The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—for Everyone

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Without the ideas, inspiration and contributions of so many people, this book would not have been possible. Any book is a true team effort, and this one is no different.

As mentioned in our introduction, several of the ideas in this book were incubated in dialogues and retreats organized by the Aspen Institute over the last few years. However, what really ignited the book was what we informally called our "Wednesday Wealth Working Group"—a series of agenda-less Zoom meetings over the summer and fall of 2020 aimed at making sense of the confluence of the pandemic, recession, and national moment of racial reckoning—all of them arising in an era of already alarming levels of economic inequality. What, we wondered, did all these events mean for the inclusive wealth-building agenda that most of us have dedicated our professional lives to? What were—are—the threats, challenges and, especially, the opportunities? Could this be a generation-defining opportunity for our field? Could the country afford for it *not* to be? What would be the consequences of missing this moment to compel real change? Without the encouragement, insights and generous contributions of Dorothy Brown, Tim Flacke, Darrick Hamilton, Ed Sivak and Jennifer Tescher, this book simply would not have existed; they also helped make the book much better. We cannot thank you enough.

We also each have our invaluable teams to thank. Ida is grateful to the Aspen Financial Security Program team, especially Karen Andres, Dyvonne Body, Katherine McKay, Genevieve Melford, Joanna Smith-Ramani, Emy Urban and Elizabeth Vivirito. They lent their substantive areas of expertise as well as their excellent editing, framing, media and organizational skills to the book, which is immensely better because of their contributions. We also are grateful to the Citi Foundation for supporting the creation of an online "home" for the book (futureofwealth.org), which will build out over time with additional commentary, events and other content that amplify and expand the ideas in the book—and support broader engagement and impact among public, private, philanthropic, nonprofit and academic sector stakeholders.

Ray would like to acknowledge the superb contributions of Ana Hernández Kent and Lowell R. Ricketts, who not only co-authored a few essays but also generously provided research assistance to several other authors. Along with William R. Emmons, Lowell, Ana and Ray constituted the core team of the St. Louis Fed's Center for Household Financial Stability before it evolved, earlier this year, into the Institute for Economic Equity, now led by its inaugural director, William M. Rodgers III. The Center's focus on household balance sheets, especially its Demographics of Wealth series, was foundational for the book's conception and evolution.

The excellent contributions of the St. Louis Fed's contracts, legal, financial management, editing, design, production, media and communications teams deserve special recognition too, in particular: Katie Bohl, Matuschka Lindo Briggs, Loree Carvelot, Ally Davis, Brian Ebert, Sarah Hamilton, Maria Hasenstab, John Hayes, Rachel Hill, Antonn Park, Daniel Riordan, Monica Shields, Rachel Siegel and Joni Williams. It was of course no small task to manage all the contracts, communications, graphs, edits, layouts and idiosyncrasies of over 100 authors! Ray also deeply appreciates the enthusiastic support of several members of St. Louis Fed's leadership team, especially Karen Branding, James Bullard, Daniel Paul Davis and Kathleen O. Paese. When the pandemic created a demand for projects none of us had planned for, they eagerly lent their support for this book.

Finally, without the extraordinary authors who accepted our invitation to contribute, this book would of course not exist. As they managed their own personal and professional challenges arising from the very conditions—pandemic, recession, racial reckoning—that birthed this book, they graciously and enthusiastically found time to pen original essays for this volume. Thank you, all 106 of you, for making this book possible. We hope you're as proud as we are of what we produced together.

Ray Boshara & Ida Rademacher
July 2021

Capstones and Cornerstones

BY JAMES BULLARD
President and CEO, Federal Reserve Bank of St. Louis

Thought leadership has always been central to the mission of the St. Louis Fed, particularly in monetary policy, economic research and education, and community development. In that spirit, I'm proud that our Institute for Economic Equity, launched earlier this year, has published *The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—for Everyone*, a book led by Ray Boshara, an Institute senior advisor.

The book builds on the success of our recently sunset Center for Household Financial Stability, formed by Ray and St. Louis Fed economist William R. Emmons in 2013 in the wake of the Great Recession to study family balance sheets. In fact, in many ways the book serves as a capstone of the Center's efforts to document and address stark racial, educational, generational and gender wealth gaps in the U.S. But the book also serves as a cornerstone of the Center's successor, the Institute, which was launched on the belief that wealth equity remains essential to overall economic equity.

In presenting the book's 63 essays, we have two main goals. The first is to offer some of the latest and best thinking about ways to help struggling families build or rebuild their balance sheets—especially those families who have yet to recover the wealth they lost in the Great Recession or, more recently, during the COVID-19 pandemic. Our second goal is to expand our horizons by exploring novel ways for low-wealth families to generate savings, assets and financial security. The book asks, and begins to answer, the critical and frontier questions: What does property ownership mean in the 21st century, and how can our nation broaden it for those who own little? Are there untapped national assets that could generate value for households if we recognize and monetize them as such? Can new forms of national wealth also generate new wealth for those families lacking it?

These questions could not be timelier and more essential in the wake of the COVID-19 pandemic, a recession, a national conversation on racial equity, and persistently high and increasing levels of income and wealth inequality.

I'm also excited to note that the book concludes with a conversation I had with three other Federal Reserve Bank presidents—Raphael Bostic of Atlanta, Patrick T. Harker of Philadelphia and Neel Kashkari of Minneapolis. As the conversation reveals, addressing wealth inequality and moving toward racial, educational, generational and gender equity are key goals for my Fed colleagues and me. Narrowing these gaps holds the potential to grow our economy as well, as some of the essays in the volume also observe.

Finally, let me say that the St. Louis Fed is pleased to have published this book with the Financial Security Program of the Aspen Institute, a widely respected, nonpartisan think tank committed to leadership, debate and promising ideas. I hope that you find this book as stimulating as I have, and I look forward to the important and spirited conversations it is certain to prompt.

Introduction

BY RAY BOSHARA AND IDA RADEMACHER

The seeds for this book were planted several years ago through a series of dialogues at the Aspen Institute on the future of building wealth and ownership inclusively in America. The real impetus compelling its birth, however, came during an extraordinary convergence of events in 2020: a public health crisis, the disparate economic impacts that the crisis amplified and a national moment of racial reckoning. It felt—feels—like a rare moment of opportunity.

A Historic Moment

As documented by some of the authors in this volume, COVID-19 exposed and is likely to exacerbate the already stark economic inequalities our nation reached by the end of 2019. Prior to COVID-19 there was resounding evidence that, in the midst of the longest economic expansion in modern history, the U.S. was marking levels of income and wealth inequality not seen in a century. Coming into the pandemic, most households had not recovered economically from the Great Recession, especially observable in the declining wealth and increasing debts of less educated, younger, female-headed and non-white families. When the economic shock of COVID-19 was inflicted on their fragile balance sheets, we witnessed the extent to which financial precarity had become the defining characteristic of millions of families … and simultaneously watched the net worth of others grow at their most robust rates in decades.

The persistence and depth of income and wealth inequality have, in turn, prompted serious national reflection on the fairness and sustainability of our current policies and systems. What level of economic inequality are we as a nation willing to allow? At what point does pervasive household financial insecurity weaken the prospects of a robust economic recovery? High levels of inequality have, historically, preceded and prompted an update of our social contract, as the major reforms of the Progressive Era, New Deal, and Great Society powerfully suggest. Have we reached another one of those inflection points in our history?

High levels of inequality have, historically, preceded and prompted an update of our social contract; have we reached another one of those inflection points in our history?

It may be too soon to label this era of historic social and economic reform—but it's not too early to offer some ideas that could underlie those reforms. It is in that spirit that we reached out to over 100 innovative and influential thinkers to invite them to contribute an essay to this volume. The request was straightforward: What are your best and most promising ideas to address our nation's profound racial, generational, educational and gender wealth gaps?

Why Wealth?

Why are we focusing on wealth gaps, specifically? While income inequality remains deeply troubling—and is both a driver and consequence of wealth inequality—we believe that wealth or net worth (all your savings and assets, minus all your debts) is both a unique and powerful barometer of economic resilience and opportunity and a key component of broader economic equity. Building on a deeply ingrained tradition of broadening property ownership in the U.S.—articulated by, among others, Thomas Paine in the 18th century, George Henry in the 19th and Louis Kelso in the 20th—we focus on wealth for three reasons.

First, as Michael Sherraden in argued in 1991, assets—as distinct from income—serve as both a cushion against challenging financial times and a springboard toward better times: the ability to make investments in a first home, small business, postsecondary education or skills, a reliable car, retirement security, and future generations. Second, assets change heads: Many scholars in this volume and beyond have documented powerful “asset effects,” such as youth developing a “college-bound identity” from modest amounts of college savings in their name, or mothers who have better mental health and higher expectations for their children because of the assets in an at-birth Child Development Account.

And third, public policy has played an outsized role in determining who is incentivized to build wealth—and who is not. Most notably, of course, is our nation’s lamentable history of taking land from Native peoples and then giving or subsidizing land and other assets to overwhelmingly white people while legally or effectively barring Black and other people of color from accumulating wealth—a fact that best explains the majority of the racial wealth gap today, as the St. Louis Fed and other research have shown. Similarly, historical obstacles to women owning property well into the 20th century help explain the gender wealth gap today.

Yet, while legal barriers to wealth accumulation may no longer remain, public policy—notably tax policy and asset limits in public assistance programs—still subsidizes wealth accumulation for wealthier households (most of whom are white) while penalizing it for poorer ones (who are disproportionately people of color). An upside-down policy, for sure.

The central theme of this book is inclusion: if public policy has actively or effectively excluded certain people from accumulating wealth, then we are called to build wealth inclusively—everyone, by design, from as early as birth, is included in systems and policies to build wealth.

The central theme of this book, then, as well as the focus of a few specific essays, is inclusion: If public policy has actively or effectively excluded certain people from accumulating wealth, then we are called to build wealth inclusively—everyone, by design, from as early as birth, is included in systems and policies to build wealth. And while there may well be compelling reasons to reduce enduring wealth gaps per se, a more critical challenge, we believe, is to grow wealth among lower-wealth groups so that they can achieve greater levels of economic resilience and upward economic mobility.

From Why to How

So that's why we focus on building wealth inclusively; now we'd like to offer a few words on how we have aimed to achieve that in this book.

The first way is by insisting that the ideas included here represent the latest evidence-based research and ideas in the field—and that hold potential for scaling up. Just as the early 20th-century local and state experiments loosely falling under "the Wisconsin Idea" became the basis for many Progressive Era and New Deal reforms (such as wage insurance, labor rights and progressive taxation), we hope that the ideas presented in this volume could be the basis for wealth equity policies in the renewed social contract now under discussion.

The second way is by breaking down silos. The clunkily named "asset-building" field, like most anti-poverty fields, has been too siloed, so we aim to bring folks working on balance sheets and family wealth *together* with those focusing on a range of ownership strategies: community wealth building; ESOPs (employee stock ownership plans); universal capital accounts; social insurance; property rights; and entirely new ways of conceiving and broadening wealth through, for example, a sovereign wealth fund, a data dividend, social inheritance, and reforms to corporate consolidation.

We must improve the ways we value and compensate workers in this country, and we also must invite fresh thinking on how we can create new sources of capital and ownership that do not entirely depend on labor-market income.

And our third way is by challenging long-held assumptions. As reflected in many of the essays focused on novel ways to build wealth, we were skeptical of the resigned view that the best we can do for the majority of families in America today is help them manage scarcity—and that labor-market income and existing safety nets, both meriting improvements, can be the best sources of managing that scarcity. While it is true that families can realistically save and build wealth when they experience routinely positive cash flow (income exceeding expenses), it is also true that wage income has not kept pace with the rising costs of living—especially the costs of housing, education, health and dependent care. While we must continue to improve the ways we value and compensate workers in this country, the time also seems right to invite fresh thinking on how we can create new sources of capital and ownership that do not entirely depend on labor market income.

A Down Payment to Inspire More Conversations

While we were heartened by the overwhelmingly positive response to our invitations to contribute essays to this volume, we wish we could have included so many other leaders and innovators in this volume. Even a book with 63 original essays featuring over 100 invited authors—along with a moderated discussion among four Federal Reserve Bank presidents—could not, in our view, capture the breadth and depth of novel thinking on ways to address generational, educational, gender and racial wealth gaps in the U.S. today.

To help remedy this, we have launched futureofwealth.org to house this ongoing discussion and promote even more new ideas, events and actions. Along with downloadable chapters in PDF format, the site will evolve to include blogs and additional ideas from a diverse spectrum of social, financial and policy innovators. You'll also see listings of events and initiatives that are emerging across the country and across sectors dedicated to building an inclusive and equitable wealth agenda in this country. We're eager to engage as many of you as possible in whatever ways we can.

Thank you for reading his book! We hope you are as inspired as we are.