



Statement before the House Select Committee on the Economy

# Incentivize Individual Agency to Achieve Upward Mobility

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# Incentivize Individual Agency to Achieve Upward Mobility

By Ian Rowe

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## Key Points

- Today's public discourse is dominated by the disempowering narrative that a black person can do nothing individually to close the racial wealth gap. And yet, there *are* decisions within the control of black kids—and children of all races—that can increase their likelihood to achieve improved economic outcomes.
- We have a moral imperative to encourage young people of all races to adopt a new cultural norm around education, work, and responsible parenthood: the success sequence.
- Educators and philanthropists should develop evidence-based curricula that help young people build agency by teaching the success sequence in schools, encourage wealth creation by improving access to venture capital, and organize social and mass media campaigns to normalize a new set of behavioral expectations around family formation.

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The promise of upward mobility across generations has been fundamental to the American story since its inception. Yet a range of studies have identified “toxic levels of wealth inequality,” particularly between black and white Americans, as vibrant proof of America’s legacy of racial oppression.<sup>1</sup> According to the 2016 Survey of Consumer Finances,<sup>2</sup> the median African American family possessed approximately \$17,000 in net wealth, while the median white family had amassed \$171,000 in net wealth. In a recent Goldman Sachs research brief, Kerwin K. Charles sized the problem by stating that the “typical Black household in America today is estimated to have somewhere between one-tenth and one-fourteenth the wealth of the typical white household.”<sup>3</sup>

A range of policies to close the racial wealth gap have been proposed, including baby bonds,

universal basic income, and trillions of dollars of cash reparations paid to black American descendants of slavery. But one solution has been willfully excluded from consideration: individual agency. The circular argument goes that, unless institutional barriers are removed, black Americans are trapped in a perpetual cycle of economic victimhood. The Institute for Policy Studies notes, “Changes in individual behavior will not close the racial wealth divide, only structural systemic policy change can do that.”<sup>4</sup>

In *What We Get Wrong About Closing the Racial Wealth Gap*, William Darity Jr. et al. assert, “There are no actions that black Americans can take unilaterally that will have much of an effect on reducing the racial wealth gap.”<sup>5</sup> *New York Times* reporter Nikole Hannah Jones argues:

**Figure 1. Median Net Worth of Two-Parent Black Households vs. Single-Parent White Households with Children**



Note: Households headed by a widowed parent were excluded from analyses.  
Source: Author’s calculations from Board of Governors of the Federal Reserve System, “Survey of Consumer Finances (SCF),” 2016, <https://www.federalreserve.gov/econres/scfindex.htm>.

None of the actions we are told black people must take if they want to “lift themselves” out of poverty and gain financial stability—not marrying, not getting educated, not saving more, not owning a home—can mitigate 400 years of racialized plundering.<sup>6</sup>

Even Oprah Winfrey—whose own story of escaping poverty and abuse has been an inspiration to millions—describes an American “caste system” in which “white people . . . no matter where they are on the rung, or the ladder of success, they still have their whiteness . . . which [creates] an advantage, no matter what.”<sup>7</sup>

Imagine you are a 12-year-old black boy living in the South Bronx, with aspirations to work hard to achieve the American dream. Yet you are repeatedly told there is nothing you can do individually to achieve that goal. Imagine further that this message comes from adults who claim to advocate on your behalf, and yet they tell you it is pointless to even try, simply because you are black and have no individual ability to close the racial wealth divide.

As someone who has run public charter schools in low-income communities in the Bronx, I know how debilitating such a narrative can be for a student’s hopes and aspirations. Rather than helping that young man develop personal agency and an understanding of the behaviors most likely to propel him into success, this message will only teach what psychologists term “learned helplessness.”

Not only does this notion that individual effort is worthless depress human motivation, but it is also demonstrably wrong. There *are* decisions within the control of black kids—and children of all races—that increase their likelihood to improve

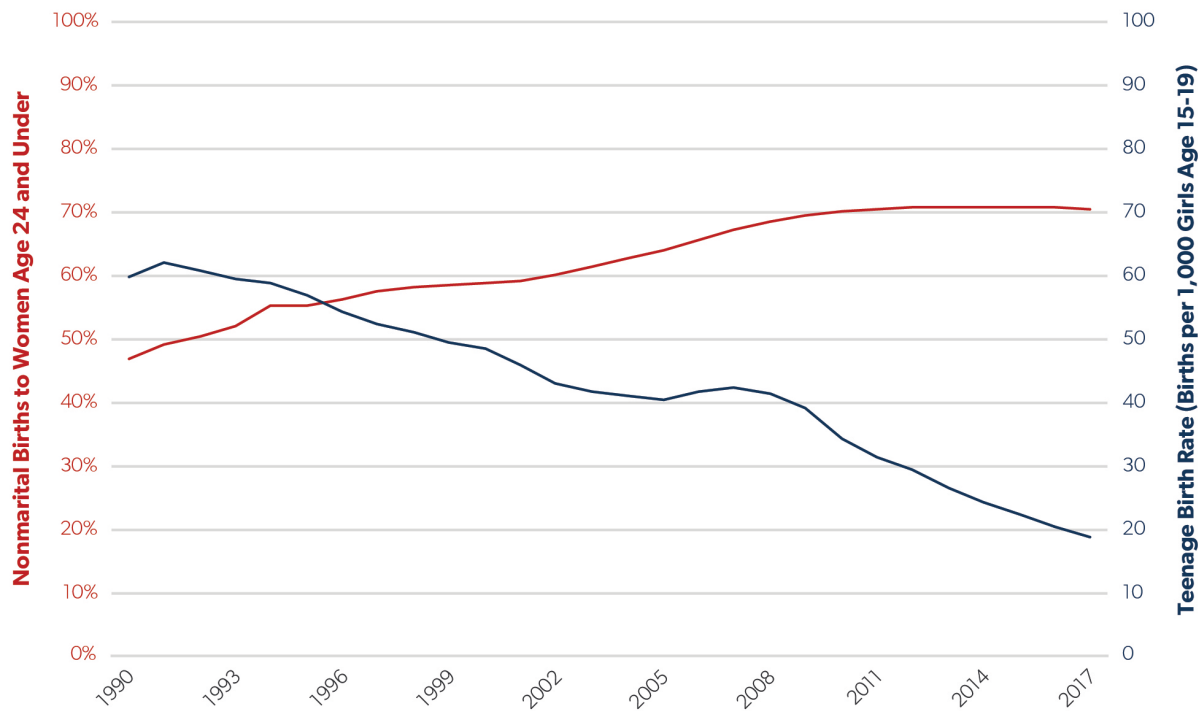
their economic outcomes within a single generation and thus their ability to transfer wealth across generations.

For example, while strengthening family structure would not single-handedly close the racial wealth gap, it is a controllable factor that heavily influences economic outcomes. The same 2016 Survey of Consumer Finances that shows the average black family has 10 times less wealth than the average white family shows the *reverse* when family structure is considered. Indeed, black households headed by two married parents have *twice* the median net worth of the typical white, single-parent household (Figure 1).

The 2017 report *The Millennial Success Sequence* finds that a stunning 91 percent of black people avoided poverty when they reached their prime young adult years (age 28–34), if they followed the “success sequence”—that is, they earned at least a high school degree, worked full-time, and married before having any children, in that order.<sup>8</sup> Raj Chetty et al. studied the intergenerational mobility of more than 40 million children and their parents.<sup>9</sup> They found that *hyper-local* factors—most notably measures of father presence and marriage rates in a given location—drive upward (or downward) mobility and thus the intergenerational transfer of wealth.

Despite these compelling data, many young adults are taking divergent paths into young adulthood. As teen birth rates have fallen, the share of all babies born outside of marriage has risen from about 5 percent in the 1960s to a “new normal” of 40 percent today.<sup>10</sup> For millennials, there has been a steep increase in the share of nonmarital births among women age 20–24 as

**Figure 2. Nonmarital Births to Women Age 24 and Under vs. Teenage Births to Girls Age 15–19**



Source: Centers for Disease Control and Prevention, National Vital Statistics Reports.<sup>11</sup>

hundreds of thousands of young women postpone childbearing until after their teenage years but not until after they have married.

Figure 2 delineates the nonmarital birth share for women of all races under age 25, but it is also useful to look at how this statistic breaks down across races. In 2018, 91 percent of all babies born to black women under age 25 were outside of marriage, and 61 percent of babies born to white women were outside of marriage. Furthermore, approximately 41 percent of these babies were the mother’s second child or greater.<sup>12</sup>

Widely accepted research shows that single parenthood among young adults is one of the top predictors of child poverty, school suspensions, incarceration, and educational disadvantage.<sup>13</sup> Unmarried young mothers are far more likely to experience high levels of partnership instability and family complexity, each of which is associated with poorer child well-being and intergenerational transmission of *disadvantage*.

If we really want to help young people break the intergenerational cycle of poverty, we need a serious effort to reframe the decisions governing

passage into young adulthood. In light of this, educators, venture capitalists, and philanthropists should work together to develop and pilot evidence-based curricula that help young people build agency by teaching the success sequence in schools, create greater access to private capital to encourage entrepreneurship and wealth creation, and organize social and mass media campaigns to normalize a new set of behavioral expectations around family formation.

### **Building Evidence-Based Curricula**

Inspiring a new era of agency and opportunity among our most vulnerable children will require schools to start speaking honestly with students about the steps that will help them find success in life. We must develop and pilot evidence-based curricula that help young people understand the likely rewards and consequences associated with different series of life decisions, such as teaching the success sequence to kids in school.

In a recent survey commissioned by the Heritage Foundation, 72 percent of parents and 60 percent

of school board members agreed that schools should explicitly teach that following the success sequence will make them more likely to avoid poverty.<sup>14</sup> Parents want their children to learn about pathways to power in their lives, and educators and philanthropists can step in to meet this need.

## Improve Access to Private Capital

Young people of all races must learn the concept of “earned success,” the notion that money generated through hard work is much more rewarding than money simply given to us.<sup>15</sup> Schools can encourage entrepreneurship by building awareness of the new forms of venture capital dedicated to changing the face of entrepreneurship.

An excellent example of how we might promote this is Harlem Capital Partners, an early-stage venture capital firm on a mission to invest in 1,000 minority and female founders over the next 20 years. Another is the New Voices Fund, a \$100 million initiative created to invest in and empower female entrepreneurs of color that was recently launched by African American leaders such as Richelieu Dennis.

## About the Author

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*The opinions expressed in this publication are those of the author. They do not purport to reflect the opinions or views of AEI or the series coordinator, Frederick M. Hess.*

## Notes

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## Social and Mass Media Campaign

Finally, we should launch a national campaign aimed at normalizing honest conversations about the timing of family formation. Both the AEI/Brookings Working Group on Poverty and Opportunity<sup>16</sup> and Harvard University’s Closing the Opportunity Gap Initiative<sup>17</sup> strongly recommend large-scale marketing campaigns around this model. Such a campaign would not deny the existence of discrimination along racial lines and other barriers to animating the steps in the success sequence, but rather would describe what is possible for children even in the face of structural barriers.

There is no guarantee in life, but at a time when a global pandemic is highlighting entrenched and growing inequities, depriving young people of the very information that could empower them to succeed is irresponsible. Messaging that individual effort doesn’t matter anyway is cruel.

To increase upward mobility and close the racial wealth gap for the next generation, young people of all races must adopt a new cultural norm around education, work, entrepreneurship, and responsible parenthood. As educators, we have a moral imperative to help our students develop a sense of *hope* and *agency* in their life—teaching them that they do have the power to be masters of their own destiny, even when they face structural barriers.

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