



# Repairing the Hole in the Boat

How the Poor Can Save Capitalism | John Hope Bryant

What if there was a way to use the power of free market enterprise to lift every American and indeed every human being on the planet to a level of dignity, inclusion, fulfillment, engagement, economic security and stability? Wouldn't that be a truly noble cause?

I think we are sitting at a rare moment in history where we have an opportunity to change our nation and our world. Everything seems to be broken economically, socially, and politically. All the numbers are headed in the wrong direction. But the Bible says, where there is no vision, the people perish. We've got to have a vision that's larger than ourselves. We've got to be about we, and not about me; what we have to give, not just what we have to get. We need to turn traditional thinking on its head, and present a new vision for America. We need to deliver "The Memo" to a new generation of BUILDERS of the American Dream.

March 3rd, 1865, President Lincoln attempted to deliver The Memo, when he called forth the Freedman's Bank, chartered to teach freed slaves about money. April 4th, 1958, Dr. Martin Luther King, Jr. attempted to deliver The Memo, when he called forth the Poor People's Campaign, focused on empowering all races of people with economics and ownership.

Both men were killed within 2 weeks of calling forth their responsive efforts, in behalf of the poor. This work we will finish, in this—my generation of leader-builders. We will bridge together, maybe for the very first time, issues of civil rights justice, with silver rights empowerment for all.

When I was growing up in the inner cities of South Central Los Angeles and Compton, I didn't have a clue about free enterprise or capitalism. How did it work? How were its winners and losers picked, and who did the picking? Most important, how could I participate? *Forget about it*, I thought to myself.

There was no manual for poor people. We never got The Memo on how free enterprise and capitalism worked. All I knew was that some folks in a world far, far away were rich and well-to-do and did as they liked, wearing suits and going in and out of high-rise buildings. Meanwhile, other folks—folks I knew in my neighborhood, folks like me—struggled to understand how these rich folks achieved any of that.

There was no building above three floors in my entire neighborhood, and the only dress suit these families owned were considered Sunday best or reserved for funeral services. Most everyone who owned or ran a business or a major corporate store like Thrifty's (now replaced by the likes of CVS or Walgreens in most communities) didn't actually live in our neighborhood. They made their money and by sundown they were gone.

And precisely because people in my neighborhood didn't understand this thing called capitalism, we feared it. We assumed it must be evil and wrong or else why were we being excluded? No one in my neighborhood could explain it or relate to the power that came with it. For us this was in many ways a triple hit. First, we didn't understand the system or how it worked. Second, those who did understand the system only took money out of the community. Money barely circulated through our neighborhood once, with our help, and then promptly left. And finally, related to this, many business owners employed friends or members of their own families rather than the neighborhood kids. Thus, these businesses did little to create local jobs.

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It did not help that the local pastor often suggested that it was hard to be rich and remain close to God, and worse, that to be poor was almost a virtue. That God loves poor people. Although it's true that it's difficult (though not impossible) to be rich and to remain close to God, and although God does love poor people, He does not love them because they are poor! Rather, He loves and cares for and calls out for this group specifically because no one else seems to, because the world continuously turns its back on them, and because if He doesn't care for them, who will?

Unfortunately, my pastor had missed the point of Proverbs 10:4: "He becometh poor that dealeth with a slack hand: but the hand of the diligent maketh rich." To be poor is not to not have anything. To be poor is to not do anything, and lazy hands make a man poor. God here is modeling true success behavior, arguing for industry. He is in essence saying, "Why give a man a fish? When you can teach a man to fish."

President Lincoln, one of the visionaries for the nation, had a vision of winning the Civil War, but he also envisioned freeing the enslaved and ensuring their future economic prosperity. Not long after he signed the Emancipation Proclamation, he signed legislation creating the Freedman's Saving and Trust Company, commonly known as the Freedman's Savings Bank. The president considered the bank's mission so important to the nation that its offices were eventually located directly across from the U.S. Department of the Treasury, perpendicular to the White House, where the president could see it and keep his eye on it.

The bank's mission was radical—to teach newly freed black Americans about money. That's nineteenth-century government-sanctioned financial literacy education in action.

Adding both intrigue and mystique to an already interesting (mostly hidden) page in our history, during the final period of the Civil War, one of Lincoln's top generals promised all freed slaves forty acres and a mule, an opportunity to own collateral and machinery in their own names. It wasn't Lincoln's idea or his official policy, though he was supportive of the initiative.

Unfortunately, Lincoln was killed less than thirty days after signing this new act, and President Andrew Johnson, who filled Lincoln's vacated office, had diametrically opposed views on things like the Freedman's Savings Bank. Johnson was what today we would call a hard-core Southern segregationist, and he was quoted as saying, "As long as I am President, this nation will be white run." So much for all of Lincoln's black empowerment ideas.

Because he could not easily kill the bank, Johnson decided to simply ignore and defund it, and he essentially told Southern lawmakers to ignore federal law—a precedent that ultimately morphed into Jim Crow laws in the Southern states. But good and right-minded ideas are hard to kill, even when you are trying, and Lincoln's plan took a lot to kill. At its height, the Freedman's Savings Bank had seventy thousand depositors, all of whom were formerly enslaved.

By placing all of the little they had in this new federal bank, these people were making the most powerful aspirational statement possible. They wanted to back their own lives and they hoped to contribute to the American experiment, no matter how they were treated. When they were given an informed choice they didn't want a handout, only a *hand up*.

One hundred thirty years later, we have an entire group of people—more than thirty million African-Americans alone—who have never been given a lesson in the global language of money or how the free enterprise system or capitalism works. They have not been given financial literacy. They were never given what I call The Memo. The black middle class didn't emerge until nearly a century later, following World War II, when black workers finally got new access to government jobs and careers in various fields.

These people are not stupid; they are simply limited in their financial literacy. Today, the net worth of middle-class blacks is a fraction of the net worth of their white counterparts, who have simply had better financial and economic role models for a much longer time. They have experienced embedded lessons in financial literacy, free enterprise, and capitalism as the world practices it. And when you know better, you tend to do better.

Financial education is the baseline, pioneered for under-served Americans through President Lincoln's creation of the Freedman's Savings Bank and for mainstream Americans through organizations such as Junior Achievement, about one hundred years ago.

Junior Achievement was created to help young people in rural America prepare themselves to run and operate their family farms. For these young people, the issues were not based on emotion or self-esteem but on fundamentals, and this mainstream community program was tied to private family wealth protection and wealth creation.

Today, however, issues of money and the economy are mixed up and interrelated with emotions, self-esteem, identity, even core issues of human dignity, particularly in inner-city and underserved America. Thus, my founding of Operation HOPE more than twenty years ago to address this need focused on the one hundred million Americans who make \$50,000 or less, who define themselves as the working poor or the under-served. Today, this also includes the struggling middle class. These people, families, small businesses, and communities need to speak the language of financial literacy to help turn their situation around.

Following the recent global economic crises, an entire generation of young people—of all races and socio-economic strata—is on the cusp of some of the most important decisions of their lifetimes, and it is our responsibility to give them the tools they need if they are to become the new individual and community assets of economic energy that America needs to rediscover its greatness and create a new generation of sustainable jobs for all.



I firmly believe that the poor can save capitalism. Starting with what many have called audacious and others consider counter-intuitive propositions, this assertion has two main philosophical pillars: 1) capitalism in fact needs to be saved, and 2) that the weakest sector of the economy has the power to revive the American free market system.

Let me be clear lest I be accused of being an apologist for capitalism, with all its flaws and peculiarities. Capitalism is no more perfect than any economic system, and like all economic models, there are no absolutes, and all face the forces of competition and change or they perish, as we have seen all too often. So, too, will capitalism fail (as it has in the past), if we do not adapt to the emerging strategic landscape. But American capitalism offers a unique set of tools for development and growth, particularly for the economically strapped. Since we live in this system, it seems sensible to learn the rules of the game, the language of money in a mindset of personal responsibility and enlightened self-interest. That is my intent. And, one step beyond the poor using capitalism to save themselves, the elevation of the poor can in turn save capitalism itself. That is the dual reality I am striving for.

For this vision for America to become a reality, we must fully embrace the power of capitalism to transform lives, while simultaneously appealing to the great American tradition of compassion and common connection.

At the root of this philosophy is a simple and deeply held conviction that when we all prosper, we all prosper more. That by including those so often excluded—the poor and the shrinking middle class—we can re-energize our stalled economy for everyone, the rich included. When struggling people have the necessary tools, policies and inspiration, they will rebuild the middle class and become a new generation of consumers, entrepreneurs, and leaders.

As a business owner, entrepreneur, and founder of Operation HOPE over two decades ago in the wake of the Rodney King uprising, I have advised several Presidents of both parties on ways to empower the excluded and the underserved through smart business and responsible capitalism, to convert renters into homeowners, check cashing customers into bank customers, minimum wage workers into living wage workers, and small business dreamers into small business leaders.

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Instead of considering the struggling segments of the population as a constraint on economic growth, marginalized as “takers,” I outline solutions for the 100 percent, for rebuilding the path to the great American middle class, and the foundation of the entire economy.

Though I am internally motivated by deeper principles of human compassion and dignity, I take a very practical, business-oriented approach to financial empowerment, for I am neither an economist nor a political partisan.

I am in favor of outlining a pro-business, pro-growth agenda, which starts with increasing the financial skill, consciousness, and know-how of a growing segment of the population which does not understand the basics of how money and business work. One of the most important lessons of the previous financial crisis is that this basic lack of financial consciousness and skill in fact exacerbated the sub-prime mortgage disaster, which nearly destroyed the global economy.

When I speak of the poor, I am referring to all struggling Americans, not just minorities, or inner city residents. I want us to re-think what it means to be “poor,” a term so often used to divide and distract. For the sake of this discussion, instead of the word “poor,” I propose instead to refer to the burgeoning “teetering class” of Americans, who live with a wobbly sense of staggering uncertainty.

These aren't just the poor, as defined purely statistically. These are the nearly poor, the really poor, the temporarily poor and, of course, the persistently poor. It includes people who work hard and don't earn enough, whether it's a single mother earning the minimum wage or a married accountant earning \$50,000. They teeter from one paycheck to the next, with not enough money at the end of their month, one step ahead of collection notices, medical emergencies, late fees, overdraft fees, and cut off utilities. Even when not officially poor, many many Americans feel that way, nonetheless.

They represent a bulging segment of the population, as much as 70 percent, which has been excluded from the wealth machine of America and who find it increasingly difficult to have a sense of hope, dignity, and optimism. The problem is, this is the 70 percent of the population that drives our consumer-based economy, and on which our economic growth depends.

Motivated by a sense of enlightened self-interest, an increasing number of business and political leaders see this struggling segment of the economy as a fertile market full of sustained growth and profit opportunity, ripe for the picking. This would also benefit the wealthiest of Americans, because a slightly smaller share of a growing economy yields more than a larger share of a stagnant economy.

Likewise, a growing chorus of voices is sounding the alarm against the destructive forces of mounting income and wealth disparity. We've got nuns on busses, Popes in palaces, Presidential pronouncements, Senators, CEOs, and C-suite executives all agreeing that inequality is a clear and present danger to our society and the future of capitalism. That without a stable, vibrant middle class, the United States economy—and the global economy—is at considerable risk of permanent contraction.

Some would call this an inflection point in history, and it certainly appears so, with the world's greatest leaders recently elevating the importance of human dignity on the world stage. Recently, in his first major work as the head of the worldwide Catholic Church, Pope Francis attacked unfettered capitalism as “a new tyranny,” and urged global leaders to fight poverty and growing inequality. Notably, Pope Francis, who comes from South America, is the first non-European pontiff in 1,300 years, giving him a uniquely global perspective. In criticizing the global economic system, the Pope condemned the “idolatry of money” and beseeched politicians to guarantee all citizens “dignified work, education, and healthcare.” He also called on rich people to share their wealth, exhorting, “Just as the commandment ‘Thou shalt not kill’ sets a clear limit in order to safeguard the value of human life, today we also have to say ‘thou shalt not’ to an economy of exclusion and inequality. Such an economy kills. How can it be that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points?”

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And arguably the most powerful man in the world, President Barack Obama, in his first speech on the ravages of income disparity, recently prodded Congress to raise wages and secure the social safety net as he issued an overarching appeal to correct economic inequalities that he said make it harder for a child to escape poverty. “That should offend all of us,” he declared. “We are a better country than this.” Focusing on the pocketbook issues that Americans consistently rank as a top concern, Obama argued that the dream of upward economic mobility is breaking down and that the growing income gap is a “defining challenge of our time.” “The basic bargain at the heart of our economy has frayed,” the president said in remarks at a nonprofit community center just a short drive from the White House in one of Washington’s most impoverished neighborhoods.

Even Duncan Niederauer, CEO of the New York Stock Exchange (and an Operation HOPE Board Member), warned during our recent Global Dignity Summit that the income gap is threatening America's promise of economic upward mobility, a promise fulfilled by his own father, an immigrant who came to America with few resources and today whose son runs the NYSE. "The country was founded on economic mobility. This is not about the simple redistribution of wealth. It's the way you help people break out of the cycle by educating them."

So it does appear that we are at a moment of conscious consensus among the public and private sectors, religious and business leaders, all along the ideological spectrum—a consensus that when we all prosper, we all prosper more.

We seem to have a theoretical consensus on the problem of financial exclusion and disparity. We need a feasible, doable, measurable plan of action, which I embody in the HOPE Plan. The HOPE plan, comparable in scope and moral authority to the Marshall Plan, sets forth a comprehensive, practical agenda: invest in hope through small business development and financial literacy training and counseling, and increasing inclusion in the banking system; nurture hope by improving credit scores, and encouraging entrepreneurialism; and harvest hope through a comprehensive plan called Project 5-1-1-7, which calls for teaching 5 million youth the language of money and financial consciousness in thousands of American schools; creating one million future entrepreneurs; establishing 1,000 financial empowerment centers located in local bank branches, and boosting credit scores to a bankable level of 700.

Aristotle said that “hope is the dream of a waking man.” We need to reawaken America to the vast hope we have within our reach to transform the lives of millions of Americans and in so doing make life better for all Americans, and to awaken individuals to the power of the free enterprise system.

Here’s a question for the ages—what would have happened if Abraham Lincoln had survived his second term? What would America be like today if former slaves, who essentially built America for free during the agricultural age, were given and empowered with the 1865 version of collateral and machinery, financial literacy, an understanding of the language of money and the workings of the free enterprise system and capitalism, access to capital, and with it, enhanced opportunity and jobs? We simply would not have what some want to call a permanent underclass today. America would be better, stronger, and even more prosperous.

When Dr. Martin Luther King, Jr. died, he was working on issues of jobs and economic freedom, and said, “If a man doesn’t have a job or an income, he has neither life, nor liberty, nor the possibility for the pursuit of happiness. He merely exists. America has an opportunity to help bridge the gulf between the haves and the have nots, and the question is whether America will do it. There’s nothing new about poverty. What is new is we have the techniques and the resources to get rid of poverty.”

It is time to finally take up that call and get to work.

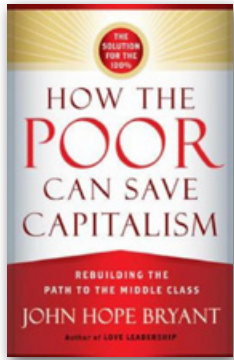


It's time to finish what Lincoln started and Dr. King never had the opportunity to meaningfully address. But this time we can and will use the power of the private sector and the free enterprise system itself, supported strongly by government, to transform people's lives.

We must enable people to contribute to the American dream, to help America win again, with all of its people's shoulders against the wheel of change.

When describing our current economic situation, the hole-in-the-boat metaphor is often used. The new global economy means we are all in the same boat, in which we sail or sink, together. So, in both a spirit of love and compassion for others, combined with enlightened self interest, we should dedicate ourselves to repairing the hole in the boat, so that we all rise to higher and higher heights of human dignity. **I hope you join us on that voyage of hope.** 🇺🇸

# Info



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**ABOUT THE AUTHOR** | John Hope Bryant is an entrepreneur, author, and advisor and one of the nation's most recognized empowerment leaders. He is the founder, chairman, and CEO of Operation HOPE and Bryant Group Companies. Recognized as one of *TIME* magazine's "50 for the Future" leaders, and is the only African-American bestselling business author. He has served under two presidents: as vice chairman of President Bush's Council on Financial Literacy, and chairman of his Council's Subcommittee on the Underserved, and as chairman of President Obama's Advisory Council on Financial Capability, Subcommittee on the Underserved and Community Empowerment.

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