

Perspectives on the Challenges of Race, Education and Financial Services in America

Maureen Conway and Kirsten Moy

The Aspen Institute's Economic Opportunities Program (EOP) organized a track of sessions for the Aspen Ideas Festival (July 6-9, 2006) called "Family Economics: Work and Wealth in the New Economy." This report summarizes those discussions.

We are grateful to the Annie E. Casey Foundation and Casey Family Programs for their support of this series of presentations. We also thank Gamillah, Inc., for supporting this paper. We are particularly grateful to the following individuals for presenting their ideas: Isabel V. Sawhill, Sharon Lynn Kagan, Manuel Pastor, Jr., John A. Powell, T. D. Jakes, Jr., Eric J. Cooper, Gwendolyn Robinson, Nancy Montoya and Marion A. Bolden.

EOP advances innovative strategies that connect the poor and underemployed to the mainstream economy. The program operates on the premise that alleviating poverty requires changing systems and transforming an individual's relationship to money, work and assets.

At the 2006 Aspen Ideas Festival, the "Family Economics" sessions featured prominent scholars presenting key issues that shape the economic and educational opportunities available to people struggling to achieve financial stability. Many of the sessions grew out of provocative discussions that occurred during the 2005 Ideas Festival. In addition, Hurricane Katrina focused powerful national attention and thought to race and class disparities in America. Festival organizers believed that many complicated issues – such as race in America and improving urban education – warranted deeper exploration. Other sessions were an attempt to better understand how different systems – such as early childhood education and financial services – can advance or limit an individual's opportunities. What follows are descriptions of each session and a brief reflection of the scholars' remarks.

Searching for the Uncommon Common Ground: New Dimensions on Race in America

This session examined the challenges posed to our nation when race is a source of division – and different frameworks for addressing the issue. The aftermath of Katrina dramatically demonstrated the different experiences of the white and black residents of New Orleans. But race in America is not just a black-white issue anymore; it's become much more complex. Nationally, Latinos have become the largest minority. Meanwhile, in California, the state university system recently announced that the majority of students accepted into the incoming freshman class will be Asian, edging out white students for the first time. And as the riots in France in early 2006 illustrated, the U.S. is not alone in struggling with the issues presented by a diverse society.

The discussants in this session – scholars and a minister – agreed that conversations about race are difficult, but that race needs to be addressed intentionally and deliberately. They argued that these hard discussions are important and necessary, especially since America's demographics are changing swiftly. What's needed, they suggested, is a *different* way of talking about race.

Manuel Pastor, Jr., professor of Latin American and Latino studies and co-director of the Center for Justice, Tolerance and Community at the University of California, Santa Cruz, said that all too often discussions about race don't acknowledge the discomfort in the room. "The emotion is there, and it is real," he said. For instance, he pointed to two different feelings in the immigration debate. On one side, native-born Americans see a world being taken away from them. At the same time, he noted, immigrant families feel tremendous pain because the ire toward undocumented workers is directed toward loved ones, such as fathers and mothers.

To make such difficult discussions easier, Pastor advocates "searching for the uncommon common ground." By that, he means not appealing to the lowest common denominator by pitting one group against another. "We hope we set a goal about being able to talk about uncomfortable things," he said. As part of that, Pastor said that in discussing race, "We need to understand the pain and emotion in these topics, and we need to celebrate the progress made and build on our hope, not our despair. We need to understand the need for uncomfortable conversations that push us to uncommon common ground." Pastor believes much progress has been made on some civil rights issues, such as attitudes and segregation in metropolitan areas. At the same time, he believes little progress has been made on other issues, such as urban sprawl, the criminal justice system and income inequity. That pay gap, he believes, is due to a failed educational structure, changing family structure, and the failure of public policy.

There is an imperative need for difficult conversations about race, Pastor said, because the nation's demographics are changing dramatically, not unlike California's population shift. Nationally in 2000, whites made up 71.5 percent of the population, but by 2050, the country will be almost a majority minority society. That change mirrors California's transformation from 1980 to 2000, a rocky time of civil unrest and tensions around immigration. Pastor argued that a racial disparity between older and younger Californians raises important questions about a majority white, older generation making decisions about public investments in education and other services for a younger generation largely made up of people of color. For example in 2000, whites comprised 71 percent of California residents 65 or older and 58 percent of those 40 to 64 years, but only 36 percent of youth under 18 were white. For Pastor, the implications of race disparities such as these make the need for conversations about race all the more urgent.

John a. Powell, executive director of the Kirwan Institute for the Study of Race and Ethnicity at Ohio State University, noted that racial categories – who is white, who is black – are constantly evolving in meaning and in importance, and need to be considered. He told the story of Homer Plessy, the plaintiff in *Plessy v. Ferguson*, the Supreme Court decision upholding the "separate but equal" doctrine. Plessy was an octoroon, someone who is one-eighth black. But he was phenotypically white, that is, he appeared white. He refused to sit in the blacks-only train car and argued that "the law was unconstitutional because it took away his interest in whiteness and whiteness was of material value." Powell also noted the way the United States counts different racial and ethnic groups has changed in every census, and he expects it to continue to change. As an example, he noted that there was a time when Latinos were counted as white, rather than as Hispanic or Latino. Today, a growing number of people, he said, choose their own racial categories. In other words, racial

categories are subjective and only have the meaning that we attribute to them, not an absolute meaning. This subjectivity of classification and interpretation makes projecting demographic change very difficult. “We don't know who will be counted as 'white,’” powell said. “We don't know what 'white' will mean.”

In looking toward the future, powell suggested that a number of models could apply to how we deal with issues of race. He believes that Canada is grappling more with a multi-cultural model, where race loses salience in distributing outcomes. He fears that the United States is drifting more toward a “white dominance, color blindness” situation in which advantages associated with skin color persist, but there are ostensibly color-blind institutions that nonetheless perpetuate these advantages.

“We sort people through a whole series of mechanisms, many of which look race-neutral on their face, but have a predictable outcome that will isolate people of color,” an arrangement powell calls “structural racism.” He gave as an example the prevailing approach to funding schools, and how it impacts poor children of color. Essentially, these children's homes are concentrated in places that have the worst schools, and policy tells their families to just “find better schools” regardless of their actual ability to do this, in terms of location and resources. The de facto result is that the great majority of poor children of color are sent to impoverished, poor-performing schools, and this situation has a predictable outcome of them not doing well.

powell also noted that in the United States, “particularly because discussions of race are so poignant and so hard, the classical move is, it's nothing to do with race, it's about class.” But then, he questioned why the lower classes are disproportionately people of color, and argued that the answer lies largely in the fact that most American households have generated the majority of their wealth through housing. Yet, he noted, U.S. housing policy has historically been extremely segregational, and in many ways remains so today. Thus, housing policy and practices have seriously



john a. powell, T.D. Jakes, Jr and Manuel Pastor, Jr.

limited the ability of people of color to build wealth, to pass on assets to their children and to move to a higher economic class. “Race and class are extremely connected,” powell said.

“We need a transformative discussion about race,” powell said. “Usually when we think about race, we think about problems. We tell negative stories, which are real. We don't tell the positive stories. We don't talk about the largest outpouring of support – whites sending money to help blacks after Katrina. We don't talk about race in a way that links whites and nonwhites.”

T. D. Jakes, Jr., founder and pastor of the Potter's House nondenominational church, knows well the powerful role religion plays in human interaction. And yet, he also knows well, as the Rev. Martin Luther King, Jr. once observed, that Sunday morning is the most segregated hour in America. “Religion has influenced art, literature, music, the way we process morality,” Jakes said. “Unfortunately, religion has done a terrible job with integration. When it comes to faith, we migrate back to our comfort zones.” Much the way Pastor and powell said conversations about race need to be intentional, Jakes intentionally has reached out to include Hispanics in his large, predominantly African-American church in Dallas. He attended Spanish-speaking churches to learn about their culture and began posting bilingual signs and introducing bilingual prayers in his church. Despite some skepticism from some of his congregants, Jakes was undeterred. “We must

intentionally go after this diversity,” he said. “This melting doesn't just happen. We need to work at it.”

Jakes also pointed out that people of color disproportionately being incarcerated affects politics, because “once you have been incarcerated, you lose the right to vote. Politicians aren't motivated to be truly sensitive until we fix these and other issues.” Inequities in education and asset-building also need fixing. “Until we fix the educational system, we will not begin to retard the problems that exist,” he said. He also noted that less than half of African Americans own their own homes, compared to three-quarters of whites. “We need to teach people about the gathering of wealth and train them to invest those dollars.”

Both Jakes and Pastor stressed the importance of role models for young boys of color. “Little boys need to see black men who are intelligent and articulate,” Jakes said. “They don't see themselves in that role. We need to market education in such a way that it is cool to be smart.” Pastor said that in a similar vein, immigrants may not have grown up purposefully learning from role models and mentors. Therefore, many successful immigrants and people of color don't immediately or naturally think of mentoring as something they should be doing, the way others do who have experienced the impacts of mentoring.

A New Way Forward for Urban Schools

The National Urban Alliance (NUA) has worked with urban school districts across the country, achieving promising results system-wide by beginning with – and building – belief, hope, determination and confidence. This session gave the audience insights into the NUA's approach to education reform and how it might “scale up” across the country. The session also featured the premiere of a short film segment from the documentary “In A Perfect World . . . Listen to the Children,” produced by the In A Perfect World Foundation and N.A.K. Production Associates.

Eric Cooper, president of the National Urban Alliance for Effective Education, believes that “poverty is a circumstance, not an identity.” He explained that the film “In A Perfect World . . . Listen to the Children” features “the voices of children and youth crying out to provide support. You will hear the voices of the students crying out, 'Believe in me as an individual. Don't deny me equal opportunity, just because my skin color might be different than yours.' Recognize that the power for change, the power for intelligence exists within all of us.”

The powerful clip of “In a Perfect World . . . Listen to the Children” records children's reflections about what their perfect world would look like – everything from a family picnic, to an end to violence, to becoming president of the United States. The film also profiles three students who are rising above society's low expectations and are demanding that their teachers challenge them. “What I want most from a teacher is to be willing to learn, to take every experience as a learning experience,” one student says.

Society, Cooper insisted, cannot rely on charter schools. All kids need good schools, he argued, not just those who can get into charter schools. Charter schools are a band-aid for deeper problems, he said. What's really needed, Cooper said, is an entirely new social justice movement. “It needs to be led by educators, and they need to be empowered,” he said. “They need to reach out to community stakeholders, including faith-based leaders. If we are going to address the hurting of children of color, we need to understand the power of the adult to lead children. The children in the film are asking us to lead.”

Sitting in the audience, Supreme Court Justice Stephen Breyer asked Cooper how the NUA achieves education reform. Cooper said that instead of focusing on children's weaknesses, his trainers focus on high expectations for high intellectual performance. Yvette Jackson, NUA chief executive officer, explained that NUA consultants go into school districts and assess students' and teachers'

strengths. NUA devises a professional development plan to transform teaching with an emphasis on strengths. “We train teachers,” she said. “This is about empowering teachers.” She said part of the training involves the role and impact of language. “Right now, many people still use the term minority,” she says. “In urban areas, where 99 percent are students of color, how do you say they are minority?”

Today's Schools: Changing Opportunities for Some to Opportunity for All

Inadequacies and inequities in K-12 education are both a practical and moral challenge to America. This session presented a promising approach by the National Urban Alliance, for how schools can narrow or eliminate academic achievement gaps between widely diverging economic and demographic groups, help create a just and productive society, and how communities can be allies of schools in confronting challenges, including individual and institutional racism, inadequate educational resources, and ineffective instruction.

Expanding on the session “A New Way Forward for Urban Schools,” about listening to children, Eric Cooper, president of the National Urban Alliance, told of his own childhood and growing up with racism and low expectations from adults in Peekskill, N.Y. Cooper overcame and wants to ensure that other children don't have the same experience. So, he founded an organization that works with teachers in 26 school districts around the nation. “What we have found consistently is the child is not included in the education equation,” he said. “We spend time in classrooms, motivating and cajoling educators to begin to believe in the capacity of all children to learn.” On its face, that shouldn't seem like a difficult sell, but Cooper said teachers sometimes react by saying, “This will never work in our school district.” That reaction, however, only inspires Cooper to try harder to convey the belief that “every single child is capable of learning through mentoring, leadership, getting into their homes.”

Cooper called for a new social justice movement that “doesn't mean marching in the streets. It means engaging in the school communities,” he explained. “There is hope. With hope, people can succeed. We need to provide the tools for teachers.” He told of African-American children in Seattle whose teachers had two-plus years of NUA training. Cooper reports that the academic achievement of these students far surpassed that of comparable students who had non-NUA-trained teachers. The scenario is similar in Minneapolis, where NUA works with 13 districts: Students bussed from disadvantaged areas and integrated in schools with NUA-trained teachers demonstrated markedly higher academic skills than students left in magnet and other city schools.

Cooper's trainers work in high schools in Newark, where School Superintendent **Marion A. Bolden** confronts serious issues daily in the 45,000-student district. Yet, like Cooper, Bolden also spoke of hope, high expectations and the importance of listening to children. “We are a district in crisis, yet there is a lot of hope in our city,” she said. Bolden had been a high school math teacher who rose through the ranks to become an administrator. She became superintendent of schools when a group of ministers implored her to take the job. In that leadership role, she wanted to focus solely on academics but soon realized she also needed to listen to her students to learn their strengths and what motivates them. “My children are smart, and they are demanding that someone pay attention to them,” she said.



Marion A. Bolden and Eric J. Cooper

Bolden told how policy makers, faced with tight budgets, often want to prioritize reading, math and remediation and cut extracurricular activities. But both Bolden and Cooper stressed that this mindset is demoralizing and ineffective for students and that unless students' strengths and interests are recognized and encouraged, they are not motivated to stay in school. Bolden mentioned the Newark graduation rate, which has increased from 45 percent to nearly 70 percent, and she credits the improvement to "extra" activities that keep students engaged in school. She believes so strongly in those activities that she fights to protect them. For instance, she refuses to cut art and music spending, despite a budget crisis. "We are trying to cultivate high academics and balancing that with what we give our kids in terms of spirit and hope," she said. "In an urban district, we have to show kids we care." Sometimes, that might mean a new weight room at a local high school, a dream of some students. The state education commissioner told Bolden she couldn't spend money unless it was for academics. "I was able to convince her that you have to raise the bar, but you also have to give kids the things that make a difference to them," Bolden said. Similarly, students previously couldn't travel abroad. "Now, our children go everywhere," Bolden said, adding that she pays for half the cost. "I don't care who I have to call to get the money." Recognizing the value of such activities is not coddling her students, Bolden said, but it is merely offering them some of the opportunities that kids have in communities with more resources.

For many of Bolden's students, however, school is more than just a place to learn and develop their strengths. She has seen her students become distracted in the afternoons, and when she asked them about it, they told her that they were preoccupied with trying to figure out a safe way to get home – a telling anecdote about the challenges that make school a haven, but that conspire to distract her students from learning. School, Bolden noted, is where her students feel safe. "It has become the safe haven for them," she said. "The violence is outside of school."

Audience member Dorothy Stoneman, a former teacher in Harlem and founder and president of

YouthBuild USA, notes that her organization provides a safe haven and education for young dropouts. The workforce development system deals with similar issues. "We find the same things you do: Society has given up on them, but they are brilliant," says Stoneman. "Almost no one says the 16-to-24-year-olds need to be brought back into the school system."

Bolden said she works hard to keep teachers and parents motivated. Her district has an induction program for new teachers, staff development, and tuition reimbursement. In many Newark schools, parental involvement is a struggle, but Bolden tries different ways to reach them – from a parent advisory council, to local cable Channel 22, to hosting a parent job fair that helped 62 parents find jobs. That Bolden held such a job fair underscores the challenges she faces that transcend academics – her students come from families in which parents desperately need jobs. Unlike suburban districts with parent armies of classroom volunteers and sources of additional funds for special activities, poor urban districts may be called on to find resources to help parents as well as children.

Ready for School: How We Can Create a Better Early-Care and Education System for America's Young Children

A growing body of research has identified the importance of preschool. But many of the roughly 1.8 million children who enter kindergarten do not have early-learning experiences, thus beginning school already at an educational disadvantage. Research shows that this disadvantage is not borne solely by the children – it detracts from economic growth and our overall societal well-being. This session covered: the historic, structural and systemic reasons for the lack of early learning experiences; a variety of approaches for creating an early-care and education system that supports the life chances of all children, for example, universal pre-K targeted investments for low-income families or communities and infrastructure development; obstacles to achieving such a system; and how to pay for it.

Even before kids start kindergarten, differences in test scores between low-income and more affluent children are readily apparent. How do we as a society level the playing field? This session explored the rationale for developing an early childhood system, especially for disadvantaged children, and how our approach to early childhood education reflects our values. The session also examined practical issues underlining the choices our society makes about the value of early childhood education.

Isabel V. Sawhill, director of economic studies at the Brookings Institution, argued that the U.S. education system doesn't start early enough. She noted that there is limited social mobility among American families and the uneven starting points of children when they enter school may be a contributing factor. She cited research that clearly demonstrates the need to begin education at an early age, including neuroscience research that has shed new light on the important ways in which human brains develop in the early years, and math and reading test scores showing wide differences for children from different socio-economic backgrounds, even at age four. Sawhill also said that evidence shows early intervention programs, particularly with disadvantaged children, have benefits that last into adulthood. She pointed to three model preschool programs and gave examples of the impacts those programs achieved:

- Participants in the Title 1 Chicago Child-Parent Centers had higher high school graduation rates, fewer special education placements, more grade promotions by age 15 and fewer arrests by age 18.
- Participants in the Abecedarian Early Childhood Intervention were more likely to be employed or in higher education than their peers.
- Participants in the Perry Preschool were more likely to earn more than \$2,000 a month and own their own homes at age 27 and less likely to be on welfare as adults than their peers.

The most effective programs also are the most expensive, Sawhill noted, because they employ highly qualified teachers, have high teacher-to-children ratios and intervene for long periods. Sawhill believes that the long-term benefits of model preschool programs outweigh their substantial costs. While some cognitive benefits such as measured performance differences on IQ tests may fade over time, non-cognitive benefits such as avoiding early pregnancy or arrest persist over time. Her own research also shows that an investment in early education will increase the nation's long-term economic growth: "The extra revenues more than pay for the cost of the program."

Besides costs, other issues make implementing early childhood education difficult. Sawhill noted that it is hard, for instance, to take these model programs to scale. Further, politicians may be reluctant to invest in early childhood education because the benefits take much longer to materialize than a given political term in office. Sawhill pointed out that the U.S. spends four or five times more per capita on the elderly than on children, largely because of senior citizens' high voter participation. In addition, universal programs are politically popular but their benefits are unproven, and whether those benefits are likely to be as substantial as those found in programs focused on disadvantaged children is a topic of current debate in the field.

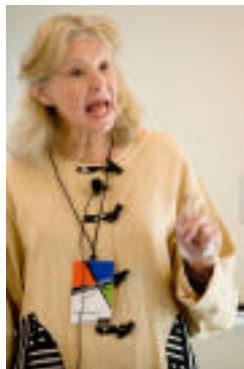
To better understand the challenges in the U.S. early childhood system, **Sharon Lynn Kagan**, an early childhood and family policy professor at Teachers College at Columbia University, outlined its history and current landscape. How families and children nurture their young children, she explained, is a value decision debated from country to country. Kagan explained how over the last 40 years early childhood education in America has grown dramatically due to societal changes. For instance, America experienced an anti-poverty sentiment during the 1960-70s that led to funding of Head Start and other programs for low-income children. During the 1970s-80s, the women's movement and women entering the workforce led

to greater investments in child care. During the 1980s-90s, data about the effectiveness of early childhood education led to increases in public funding. Kagan confirmed Sawhill's research showing the importance of the early years in brain development.

Kagan said that as early childhood education has grown, it has become a patchwork system. Roughly 70 percent of women with young children are working, and those youngsters with working mothers are cared for in a wide variety of settings. The largest percentage is in center-based care.

Other young children are cared for by relatives, nannies, family day care, and parents. Kagan cites disparities in this patchwork system: Maryland, for example, spends \$721 per child, while New Jersey spends \$9,305 per child. And, poor and minority children are more likely to be in larger classes and have fewer experienced teachers.

To improve this patchwork system, Kagan believes that investment is needed not just in programs, but also in infrastructure, such as more stringent regulations, professional staff development, long-term fiscal planning, clearer standards, assessment and accountability. A debate exists about who should govern early childhood education. Currently, there are different governance models in the United States, ranging from a state department of early childhood education to a coordinating council. At the same time, preschools should be better linked to schools through aligned standards, curriculum and assessment. "We need to move from a focus on quantity to quality," she said. "We need to move from a focus on individual programs to the entire system. We need to move from piecemeal policies to an integrated plan."



Sharon Lynn Kagan

The Two Worlds of Financial Services: How Katrina Revealed the Divide

Low-income consumers for years have been stuck with low-tech, in-person systems of check cashiers, pawn shops, and payday lenders where interest rates can climb as high as 400 percent. More financial-service providers have recently expressed interest in bringing technology and mainstream banking services to low-income communities. Today, you can get a consumer loan at Wal-Mart or buy auto insurance through Costco. These changes have the potential to reduce the costs of financial services for low-income families and create avenues for building wealth, but they also could exacerbate the wealth divide and leave low-income families even further behind. This possibility can have disastrous consequences, as the world witnessed in the wake of Katrina, when those without assets or connections to financial institutions had fewer resources with which to escape the storm and little with which to rebuild. This session presented the changed landscape of consumer financial services, and highlighted issues and potential policy solutions.

Inequities in urban education affect the opportunities for many disadvantaged people to get ahead in life and to build wealth. The scholars in this session argued that the dual financial system is another barrier holding many families back.

Gwendolyn Robinson, director of consumer affairs of GE Consumer Finance-Americas, drew on current and extensive past experience as a program associate at the Annie E. Casey Foundation, and outlined a complex dual financial system. Traditional mainstream financial services are used by 90 percent of consumers, and include banks, credit cards, consumer loans, home equity loans and mortgages. A separate, fringe set of providers – pawn shops, payday loans, check cashiers, rent-to-own shops – caters to financially vulnerable people. An estimated 65 million do not have accounts at traditional banks, or have accounts but still use check cashiers. These “unbanked and underbanked” individuals cite many reasons for not using banks, such as high service charges and steep balance

requirements. Most earn less than \$25,000 annually. Robinson noted that fringe financial providers can devastate low-income families because of the high fees for services and credit. This often pushes families into debt and is a reason why longer-term asset-building is almost impossible outside of mainstream banking.

The two-tiered system was starkly evident during Katrina as residents with means were able to flee the city and those without means were left behind. Robinson pointed to a survey by the Kaiser Family Foundation/Washington Post/Harvard University that found that almost two-thirds of Katrina evacuees in the Houston Astrodome did not have bank accounts. Some 72 percent did not have credit cards, and a majority reported they stayed due to lack of transportation or shelter.

Nancy Montoya, regional community development manager for the Federal Reserve Bank of Atlanta is a New Orleans resident. She witnessed firsthand how the storm hurt the “unbanked,” and pondered how many people stayed behind because they lacked a traditional banking relationship. Days after the storm, Montoya noticed a line of people waiting for their public benefits checks. Remarkably, a postal carrier was telling people they could pick them up at the main post office. Montoya said having a bank account enabled her to receive a FEMA assistance check faster, leading her to wonder how those without bank accounts were able to get government aid. “A traditional banking relationship enables you to weather a disaster, whether it’s a storm, a divorce or a job loss,” she said. “You don’t have a financial cushion if you are putting money under the pillowcase. A traditional bank account helps you build assets.”

Montoya predicted that banks will start offering services for this growing “unbanked” segment of the population, thus providing a safety net. She also said that asset-building should be part of a broader conversation about income. For example, it is noteworthy that the American Dream Demonstration project showed that the poor actually saved a larger proportion of their income

than the affluent. However, the public safety net is so frayed that it has hurt poor individuals' opportunities for saving.

For Further Information

The Aspen Institute
Economic Opportunities Program
One Dupont Circle, NW
Suite 700
Washington, DC 20036

Phone: (202) 736-1071

Fax: (202) 467-0790

Web site: www.aspeninstitute.org/eop