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U.S. Presidential Election and the Underserved

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Just what is going on in America?

Why such outrageous chauvinism trumpeted by Mr. Donald Trump, a Republican candidate, is gathering such frantic support? On the other hand, what is the background of steady gain by Senator Bernie Sanders, a Democratic candidate who claims to be a socialist, advocating revolution? At a glance both candidates appear to be opposite of each other, but what is common amongst their supporters seems to be profound frustration with the status quo. Only difference is the way they express it. For Mr. Trump's, impulsive and for Senator Sanders', ideological, and the underlying common factor may be the growing income gap. Senator Sanders blasts that the top one-tenth of 1 percent owns almost as much wealth as the bottom 90 percent. Many of those bottom 90% are thought to be the poor and impoverishing middle-class.

Magnitude of financial inclusion, percentage of adults with an account at a formal financial institution, has become one of the indicators to measure poverty in developing countries. If you apply that in U.S., it is 94% in 2014, one of the lowest, unexpectedly, among G7, the world's richest countries where they are almost 100%. (Figure 1)

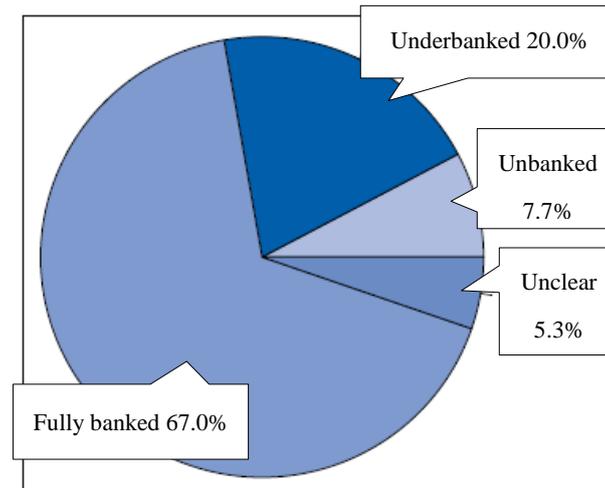
Figure 1 G7/ G20 Adults with Bank Accounts (age 15+, %)

G7		G20			
Japan	97	Argentina	50	Mexico	39
USA	94	Australia	99	Russia	67
UK	99	Brazil	68	South Africa	70
Germany	99	China	79	Saudi Arabia	69
France	97	India	53	Turkey	57
Italy	87	Indonesia	36		
Canada	99	Korea	94		

(Source) World Bank Findex 2014

Looking more in detail (Figure 2), the underbanked, who have a bank account but also use non-bank financial services, such as high interest, high fee charging payday loans, check cashing, in the past 12 months, occupy 20%. Together with the unbanked, almost 30% of households are deemed to be financially excluded, or underserved. Moreover, after the global financial crisis, branches are closing, due to restructuring of banks, in remote areas and poor neighborhoods, and the inhabitants have no choice but to rely on those high cost non-bank financial services.

Figure 2 How U.S. households are banked (2013)



(Source) FDIC, Oct 2014

Against that backdrop, Senator Sanders is advocating for the revival and expansion of U.S. Postal Savings System. The Postal Savings System was established in 1911 providing American people with the opportunity to make deposits at post offices located nationwide. However, after half a century's service, the Postal Savings System was abolished in 1966 as a part of streamlining of the federal government under the Johnson administration. Senator Sanders promises to revive and expand the Postal Savings System, providing basic banking services for low income communities. Senator Sanders' other Wall Street related campaign promises are, break up the big banks, reinstate the Glass-Steagall Act, tax speculators, turn credit rating agencies into non-profit institutions, cap credit card interest rates and ATM fees, democratize FED, etc. These are gaining certain support which should not be taken lightly.

Whoever becomes the U.S. President, he or she will have to confront the poverty within head-on.

(Reference)

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