

American Social Welfare Policy from a Financial Capability Perspective

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How to cite this paper: Elliott, W. (2025). American Social Welfare Policy from a Financial Capability Perspective. *Sociology Mind*, 15, 199-215.

<https://doi.org/10.4236/sm.2025.154012>

Received: August 7, 2025

Accepted: September 15, 2025

Published: September 18, 2025

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Abstract

This introductory article to the special issue *Wealth, Opportunity, and the New Social Contract: Integrating Financial Capability in American Social Welfare Policy* argues for a paradigm shift in U.S. social welfare policy centered on the concept of financial capability. Drawing from Thomas Kuhn's theory of scientific revolutions, the paper examines social welfare policy evolution in the U.S.—from the colonial era's locally managed poor relief to the New Deal's federally guaranteed safety net. The author contends that, despite periodic adjustments, the prevailing consumption-based paradigm—focused on meeting basic needs and preventing impoverishment—has failed to provide true economic opportunity or support the pursuit of the “American Dream”. The result is persistent poverty, rising wealth and racial inequality, and widespread dissatisfaction with current policies across the political spectrum. The article synthesizes evidence from the special issue to demonstrate how the promise of America—a society where all have the freedom to pursue their financial happiness—remains unfulfilled for many, particularly low-wealth and Black households. Instead of restricting social welfare to temporary relief, a more expansive framework is advanced that integrates policies that help people develop their financial capability: the combination of personal and governmental capabilities, including equitable access to financial institutions, income, and wealth-building resources. This framework shifts the focus from short-term survival to long-term asset accumulation, financial empowerment, and upward mobility. Five policy tools are proposed as a foundation for an integrated, future-focused social welfare system: Child Development Accounts, Guaranteed Income, Free College, Baby Bonds, and comprehensive financial education. These measures are designed to ensure that all Americans, regardless of background, can accumulate assets, weather economic shocks, and progress toward genuine financial growth throughout their lives. Ultimately, the article invites policymakers and scholars to imagine—and demand—a revolution in social welfare policy that aligns with the American ideal of the right to the pursuit of

financial happiness, advocating for system-wide change rather than incremental tweaks that serve only to maintain the status quo. This perspective underlines the urgent need for a new social contract that addresses both individual and structural barriers to wealth, opportunity, and upward mobility.

Keywords

Social Welfare Policy, Revolution, Wealth, Financial Capability

1. A Social Welfare Revolution Requires Imagining Something More Is Possible

In this volume it is suggested that the existing social welfare system needs to undergo a paradigm shift/revolution. Here two major social welfare revolutions in America are discussed that ushered in what [Kuhn \(1962\)](#) referred to as periods of normal science; here normal science is talked about in the context of social welfare policy. During periods of normal science there is an agreed upon approach to solving problems like how best to end poverty or create economic mobility. Changes during periods of normal science represent tweaks to the existing paradigm, not fundamental change. For instance, while a policy like Obamacare might seem like a revolution of sorts, I posit it was not because at its core it adhered to the social welfare paradigm of the day. Obamacare (Affordable Care Act) did not provide a universal option (e.g., Medicare for All) or automatic enrollment which would have represented a fundamental shift away from the current paradigm. Instead, it made tweaks to the private insurance market. A way that it did this is by providing employers incentives to ensure employees were insured, penalized individuals who did not have insurance, penalized insurers for discriminating against people with preexisting conditions, relied heavily on means-testing, and gave states more responsibility and flexibility in the type of health care benefits provided ([Béland, Rocco, & Waddan, 2016](#)). It is worth pointing out that Obamacare also left in place a bifurcated system where low-income families got one type of health care system while other, more wealthy families, were given access to a different health care system. So, while Obamacare by many accounts has improved access to health care ([Sullivan, Orris, & Lukens, 2024](#)), it seems fair to say that Congress and President Obama very intentionally created a health care policy that largely aligned with the current social welfare paradigm of health care provision.

And, while there have been several revolutionary like changes to the existing social welfare system (e.g., The War on Poverty by President Lyndon B. Johnson, Personal Responsibility and Work Opportunity Act or Obamacare even more recently) in American history, these would not be classified as revolutionary according to [Kuhn \(1962\)](#). This is because they worked within the context of the existing paradigm, they did not seek to change its underlying philosophy about how social welfare policies are designed. From this perspective, the term revolution is under-

stood as meaning to overthrow or break from the existing paradigm, not modify it even if substantially. If modifications are able to solve the problems, then the existing paradigm is able to survive and continue on. These significant tweaks to the New Deal paradigm represent recognition that substantial problems existed and have gone unsolved.

However, for example, the War on Poverty was a recognition that poverty remained a problem under the current New Deal paradigm, and particularly for minorities who did not benefit equally from the New Deal ([Digital History, 2021a](#)). In support of this, President [Johnson \(1964\)](#) in his first State of the Union address, asked Congress to declare an “unconditional war on poverty” and to aim “not only to relieve the symptom of poverty, but to cure it and, above all, to prevent it”. A critical aim of War on Poverty policies was to create “self-sufficiency”, or the ability to sustain oneself and their family above the poverty level ([Rector & Sheffield, 2014](#)). But as past research has shown ([Rector & Sheffield, 2014](#)), and this volume will further help to demonstrate theoretically and empirically, this is an impossible problem to solve under the current paradigm. Well, ending poverty which can only truly be done when people become self-sufficient was and is a lofty goal, and certainly one that while the current paradigm and the tweaks that have been made to it, have made significant improvements, poverty remains a problem. The poverty rate was about 19% in 1964 and now fall to about 12% by the end of his presidency in 1969 ([Rector & Sheffield, 2014](#)), since then the poverty has only fluctuated moderately depending on economic conditions ([Rector & Sheffield, 2014](#)).

In the case of President Bill Clinton’s passing of the Personal Responsibility and Work Opportunity Act (PRWORA), a major critique of the New Deal paradigm and the War on Poverty policy tweaks, was that they not only failed to end poverty and create self-sufficiency, but they actually were promoting welfare dependence. In response to this critique and failing of New Deal paradigm, President Clinton and Congress, passed PRWORA. As he signed the bill on August 22, 1996, Clinton stated that the act “gives us a chance we haven’t had before to break the cycle of dependency that has existed for millions and millions of our fellow citizens, exiling them from the world of work. It gives structure, meaning and dignity to most of our lives” ([Glance, 2018](#)). The simple answer to the problem became include more work requirements. So, making the poor work low wage jobs (“dead end jobs”) that provided little hope of upward mobility became the primary tool for ending poverty ([Freedman et al., 2000](#)). That is, if ending poverty actually remained a primary goal. Work was seen as a way to not only end poverty but to create greater self-sufficiency. This change to the current paradigm was a raging success for those for whom self-sufficiency meant less people receive government assistance, but a failure for those who thought self-sufficiency meant more people have the ability to sustain themselves and their families above the poverty line (it is worth noting poverty level is used in this section and no other metrics to save space and for clarity). This policy tweak to the New Deal paradigm has resulted in less people receiving public benefits, about a 56% reduction ([Lindhorst & Mancoske,](#)

2003). However, the poverty rate only dropped by about one percent (Lindhorst & Mancoske, 2003).

Similarly to the War on Poverty and PRWORA, Obamacare has helped many Americans. Unlike in the case of those reforms, however, Obama never claimed that Obamacare would provide insurance to all Americans (i.e., did not claim it would end health care problems). With passage of Obamacare, there has been a large increase in the number of insured in the U.S. (Hest, 2025). At the same time, a significant percentage of Americans still do not have health insurance (Hest, 2025), the problem persists. Further, the problem is likely to grow because of the increased costs of health care, more people are using health care and the enhanced premium tax credits (drive up out-of-pocket costs by 75%) (Ortaliza et al., 2025).

Unresolved problems according to Kuhn (1962) accumulate over time and society falls into a period of crisis. While in a crisis period, there is intense questioning and debate in society about the continued viability of the social welfare paradigm to solve, in this case, persistent poverty, low economic mobility, and the concentration of wealth among a few. I posit America is currently in a crisis period and needs a paradigm shift or social welfare revolution to occur, mere tweaks to the existing paradigm have proven unsuccessful. The rather lofty hope is that this special issue will shine even some small amount of light on what an alternative paradigm might look like. A paradigm that better aligns with and is more capable of delivering on the promise America has made to its people, that they will have the freedom to pursue their own financial happiness (i.e., self-sufficiency). However, whether or not this volume can succeed at its goal, in part, depends on the ability to believe that something more/different is possible. The difficulty of breaking out of the protective prison that periods of normal science create, when people have only learned to see the world through the prison's prism, is being able to imagine life outside of its walls.

The first social welfare period in America broadly lasted from the colonial period through 1930 (Mohl, 1973). During this period of normal science social welfare was primarily a local and family responsibility. Assistance was also provided by charitable organizations and poor relief systems (Kennedy, 2023). Eventually settlement houses emerged as a tweak to the existing social welfare paradigm through the 1930s (Oakley, 2023). This period was marked by such unresolved problems as high incidents of poverty, unemployment, homelessness, and food scarcity (Marx, 2016). In 1929, wealth inequality was running rampant. For example, the wealthiest 1% of Americans held 34% of all savings, while 80% of Americans had no savings at all (Digital History, 2021b). Moreover, a staggering 60% of Americans lived below the poverty line (Digital History, 2021b). Further, the era was marked by identifying the poor as deserving and underserving to limit who could receive assistance (Marx, 2016).

While it was well on its way already, the Great Depression brought the colonial era social welfare paradigm into full crisis. It was no longer deniable the paradigm was failing; it was on full display for everyone to see. This crisis resulted in a social

welfare revolution in America (i.e., a paradigm shift). The resulting paradigm shift was encapsulated by a set of policies which became known as the New Deal under President Franklin D. Roosevelt. It included such programs as social security, unemployment insurance, and public works projects to name just a few. It established government had a significant role in ensuring the social welfare of individuals and families. As discussed above, during this time there were several attempts to build on the existing paradigm, maybe most noteworthy was the War on Poverty which established Medicare and Medicaid as part of the social welfare system. However, I posit that these attempts were doomed to come up short because they were built on the idea of providing people with a safety net. The idea of a safety net is to design policies that protect individuals and families from falling into poverty and to prevent benefits from going to the underserving. Another way to say this is that the New Deal social welfare paradigm seeks to identify a minimum level of goods an individual or family needs to consume to survive. This is a consumption-based notion of social welfare. However, Americans were not promised a life living at a subsistence level. They were promised the freedom to pursue their own financial happiness. And so, policies that aim to provide something less, I suggest were always doomed to leave people feeling frustrated and disappointed. This new era of consumption-based social welfare policies started in the 1930's and continues until the current day.

However, using [Kuhn's \(1962\)](#) framework, I posit that the Reagan era represented the start of a social welfare paradigm in crisis. It is during this period that the New Deal paradigm came under a systematic and very public attack for the purpose of overturning it. However, the Reagan administration did not have an alternative social welfare vision of their own to offer. Instead, they provided a vision that would return America to the previous colonial era of social welfare policy where government did not have a meaningful role. But there is already evidence of the standard of living these policies would create if fully realized, one where the majority of Americans live in poverty and a few hold all the wealth ([Digital History, 2021b](#)). I theorize in this volume that America has moved from a period of crisis to a point of defining what form the new paradigm will take. That is, it is less about whether a social welfare revolution is coming, and more about what form it will or is taking. Leading up to the America revolution which indirectly resulted in the colonial era of social welfare with the establishment of a new government, it was the Boston Tea Party that was the seminal event that helped convince the American people that revolution was the only course of action they could take. Leading up to the New Deal era, it was the Great Depression, what will be the event that tips America from crisis to a social welfare revolution has not yet occurred. This might be in part because the alternative to the current paradigm is not attractive enough, to enough people to move from civil disobedience to outright revolution.

Over the last 40 years of social welfare policy in America, President Trump's presidencies might represent the moment the crisis level reached a tipping point

where crisis turned into revolution. President Trump has claimed that his election represents a mandate by the people to overthrow the current paradigm (Montanaro, 2024). As outlined here, his presidencies (first term 2017-2021; second term 2025 to present), in line with previous Republican presidents starting with Reagan, have sought to return America's social welfare policy to something more resembling the colonial era paradigm. This era emphasized identifying who were the deserving and underserving poor, and placed the responsibility for social welfare on individuals, local communities, families, and charitable organizations. It is important to point out, it is not being suggested that a complete return is underway, just a move closer toward a colonial paradigm than the current or an alternative. However, the Trump presidencies are different in as much as they seem to have made more visible the level of crisis the current social welfare paradigm is in. And they have pressed harder and accomplished more to return America to the colonial era of social welfare than past Republican presidents have, suggest that revolution might be underway.

Maybe the most convincing evidence of the level at which the crisis now stands was the riot on the U.S. Capital on January 6, 2021. This occurred after he was defeated in the 2021 presidential election. At the same time, the election of President Biden over President Trump might also be seen as evidence that enough American people had not yet fully bought into the return to a colonial era of social welfare to move them from crisis to revolution. Though, as the riot on the U.S. Capital clearly demonstrated, it was a start of a revolution for some. Moreover, his reelection in 2025, might mark a closer move to an adoption of the colonial era social welfare paradigm. Evidence of this can be seen in the systematic dismantling of federal agencies and the threat this poses to important social welfare programs (American Oversight, 2025). In the last 40 years, never has America seen such a drastic return to the colonial era like paradigm. It begs the question has the revolution started, but without the full knowledge of the American people, and full agreement on the form the revolution should take? However, it might just be, if left with no alternative, any revolution might seem better to some than no revolution when the current system continues to fail to solve problems that plague people's lives and keep them from the promise of America.

This void of alternatives has been created, in large part, by the Democratic party. The Democratic presidents' social welfare philosophy over the last 40 years does not recognize the crisis the current paradigm is in, and the need for revolution. Instead, I posit it represents an attempt to maintain the current New Deal paradigm. In this sense, they might be serving as guardians of the current social welfare paradigm. The one thing I have learned over the last 15 or more years of testifying on the hill, having conversations with largely Democratic policy makers, their staffers, and academics is that it is almost impossible for them to imagine something different is possible. That is, they find it difficult to break out of this protective prison (i.e., period of normal science) that the New Deal era policies established. They have only learned to see the world through its prism and imag-

ining life outside of its protective walls has become almost impossible for them. For instance, when I presented research on how student debt affects college graduates' wealth using data from the Survey of Consumer Finances, I was questioned by some at the conference about my findings (see Elliott & Nam, 2013). After the presentation, I was asked if I would send the data and syntax to be checked. However, the researchers at the Federal Reserve Bank had simply never compared college graduates with student debt to graduates without debt. At the time, it was the norm to ask whether students who graduate college with student debt were better off than those who had a high school degree. But I was interested in whether earning a degree paid off equally for those who graduated from college and had outstanding student loan balances. What was said after the data and findings were examined, was that they were worried if anyone questioned the student loan program, that it would be eliminated and nothing would be put in its place. In essence, their need to guard the current financial aid paradigm kept them from seeing how financing college with student loans actually reduced education's power as an equalizer. In essence dooming it from being the equalizer it was meant to be in the American social welfare system. Moreover, their fear that the student loan program would not be replaced if eliminated, kept them from being able to even imagine something different was needed and possible.

In much the same way I am suggesting the Democratic party has been acting as the guardian of the New Deal paradigm. This has kept them from being able to even imagine the possibility of an alternative despite the failures it has had in ending poverty, stopping growth of wealth inequality, and creating true economic mobility. As such, they have become confined to offering tweaks to the current system in hopes of maintaining it and preventing any unrest that might lead to additional questioning. So, their policy solutions do not seek to change the current paradigm, instead they are designed to help maintain it. And so, while Democratic leaders, generally, call their social welfare policy agenda change, the American people can see that it is a vision and a set of policies that will only deliver them more of what they already have. And while the people might not be able to yet envision how best to get what they want, they know they do not want more of the same. This can be seen in the Occupy Wall Street movement. This movement sprung up from the people as a protest to growing economic inequality and a concentration of wealth among a few. This was an expression that the current system was not working, but the movement itself lacked specific demands or clear plans for the future (Penn Today, 2021). The movement was one of the many signs of a paradigm in crisis over the last decade or more. It is important to point, like prior to the New Deal policies being enacted, some Democrats dare to dream outside of the current paradigm and have proposed policies that more closely resemble revolution (e.g., Free College, Baby Bonds, Guaranteed Income, and Children's Development Accounts). There is a start of a blueprint for an alternative paradigm, however, it has not fully been brought into clear sight yet.

This volume seeks to offer an alternative for those who think a revolution is

needed but one that lives up to the promise that once was America. In the remainder of this introduction to this volume, I use the papers from this issue to make the case that a new social welfare paradigm is needed that can bring to life the American Dream in the lives of all citizens. The volume starts off by laying the groundwork for a new social welfare system, one that works hand-and-hand with the American education system. It does so by providing evidence of the importance of the timing of wealth transfers for augmenting the return graduates receive from their degrees. A case then is made that the current social welfare system is based on a consumption model of well-being. As a result, it is posited that social welfare policies have been designed to ensure a survival standard of living (i.e., enough to meet basic needs). However, the promise of America was that the government would provide everyone with the freedom to pursue their own financial happiness.

But the current social welfare paradigm is failing to deliver on its promise. Evidence of the current system's failure to deliver are documented through the examination of economic mobility in America. The inability of the current social welfare system to ensure people the freedom to pursue their own financial happiness, shines light on the need for a social welfare system built on a different understanding of how poverty can be ended and economic mobility achieved. The alternative paradigm identified builds on existing theories of financial capability. As part of this framework, the government is identified as having a financial inclusion-generating functioning, an income-generating functioning, and a wealth-generating functioning. This set of functionings makes up a person's governmental capability which is a component of their overall financial capability. From this perspective, the government helps determine a person's level of financial capability, not just the individual's own personal capability. Social welfare policies serve as an important tool at the government's disposal for improving its own functionings. In the final article of this volume, five existing policy proposals are discussed to create an integrated social welfare system designed improve the government's functionings and ensure people have the freedom to pursue their own financial happiness.

2. Timing Wealth Transfers So That They Augment the Return on Degree

Paper one, *Timing Wealth Building to Maximize Return on Degree* by Elliott, Osafo Agyare, and Min (2025) examine the relationship between wealth and the return on degree. The authors discuss how the value of a college degree in the U.S.—long viewed as the “great equalizer”—is diminishing, particularly for low-wealth and Black students. Many college graduates struggle to do better than their parents comparable to prior generations, raising doubts about higher education as a universal lever for upward mobility. This “return on degree” problem is partly due to rising student debt and persistent racial and socioeconomic wealth gaps. Using national survey data, the authors find that the timing of wealth transfers—

specifically at college enrollment (age 18) and post-graduation (ages 25 - 30)—strongly predicts whether graduates reach median net worth of U.S. households by early midlife (ages 37 - 42). Even small amounts (\$500 - \$1000) of wealth provided at college age or shortly thereafter can substantially increase the odds that a graduate is at or above the median net worth of U.S. households by middle age. The period immediately after graduation (ages 25 - 30) is when the racial wealth gap is smallest and when wealth transfers may most effectively provide graduates the real opportunity to move up the economic ladder and pursue their own financial happiness. Graduates with high student debt—especially Black and low-income students—experience significant delays and lower odds of reaching the median net worth of U.S. households. Even with high graduation wealth, Black graduates are at an ongoing disadvantage compared to White graduates due to what appear to be structural disparities. Moreover, findings suggest that higher financial literacy scores are associated with increased probability of accumulating wealth.

Introducing or augmenting wealth-building programs (such as Baby Bonds or Child Development Accounts [CDAs]) with a second disbursement shortly after college graduation may be a highly effective intervention, especially for marginalized groups. The authors suggest that tuition-free college or canceling student debt alone is unlikely to close the wealth gap or maximize the return on degree. Instead, policies may need to focus on providing actual assets to recent graduates when the impact might be greatest. Expand and reform CDAs to permit and encourage post-graduate wealth transfers—ideally at ages 25 - 30—to help graduates launch into becoming a financially empowered adult by early middle age. Policy makers may also want to integrate comprehensive financial education into both high school and college curricula, especially targeting low-wealth and minority-serving schools. Broader policies to address racial wealth gaps and support for homeownership, entrepreneurship, and retirement savings may also be needed to ensure higher returns to degrees for all. In conclusion, ensuring all college graduates—especially those from low-wealth backgrounds—receive targeted wealth transfers at the optimal age (25 - 30) may significantly improve their ability to move up the economic ladder and reduce long-standing racial wealth gaps. This approach, combined with efforts to reduce student indebtedness and boost financial literacy, may be critical to restoring the promise of higher education as a path to economic mobility and equity.

3. Ensuring Everyone Has the Freedom to Pursue Their Own Financial Happiness

The second paper, *Redesigning Social Welfare: A Paradigm Shift from a Consumption-Based Social Welfare System Toward a Financial Capability System*, by Elliott, Osafo Agyare, Zheng, and Min (2025) analyze asset poverty among college graduates. It emphasizes the limitations of traditional consumption-based poverty measures and proposes a shift toward a financial capability perspective—asset em-

powerment—that better aligns with American ideals of freedom to pursue financial happiness and upward mobility. US social welfare policy has focused on income and short-term survival standards (e.g., assets needed to survive three months at the poverty line). These measures address symptoms rather than the root of why mobility is low in America. They do not enable long-term upward mobility, nor align with the American ideal of the right to the “pursuit of happiness”.

More specifically, the study introduces a new asset poverty measure—being on track to achieve a financial goal (in this case retirement)—to gauge real financial capability. Instead of only “enough to survive”, the study discusses three rungs on the economic ladder: survival (basic needs), security (cushion against shocks), and growth (freedom to pursue happiness). Few college graduates move from living at a survival standard, to a secure or a growth standard, regardless of race highlighting widespread lack of economic mobility in America. Large racial wealth gaps persist post-college—63% of Black college graduates are asset poor by a standard survival definition, versus only 20% of Whites. But this is not the whole story. Even among Whites, the majority lack the assets needed to move into the growth rung of the economic ladder. Given this, the authors suggest that wealth inequality is not just a Black/White issue, but a national one: the majority of all college graduates fail to reach the growth standard of living. But there is hope. Findings indicate that wealth at college enrollment (around age 18) and after graduation (ages 25 - 30) strongly predicts future asset security and empowerment. Moreover, evidence suggests that student loan burden delays or prevents attaining a growth standard of living.

Therefore, the authors suggest that policy makers should redesign social welfare policy to focus on promoting asset empowerment or financial capability, not just short-term survival. They can do this by implementing policies that help families build assets for longer-term goals—such as Child Development Accounts (CDAs), Baby Bonds, or progressive wealth-building transfers at key life stages. Policies are needed not just for those at the lowest rung, but also to families stuck at the “security” level, who need help to move into the growth standard. To do this, policy makers might need to consider eliminating means testing and asset limits that penalize saving and wealth accumulation. Policies might also need to aim to reduce student loan burdens and help college graduates build post-college wealth. In conclusion, the authors suggest that the US social welfare system requires a paradigm shift—from a “safety net” that merely prevents destitution to an empowerment-focused platform that facilitates real financial capability, upward mobility, and the ability for all citizens to pursue the American Dream. Asset-building at key life stages, particularly around transitions into and out of college, is essential for meaningful progress.

4. The Government’s Role in Determining a Person’s Level of Financial Capability

Paper three, *Testing a Social Welfare Theory of Financial Capability. Personal and*

Governmental Capabilities, is written by Elliott, Zheng, Osafo Agyare, and Min (2025). In it, they discuss how traditional definitions of financial capability focus primarily on an individual's personal capabilities—such as one's level of effort and ability and ignore the fact that people live in society. This approach overlooks how institutional structures, income, and wealth shape a person's real opportunities to attain financial well-being. Persistent wealth gaps and economic inequalities—particularly along racial lines—demonstrate the inadequacy of such narrow perspectives.

The authors suggest that true financial capability reflects what individuals, as members of society, can accomplish with the support of government, and is heavily determined by access to income and wealth. Government's role is to ensure that all citizens have institutional opportunities—especially equitable access to financial institutions, income (e.g., guaranteed income), and wealth-building resources (e.g., asset accumulation vehicles). They identify three key functionings that make up what they refer to as governmental capability:

- Financial inclusion-generating functioning: Ensuring everyone can access and benefits from financial institutions.
- Income-generating functioning: Ensuring everyone has enough income to meet basic needs and begin saving.
- Wealth-generating functioning: Ensuring individuals and families have opportunities to accumulate wealth over time.

Using a nationally representative sample, an expanded measure of financial capability (including literacy, inclusion, income, and wealth) strongly predicts positive economic outcomes and life satisfaction—better than more limited frameworks. The model fit is strong for White college graduates but much weaker for Black graduates.

The authors contend that social welfare policies need to move beyond merely raising individuals above the poverty line to ensuring all families can pursue financial well-being. To do this, government must proactively level the economic playing field, addressing institutional barriers. To do this social welfare policies must integrate financial literacy, income supports, and strategies for wealth-building. They also must support financial inclusion—especially for marginalized groups disproportionately excluded from mainstream financial systems. The authors go on to suggest that redistribution (e.g., assets, access, and opportunity) is needed to reduce systemic disadvantages that both White and Black families face and foster a true meritocratic environment. There also needs to be a shift in focus from survival (i.e., minimal assistance and work requirements) to supporting full participation in wealth and asset-building opportunities.

The social welfare model of financial capability is a strong predictor of asset poverty and life satisfaction across multiple measures and time points. The findings indicate that wealth begets further wealth. Prior research shows that wealth is predictive of a household's ability to weather shocks, invest in education, and plan for retirement. Income and wealth interact in complex ways (e.g., income

matters more for the poor, wealth for the affluent). Further, this study provides evidence of persistent Black-White gaps in wealth and income, even among college graduates. Despite similar education, Black graduates have markedly less wealth, lower incomes, and less financial inclusion. As a result, the social welfare model of financial capability does not predict their outcomes as strongly suggesting structural barriers limit its effectiveness without policy reform.

Therefore, the authors put forward that the social welfare system should guarantee not only minimum income, but also real opportunities for asset and wealth accumulation. Policies must build a foundation so that all citizens, regardless of race or background, have genuine access to the tools, institutions, and resources required to be truly financially capable. Efforts to reduce government assistance or focus solely on individual behaviors are counterproductive. Government intervention is necessary as a collective good for societal progress, equity, and social mobility. In conclusion, the authors suggest that a reformed policy approach to financial capability should guarantee governmental as well as individual financial capability—integrating access to wealth-building, income security, and financial inclusion. Only by addressing both individual and governmental (or more broadly institutional) factors can the U.S. move closer to true economic opportunity and a fair, meritocratic society.

5. How an Integrated Social Welfare System Can Help Improve Governmental Capability

In the fourth and final paper, *Ensuring Financial Happiness Through a Set of Integrated Social Welfare Policies*, the author contends that a cohesive social welfare strategy is needed to ensure all citizens, particularly children, have the real opportunity to pursue financial happiness and mobility. Drawing on three empirical papers in this special issues and lessons from 40 years of U.S. social welfare policy (eight U.S. presidents), the author recommends an integrated set of five policy tools to move beyond basic poverty alleviation and enable widespread financial capability. U.S. social welfare policy has often focused on identifying the “deserving” poor and limiting benefits through work requirements and means-testing; this has not significantly reduced poverty or economic inequality over the past 40 years. Political narratives have played a central role in shaping policy, often pitting groups against each other and focusing on limiting benefits and access to government assistance rather than enabling opportunity. Current policies provide only a survival standard, not the opportunity for real economic growth or happiness. The author presents a set of five policy proposals that can be used to form a planned and cohesive social welfare policy for ensuring all children have the real opportunity to pursue their own financial happiness. The policy proposals are Child Development Accounts (CDAs), Guaranteed Income, Free College, Baby Bonds, and national financial literacy training in schools.

Child Development Accounts (CDAs) or lifelong accounts starting at/before kindergarten to enable wealth accumulation for all children. As proposed here,

they would be designed for multi-purpose use (e.g., education, home, business, retirement). They would include the following design principles universal eligibility, automatic enrollment, progressive deposits, and simplified, centralized administration. The Guaranteed Income (GI) proposal would provide families with regular, progressive, unconditional cash transfers that ensure everyone can meet basic needs with enough left over to spark wealth building. The author suggests that moving toward a single, streamlined, and efficient cash transfer program would increase impact and operational efficiency of the social welfare system. Free college proposals would provide a wealth transfer at age 18. This transfer would fully cover attendance at a four-year college even though it is not conditional on attending college. This policy would more directly tie education and social welfare together, enabling higher economic mobility and efficient use of resources. Moreover, delivering college funding with a CDA can further boost long-term outcomes. Baby Bonds (wealth transfer at age 25) would ensure every citizen receives a significant federal wealth transfer (e.g., up to \$14,000) at age 25, with larger amounts going to those from low-wealth families. This transfer is designed to reduce wealth inequality and help young adults successfully transition into financial independence while strengthening the return on educational credentials. A national financial literacy training policy would mandate financial capability curriculum (practical personal finance) in all K-12 schools, with continued access in postsecondary education. CDAs can be used to make financial education more experiential and tangible for youth.

The author suggests that this set of policy tools would result in broader economic opportunity and social mobility for all children and families. In addition, it has the potential to reduce wealth and income inequality, especially for those historically left behind. It also has the potential to increase financial capability and resilience among American citizens while creating greater efficiency and reach by creating an integrated social welfare system. In conclusion, to fulfill the American promise that all citizens can pursue their own financial happiness, policy must shift from fragmented, survival-based welfare to planned, governmentally supported financial capability. The five proposals work best as an interlinked system, starting at birth and supporting citizens through retirement, ensuring not just a safety net but a type of springboard to genuine economic mobility.

6. Conclusion

Thomas Kuhn (1962) in *The Structure of Scientific Revolutions* suggests that most of the time people work within existing paradigms, what he referred to as periods of normal science. Living in a period of normal science makes it difficult for people to look beyond existing knowledge and see what is possible. Therefore, people end up asking questions that produce evidence that reinforces the current paradigm. But every once in a while, there comes a time, usually once the existing paradigm continuously fails to solve a growing number of problems, or when external events provoke a clamor for a different vision, that a people are freed to

dare to challenge the current paradigm and imagine a radically different “truth”. Their minds are freed to think about the issues they face in ways that were not previously possible. It would seem, that there is a growing body of evidence that the current social welfare system has been failing to solve a growing number of problems and external events are increasingly causing people to clamor for a different vision. Even if politicians and researchers have not caught up to this reality, and continue to offer the same tired solutions, an increasing number of the public grow more and more frustrated with the current social welfare paradigm. Unrest is becoming the new normal and people are increasingly rejecting policies that offer, what they see as, more of the same.

As Americans seek to find an alternative to the current social welfare paradigm that has the chance to end poverty and give all people a fair shot at upward mobility, they should not lose sight of moments in their collective history when they have broken free and dared to dream the impossible. It is in those moments, that they have been able to experience real change, and growth as a country. The Great Depression was just such a moment. In the late 1920s the American people were “pushed” by the collapse of the stock market and banks into demanding of their politicians a social welfare revolution. The social welfare philosophy of America was one of small government and individual responsibility, but it had proven unable to respond and solve a growing number of problems (e.g., employment, housing, food, etc.). This led to a social welfare revolution in America, in the form of the New Deal. Before this moment, the American people were constrained by their own imaginations about what was possible and, as a result, they fell into economic despair and social unrest like had not been seen before in America.

It has been posited in this introduction that many Democratic policymakers have acted as the guardians of the New Deal social welfare paradigm. Therefore, to them this volume lays out what might seem at this moment an impossible policy agenda to achieve. As guardians they are limited in what they can see as possible because they cannot see beyond the current social welfare paradigm even as it fails to solve persistent problems. Because they cannot see beyond the current paradigm, they end up imaging policies that serve to maintain the status quo. The best they can offer are mere tweaks to the current paradigm, not a revolution. While Republican leaders seek to take America back as close as they can to a point in history where government had little to no responsibility for the social welfare of its citizens, an era when extreme poverty and inequality were the norm.

The interesting thing about the New Deal revolution, is that the design for it was already mostly in plain sight. The policies that were to be adopted in the New Deal were not new but had been discussed for several years. It was just the fear of casting aside the old paradigm and adopting a new one that froze people in time. The same can be said now, it is not as though this special issue is offering new policy solutions, even if they are packaged in a new, integrated way. The challenge is not developing new policies at this moment it is getting people to believe passage of these policies is possible. To move away from a consumption-based social

welfare system that prioritizes providing people with just enough to survive, the American people must once again dare to imagine what is possible. They must dare to demand of their policymakers, a social welfare revolution guided by the ideals asserted in the Declaration of Independence. The ideal that everyone has the right to the pursuit of happiness and a social welfare system that ensures that right.

In closing, I have posited here that America has been in a crisis phase and showing signs of entering a revolutionary period when it comes to their social welfare paradigm. However, it would seem that a period of crisis is not only marked by the inability of the current paradigm to solve a number of different problems as Kuhn (1962) suggests, but by a series of uprisings (i.e., public outbursts against the current paradigm which can come in the form of demonstration but also elections) that involve a growing number of people. The paradigm remains in crisis until enough people are motivated to engage in the uprisings that it reaches the level of being a revolution. This might require presenting to the American people an alternative paradigm and set of policies that enough people can see as capable of delivering on the American promise. In turn, they become motivated to step outside of their daily lives and demand change. Further, a word of caution, and a reason for urgency. I suggest it might be that it would seem in a democracy a social welfare revolution can happen peaceably. But in a dictatorship, to overthrow the dictator's social welfare paradigm, which they are able to usher in on their own without public agreement, this would seem to have to happen through a violent take over. Today, it would appear that America is still at a point where its people can decide on the form of social welfare revolution they prefer. In this volume, a form of revolution is presented to the American people. However, the decision as to whether it is the best or right form is for them to decide.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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