Thrift, Training, and Temperance

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Stephen Pimpare, author of *A People's History of Poverty in America*, poses an interesting question: "What happens if instead of asking 'How has policy changed over time?' we invert our analysis and ask the question 'How has the experience of being poor and in need changed over time?'" One of the consequences of doing that, he contends, is:

> Among other things, instead of comforting ourselves with a relatively progressive story, a forward-moving story, an evolutionary story, that no matter how bad things may be at any given moment in time, they have in fact gotten better, what I argue is in fact the constants, the consistency of that experience of poverty over the course of American history has changed much less than we might like to believe.[11]

The same might also be said of the policies and plans for alleviating poverty. Many have been around, in one guise or another, since the early 1800s and have tended to emphasize thrift, training, and temperance.

In *Fighting Poverty with Virtue*, Joel Schwartz notes that 19th century reformers stressed the need to help poor people by:

> [E]nabling them to help themselves, specifically by inculcating and encouraging the poor to practice the virtues of diligence, sobriety, and thrift (alternatively, by pressing them to avoid what can be thought of as the three "I's" – indolence, intemperance, and improvidence). To mitigate poverty, then, the poor needed to work and earn, to avoid drinking (which both made workers less employable and cost them money that could have been spent on more essential goods), and to spend within their means and if possible to save.[12]

To a certain extent that still holds true. The vocabulary may have changed, the degree of moral judgment may have moderated, and the overt sense of mission may have waned, but the underlying sentiment seems to have remained fairly constant. The emphasis in contemporary antipoverty efforts still seems to be on teaching, convincing, or coercing poor people to: a) make better financial decisions (thrift), b) lead more virtuous lives and exhibit greater self-discipline (temperance), c) stay in school (training), or d) some combination of the three.

11 Pimpare, Stephen, *A People's History of Poverty in America*, The New Press, 2008.

12 Schwartz, Joel, *Fighting Poverty with Virtue*, Indiana University Press, 2000.

Encouraging Thrift

The financial crisis of the early 21st century prompted an effort by the Department of the Treasury to "assist the American people in understanding financial matters and making informed financial decisions, and thereby contribute to financial stability"—particularly in low- and moderate-income communities. In addition, nonprofit organizations, government agencies, and financial institutions have been working to encourage people in low- and moderate-income households to save for specific purposes such as buying a house or financing education expenses through individual development accounts and matched savings programs.

Helping people to make better-informed financial decisions and encouraging thrift are worthwhile goals, but they are not new ones. Thrift Institutions—mutual savings banks and savings and loan associations — represented a 19th century innovation intended to encourage saving and make credit available to lower-income people.

In 1810, the Reverend Henry Duncan established the world's first mutual savings bank in Scotland, the Savings and Friendly Society, for the benefit of his parishioners. Six years later, Reverend Duncan's idea took root in the United States when the Philadelphia Savings Fund Society and the Provident Institution for Savings (Boston) began to accept deposits. By 1860, Massachusetts alone had 89 mutual savings banks, which held over $45 million worth of savings deposits in more than 230,000 open accounts.

The mutual savings bank movement had definite moral underpinnings. Most mutual savings banks were founded and managed by people with a mission—public-spirited citizens of means who understood the ways of finance and were eager to help the "lower classes."

"The greatest good," wrote the Secretary of Boston's Provident Institution for Savings "is in affording the humble journeymen, coachmen, chamber-maids, and all kinds of domestic servants, and inferior artisans, who constitute two-thirds of our population, a secure disposal of their little earnings, which would otherwise be squandered."

Few, if any, mutual savings banks were concerned with making a profit because they were *mutually* owned by their depositors (as opposed to being owned by stockholders or other private investors). In fact, an officer of the Savings Bank of Baltimore proudly noted that his bank did not "take over $500 at any time, for any person. ... We have several instances of women, who, during the summer, deposited a dollar per week. This is the most desirable kind of depositor, for all this is saved from luxury and dress."

Mutual savings banks were not equally popular in every region of the United States. In fact, the idea never quite caught on outside the Northeast. Professor Weldon Welfling offered the following explanation for their limited geographic appeal:

> As the West was being settled there was no pre-existing class of gentlemen with the sense of civic responsibilities that was held by the wealthier merchants of Philadelphia, Boston, Baltimore, and New York. The influence of gentlemen Quakers and Puritans was not predominant in the pioneer settlements, nor indeed was there a "lower class" dependent upon the wealthier for employment or for assistance when the employment was lacking.[13]

In other regions, savings and loan associations (S&Ls) helped wage earners become homeowners. People banded together, formed an association, and regularly deposited their savings. Members of the early S&Ls usually shared a common affiliation, often working at the same occupation or living in the same neighborhood.

Most members of America's first S&L, the Oxford Provident Society (1831), worked in the textile trades and lived in Frankford, Pennsylvania. Many wanted to build or buy their own houses, but few were able to borrow money from conventional banks, which were primarily interested in commercial customers.

With no place else to turn, the textile workers and a few civic-minded citizens devised a system to create their own source of mortgage funding. Each member paid an initial fee of $5 and deposited $3 a month thereafter. Any member who missed 12 consecutive monthly payments could be expelled from the Society. (The 13 trustees who ran the Society were also subject to certain penalties: 25 cents for missing a scheduled meeting and 25 cents for attending a meeting in a state of intoxication.)

As the pool of savings grew, members of the Society were allowed to bid for mortgage funds. Records show that the Oxford Society's first homebuilding loan went to Mr. Comly Rich, who borrowed $375 and paid a $10 premium for the loan. (The premium took the place of interest.)

13 Welfling, Weldon, *Mutual Savings Banks; The Evolution of a Financial Intermediary*, Press of Case Western University, 1968.

Providing Emergency Credit

Providing alternatives to "payday lending" is another contemporary antipoverty effort rooted in the 19th century. Payday loans — small, short-term, high-rate loans provided by check cashers, finance companies, and others — are targeted to low-income people in need of money for emergency expenses. Because the cost of using payday loans can be quite steep, a number of agencies and organizations have been trying to offer consumers alternatives. But one alternative has been in existence for more than a century: credit unions.

During the 19th and early 20th centuries, factory hands and salaried workers were expected to pay cash for whatever they needed, even in the case of a medical crisis or other emergency. Yet all too often, loan sharks and other unscrupulous lenders were the only source of emergency or personal credit.

Credit unions offered a way for people in need to pool their funds and create an alternative source of inexpensive credit. Most were founded by people who shared the same workplace, lived in the same neighborhood, or belonged to the same house of worship. The first American credit union opened in New Hampshire in 1908, and Massachusetts adopted credit union legislation the following year.

Boston department store owner Edward A. Filene was an early proponent. He took the position that credit unions benefited employers as well as employees "because instead of having his workmen harassed by loan agents, the employer gets workmen, who, if they have to borrow in some emergency, borrow among the men with whom they are working and who help them get on their feet and get steady."

Another early credit union supporter was Massachusetts governor David I. Walsh, who observed that "credit unions would be more of a benefit to the masses of people than even the savings banks and the cooperative societies, for every banking door in the Commonwealth is barred to the man who wants to borrow $25 without security. That's the greatest thing about this movement; it reaches a class the banks cannot reach. It will help all."

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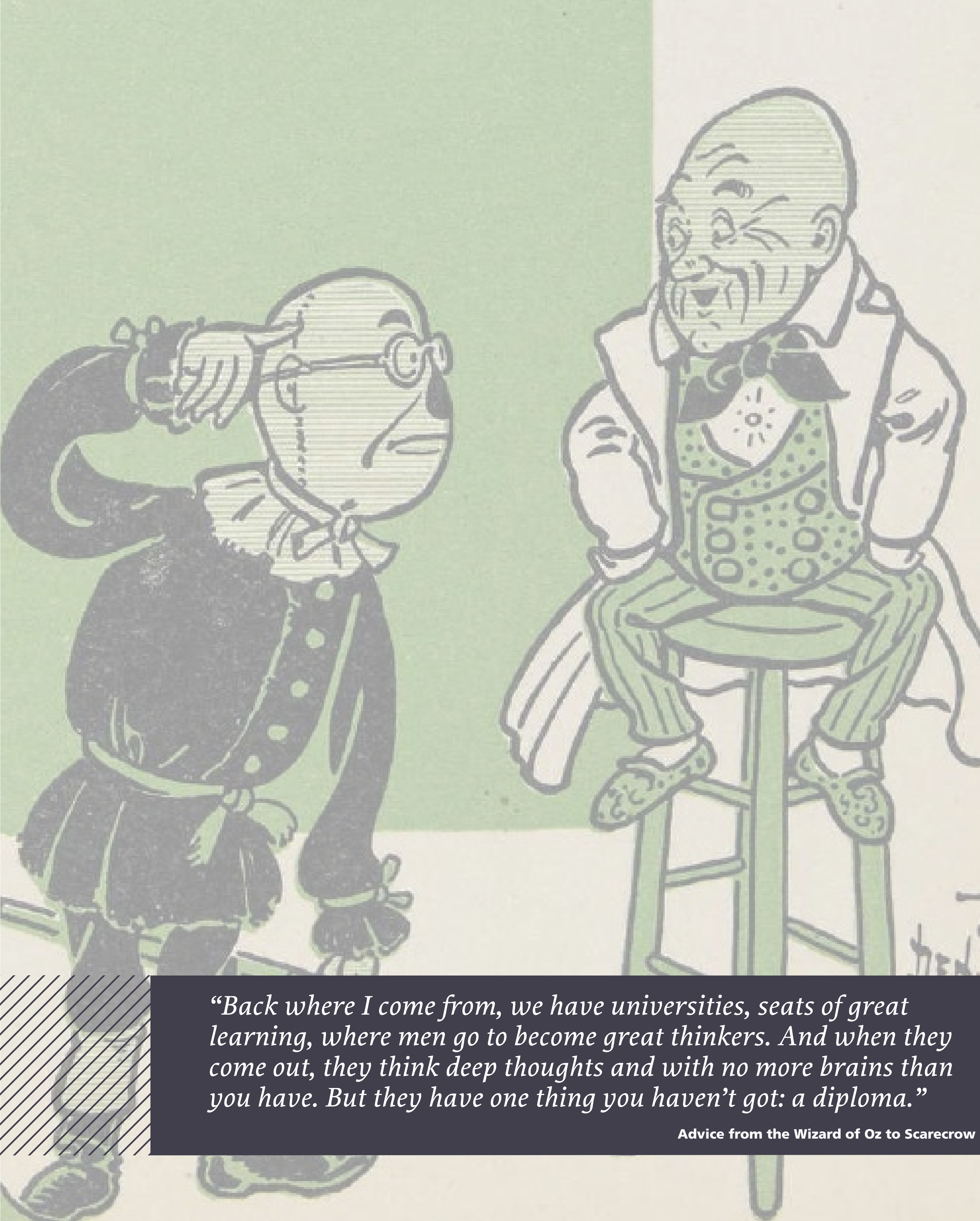

"Back where I come from, we have universities, seats of great learning, where men go to become great thinkers. And when they come out, they think deep thoughts and with no more brains than you have. But they have one thing you haven't got: a diploma."

Advice from the Wizard of Oz to Scarecrow

Image courtesy Library of Congress, Public Domain

Training

Americans have an abiding belief in the power of education to serve as a vehicle for upward mobility—a way to transcend the circumstances of one's birth.

A sidewalk tile on Boston's School Street commemorates the 1635 founding of Boston Latin, America's first public school, and as far back as 1830 Horace Mann advocated universal public education funded by local taxes. Today, the biggest expenditure in almost any municipal budget is funding for education, and parents pay a premium for certain addresses in order to live in a "good" school district. That's how strongly we value education.

Our belief in the value of higher education stretches back at least to the 1860s when Congress passed the Morrill Act, which helped to establish more than 70 "land grant colleges," some of which are now among the world's most renowned institutions of higher learning. And 80 years later, the Servicemen's Readjustment Act of 1944—better known as the G.I. Bill of Rights—opened college campuses to an even broader student population. The G.I. Bill's generous education benefits provided returning World War II veterans with an opportunity to improve their lives through higher education. As a result, college enrollment increased sharply and campuses expanded to meet the demand. Few measures, public or private, have done as much to reinforce the relationship between education and the prospects for a better life.

Little wonder, then, that so many people—parents, policy experts, politicians—maintain a strong belief that "in the 21st century, one of the best antipoverty programs is a world-class education."[14]

But what if we've moved into a world where some of our old assumptions no longer hold true? What if, instead of being a vehicle out of poverty, education has become a gate—a barrier to upward mobility? What if the inability to purchase credentials in the education marketplace keeps poor people out of jobs for which they might otherwise be qualified? What if the inability to finance higher education, even a two-year certificate program—now consigns poor people to a lifetime of low-wage service jobs? Or, even worse, what if they acquire the necessary credentials after going deeply into debt and still end up in a low-wage service job?

Just asking.

14 President Barack Obama, State of the Union Address, January 27, 2010.

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Temperance

Attempts to alleviate poverty by encouraging or coercing men to consume less alcohol—an effort otherwise known as the temperance movement—gained momentum in the 1800s shortly after the Industrial Revolution reached America. The nature of work was changing rapidly, and as Joel Schwartz notes in *Fighting Poverty with Virtue*, “industrialization and the mechanization of agriculture increased the demand for workers who were efficient and reliable—in other words, sober.” And since most of the opportunities for those workers were in urban areas, people abandoned the countryside in large numbers.

Lured by city lights and the prospect of earning steady cash wages, migrants packed themselves into city neighborhoods that lacked even the most basic infrastructure to handle such an influx. All too often, the combination of squalid overcrowding, relative poverty, and alcohol led to predictable results: Troubling increases in “wife-beating, family desertion, and assaults, as well as heightened government expenditures to support drunkards and their families.”[15]

Many antipoverty reformers responded by urging moderation or an outright ban on the sale and consumption of alcohol. Organizations such as the Women’s Christian Temperance Union and the Anti-Saloon League gained and wielded considerable political influence during the late 1800s and early 1900s.

In 1917, Congress quickly approved the 18th Amendment, which prohibited the manufacture, sale, transport, import, or export of “intoxicating liquors.” It took just 13 months for three-quarters of the states to ratify the amendment, and in October 1919 Congress passed the Volstead Act, which created a legal mechanism for enforcing Prohibition. (An interesting side note: If the 16th Amendment had not created a federal income tax in 1913, Prohibition might never have happened, because taxes on liquor were a primary source of government revenue.)

Although Prohibition ended in 1933, temperance continues to have an impact on antipoverty policy, but the emphasis is now on drugs rather than alcohol. Provisions of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* gave states the authority to require drug testing of people who apply

15 Schwartz, Joel, *Fighting Poverty With Virtue*, Indiana University Press, 2000.

for or receive public assistance benefits. As of early 2014, nine states had passed legislation regarding drug testing or screening of public assistance applicants or recipients, and at least 24 states had proposed similar measures.

Unlike earlier efforts to discourage or ban alcohol consumption, the antidrug temperance movement of the late 20th and early 21st century has led to unintended consequences for people living in or on the edge of poverty. Chief among these has been a sharp rise in the number of people imprisoned for drug-related offenses, a trend that has contributed to the United States having the highest incarceration rate in the industrialized world.

According to the Sentencing Project, an advocacy group for sentencing reform, “At the Federal level, prisoners incarcerated on a drug charge comprise half of the prison population, while the number of drug offenders in state prisons has increased thirteen-fold since 1980. Most of these people are not high-level actors in the drug trade, and most have no prior criminal record for a violent offense.”

Left unsaid is the impact such policies have on efforts to alleviate poverty. Every dollar spent on incarceration or enforcement is a dollar that might otherwise go to improve education, housing, nutrition, and health care. Every person sent to prison for a nonviolent drug offense adds one more person to the rolls of ex-offenders who will have difficulty finding a job.

Note to readers: For insight into the complexities of confronting drug use and treating addiction, take a few minutes to listen to this radio report: Recovering Addict Receives Unexpected Help produced by National Public Radio affiliate WBUR (Boston).

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