On the Phone With… Robert Friedman, Board Member, Friedman Family Foundation and Founder and Chair, CFED

Editor’s note: This is the second installment in our new “On the Phone With...” feature. Each month, we share a short audio conversation with family philanthropists and leaders from around the country. This month, we talk with the dynamic and dedicated Bob Friedman. Have a suggestion for a future individual for us to profile? Send your suggestions to jason@ncfp.org

Family Giving News: This is Jason Born, senior program director at the National Center for Family Philanthropy and editor of Family Giving News. This month I’m pleased and honored to be on the phone with Bob Friedman, general counsel, founder and chair of the Corporation for Enterprise Development, or CFED. In addition to his work with CFED, Bob serves as a board member of the Friedman Family Foundation, the Rosenberg Foundation, and several economic development non-profits. He is also a former board member of Levi Strauss & Co. and Ecotrust. Since 1979, Bob has worked with CFED to promote asset-building and job opportunity strategies for low income families that bring together community practice, public policy and private markets in new and effective ways. Bob and CFED have helped lead the U.S. development of innovative economic development strategies including microenterprise, flexible business networks, individual development accounts, child development accounts and economic health assessments. Bob’s current work focuses on the development of the American Dream Match Funds, an initiative to make it easy for individual donors, financial institutions and corporations to match the savings of low-income working families saving for education, business, and home ownership. Bob – thanks so much for joining FGN this month!

Bob Friedman: Jason, thank you for the opportunity!

Family Giving News: OK, let’s get right to our questions…Through both CFED and your service on the Friedman Family Foundation board, you’ve been a passionate proponent of the need for more effective programs to help get people out of poverty, and to keep them out of poverty. You’ve really been a leading pioneer in this work. You’ve also placed a special emphasis on creating opportunities for poor and working poor families to build their own financial assets. Can you talk for just a moment about where your personal passion for this work comes from? Does the approach that CFED and other organizations you are involved with reflect the values of your whole family?
Bob Friedman: Thanks for the question. In reflecting on it, I realize that really my values and passion comes directly from my family. I got involved 30 years ago in the initial stages of creating the microenterprise field in this country, helping low-income people start businesses, only to realize that my grandparents and great-grandparents and relatives had been involved in creating the Hebrew Free Loan Society in the San Francisco Bay Area 100 years ago, again directed at helping folks who wanted to realize their dreams by starting businesses. So I think that the belief in people, and their potential, and the respect for that capacity – the acknowledgement of the common genius of people – runs deep in the family, and given that we’ve been very lucky and have the opportunity to do what we want, it made a lot of sense to us, and certainly to me that I wanted other people and ultimately everybody to have the chances I’ve had. It was remarkable when the family first met to determine the priorities of the Friedman Family Foundation. There were so many things to choose from, but we all very quickly agreed that systemic relief of poverty was our common goal, and that what we really wanted to do was to open the doors of opportunity.

Family Giving News: Do you ever have any disagreements or heated discussion with your family members and fellow board members board about what’s the best strategies to accomplish those goals?

Bob Friedman: Well, of course we disagree! (laughs) I think that the disagreements really come down to individual grants. I think my mom – who is the most generous human being I know – would like to fund every grant application that comes before us. I think my brother, sister and I feel it’s a bit more necessary to be a little more restrictive and selective. But I’m not sure my mother isn’t right, as she usually is!

Family Giving News: When did you realize that providing social services alone was not going to be enough to end the cycle of poverty?

Bob Friedman: I think when I decided in my second year of law school that I needed to figure out what I was going to do with my life, I looked at anti-poverty programs and I think while I would say that the creation of the safety net and social services, or the welfare state, was the great accomplishment of the 20th century in combating poverty, it’s limits were clear then, and are even clearer now. In a way it’s a sort of economic methadone – it mitigates the pain of unemployment and poverty, but they don’t really provide a way out. So you have more and more people who are poor and dependent on public benefit that face a system which actually, inadvertently and unintentionally, but nevertheless penalizes them...
when they try to move forward. If they try to go to school, go to work, and of all things start a business, or save, all of those things result in reduced benefit. So we were penalizing exactly the kind of behavior that we want to see both on their part and for the benefit of the overall economy. So it seemed to me that the great frontier and opportunity of the 21st century was to create an investment state, to build, if you will, a ladder that must accompany the safety net if really large numbers of low-income families are escape poverty to achieve the goals they share with all of us.

*Family Giving News:* You’ve had a wide and varied background. One thing you’ve done is to serve on the board of Levi Stauss & Co. What role does corporate philanthropy – or, perhaps more broadly speaking, corporate responsibility – play in the goals of the American Dream program or broader CFED initiatives?

*Bob Friedman:* I do think corporations have a huge role to play in making sure that we have a system where ultimately everybody has a reasonable chance to recognize, realize the American Dream. To start a business, buy a home, go to college, create a future for themselves and their families which is what we’re trying to do in the American Dream Match Fund, both as a direct expression of philanthropy and as a matter of policy and systemic structure. I should say Levi Strauss and Co., itself has taken a leading role in supporting efforts particularly in the rural south where many plants were located to stimulate economic development, and in the wake of plant closings to encourage former employees to start businesses and go to school. They’ve been a leader as well in match savings accounts. They invested in some of the first experiments with match savings where low income families – really like upper income families – are incentivized to save and start businesses, buy homes, go to school. There is certainly a huge need and role here for financial institutions particularly to meet not only the credit needs of moderate and low-income people, but the savings, financial service needs and financial education needs of the vast majority of the population.

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I think if you look at the practices and policies that have made this country strong it has been broad-based investment in the common genius – unleashing the entrepreneurial capabilities of all of our people. And that not only benefits them, it benefits us. I think early in the history of Bank of America, they would lend money to people who no one else would and they would build businesses and repay it. I think there is money to be made by making sure that financial services, financial incentives that right now we generally provide only to the top 20% of the population are spread throughout. Last but not least, non-financial corporations have an interest in making sure that their consumers, their communities,
and the nations, the globe with whom they do business are as prosperous as possible, as educated as possible, and as entrepreneurial as possible.

*Family Giving News:* Let’s talk about the challenges of taking some of these ideas and strategies to scale. On the Friedman Family Foundation website, you list several *success stories* from your grantmaking. While these programs are very impressive, from a quick look at them it doesn’t appear that any of them are yet “at scale,” meaning none have reached their full potential or have found a way to be easily replicable in other communities. First of all – do you agree that this is true, and second, what do you think is needed for programs like the American Dream Match Funds to reach that tipping point, to become financially sustainable, and to be successful in providing asset-building opportunities to hundreds of thousands of asset-poor Americans?

*Bob Friedman:* It’s a good question, and your observation is absolutely right. Let’s pause a moment with the word *scale*. My dream, in my generally optimistic view of the world, my hope is that every person and certainly every American will have a reasonable chance to create a sustainable life for themselves and for their families.

The strategies for getting there – whether they are microenterprise, or entrepreneurship, or match savings for college, or sustainable home ownership – I think you need to start small and you need to make sure they work with low income families and in real communities. But if they’re to really have an impact on the magnitude of the need and the opportunity, then we’re really looking for strategies that can reach millions of families. It’s true that many of the strategies – whether its match savings or microenterprise – have reached hundreds of thousands, but not millions. I think they can. I remember early in my life someone saying, “Liberals give only to causes, and conservatives give only to individuals,” and I thought, that’s maybe true and I should do both. I guess I’ve felt in this work that I need to both, both with my philanthropy and my professional work. We need to develop programs that work. We need to rigorously evaluate them and research them and make sure that we know how they work. And things don’t work the same at scale as they do on a very small scale. Each time you scale up a project, you need to be attentive to how you change the system. Ultimately I think the way we get to scale on a lot of these things is through public policy; we have an opportunity.
now – we have a President and really bi-partisan consensus that we need to build the ladder. The President endorsed during his campaign an expansion of the favors credit which would provide a $250 to $500 match to the savings of 15 million low-income households and would extend to them really the incentives that we only provide to the top 20% of the population, and really mostly to the top 5%, through the tax system. We spend in excess of $400 billion per year at the Federal level on the home mortgage tax deduction, preferential capital gains, and pension fund exclusions. But because most of those are tax deductions it’s really only the wealthiest and least needy Americans that get those. So we’ve kind of had this bifurcated policy of an investment policy for people that need it the least and an income maintenance social service policy for those who need it most. We now have the opportunity to do – what a lot of the president’ initiatives would do – would enable us to create a public policy platform structure for opportunity which then could create a more inclusive market economy where everybody participates and then becomes more productive overall.

*Family Giving News:* Finally, why do you think the American Dream Match Fund is such a good fit for the National Center’s audience of family funders and individual donors? And what’s the best way for a family fund or individual interested in bringing this program to their state or community to get involved?

*Bob Friedman:* Well I’ve been working on it for almost a decade. Started in 2000, and then with the economic downturn it seemed not such a good time to start, but of course with a perfect sense of timing we began cranking it up again in 2008! *(laughs)* The idea is fairly simple. We have now for two decades experimented with match savings program for low income people. We say, look if you'll save, we'll match your savings dollar for dollar, or sometimes two dollars for one dollar, if you'll use that for investments that we know in general are the highest return investments we know how to make, both for individuals and as a society, in higher education, in business, in home ownership. We mounted national demonstrations both for adult match savings accounts, and during the last decade, for child savings accounts in which we established that, given the opportunity, moderate, low income and even very poor people would save and would start businesses, go to college, buy and keep homes and save for retirement. In fact, the poorest segments that we had these programs for people living at half the poverty
line – less than $19,000 for a family of four – saved at about the same level and at 2-3 times the rate as people living at twice the poverty line – again not very much – and we asked them “How do you do that?” And they said, well, it’s not because it’s easy, and not because it doesn’t involve sacrifice. It’s because this is the price of stability, this is the price of hope, this is the way we get ahead.

So, there are now match savings programs in virtually every state. There are 500 to 1000 of them across the country, as there are microenterprise programs. But individual donors – large and small – have not generally known about them, or about this possibility. Observing the success of initiatives like donorschoose.org or kiva.org, I thought individuals – whether they were giving $10 or thousands of dollars – might enjoy this opportunity to both intervene in a meaningful way in the lives of families for generations and I think we’ve proven that for a few thousand dollars we can change the economic trajectory of a family for generations. But also help, if they are willing to put their voice where there money is, intervene at this crucial time of policy opportunity to open this opportunity to millions of families. What I’d like to do with the American Dream Match Funds is to create an easy method for individuals, as well as corporations and financial institutions to match the savings of working families trying to get ahead, and also to make sure their voices are heard as this policy is debated.

Family Giving News: You have a couple of these funds set up in the Bay area?

Bob Friedman: We piloted in the Bay Area, and we have a website: savetogether.org operating and serving also areas of Washington State, Massachusetts, and the District of Columbia. But our ambition is to move nationally particularly where there might be donor interest.

Family Giving New: Is there a best way for a family fund or interested to get involved, or if they’re interested in starting a program in their own area?

Bob Friedman: They can go to our website at cfed.org and find information on American Dream Match Funds, and they can visit savetogether.org. And frankly I would welcome individual emails or calls to bob@cfed.org, as well as advice and guidance and, of course, donations and advocacy.
Family Giving News: Thanks so much Bob, both for your time today and for your many years of service and leadership in this important work. I think you’re right this is one of the main things the country has to focus on in the 21st Century.

Bob Friedman: Jason, thank you very much for this opportunity to talk and also hopefully to connect with your readers!

Family Giving News: Remember, if you’d like to learn more about Bob’s work with CFED, visit the CFED website at www.cfed.org. Thanks everyone – enjoy the rest of your summer and we hope you can tune in again next month!