Perspective

From Research to Policy:
Lessons from Individual Development Accounts

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> There goes in the world a notion that the scholar should be a recluse, a valetudinarian. . . As far as this is true of the studious classes, it is not just and wise. Action is with the scholar subordinate, but it is essential. . . Without it, thought can never ripen into truth. . . (Ralph Waldo Emerson)

On January 27, 2000, I was in Spartanburg, South Carolina, for an afternoon planning session and an evening speech on individual development accounts (IDAs), which are matched savings accounts for the poor. Following dinner, I returned to my hotel in time to watch President Clinton's State of the Union Address. The research team at the Center for Social Development (CSD) at Washington University had been providing research data on IDAs to the White House and Treasury Department over the preceding months. The data showed that low-income people were saving an average of $33 per month in IDAs (later reported in Sherraden et al. 2000). We had been told that the President would propose some form of matched savings policy for the poor. In his address, the President said:

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

> for retirement, a first home, a medical emergency, or a college education. I propose to match their contributions, however small, dollar for dollar, every year they save (Clinton 2000).

In a separate publication that day, the White House pointed to the influence of IDA research, which is now published in the CSD report, *Saving Patterns in IDA Programs*:

> The President's proposal builds on the successful model of Individual Development Accounts (IDAs), extending generous matches to all low- and moderate-income families to encourage them to develop savings and assets (The White House 2000).

This lecture is a case study and reflection on the development of IDAs and asset building for low-and-moderate-income families as a policy innovation. I discuss the formulation and circulation of the idea, work with policy institutes and government officials, the legislative process at federal and state levels, and the role of research. Following the case description, I offer some thoughts on policy innovation, particularly from the standpoint of the applied social sciences.

To greatly oversimplify, there are three types of policy work: to defend current policy, to extend current policy, and to innovate. All three are important and necessary in consumer studies, public health, social work, and other applied social sciences. At times it is essential to defend; at other times it is possible to extend; and less frequently there is an opportunity for innovation. This discussion is about innovation, which I define here as *putting in place a decidedly new way of doing things that is defined in law and regulation, is funded and operational, affects real people at a meaningful scale, and is sustainable.* Innovation in this sense is uncommon and difficult to accomplish. By definition, the work is uncharted and likely to be long-term. Mistakes and setbacks are a normal part of the process.

As a clarification, there are a lot of activities that are sometimes called policy innovation that may fall short of actual impact. This could be a long list, and I mention only a few. Policy innovation is not "policy implications" at the end of a research article. Policy innovation is not a "policy agenda" in the form of a list of what would be desirable. Policy innovation is not taking the high moral ground on an issue. Policy innovation is not testifying before the Congress or participation in a political discussion, even if it is at the State House or the White House. All of these can contribute to policy innovation, but often they do not. The test for policy innovation is actual and sustainable impact in the lives of real people.

IDAs AS A POLICY INNOVATION

IDAs are a strategy for *inclusive asset-based policy* (Sherraden 1988, 1990b, 1991). There is reason to believe that a shift to asset-based policy is underway in the United States. This can been seen in the introduction and growth of 401(k)s, 403(b)s, IRAs, Roth IRAs, the Federal Thrift Savings Plan, Educational Savings Accounts, Medical Savings Accounts, Individual Training Accounts, College Savings Plans in the states, and proposed individual accounts in Social Security. Some of these are public and some are “private,” but it is important to bear in mind that the private sector plans are typically defined by public policies and receive substantial subsidies through the tax system. All of these asset-based policies have been introduced in the United States since 1970. Overall, asset accounts, for various purposes, are the most rapidly growing form of domestic policy, and it seems quite possible that the shift to asset-based policy will continue (Sherraden 1997).

Through these policies, asset accumulation is structured and subsidized for many non-poor households, primarily via tax benefits for retirement accounts and home ownership. In these two categories alone, over $200 billion per year is provided by the federal government in tax benefits, and more than 90 percent of all tax expenditures are for home ownership and retirement accounts go to households earning over $50,000 per year. Thus, asset-based policy is considerably more regressive than the social insurance and means-tested income transfer policies that have made up the "welfare state." The reasons are twofold: the poor often do not participate in the asset-based policies that currently exist; and asset-based policies operate primarily through tax benefits (tax expenditures) that benefit the poor little or not at all. In other words, asset-based policies have the potential to exacerbate wealth inequality, and indeed are doing so, because the poor are left behind (Sherraden forthcoming).

IDAs have been introduced as a matched saving strategy to show that the poor can accumulate assets if they, like the middle and upper classes, have incentives and opportunities. IDAs are special savings accounts, started as early as birth, with savings matched for the poor, to be used for education, job training, home ownership, small business, or other development purposes. IDAs can have multiple sources of matching deposits, including governments, corporations, foundations, community groups, and individual donors. Below, IDA policy innovation is described in stages.

Insight

The idea of asset-based policy evolved over a period of several years in discussions with academic colleagues, social workers, and welfare recipients. Particularly influential, in the mid 1980s I had several informal meetings with welfare recipients to discuss what was wrong with the program, why it was a "trap," and so on. During this period, I began thinking about "poverty" and "welfare" and their definitions in the academic world and in public policy. Almost entirely, poverty and welfare in Western welfare states have been defined in terms of income. It has been assumed that if households have a certain amount of income, they will consume at a level equivalent to that income, and this consumption is by definition the welfare (well being) of the household. This is consistent with the definition of "welfare" as it is used in welfare economics, and indeed the entire edifice of the welfare state rests uneasily on this narrow intellectual footing. 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. This being the case, it occurred to me that another way to think about the concept of welfare is required, not to replace the income-based definition, but to complement it. This new concept of well being would focus on asset accumulation.

Exchange

As the idea of asset-based policy developed, drafts were circulated among academics and policy makers for comment, critique, and suggestions. The circulation of drafts served two important purposes. First, I was working in a new area -- new both intellectually and in policy. Also, the subject matter crossed the boundaries of traditional academic disciplines and applied professions, including social work, public policy, sociology, psychology, economics, political science, and history. Because of these factors, I needed the expertise and feedback of many people. Second, because I had not been a “poverty” scholar (I had previously been working in youth policy, employment policy, and social administration), it was necessary to become part of the poverty scholarship network. Usually this process takes many years, but I did not want to spend many years just "getting to the table." Circulation of draft papers and chapters was the best way to join the discussion. There is not space here to describe this process or to give credit to the many people who contributed to my thinking, but exchange is the lifeblood of academic work, and I am deeply grateful to all of my colleagues and correspondents.

Emergence

Circulation of the early articles and draft book chapters eventually resulted in working relationships with two policy institutes in Washington. These were the Progressive Policy Institute (PPI) and the Corporation for Enterprise Development (CFED). PPI was formed in 1989 as a think tank associated with the Democratic Leadership Council (DLC). Will Marshall, President of PPI, was aware of my earlier work on national service. On a trip to Washington in July, I met with Marshall and Al From, President of the DLC. Shortly after that meeting, Marshall asked if I would write a policy report on IDAs to be published by PPI. This was my first opportunity to circulate the idea among national policy-makers (Sherraden 1990a), and it received modest attention (e.g., Scripps Howard News Service1990, Rich 1990).

CFED was founded by Bob Friedman in 1979 with an emphasis on community development and progressive entrepreneurial strategies. Friedman had been promoting a form of asset-based policy (although he did not use this phrase) for nearly a decade; he had proposed that welfare recipients should be allowed to accumulate a portion of their transfer payments to start small businesses (Friedman 1988). After we discussed ideas and possibilities, Friedman suggested publishing a portion of my draft book chapters, which later appeared in an issue of the CFED publication, the *Entrepreneurial Economy Review* (Sherraden 1989), with the excellent editorial work of Janet Topolsky. This publication caught the attention of William Raspberry of the *Washington Post* and he wrote two columns within a few days on asset-based policy

(Raspberry 1990a, 1990b). I began to receive calls immediately from congressional offices in Washington, from governors' offices in several states, and from many officials and community groups around the country. Several weeks later, Raspberry wrote a column on Jack Kemp, Secretary of Housing and Urban Development, in which Kemp mentioned my work on asset-based policy, endorsing the viewpoint that assets change thinking and behavior:

> You wrote a piece about Michael Sherraden and his idea that ownership of assets changes behavior. . . That's exactly right. Owning something changes behavior in ways that no amount of preaching middle-class values ever could. Democracy can't work without the component that goes to the heart of what freedom is all about -- the chance to own a piece of property. That's why I'm determined to do what I can to put assets in the hands of the poor (Kemp, quoted in Raspberry 1990c).

Individual Development Accounts were also mentioned at an April 1990 DLC convention in New Orleans by Representative Mike Espy (D, MS). The DLC meeting resulted in calls from the offices of Senator Sam Nunn's (D, GA), the Senate Budget Committee, and others. The DLC meeting was reported in *Time* magazine and IDAs were mentioned (Carlson 1990). Ken Apfel, who was at the time chief legislative aide for Senator Bill Bradley (D, NJ), met with Friedman and me; the Senator was interested in IDAs. On the Republican side, I was asked to meet with Jack Kemp, Secretary of the Department of Housing and Urban Development. Unlike many conservatives, Kemp was committed to economic development for the poor and he believed that public policy had a role to play. Secretary Kemp continued to refer to asset accumulation in speeches throughout the summer and fall. Senator Jack Danforth (R, MO) expressed interest in developing legislation in the Senate. Washington publications continued to mention IDAs (e.g., Economic Opportunity Report 1991, Solomon 1991).

Upon publication *Assets and the Poor* was reviewed in *New York Times Book Review* by Alvin Schorr (1991). Schorr characterized himself as an "unrepentant liberal" and he was skeptical about asset-based policy for the poor. On the academic side, the book was reviewed in a wide range of journals in economics, political science, and public policy. Most reviews were positive, and all raised challenging questions. At the beginning of a policy innovation the best one can hope for is to begin a discussion.

Critical to emergence of asset-building policy has been the support of private foundations in funding IDAs and other asset-building initiatives as models for public policy. Foundations have historically played this role in United States, and the emergence of IDAs is perhaps an exemplary example. In 1994, pioneering funding from the Joyce Foundation of three IDA projects led to increased policy discussion and political support.[1] Later, the Ford Foundation reorganized and the largest of three divisions became known as the Asset Building and Community Development Division, under the leadership of Vice-President Melvin Oliver.[2] This re-orientation of private philanthropy toward asset building at a leading American foundation has been a major factor in increasing visibility of the idea and stimulating policy change.

Policy

In November 1990, I received a call from the staff of the Select Committee on Hunger in the House. They were interested in IDAs and asked if I could give them a briefing. Committee staffers, led by Ray Boshara, had many perceptive questions. In the following days the committee staff met with Bob Friedman of CFED and others to discuss IDAs. These meetings were productive and several committee staff became enthusiastic about IDAs. Committee

Chairman Tony Hall (D, OH) and the ranking Member, Bill Emerson (R, MO), decided to include an IDA demonstration in a bill on anti-poverty strategies. The first draft of this bill was written by Boshara, Friedman, and me and was entitled the *Individual Development Account Demonstration Act*. Later a companion bill was introduced in the Senate by Bill Bradley.

Simultaneously, Friedman had been circulating the proposal for a State Human Investment Policy (SHIP) that included IDAs at the state level (Friedman 1990). The SHIP initiative began in Iowa, where the first state IDA bill was enacted under the leadership of State Senator Elaine Simoniak (D). In Oregon, State Representative Beverly Stein (D) began organizing and promoting IDAs. She developed and introduced legislation for *Children's Individual Development Accounts*, and a version of this bill was enacted that would have given an account to every child in the state. However, Oregon soon thereafter enacted a property tax restriction measure that made funding to the children's IDAs impossible. SHIP appeared to be only moderately successful at the time, and never received outside funding, but in retrospect, it played a major role in initiating state IDA policy.

In 1991-92 Jack Kemp invited me to several meetings with high-level administration officials, including President Bush. Asset-building discussions with domestic policy advisors in the White House continued, leading to a provision by President Bush in his 1992 budget proposal to raise welfare asset limits from $1,000 to $10,000.[3] This was a bold step at the time; no liberal Democrat had made such a proposal. This proposal by a leading Republican substantially influenced the discussion on changing welfare asset limits. Today, as mentioned below, almost every state has increased asset limits in means-tested programs. This in itself has been an important policy shift.[4]

Secretary Kemp initiated a program called Family Self-Sufficiency (FSS), administered by HUD. FSS permits residents of subsidized federal housing to save and accumulate assets in the following manner: Rent is normally calculated as a portion of income, but under the FSS program, if a resident's income rises, the increased portion that would go to rent goes into an escrow account. When the individual is no longer a recipient of federal means-tested programs, he or she can use the escrowed savings. There has never been an evaluation of FSS (no money for evaluation was allocated), but anecdotal reports from many parts of the country are positive. We have heard numerous reports of residents having several thousand dollars in their FSS accounts; many have become homeowners; others have used the money for education. Possibly the impact of the FSS program is substantial, but research is needed.

CSD created an *IDA Evaluation Handbook* (Sherraden et al. 1995) to facilitate research on early IDA programs. CFED initiated an IDA listserve on the Internet, and organized national conferences on IDAs in 1995, 1998, 1999, and 2000. The latest conferences have drawn over 500 people from community groups, foundations, financial institutions, and government agencies around the country. CFED and CSD have worked in virtually all states that have an IDA policy, and provided technical assistance of some type to most community IDA programs. CFED has assumed responsibility for spearheading federal policy changes, with noteworthy successes. CSD has created a management information system for individual development accounts, known as MIS IDA, to facilitate program design and management, and to collect timely and comparable data from multiple IDA sites (Johnson and Hinterlong 1998).[5]

Bill Clinton supported IDAs in his 1992 campaign, and IDAs were included in the President's 1994 "welfare reform" proposal. CFED and CSD were involved in these efforts. We worked with Bruce Reed, Co-Chair of the White House welfare reform task force. Reed had written a positive 1990 article on IDAs for *The Mainstream Democrat*, a publication of the DLC. With continuing efforts by CFED, IDAs were included as a state option in the federal welfare reform act (U.S. Congress 1996), which replaced AFDC with Temporary Assistance to Needy Families (TANF). This act has two important provisions: First, if TANF participants accumulate assets in an IDA, these funds are exempt from asset limits for all federal means-tested programs (in other words, the welfare poor can save without penalty in IDAs). Second, states are permitted to use TANF funds to match savings in IDAs. Although not widely-recognized at the time, these asset-building provisions in TANF marked the first time in a federal anti-poverty policy that asset-building was no longer discouraged, and in fact could be subsidized with federal funds. Allowing IDAs as a state option in TANF was an important step toward establishing asset building as a policy option on equal footing with income support for welfare households. In 1999, another federal ruling specified that IDA participation, including matching funds, would not be defined as "assistance" under TANF and thus would not run a participant's "clock" of eligibility for TANF support. This ruling removed a major concern and impediment to inclusion of IDAs in welfare reform in the states.

Another federal IDA initiative, the *Assets for Independence Act* (a legislative descendent of the first IDA bill in 1991), was passed by Congress in 1998 with bipartisan support, and signed by the President. CFED guided this process.[6] The bill was sponsored in the House by Tony Hall and John Kasich (R, OH), and in the Senate by Dan Coats (R, IN) and Tom Harkin (D-IA). The *Assets for Independence Act* provides $125 million in federal funding for IDA demonstrations over five years; though in the first year the appropriation was only $10 million.

Other significant policy developments have occurred in regulations. A 1999 example is a ruling that any IDA asset accumulation under TANF does not run a participant's "clock," i.e., does not use up eligibility for TANF participation in the future. Another 1999 ruling relates to the Community Reinvestment Act (CRA). IDAs are now explicitly mentioned as receiving CRA "credits" for financial institutions that assist with IDAs. Ray Boshara of CFED spearheaded these regulatory changes, mobilizing IDA constituencies in both community organizations and financial institutions.

Implementation

Policy action is essential, but it is not enough. Laws and regulations must affect the lives of real people. As indicated above, there has been quite a lot of policy action in IDAs, and asset building is today an almost mainstream part of policy discussion, but what is the actual impact? It appears promising, but is still quite modest. Today perhaps 300 community IDA programs are operating, and many more are being planned. Some locations are at the point of "second generation" IDA programs, where pioneers are providing a model and technical assistance to newly emerging programs. As increased federal and state funding becomes available, it drives the increase in IDA programs and participants. At this time, almost all states have raised asset limits in welfare, and at least 25 states have included IDAs in their welfare reform plans. Most state IDA bills pass with broad bipartisan support. Altogether, 44 states have some type of IDA policy or initiative within their borders, though most are in the early stages of implementation.[7]

Several prominent networks of IDA programs have or are being established. A national program of IDAs was initiated by AmeriCorps VISTA, with volunteers working at community development credit unions and other community organizations.[8] The Eagle Staff Fund of the First Nations Development Institute has initiated IDAs on several Indian Reservations. The Neighborhood Reinvestment Corporation has started an IDA program. United Ways in Atlanta and St. Louis have funded multi-site IDA programs. Some states have organized IDA networks (North Carolina, Tennessee, Michigan).

IDAs and similar progressive asset building policies are also being adopted internationally. Canada now has IDA programs and is launching a major demonstration. In Taipei, the city government is starting a program of matched saving in family development accounts. There is a growing discussion of progressive asset building in the United Kingdom. CSD and CFED have consulted in these and other international initiatives.

Regarding impacts on participants, we are finding that most participants are able to save (Sherraden et al. 2000). We do not yet know if they would have saved anyway; early evidence suggests that this is unlikely, but we will not know for sure until the experimental evidence is available. Also, we do not know how many people would participate if IDAs were offered on a broad scale; for several reasons, it may be impossible to know this until IDAs are actually offered. In qualitative research, IDA participants are generally quite positive about their experience, mentioning increased control over their lives and a sense of hope.

Scale

Ultimately, it is desirable not only to produce an impact, but to "go to scale" with a policy that affects the lives of millions or tens of millions of people. The purpose of IDAs is to lay the groundwork for a large-scale, progressive, asset-based policy, which is likely to take decades. It is not possible to predict how scale might be achieved, but three policy directions seem promising: children's savings accounts, saving options in electronic funds transfer, and universal savings accounts.

Children's savings accounts (CSAs), have been proposed by Senator Bob Kerrey (D, NE), with federal deposits for all children beginning at birth and extending through age 18, to be used for education and later retirement security.[9] To put this proposal in perspective, it is useful to bear in mind that every economically advanced nation except the United States has some form of children's allowance (monthly payment to families with children) for consumption support. The nations of Western Europe spend an average of 1.8 percent of GDP on children's allowances (Curley and Sherraden forthcoming). By this standard, the United States underinvests in children. Based on our history and values, the United States is unlikely to enact a children's allowance, but CSAs may be more consistent with US values. If the United States invested only 1.8 percent of GDP in CSAs, it would be enough to deposit $2,000 per year into the accounts of every young person, from birth through the age of 18. Imagine what the United States would be like in terms of class and race divisions if every child grew up with an asset account for post-secondary education, homeownership, business capitalization, and other life goals.

IDAs in electronic funds transfer (EFT) have been thoughtfully proposed by Michael Stegman (1999). At present, a large portion of the poverty population is "unbanked," i.e., they have no mainstream financial services. Instead, they pay high prices for financial services in check cashing outlets, pawn shops, and the like (Caskey 1994). The transition to EFT presents an unusual opportunity to provide not merely transaction accounts, but a full range of financial services to nearly all Americans. At this time, guidelines on EFTs from the Treasury Department do not include the provision of savings accounts. Stegman is among the first to recognize the enormous potential in the federal initiative for EFTs to deliver a wide range of financial services to impoverished households and communities, including saving and matched saving in the form of IDAs. Stegman has proposed, and Senator Joseph Lieberman (D-CT) has designed legislation called the *Savings for Working Families Act* (2000) to use federal funds to support a progressive system of IDAs operated by banks and other financial institutions.

Universal Savings Accounts (USAs) were proposed by President Clinton in his 1999 State of the Union Address and spelled out in greater detail in a White House presentation in April.[10] Clinton proposed using 11 or 12 percent of the budget surplus, an estimated $38 billion per year at the outset, rising with the rate of inflation, to create a progressive system of accounts for retirement. The federal government would make annual deposits plus matching deposits into accounts of low and middle-income workers, taking in most of the working population, on a progressive basis, i.e., the largest subsidies would be at the bottom. Some have described this as a 401(k) available to all workers. It would be the largest anti-poverty initiative since the Earned Income Tax Credit. Republican response to the Clinton USA proposal was unenthusiastic, largely for political reasons. In the past, leading Republicans such as John Kasich have proposed individual accounts with equal deposits into everyone's account, regardless of income. In a less partisan political environment, a USA-like policy might be enacted.

RESEARCH

Theory and research have been an integral part of IDA policy development. The influence of asset building as an idea has been strengthened by clear specification of research questions and results. Several types of research have been important. Descriptive research on asset distributions (e.g., Wolff forthcoming) underlies this field of inquiry. Also, descriptive data on the regressive nature of asset building tax expenditures have been important (Sherraden 1991, Howard 1997). Historical and sociological explanations of unequal asset distributions (e.g., Oliver & Shapiro 1995) represents another important body of work. Turning to theoretically based questions that underlie policy, two are perhaps most important: (1) How do the poor save? (2) What are the effects of asset holding? Evidence suggests that saving may be largely an institutional phenomenon (Beverly & Sherraden 1999), and asset holding appears to have multiple positive effects (e.g., Page-Adams & Sherraden 1995). In addition to questions with a social science base, there are policy and program questions such as: How can an IDA program get up and running? How many people will save in an IDA program? Would they have saved anyway? (Sherraden et al. 1995). All these research questions and studies have accompanied and interacted continuously with policy innovation in IDAs.

The most important research initiative on IDAs at the present time is the Downpayments on the American Dream Policy Demonstration, known as the "American Dream Demonstration" (ADD). ADD was initiated by CFED and CSD and is funded by a consortium of eleven foundations.[11] ADD is among the largest policy demonstrations in the country at the present time, with 13 IDA demonstration sites across the country, a four-year demonstration (1997-2001) and six-year evaluation (to 2003), and multiple research methods. CFED is carrying out the demonstration, and CSD is designing and directing the research. Abt Associates is undertaking the experimental design survey. ADD has an intensive research agenda that includes the following methods: (1) implementation assessment (case studies at all 13 programs), (2) monitoring of all sites and participants (software created for this purpose), (3) individual case studies (N=18), (4) a brief cross-sectional survey (N=300), (5) an experimental design survey (N=1,100 in three waves), (6) supplemental in-depth interviews (N=90), (7) a community level evaluation at one site, and (8) a benefit-cost analysis. This intensive research agenda is yielding high returns in informative results regarding many aspects of IDAs, and in influence on public policy. Implementation assessment has informed many starting IDA programs. Case studies of participants have yielded detail and stories for use by the media. Especially, monitoring and periodic reporting on all participants and their savings patterns (Sherraden et al. 2000) has been important in shaping federal policy development. Using information technology to the fullest, we are able to download data immediately on savings patterns of all participants in all 13 programs. The payoff of demonstration sites on policy cannot be underestimated. When senators and representatives know that an IDA program is succeeding in their district, they are much more likely to become advocates for IDAs. In this regard, research is not something that happens after policy, but is integral and essential to policy development at each step along the way.

Another major IDA policy demonstration is now underway. As mentioned above, the *Assets for Independence Act* (AFIA) is to be a five-year demonstration, with up to $125 million. The first AFIA programs were selected in 1999. Abt Associates and CSD are designing the evaluation for the Office of Community Services of the Department of Health and Human Services. The evaluation agenda is much the same as for ADD, with multiple methods and similar instrumentation to enable comparisons across studies. With good fortune, AFIA will contribute data on IDAs that will help in shaping large-scale policy.

THE STUDY OF POLICY INNOVATION[12]

The academic literature on policy innovation is not well developed. Studies suggest that changes in policy can be understood as two types. “First order change” is a small adjustment resulting in slight differences from the existing situation. “Second order change” is an alteration in the system itself, not an incremental adjustment in one component of the system (Roberts and King 1996). To date the focus of policy research has been primarily on first order change (Cobb and Elder 1983, Ripley and Franklin 1991) and several models have been developed to explain this kind of change (e.g., Lynn 1987). Although the majority of theories in the social sciences describe policy change in terms of incremental modification, change can also lead to radical alteration of the status quo (Schneider, Teske, and Mintrom 1995), which is more consistent with the definition of policy innovation in this lecture.

Steps or Stages

Mintrom (2000) recognizes four sequential activities that are fundamental to policy innovation. These activities are interrelated; success in one activity affects success in others. The activities are: (1) identifying problems, (2) networking in the policy arena, (3) shaping the terms of policy debates, and (4) building coalitions to support policy innovations. Regarding identifying problems, which corresponds with *insight* in the discussion of IDAs above, policy innovators must present problems (I would prefer to say opportunities) in such a way that they will capture the attention of the policy-makers and establish the necessity for action (Baumgartner and Jones 1991, Roberts and King 1996). Often the process in which policy innovators define a problem will cause resistance from those who benefit from the existing situation. Policy innovators must find ways to overcome this resistance and identify problems (or opportunities) so that they will not be dismissed. Typically this occurs through reframing. For example, IDAs have been presented not as redistributive, but rather as inclusive, so that everyone can participate in asset building policy systems. This reframing makes it possible to engage a wide range of political interests and support for the policy idea.

The second activity according to Mintrom is networking, which corresponds to *exchange* in the discussion of IDAs above. A critical factor is the range and manner in which the idea is presented to others. In spending time with a wide range of key people, policy innovators also learn the "worldviews" of the policy makers (Baumgartner and Jones 1991, Roberts and King 1996). In addition, networking can expose innovators to similar policy innovations taking place in other arenas, and they can learn from these experiences. As one example, we learned from the experiences of innovators in microenterprise that we could not take for granted that new IDA programs would record and report even the most basic data, and therefore we made an early decision to create a management information system (MIS IDA) to track IDA programs. MIS IDA has been crucial in building IDAs as a field of practice, and also in providing data for the policy process.

The third activity, according to Mintrom, is to influence the direction of the debates arising after the proposed innovation. This may correspond with what I call *emergence* above, and it means that policy innovators have to protect and build support for their innovation when other groups raise counter arguments. In addition, innovators have to find the most productive way to approach different audiences with their ideas, and to know when and how to make adjustments in policy proposals so that they will appeal to a broad range of interests.

Establishing and maintaining coalitions to support the policy innovation is, according to Mintrom, the fourth activity of policy innovators. This may be another aspect of what I call *emergence* above. Establishing coalitions has many advantages. A coalition can help policy innovators inform the policy community about the innovation, and can inform the innovator about diverse reactions. A coalition is critical when the policy innovation is considered for adoption by the legislature (Baumgartner and Jones 1991, Roberts and King 1996).

It is noteworthy that the list of activities (or stages) by Mintrom stops where it does, without addressing the additional steps of *policy*, *implementation*, and *scale*, which I discuss above in relation to IDAs. Omitting these suggests a weak appreciation for impact. Overall, the existing academic literature on policy innovation is preoccupied with process, especially interest-group political process, and gives short-shrift to development of capabilities, institutional changes, and concrete initiatives that are required to put something new in place. Also missing in the academic literature is a recognition of the central role of research. Policy innovation is seldom successful based only on clever handling of political interests. Specified ideas and empirical evidence are necessary, and in the case of IDAs, have played a much more important role than interest-group politics.

Policy Entrepreneurs

Policy entrepreneurs have been defined as "people who seek to initiate dynamic policy change" (Mintrom 1997); "individuals who, through their creativity, strategy, networking and persuasive argumentation, bring ideas for policy innovation into common currency and thus promote policy change" (Mintrom 2000): and people who "advocate of innovative policy ideas" (King and Roberts 1987). There is agreement in the literature regarding the importance of policy entrepreneurs as agents of change in the policy innovation process (Baumgartner and Jones 1993, Kingdon and Polsby 1984, King and Roberts 1987, King 1988, Mintrom 1997, Mintrom 2000, Schneider, Teske, and Mintrom 1995). For example, in his empirical study of school choice in the United States, policy entrepreneurs played a key role in this policy innovation (Mintrom 1997). Their actions had significant effects on the probability of a legislature to consider and to approve school choice as a policy innovation. Policy entrepreneurs "could be in or out of the government, in elected or appointed positions, in interest groups or research organizations. But their defining characteristic, much as in the case of a business entrepreneur, is their willingness to invest their resources – time, energy, reputation and sometimes money – in the hope of a future return" (Kingdon 1995, p. 122). To create an innovation is a difficult task, requiring high levels of creativeness, watchfulness, and the ability to discover and to identify alternatives. Innovation also involves risk for entrepreneurs. As with any new venture, failure is a high probability.

Several scholars suggest that policy entrepreneurs carry out three key functions that lead to policy innovations (King and Roberts 1987, Mintrom and Vergai 1996, Mintrom 2000, Schneider, Teske, and Mintrom 1995). The first function is to recognize unfulfilled needs (again, one might think in terms of opportunities) and generate ideas for how to address these. Identifying unfulfilled needs can at times be an easy task (Schneider, Teske, and Mintrom 1995). On the other hand, creating an appropriate solution may require exceptional insight. Once an idea is formulated, "policy entrepreneurs believe in the power of ideas to shape the direction of history" (King and Roberts 1987, p. 174). This high level of confidence is probably necessary to carry entrepreneurs on the rough roads they inevitably travel. The second function is to strategize. This includes developing specific strategies and tactics that will carve a foothold for the innovation in the political arena. In this function policy entrepreneurs invest their resources, energies, and reputations to support their idea, though they do not yet know the outcome (Mintrom and Vergari 1996). The third function is activism, wherein policy entrepreneurs engage the political marketplace. Entrepreneurs create teams and networks that have the abilities, connections, resources, and willingness to work together toward the innovation. This function includes disseminating reports, building a funding base, enlisting leaders and public figures, and gathering interest group and grassroots support (King and Roberts 1987).

Mintrom (2000) lists six key characteristics that he believes increase the likelihood that policy entrepreneurs will have a policy impact: (1) Policy entrepreneurs must be *creative and insightful*, able to see how proposing particular policy innovations could alter the nature of policy debates. (2) Policy entrepreneurs must be *socially perceptive* and able to see problems and issues from a range of perspectives, so that they can propose policy innovations that hold broad appeal. (3) Policy entrepreneurs must be *able to mix in a variety of social and political* *settings,* so that they can readily acquire valuable information and use their contacts to advantage in pursuit of policy change. (4) Policy entrepreneurs must be *able to argue persuasively;* often this will mean making different arguments to different groups while keeping the overall story consistent. (5) Policy entrepreneurs must be *strategic team builders,* able to determine the type of coalition best able to support their pursuit of policy change. (6) Policy entrepreneurs must be *prepared to lead by example,* to create "prefigurative forms" of the policy innovations they seek to introduce. Again, in this list, one notices considerable attention to political process, but little attention to concrete capacities and actions, and no attention to research. The study of policy innovation in the future can benefit from more diverse disciplinary perspectives, more attention to impact, and greater emphasis on the role of research.

ACADEMIC POLICY ENTREPRENEURSHIP

There is a long-standing debate in the social sciences about whether scholarship should be basic or applied, oriented toward fundamental questions of human interaction or toward pressing issues of the day. In large measure, this debate derives from an overdrawn dichotomy. The differences between basic and applied social sciences are in fact not very clear, and the debate, although frequently impassioned, is in the end rather unproductive (an excellent statement on this topic is by Rossi 1980). Some of the best social scientists of the twentieth century were very applied; one thinks for example of C. Wright Mills (1959). I do not wish to add to the volumes that have already been written on this topic. I have lectured elsewhere that the intellectual standards for applied work are no less than for basic social science, including the careful specification and testing of theory (Sherraden 2000b).

Academic policy entrepreneurship requires the purposeful development of an idea along two fronts, the academic and the applied. At times the activities along these two fronts overlap, but at other times they diverge sharply. The activities and skills required for operating on the two fronts are sometimes similar, but often they are very different. Success on one front can sometimes contribute to success on the other front, but often it does not. In order to be successful in the long run, the academic policy entrepreneur must operate simultaneously, or at least intermittently, on both fronts.

To some extent, the core activities required can be identified as steps in a linear process, as suggested in the above description of IDA policy innovation, where the identified steps are insight, exchange, emergence, policy, implementation, and scale. The step-like description is useful in thinking about the process of applied scholarship, but it is also somewhat misleading. In reality, the process is not nearly so neat and linear. The involved scholar may be working at any one of these steps at any particular time. In practice, the challenge is to cover all of the bases all of the time.

In thinking about the development of IDAs, many points can be made concerning policy innovation as it is carried out from an academic setting. The eight observations below are perhaps among the most important:

1. <u>Focus on both the problem and the potential solution</u>. A majority of applied social scientists spend most of their time examining and detailing problems. This activity is exceedingly overdone.[13] Of course, problems must be accurately described, but it is far more important, from a practical standpoint, that equally intensive effort be devoted to examining capacities and potential solutions. This activity is far too neglected by academics. To be effective in the policy-making process, the involved scholar must do both well.
2. <u>Develop intellectual and applied aspects of the policy innovation simultaneously</u>. Some people respond to ideas and others respond to concrete proposals. Either way, beginning

with one soon involves the other. The academic policy entrepreneur must do his or her homework in both areas and be ready to speak on different ground to different individuals. Intellectual aspects of the policy innovation include identification of key questions, knowledge of relevant theory, reformulation of theory if indicated, empirical evidence, and research agenda. Applied aspects of policy innovation include simple and clear statements of the rationale, the general policy strategy, specific policy applications, and evaluative data if available.

3. Be grounded. It is not possible to succeed at policy innovation from the ivory tower. Asset-based policy proposal evolved from talking with welfare recipients, and we have continued to work with welfare recipients and others at the state and local level when implementing IDAs. There are two policy points to be made: First, policy thinking will be much better if it is from the ground up, based in the realities of people's lives. Second, the innovator is in a much stronger political position if there is evidence of working with real people. For example, I have more credibility in the policy process from mentioning that I discussed asset building with public housing residents, or welfare recipients, than if I say I discussed it with a leading scholar. At annual IDA conferences, the most impressive and memorable sessions are by IDA participants who simply tell their own stories. There is enormous expertise in the target population, and academic policy entrepreneurs make a huge mistake if they ignore this expertise.

4. Appeal to a broad political audience and refuse to be partisan. The primary allegiance of an academic is to his or her ideas and proposal. The political process is naturally partisan and political actors will almost automatically attempt to connect any "policy expert" with their political party. In the short-term, it is very easy to fall into this partisan pattern. However, in

the long-term partisan political activity is a disservice to one's independence as a scholar and to the policy innovation. Once associated with a particular political party, the proposal is weakened. Once associated with a particular political party, the objectivity of the "policy expert" is suspect. The academic policy entrepreneur must learn to engage vigorously in policy, but never in politics. For example, I have been asked to serve on political campaigns for candidates in both political parties, but I have always refused. It is clear to me that I am working on no one's political agenda; my allegiance is to a policy idea based on sound scholarship.

5. <u>Think creatively and boldly.</u> Academic work requires enormous energy and effort. Even the brightest and most efficient scholars can undertake only a few major projects in their entire careers. This being the case, scholars should not choose small. To be sure, it is usually necessary to be an incrementalist and a compromiser in the policy world, but this very practical stance should be in the context of a larger vision. I learned this from Wilbur Cohen, one of the principle architects of the Social Security system. Cohen was my professor in graduate school and he always talked about incrementalism, but I could not help but notice that his examples were always in the context of Social Security, which is by far the most important social policy of the twentieth century. It is a strategic mistake to spend one's talents and energies on small matters that do not connect with a larger agenda.

6. <u>Get a foothold, then go for scale</u>. Related to the above, big ideas *do* come in small and medium. This is a version of "think globally, act locally." In the case of IDAs, the agenda is to show that matched saving for the poor is a good public investment, so that this principle can be incorporated into larger asset-based policies, which are growing rapidly and may become dominant in the twenty-first century (Sherraden 1997). Data from relatively small

IDA projects have affected major White House proposals for Universal Savings Accounts in 1999 and Retirement Savings Accounts in 2000 (Clinton 2000).

7. Set the rudder, stay the course. The first part of this principle is to set the rudder, i.e., to know what the long-term goal is. In the present case, it is a large-scale, fully inclusive, and progressive asset-based policy. The second part is to stay the course and roll with the inevitable high seas. In policy innovation, one will be tossed and on occasion nearly drowned. By definition, if it is innovation, it is unlikely to be smooth sailing. Innovation requires long-term vision, energy, determination, flexibility, and a sense of humor.

8. Never sacrifice academic quality. Above all, the academic policy entrepreneur must undertake sound scholarship. In the long run, this is what matters most. Politics and public relations mean little in the absence of a strong academic foundation. Related to this, some academics may claim that the creator of an idea cannot be an objective researcher, however I do not hold this view, and for some reason it seems to be restricted to the social sciences and not the natural sciences. For example, no one criticizes a theorist in physics when she takes her ideas to the lab for testing. The judgement of her results is based, as it should be, on the quality of her research. Of course there is a danger of bias – and we have seen many examples of it -- but the applied scholar can guard against bias by giving his or her ideas every opportunity to be disproved, by including academics with different perspectives, and by proactively inviting criticism. If objectivity is fiercely protected, and research methods are sound, the applied scholar brings rich understanding and dedication to the subject matter that can potentially produce better research.

CONCLUSION

The consumer movement has giants in policy innovation; among the most noteworthy is Colston Warne for his work in product standards and testing (Warne 1993). In social work, great models of innovation are Jane Addams and the women of Hull House for their work in public health and social protection (Addams 1910). Innovators with the far-reaching impacts of Warne and Addams come along only rarely, but many of us can aim for policy innovations that make a positive contribution to the world. In this lecture I have presented a case study in policy innovation and attempted to be somewhat analytical about it. Hopefully lessons can be drawn that are useful in other areas of policy innovation. As both Warne and Addams exemplified in their careers, research is essential to this process.

NOTES

[1] Unmi Song of the Joyce Foundation played an important role in these initial IDA projects.

[2] Melvin Oliver and Tom Shapiro have made key academic contributions to the study of asset building in *Black Wealth/White Wealth* (Oliver and Shapiro, 1995), and Oliver has also engineered the transformation of one of the nation's largest private foundation toward asset building. Lisa Mensah at the Ford Foundation has provided sound advice throughout.

[3] It was not clear at the time whether President Bush was aware that he made this proposal for increased asset limits – he was not known for his attention to domestic policy. Nonetheless, the proposal contributed to a growing policy discussion on changing asset limits in welfare programs.

[4] There are two primary policy challenges in asset building for the poor: to reduce disincentives for asset accumulation in means-tested social policy, and to progressively subsidize asset building. Regarding the former, it is now widely believed that narrow asset limits are dysfunctional public policy; this is almost a sea change in thinking over the past decade.

[5] MIS IDA software is, to our knowledge, the first example of an information technology tool that collects real time data from multiple sites in a policy innovation. Originally created by Lissa Johnson and Jim Hinterlong of CSD, MIS IDA is today in use at more than 150 IDA programs.

[6] Ray Boshara's policy work at CFED was highly instrumental in enactment of the *Assets for Independence Act*.

[7] See CSD's web site at gwbweb.wustl.edu/users/csd/stateIDAprofiles/html for summaries of state IDA policy, complied and regularly updated by Karen Edwards.

[8] The original idea for the VISTA IDA program came from Jim Scheible, who was at the time head of AmeriCoprs VISTA. Scheible asked me to discuss how we could combine the concepts of youth service and IDAs. Because I had worked for many years on both of these policy initiatives, I was delighted to bring them together. In 1995 I formed a planning committee, and the first VISTA IDA projects were run by the National Federation of Community Development Credit Unions. CFED took over leadership in 1998 and expanded the program, with marked success. Under CFED's leadership, especially the work of Brian Grossman, the VISTA IDA program has played a significant role in supporting development of the IDA field and training practitioners.

[9] Children's Savings Accounts were proposed by Senator Bob Kerrey (D-NE) in a speech at the National Press Club (1997). Republicans Paul Coverdell, Newt Gingrich, and Robert Torricelli proposed a form of educational savings accounts shortly thereafter.

[10] The concept and name for Universal Savings Accounts (USAs) had been offered by CFED and CSD over the preceding several years. From the beginning I have viewed IDAs as a precursor to a universal and progressive asset-building policy, and the name USAs was selected from a list of options I prepared. In designing USAs, the Treasury Department asked CSD for early data from the "American Dream Demonstration" showing that, with matching funds, at least some of the poor are able to save. At the time of the President's State of the Union Address, CFED and CSD were meeting in Washington on "Universal Savings Accounts," with experts who today form a Growing Wealth Working Group, co-chaired by Friedman, Boshara, and Sherraden.

[11] The foundation supporters of ADD are the Ford Foundation, Charles Stewart Mott Foundation, Joyce Foundation, Citigroup Foundation, Ewing Marion Kauffman Foundation, F.B. Heron Foundation, John D. and Catherine T. MacArthur Foundation, Fannie Mae Foundation, Levi Strauss Foundation, Rockefeller Foundation, and Moriah Fund. Bob Friedman at CFED is principally responsible for organizing and coordinating the support of all of these funders.

[12] Michal Weiss at CSD reviewed the academic literature on policy innovation that is presented in this section.

[13] I have come to view certain theoretical structures in the applied social sciences as being more productive than others. In brief, we should perhaps look for single constructs that have multiple positive effects. I call these "strong independent variables," and assets may be one example. My first attempt to detail this thinking is in a paper on youth service (Sherraden 2000a).

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