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Ben Mangan

Co-Founder, President, and CEO, EARN

The concept behind EARN—an acronym for Earned Assets Resource Network—is brilliantly simple: saving for future goals is the foundation of wealth in America and the first step on the path out of poverty. Ben Mangan didn’t just learn this in graduate school or through the study of economics, he knows this from personal experience. Mangan grew up poor and understands intimately the entrenched obstacles facing low-income families in this country. In fact, if an organization such as EARN—which offers the disadvantaged matched savings accounts earmarked for higher education, homeownership, or small business expansion—had been available to his family when he was young, it might have profoundly improved their lives. The real beauty of EARN is its message of empowerment—by helping people lift themselves out of poverty, they become designers of their own prosperity instead of dependents on the prosperity of others.

I teach a class at UC Berkeley at the business school on leading and managing social enterprises and nonprofits. It’s a real hands-on, hardworking class, because I want to disabuse young people of the notion that nonprofit work is easier than work in the private sector. A lot of the class is how you successfully apply business principles to the nonprofit and social venture space. It’s an enormous amount of work, teaching, but I am one of those people who get their energy from being around others who are fired up about meaningful things. So I always feel super-energized by the students. It is also a good way for me to stop and reflect on EARN, and how the things I’m teaching these kids apply to my own business, and the leadership challenges that I need to tackle to get EARN to the next level.

I’ve learned from experience that if you want to be a leader in the social sector, to do it authentically, it takes time. There’s this mythology around the “Aha!” moment where a nonprofit gets huge fast and within three years they’re achieving their goals. For most of us, it takes a lot longer than that—it takes relentlessness to be successful. Especially now, where there is this weird lionization of social entrepreneurs in a way that can be counterproductive. It’s very important for young people to get that. There are some kids in my class who will say they want to be social

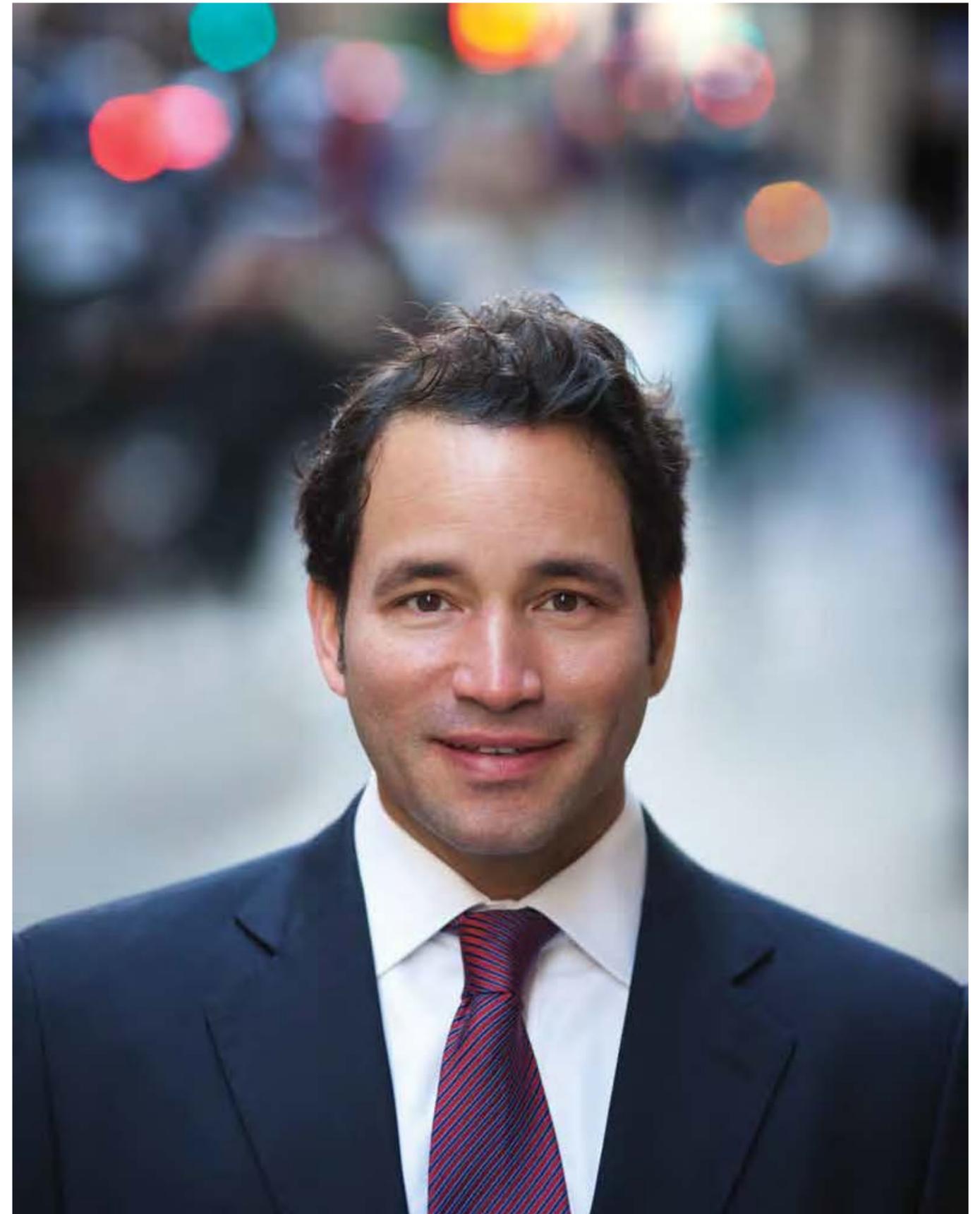
entrepreneurs, but they can’t name a cause they feel passionate about.

I came to San Francisco the first time in 1990, for a summer during college. I knew even then that I wanted my life’s work to be highly focused on social justice and opportunity. I did an internship in the DA’s office. I just instantly fell in love with it here. There is an energy that is so entrepreneurial here, so willing to reward dreamers. You don’t need to come from the right family, or have the right pedigree to achieve.

It took me ten years to get back to Northern California. Early in my career, I worked in education. And then I went to graduate school for public policy. While I was there, I focused on finance and strategy. I went to work in management consulting at first, which was mostly financially related. I ran a small consulting practice at Ernst and Young for about two years. It was a tremendous experience.

The next area I felt I needed to learn about was technology. So I moved to San Francisco in 2000 and for a year, I worked for a company that was focused on micro-payments online. That’s when the economy totally shifted. I got an e-mail from a good friend telling me about this interesting project called EARN that some people were trying to get off the ground, and she thought it would be perfect for me. I read about what they wanted to do, and it was just the thing I had been waiting for.

Ben Mangan in San Francisco’s Financial District, near the EARN office.



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The traditional approach to fighting poverty has always been about helping people get more income, a roof over their heads, and a job. Those things all matter. But that doesn't necessarily get people closer to prosperity. This country is actually phenomenally good at creating wealth. So at EARN, we looked at the root of wealth creation to find a way to apply that to low-income people. And what we found was that the path to prosperity was really tied to being able to save and invest in assets that were iconic to the American Dream. That was the magical discovery.

We started working on EARN in 2001, and it took a full year just to get the ball rolling because the dot-com bust had such a powerful effect on the Bay Area. It took us another couple years to get to the point where we were finally able to start growing on the right trajectory. We did have some powerful champions for our cause and they opened a lot of doors. The idea was compelling and relevant. But it took us time to get over the initial stumbles. We had to adjust our model. The original guiding star was always in sight. We just had to alter our course a few times.

The original idea was to open ten thousand matched savings accounts (\$4,000 apiece plus administrative costs) in San Francisco. But it would have cost \$50 million, and during that recession, people were literally laughing in my face. So we had to scale back those goals. But that idea solidified our four core values, which are prosperity, dignity, innovation, and scale.

We've opened about four thousand matched accounts since then, and what we've learned is that the assets that people use the accounts for—like college degrees, small businesses, home ownership—are very important. There's also something transformational about the simple act of saving. The Pew Research Center has a study that shows that one of the greatest predictors of people leaving the bottom of the economy is whether they save or not. It's a totally future-oriented action. And it's an act of optimism.

A big part of what we'll be experimenting with in the years to come is just how much value you get from that. There's a very compelling statistic that has driven a lot of how we're orienting our future work. It says that kids are seven times more likely to go to college if they've got a college savings account in their name. That is an unbelievable statement about how when tangible expectations are set, behaviors change.

As we learned and grew, EARN evolved into a three-part organization. The first part is dedicated to service, where we provide savings accounts, training, and other resources directly to people. We are just introducing a new type of matched account that has been redesigned to be much more scalable, and can reach potentially hundreds of thousands—even millions—of people. Those are for low-income families, specifically to help their kids with educational expenses. If they save at least \$500, they get a three-to-one match, so they come away with two thousand dollars. But what's important to remember is that the money is just the spark for a shift in perspective. There's a huge body of research about what it takes to build self-efficacy for people. A big part of it is giving people what's called perceived control. So many social programs just strip all control from people. Philosophically, you might define this as "disempowering." But it also cognitively puts a total chill on someone's ability to build confidence and achieve future goals. By making EARN program elements optional, we enabled a sense of control.

We also found an innovative way to actually give people the money and monitor how it's being spent. Essentially, they get a stored-value debit card that allows us to pretty severely limit the kinds of things it can be used for, and actually make a claim to retrieve the money if it's not being used for an appropriate education-related investment. This gives us a chance to 1) make this much more scalable, and 2) to do an experiment. We don't actually believe people are going to abuse this. So far we've been right. In fact, 80 percent of the people who open these accounts get to the point where they start making investments, which is remarkable.

So that's the first focus of EARN. The second focus is EARN's Research Institute, which takes advantage of the fact that we're so close to the end users. There is so much insight that you miss when you're not directly connected to the people you're trying to help. We realized that we have a unique opportunity to directly measure our impact on the population we're trying to affect. The research analysis helps us understand whether what we are doing is working and what the real costs and benefits are.

The third leg of the stool for us is policy, because the history of wealth in the United States is inextricably linked to public policy. We have a long-term vision, which is to build a constituency for this. It's hard to

actually have people who have benefited from the kinds of things that EARN does available to testify to Congress, or get galvanized around a bill that would create tremendous opportunity for people. But EARN is an unbelievably bipartisan idea, and when we talk to policy makers, we talk to Republicans and Democrats. Asset-building for low-income people is one of the very rare instances where there's an authentic overlap in principles between the two parties.

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Democrats love the safety net of social services, but they also want to see a path out of the safety net that works. And Republicans are looking for something that aligns with their values a little more clearly, something, for instance, that really rewards effort. And that's what this does. I once met with one of the senior leaders of the California State Senate, who is a very conservative Republican, and he loved what we were doing. He said, half-jokingly, "I love what you're doing because you're making more Republicans."

A lot of my motivation to do this kind of work is personal and has to do with my own experiences with poverty. I grew up with a single mom who sacrificed to give me opportunities. We lived in public housing in Springfield, Massachusetts, until I was about eight, and then we moved to Brooklyn. We were very poor; there is no other way to put it. People have generally not gone to college in my immediate family, and one of the reasons my mom moved us to New York was because she was absolutely committed to me having a different fate. She was totally focused on my education. I was going to go to college. That was the expectation.

But she didn't know anything about financial aid. She assumed I'd go to a state university, so those were the only schools that I applied to. But then I happened to meet someone who had just finished his first year at Vassar and he seemed thunderstruck by what an incredible place it was. I

was hungering for an environment where I didn't have to hide the fact that I was interested in ideas. And it sounded amazing. So I begged my mother to let me apply. She very grudgingly said okay. And then I got in, and I received this ginormous financial-aid package. It was really dumb luck.

I've got to say, for a poor kid from Brooklyn, I felt like an immigrant from another country when I arrived at Vassar. I was challenged on so many levels. And it just opened up my world. I graduated in 1992 as a history major and I was offered a job in the admissions department soon after because I had worked there as a student. The director of admissions at the time had a very similar background to mine. So he allowed me to visit all the public schools in New York that normally would not get a visit from a Vassar rep, to talk to kids about the school. That's when I really started to think about this issue of what it meant to have access, the way I did, to a college degree at a place that could be so life-changing. I had all these young people apply, and it was the first time in my career I faced these really tough formative questions about who deserves opportunity and why.

Being poor in the United States is very complicated because there is such a strong mythology about the American Dream. And some of it comes true, but some of it's dangerous, like if you're not making it, it just means you're not working hard enough. The fact is, you've got these enormous structures, which are much bigger than anybody's individual will, that perpetuate wealth and opportunity. Some people are able to break through them and some aren't, through no fault of their own. So there is an enormous amount of shame with being poor in the United States. I personally found it very scarring. It stripped me of my dignity, which is incredibly dehumanizing. A big part of why I work at EARN is to try to redefine the American Dream, and restore integrity to it.

So there is a powerfully redemptive theme around my pursuing this work, absolutely. Redemption for myself, but also trying to pay forward the opportunities that I enjoyed as a result of how hard my mom worked to position me to go to college, and the opportunities that serendipitously emerged for me. Becoming a parent myself has also given me a new sense of urgency to succeed, to give my son even greater opportunities than I had, so that he doesn't ever know poverty the way I did.