Rethinking Poverty: Income, Assets, and the Catholic Social Justice Tradition

James P. Bailey

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In *Rethinking Poverty*, James Bailey brings to the forefront an oft-forgotten aspect of Catholic social teaching: the pivotal role of private property in social development. This book is a timely reminder that the Church has much to offer in addressing the social question as it is experienced today, and it updates Catholic distributism for the twenty-first century. Bailey breaks from the widely accepted view that defines poverty solely as a lack of income and uses recent research and Catholic social thought to argue that it also includes deficient asset ownership.

This very readable book begins by laying out the basic arguments for asset building for the poor. While income and in-kind transfers help reduce the burden of poverty, it is the possession of assets that helps the poor survive tough times and keep themselves out of poverty. Bailey argues that the US tax code encourages asset building for the middle and upper classes but the poor do not receive similar investment incentives simply because they pay little in taxes. Furthermore, institutions taken for granted by many, such as company retirement accounts, are not as accessible to the lower classes.

Bailey then turns his attention to the Catholic social justice tradition and provides a cogent argument that the Church's teaching supports widespread asset ownership. Not content to rest on the magisterium, the book delves into the functions and capabilities theories of human development and notes their common points with Catholic teaching. There is plenty of evidence that there are psychological, social, economic, and political benefits to widespread asset ownership.

The chapter on the sad history of asset discrimination in the United States uses racism in the housing market as a case study. It provides an enlightening and unsettling glimpse of how a maldistribution of assets contributed to the housing bust and ensuing Great Recession. There is plenty of blame to go around for the bad mortgages that were issued, but the lack of financial acumen among the lower class is partly a result of generations of discrimination.

Finally, Bailey addresses some of the more practical aspects of the asset-building program. Different versions of the concept, such as the Homestead Act and the GI Bill have been tried, and many had good success. One program, already implemented in some areas, involves the introduction of individual development accounts (IDAs), which mirror individual retirement accounts (IRAs) in many respects.

Poverty has a myriad of causes, ranging from personal problems and familial breakdown to structural injustices. There are many proposals to fight poverty but not all are consistent with the principles of solidarity, subsidiarity, and human dignity. Bailey presents a morally acceptable vision that acknowledges that it is not merely a matter of income redistribution but also one of empowering the person. Asset building does not supplant other approaches but reorients the emphasis from redistribution through transfers to engaging the poor in the process.

Bailey acknowledges that, in addition to government, nonprofits have a role to play in asset-based programs. This subsidiarity is important because each poor person's story is unique. Some poverty is intergenerational and some is due to temporary setbacks. Oftentimes those entwined in poverty have mindsets and behaviors that help them survive dire circumstances but hinder them from moving out of their predicament. A government-administered program would not be as adept at addressing the individual needs of each person as organizations closer to the poverty-stricken.

There are two topics that this reviewer would like to have seen discussed in the book. One is the question of risk, which is especially important in light of the financial crisis. The learning opportunities for the poor would be much richer if they took full responsibility for their assets. However, should there be a safety net for imprudent decisions or a systemic financial meltdown? One can argue that the poor are least able to weather a financial storm. On the other hand, implicit or explicit government guarantees create moral hazard and other unintended consequences, as we painfully learned from the recent mortgage debacle.

The other topic pertains to the spiritual contribution the Christian church can make to the program. History has amply shown that Christianity supports human and economic development. It gives hope, meaning to everyday activities, and the moral compass necessary for healthy economic relationships. Church organizations, through their unique understanding of the human person, can change the lives of the poor in ways not available to secular organizations.

There are many successful variations of the asset-building theme, ranging from micro-loan providers such as the Grameen Bank to organizations requiring recipients to contribute sweat equity such as Habitat for Humanity. These deserve much more careful attention in the United States than they currently get. This book will hopefully fill this gap and bring this approach to poverty to the forefront of policy discussions.

—Emil Berendt
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