exploiting our neighborhoods, we have not only seen the passage of programs that make a difference, like the Community Reinvestment Act (CRA) in 1977,[11] but we have also seen some of our opponents in these campaigns gradually changing course and becoming partners. These new partners have learned that a business model serving low- and moderate-income families rather than avoiding them is not only important to us, but can also be a valuable franchise and major profit center. In fact, the results of these campaigns are significant. In one decade these ACORN campaigns have, estimated conservatively, won $15 billion in direct economic benefits in the form of direct transfers from the government and corporations to lower-income families.[12] This is my definition of creating citizen wealth!

Over the last ten years, ACORN's Financial Justice Center has been able to focus on developing campaigns against the predatory practices of financial institutions, tax preparers, credit card companies, payday lenders, mortgage companies, and servicers (which are mostly no longer banks). During these hard-fought efforts, the Financial Justice Center has found not only that change is possible, but also that it is possible to create a different and better world. I am speaking of a world in which the interests of customers as consumers and constituents can be reconciled to a more comfortable coexistence with corporate America. We have not found that this is a natural impulse. We have noticed, however, that once firms have been forced to adapt they are able to embrace a new future that is compatible with a vision of citizen wealth that is more constructive than corporate banditry.

We want to model good behavior and make the most of the surprising paradox that has emerged from many ACORN campaigns around financial justice and wealth creation. The focus of these campaigns is on governments and corporations that have determinedly resisted initiatives to increase citizen wealth and have then found, to their amazement, that they also benefit from the shift in thinking and new business and service models that reclaim the mission of citizen economic development and improvement as a core pursuit of the American project and promise. Such a premise requires governments to design their citizen wealth programs as a positive good, rather than focusing all their implementation efforts on the negative, obsessed with the rare instances of fraud or error. The public debate on government needs to focus on the increased resources and revenue of a citizenry with greater wealth and on the ability to see "all boats rise" rather than on the usual complaints about small leakage in positive public initiatives in these areas. Similarly, firms need to understand that a wealthier citizenry benefits the bottom line of all enterprises. This is a more constructive and sustainable business model than a constant fleecing of pennies and dollars through hidden and corrosively predatory practices "just because they can." It has been our work for decades to prove that they cannot. I am not arguing that they will inevitably be caught, but that businesses operating within this framework are shortsighted and not even serving their own interests.

Focusing on citizen wealth is neither natural nor easy for any of these outfits. I cannot maintain that this is a wide sweeping trend that is suddenly the rage in corporate boardrooms and in the halls of government. I am arguing quite the opposite. There have been huge struggles for wealth creation and significant successes for tens of thousands of citizens at the bottom that, if expanded and built upon, could revolutionize our society and achieve real and lasting equity—if these paradigms are sufficiently supported and scaled as part of policy, program, and practice.

I also think we have learned some lessons from thousands of campaigns that were created to fight government and some of the world's most prominent corporations both on the streets and at the bargaining tables—in engaging, shaping, and, in some rare cases, changing their operational models and in persuading them to change their political position to advance financial justice by creating citizen wealth. This will lead to increased resources for their own enterprises, whether private or public. My argument is that, just maybe, this is possible and that, perhaps, now is the time to make it happen.

The topic of citizen wealth has become surprisingly controversial in present-day America. Therefore, we must clear that up at the outset, because citizenship itself has become fraught with controversy, when it is really the subject of wealth that should be more the rage. Few seem as exercised as they need to be about wealth, but the notion of "citizen" has been and remains controversial. When I speak of "citizen," I am not projecting the classical Greek view that some would now adopt. The Greeks saw democracy as a radical concept, but it was strictly limited to those who were the sons and daughters of other citizens in places like Athens. Over the years it became harder and harder to become a citizen, and in fact in the 5th century the Athenians removed 5,000 people from the list of citizens to limit those who might be eligible to receive rations from a gift of grain from an Egyptian king.[13] Even then, it seems, where there was a question of wealth versus citizenship, it was clear which would take the hindmost. My use of the term *citizen wealth* throughout this volume is declared in the broadest, most comprehensive, and inclusive sense in the way that the French after the 14th century defined a citizen as being any "inhabitant of the country." After the French Revolution, the common greeting on the street from one person in France to another was "Citizen . . .," in the same way we might say "Mr.," "Ms," or "Brother," or as South Africans say and Russians once said, "Comrade." This signified that we were all together in making the revolution and trying to build one united, if not always happy, family. I will be speaking about citizen wealth in this all-encompassing way, because our vision here is to see all lower-income and working families moving further away from poverty, and I draw no distinctions there, and require no fingerprints or picture identification. If you inhabitant this country, then I want to imagine our creating plans and programs that find all citizens ahead and none left behind.

I hope to prove, with your help, that there should be a different paradigm, and that perhaps together, using your personal methods and keeping me in mind, we can force the pieces to fit more closely and smoothly together to create real citizen wealth.

Let us see if we can get there together.

Part I

Creating Citizen Wealth

1

Building a Winning Campaign for Economic Security

The Bible may have assured some people that the poor would always be with us, but there is no support in Scripture for the view that their numbers must necessarily be as huge as they are today. We should instead believe that poverty is a relative concept, meaning that some families are relatively poor compared to those who are rich, rather than an absolute concept, meaning that some families are sentenced by circumstance, fate, or fortune to the most abject levels of deprivation and poverty.

The task of making sense of all of this can be daunting. Every morning's headlines seem to carry the subtext these days that economics is about as much a science as astrology. The basic strategy seems to be to throw as much money against the wall as can be printed and hope that it sticks long enough to prevent the deluge. Managing the economy in these times seems to be driven by hopes and prayers more than anything else. Suffice it to say, all of these issues become very complex when it comes to money, who has too little of it, and how to make sure they have more.

These are problems that arise when we fail to recognize the fact that income alone does not guarantee economic security, nor does income by itself define wealth. In working to advance citizen wealth we need to look closely at how these factors differ and how we can devise strategies or campaigns to create programs that increase not only income, but wealth as well.

This is a big-stakes proposition, and there need to be a lot of players at this table putting actual investments into the pot, not just wild bets. The government is part of the solution here, but so are businesses that depend on lower- and moderate-income families for their success. I also believe there are roles for all of us to play, particularly as recession forces us to confront the fragility of family economic security. We may not be economists, but more and more of us are going to know families who are losing their security, losing their homes, seeing their children come home from colleges they are no longer able to afford, dealing with mature workers finding careers and good jobs suddenly gone. In fact, more and more of us *are* these families, and some of us have been these families for a long time. We have to sort this out.

Low- and Moderate-Income Families

The demographic population that ACORN sees as its primary constituency is low- and moderate-income (LMI) families. Roughly speaking, this "majority constituency" (which includes the 47 percent of American families making less than $50,000 annually; the 21 percent earning between $51,000 and $75,000; and the 14 percent earning between $76,000 and $100,000) adds up to 57 million families in America.[1] This same block of people around the world is obviously an even larger percentage of the population, because the developing world is overflowing with families who are barely surviving. Estimates indicate that a quarter of the world's population makes less than US$2 per day—over 1 billion people![2] At home or abroad, the reality continues to be that there are more people for whom money is a constant, daily concern than there are people who have found a livelihood and income stream that puts them beyond the ravages of want.

Business Models

Firms see such numbers as markets, and they make their own assessments of whether these are customers they want to seek or avoid. Current developments in India around modifications of foreign direct investment in retail, banking, and insurance are interesting because they reveal some of the choices and aspirations of global corporations. In a country of 1.1 billion people, some 300 million in India's emerging middle class are reshaping the market so that global concerns like big-box retail or global financial institutions like Citibank or HSBC can export their brands to such "solid" citizens.

Even so, in the United States some of the same companies see low- and moderate-income families as primary markets for their core businesses. Two good examples in different markets are Wal-Mart and H&R Block. Wal-Mart has succeeded over the last fifty years in building the largest corporation in the United States, with gross sales of some $270 billion and more than two million employees, making it the largest employer by far in the U.S., by using a business model that focuses on full-service retail sales to families making less than $50,000 per year.[3] Kmart and Target like to see themselves as slightly more upscale, but their target customers are still in the solid range of LMI consumers. H&R Block, which specializes in tax services as its core business, focuses its business model on a "preparer dependent" customer who keeps coming back tax season after tax season. Block prepares 20 million tax returns every year, specializing in low- and moderate-income communities, as ACORN discovered in our campaign against some of Block's practices. In fact, H&R Block recently shared with us an internal report indicating that approximately 7 million of its tax-return customers seem to be eligible for any number of federal income support programs, which illustrates the full reach of Block's market penetration among lower-income families.

Certainly these are not the only large companies to specialize in lower-income consumers. The list is in fact a long one, and parts of it are anything but pretty. Cigarette, beer, and liquor companies have long been mainstays in this area. Pawnshops and quick-loan storefronts can be found in virtually any lower-income area, but many have been replaced by the check-cashing and payday loan outfits that have become ubiquitous in lower-income communities. Look within a short radius of Wal-Marts virtually anywhere in the country, including some moderate-income neighborhoods, and you will see not only the check-cashing and payday loan storefronts in nearby strip malls, but also H&R Block, Jackson Hewitt, Liberty, or some local "mom-and-pop" tax place. There will, of course, be fast-food outlets of all shapes and varieties. Increasingly there may not be supermarkets. You may find specialized outlets catering to particular ethnic groups. There will be coin-operated laundromats, liquor stores, bars, churches, daycare centers, rent-a-center or cheap furniture stores, a lot more tire and mechanics' shops to keep beat-up cars hauling their owners to work with bailing wire and chewing gum, used car dealers, and on and on. Many of them are not large national firms, though a surprising number of establishments, like the predatory check-cashing and payday loan boutiques, are supported by the largest and best-known finance houses in the country.

The simple truth is that despite the poverty of many of these communities there are already significant assets embedded there. Recognition of this fact helped drive passage of the Community Reinvestment Act in 1977. Banks were collecting substantial deposits from thousands of individual accounts in poor communities, and the numbers added up to significant proportions of bank assets. But not much of this money returned in the form of loans by the banks back to the local communities where they so readily accepted deposits and held resources.[4]

In fact, the heart of the economics of redlining could be found in the expropriation of these deposited dollars from poorer areas and their transfer to "safer" areas, which were also richer and whiter, to finance home mortgages and similar loans. There were assets, lots of assets, but they were not being allowed to multiply on behalf of their owners, particularly in creating home ownership opportunities or in allowing investments in existing homes that would increase in value. Banks were essentially controlling assets providing their owners minimal to nonexistent returns in order to maximize bank income from higher interest rates and to make supposedly more secure investments outside the community.

Over the last thirty years there has been great progress in reducing redlining, though even now only about 30 percent of the mortgage lenders fall under CRA regulatory requirements for community lending or the Home Mortgage Disclosure Act (HMDA) for reporting on such lending.[5] In the last three decades this area has, despite the CRA, become an unregulated "no man's land."

Part of the business model of many financial institutions over the same period has been to move away from serving individual depositors. It would seem obvious for me now to list banks as another one of the institutions that are firmly rooted in lower-income communities. In fact, it would seem obvious to report that there is great progress in narrowing the gap of the "unbanked" among American lower-income families. Unfortunately, this still does not seem to be the case. Currently, 9 percent of families do not have a bank account.[6] Twenty years ago, 15 percent of families did not have bank accounts.[7] That is not as much progress as we need, and therefore creates a problem experienced routinely in the development of citizen wealth.

Western Union, for example, and new competitors such as MoneyGram and those that offer debit card–based products, are entrenched in lower-income communities, particularly in those with high percentages of immigrant workers and residents, because these companies specialize in handling the transfer of remittances from the U.S. back to the families' home countries. These remittances are now a fundamental component of the national economies of countries throughout the developing world in Africa, Latin America, and Asia.

The Nexus of Wealth

Before we go too far down this path, it is important to understand that most of these business models are focused on capturing income from LMI families, rather than wealth, and therein lies both the problem and the potential lie. At the threshold of our journey, we have to confront a huge problem for people, politicians, and policy. There is a world of difference between income and wealth, and inequities have been increasing in America even more dramatically around wealth than around income.

In "The Hidden Cost of Being African American" Thomas Shapiro makes this point forcefully: "The average American family uses income for food, shelter, clothing, and other necessities. Wealth is different, and … it is used differently than income. Wealth is what families own, a storehouse of resources. Wealth signifies command over financial resources that when combined with income can produce the opportunity to secure the 'good life' in whatever form is needed—education, business, training, justice, health, comfort, and so on. In this sense wealth is a special form of money not usually used to purchase milk and shoes or other life necessities. More often it is used to create opportunities, secure a desired status and standard of living, or pass class status along to one's children."[8]

Put another way, there are big reasons why the rich are different from the rest of us, and those differences lie right at the nexus of wealth: they can live with a level of security and a variety of opportunities that can only be imagined by the vast majority of working families.

Many make the argument that some progress has been made in reducing income inequality. The income-based U.S. poverty rate was 15.2 percent in 1983 and dropped dramatically to 12.8 percent during the six-year period to 1989, and fell less significantly down to 11.7 percent by 2001.[9] Unfortunately, as important as reducing income equality is, there seems to be a weak correlation between income and wealth. Sociologist Lisa Keister makes this point in her study *Wealth in America*: by focusing "solely on income [we] miss a large part of the story of advantage and disadvantage in America."[10]

The same point is made about the relationships among income, earnings, and wealth by Javier Díaz-Giménez, Vincenzo Quadrini, and José-Victor Ríos-Rull: "Labor earnings, income, and wealth are all unequally distributed among U.S. households, but the distributions are significantly different. Wealth is much more concentrated than the other two. Wealth is positively correlated with earnings and income, but not strongly. The movement of households up and down the economic scale is greater when measured by income than by earnings or wealth. Differences among the three variables remain when the data is disaggregated by age, employment status, educational level, and marital status of heads of U.S. households."[11] All of this seems to be the equivalent for the body politic of getting pneumonia under control and then having to explain to the family that the patient still died because there was no remedy for the cancer.

Since we are now wallowing somewhere between bad news and hard facts, let's consider sociologist Mark Rank's point that to recognize the "true nature of poverty" we "should be looking at American families that experience at least one year of poverty."[12] Rank emphasizes that almost 60 percent of Americans will spend one year below the official poverty line—I can tell you now that organizers will spend more than one, along with many of our members—and that 90 percent of African American families will have this experience during their most productive working years.[13]

Thomas Shapiro also cites the asset poverty line (APL) as helpful in looking at this problem. It's a calculation of the resources needed by a family to survive a crisis period during which they have no income. Suppose, Shapiro argues, that the APL were tied to the official poverty level and we arbitrarily defined a family's crisis period as three months with zero income: "In 1999 the official U.S. government poverty line for a family of four stood at $1,392 a month. In order to live at that poverty line for three months, a family of four needs a safety net of at least $4,175. Families with less than $4,175 in net financial assets in 1999, then, are 'asset-poor.'"[14] It is this kind of calculation that underlies the fear of losing a job or missing a paycheck for a month or two, and marks the difference between family security and homelessness. It is wealth rather than income that provides the safety net for working families, and there simply is not enough wealth and not enough being done to increase it.

It goes without saying that wealth is not color-blind, either. In a 1999 study a little more than a quarter of all white children were raised in such asset-poor families, while 52 percent of African American children were raised that way and 54 percent of Hispanic kids. For whites since 1984 that level has been largely unchanged, while the percentage of blacks has fallen from 67 percent in 1984 and Hispanics have seen increases in asset deprivation.[15]

Most of the business models we looked at earlier focused on how to divert pieces of the income stream of lower-income families to business enterprises. Such income diversions virtually by definition go toward necessities or "survival" items like food, shelter, clothing, fuel, transportation, and health. The Wal-Marts of the world can maintain their hold on the incomes of working families because they specialize in many of these areas. Many other companies contend for this income stream, including other grocery and drugstore operations, car manufacturers, insurance companies, trade schools and community colleges, gas stations, home and rental companies, and so forth through all the categories of consumer and durable products. In many cases, such firms' best-case argument for creating value is similar to Wal-Mart's claims that it saves the working family money and perhaps thereby helps to create wealth.

If we define wealth as based on the resources a family controls and that can be increased by new opportunities, then arguably wealth can be built by deeper training in marketable skills, through education that not only broadens opportunity but also extends social and job networks; by ownership of housing and other property; and by holding savings and other investments. With this being said, where are the companies that see their business model as increasing citizen wealth? The citizen wealth crisis is most dramatically revealed in the current loss of wealth caused by the bait-and-switch methods that were endemic to subprime lending. The financial institutions that supported the subprime system are to blame for the loss of millions of family homes to foreclosure and for the fate of millions of families who are "under water" on the value of their homes compared to the size of their mortgages. All of these families are losing wealth.

Are there companies that have tied their futures to the ability of working families to increase their wealth? Who are they? What are they doing? Why aren't there more of them?

Let's not just pick on corporations, though. There are big stakes here worth billions. Are there any public policies that seek to increase wealth for lower-income families and to help them build some measure of financial security? What are they? How can programs designed to increase income become more connected to the creation of wealth as well?

While we are looking at all of these issues and the importance of wealth, and even as we confront the significant problem that income and wealth are not naturally and organically connected, in the sense that increasing one will automatically raise the other, we still have to acknowledge that the chicken-and-egg problem for families is clear. The problem of what I will call "wealth security" for working families may not be automatically tied to income increases, but it is hard to imagine how we get there from here without significant increases in incomes and, just as important, protections for that income.

If income and earnings are going up, citizen wealth must be leaking away for one of two kinds of reasons. Either the prices of necessities are rising just as rapidly and sucking up the increased income—and a lot of that is no doubt happening, particularly in the costs of food, fuel, and transportation—or there is a direct, predatory siphoning of real income and potential wealth from working families. Increasing citizen wealth requires campaigns to win public policies to maximize the conversion of increased income into citizen wealth and programs to prevent predatory business models that siphon off income and block wealth security and to punish the predators. Both sides of the ledger are important because the stakes are high and the numbers are staggeringly large.

In this fight for family survival, benefits are as important as income in increasing wealth. Health insurance and pensions or other retirement-related benefits are obvious examples, and once again they work because they both create and protect wealth.

A widely recognized fact of life for working families in America these days is the tenuousness of wealth security in the face of a family health crisis. The numbers of Americans covered by health insurance have steeply declined in recent decades to the point now where 14.5 percent of the U.S. population does not have coverage.[16] This assault on income centers on costs and deductibles that leverage income from the family. The attack on wealth is the cascading impact of any health crisis for the uninsured, which has made health crises one of the primary drivers for home foreclosures for many families and for bankruptcies for others, and has made the need to reform healthcare coverage and costs one of the major national political and policy issues of this decade. The math is simple. With full individual or family health coverage there may be an income dislocation as copays and deductibles strain available cash reserves, but a working family that does not qualify for federal health programs like Medicaid and Medicare has definitely lost any paddle and is heading over the falls and down the stream. Citizen wealth cannot be created on the long-shot gamble of good genes and perfect health.

Pensions pose the same challenge. The corporate abrogation of their social contract with workers has led to constant hand-wringing about the Social Security system, of course, but also to cuts in health insurance coverage that have been accompanied by reductions in retirement and pension-related benefits. IRAs and pension accounts are important indexes of wealth and are critically important for protecting security when working years are over and income zeros out. Having or not having income in your nonworking years marks a great divide between the security of citizen wealth and potential abject poverty.

In the big-stakes fight for citizen wealth, the war on benefits continues to punish lower-income families, because benefits have too often become theoretical: they are difficult if not impossible to access and therefore provide no real assistance or security. The trench warfare around eligibility for benefits versus real access to benefits has been too often ideologically driven, rather than factually based and value-free. What is the point of something like food stamps if you cannot get them when you need them, or the point of unemployment, or of any number of similar income and security programs?

We need to create a national economic and political consensus that increasing family income, wealth, and assets is not welfare or an entitlement "giveaway" program but an investment in the public good. We need to win and then to implement programs that create a government and business climate that is family friendly and focuses on increasing citizen well-being and the creation of social and public goods and, as a central part of that focus, on increasing citizen wealth. We cannot ensure the health of our democracy without substituting a wide-ranging effort to create more citizen wealth and benefits for the current dominant political and business models that embrace only caveat emptor or the survival of the fittest.