



**Statement before the Joint Economic Committee**

**On “Examining the Racial Wealth Gap in the United States”**

# **Creating an opportunity society and upward mobility for people of all races**

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The views expressed in this testimony are those of the author.

Chairman Beyer, Vice Chair Lee, and distinguished members of the Joint Economic Committee, good afternoon. Thank you for assembling this important conversation on the racial wealth gap. My name is Ian Rowe.

I submit my testimony today as a proud product of the New York City public school system kindergarten through 12th grade, and a graduate of Brooklyn Tech High School, Cornell University College of Engineering and Harvard Business School. I am a Resident Fellow at the American Enterprise Institute, where I focus on education, upward mobility, adoption and family stability. I am the founder and CEO of Vertex Partnership Academies, a new network of character-based, International Baccalaureate high schools, set to open our first campus in the Bronx in 2022. For the past 10 years, I was CEO of a non-profit network of public charter elementary and middle schools in the heart of the South Bronx and the Lower East Side of Manhattan. Our faculty had the solemn responsibility to educate more than 2,000 students—primarily low-income, black and Hispanic kids. We had nearly 5,000 families on our waiting list, all desperate for their kids to receive a high quality education.

Many of our parents faced racial discrimination and other challenges in their own lives. They feared that their children might as well. But these parents chose our schools because they wanted their children to develop the necessary skills and habits to become agents of their own uplift and build a better life, even in the face of structural barriers. In District 8, only 2 percent of the nearly 2,000 public school students beginning high school in the South Bronx in 2015 graduated ready for college four years later. A shocking 98 percent of students either dropped out of high school before completing their senior year—or, if they did manage to graduate, were still required to take remedial, catch-up classes in community college due to low math and reading scores on state exams. By contrast, at our all-boys school at 151st Street and Grand Concourse in the South Bronx, in 2018-19, the last year state tests were administered, nearly 70 percent of our students passed the state math exam.

I share this data point because, as we as a country are having crucial conversations about race, it is easy to forget that the racial disparities we are seeking to close originate early in life—long before they show up as statistical gaps in financial wealth, home ownership or educational achievement. If only 2% of the mostly black and brown kids in the Bronx are graduating from high school are capable of doing even basic reading and math, why would we reasonably expect these same kids to flourish in higher education and the workplace as adults: starting businesses, getting married, having children within marriage, or experiencing any of the other landmarks along the path into the middle class and beyond?

If we truly care about upward mobility, we should be wary of the goal to achieve “racial equity.” Consider that in 2019, only one third of all eighth grade students scored "Proficient" on the National Assessment of Progress in reading. Each year since the Nation’s Report Card was first administered in 1992, fewer than half of the nation’s white students in the fourth, eighth, and 12th grades scored NAEP proficient in reading. The sad irony is that closing the black-white achievement gap, and thus achieving racial equity, would only grow black student outcomes from sub-mediocrity to full mediocrity.

As we consider strategies to create an opportunity society and upward mobility for people of all races, I submit to you the two-pronged philosophy we practiced in our schools: start early with the end in mind; and study the success of those who have achieved excellence, not just equity.

As this committee knows so well, a range of studies have identified “toxic levels of wealth inequality,” especially between black and white Americans. According to the Federal Reserve’s 2019 Survey of Consumer Finances, the wealth gap between Black and white Americans at the median — the middle household in each community — was \$164,100. The median Black household was worth only \$24,100; the median white household, \$188,200. Seven times. For some, this gap is vibrant proof of a permanent and insurmountable legacy of racial discrimination.

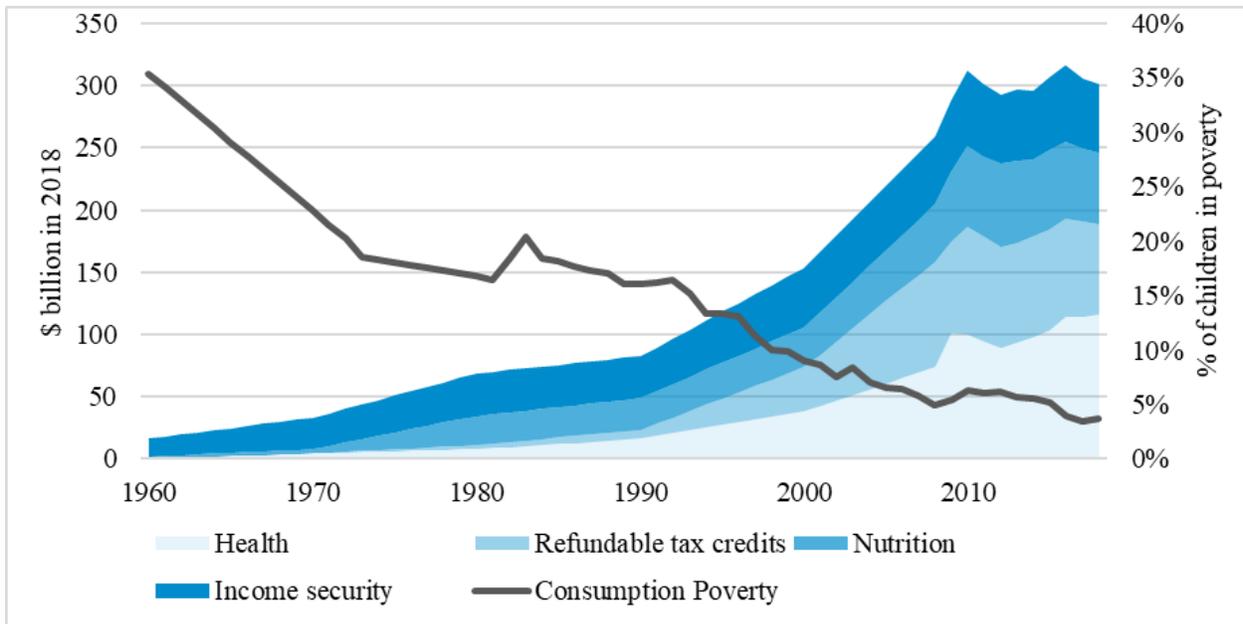
As a result, today's public discourse is dominated by the disempowering narrative that, unless institutional barriers are removed, black Americans will remain trapped in a perpetual cycle of economic victimhood. The Institute for Policy Studies notes, "Changes in individual behavior will not close the racial wealth divide, only structural systemic policy change can do that." 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." *New York Times* reporter Nikole Hannah Jones argues: "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."

Imagine you are a 12-year-old black boy living in the South Bronx, with aspirations of working 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. That, simply because you are black, you 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 message of hopelessness depress human motivation, it is also demonstrably wrong. It also ignores the tremendous public investment that has been made in the war on poverty, particularly child poverty. According to my AEI colleague Angela Rachidi, US spending on poor children has increased 17-fold since the 1960s, and in recent years, the government has spent more on children per capita than many other developed countries when considering three major categories of spending: cash support and tax breaks for families, primary and secondary

education, and health. As the chart below indicates, by 2018, federal spending on means-tested programs reached more than \$300 billion per annum, and generally shifted to in-kind support such as food benefits, refundable tax credits, and health care coverage. Consumption-based poverty measures place the child poverty rate at less than 5% today, because of these massive government transfer programs.

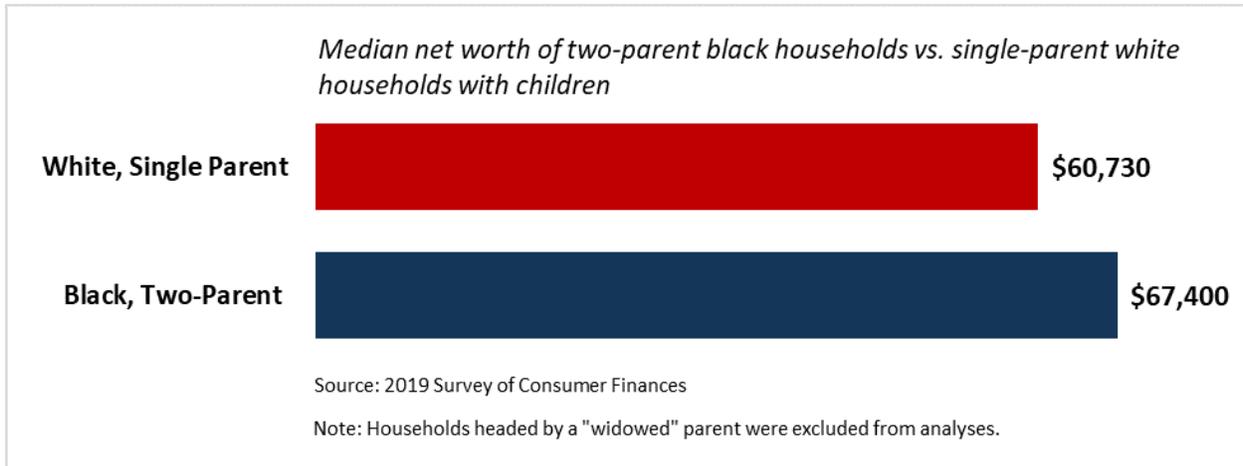


Yet the racial wealth gap persists for certain communities. This is why we have to study success for those black and other communities that are thriving. There are structural barriers that have to be addressed and individual choices that should be promoted. For example, there *are* decisions within the 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 stability would not single-handedly close the racial wealth gap, it is a controllable factor that heavily influences economic outcomes. The same 2019 Survey of Consumer Finances that shows the average black family has one seventh the wealth of the average white family also shows the reverse when family structure is considered. Indeed,

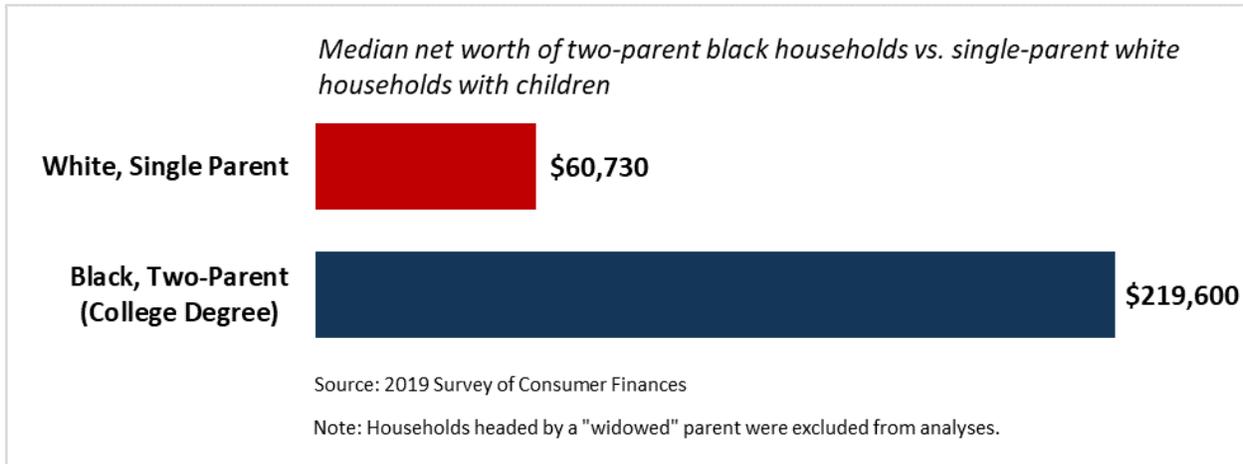
black households headed by two married parents have slightly higher wealth than the median net worth of the typical white, single-parent household (Figure 1).

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



And when education is considered, on an absolute basis, the median net worth of two-parent black households is nearly \$220,000 and more than three times that of the typical white, single-parent household. See the chart below.

Figure 2. Median Net Worth of Two-Parent, College-Educated Black Households vs. Single-Parent White Households with Children



Moreover, 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 so they learned the dignity and discipline of work, and married before having any children, in that order. In his study “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States,” Raj Chetty studied the intergenerational mobility of more than 40 million children and their parents. He 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.

There is no silver bullet intervention that will magically close gaps in racial outcomes, especially when those gaps have causal factors that begin very early in life. But if we know there are factors beyond race, such as education, family stability, and so many others, that can make a difference in the lives of kids, then our approach to upward mobility should be to promote *empowering* behaviors instead of defeatist messages.

That is why policy interventions such as widespread school choice are so important. Ensuring every parent, regardless of race, income level or ZIP code, has the power to choose a great public school for their child will do a lot more to close the racial wealth gap than reifying race in policy

and rhetoric at every opportunity. As a leader of public charter schools, I would want to see recognition that charter schools are public schools, and that more options should be given to students and families. Such race-neutral interventions that level the playing field, provide a solid education and encourage wealth-building behaviors would shape a strong policy portfolio.

Beyond pulling policy levers, we have a moral imperative to encourage young people of all races to adopt a new cultural norm around education, work, and responsible parenthood. This is particularly true given the new normal of nonmarital childbearing across race. My research focuses on non-marital births to women aged 24 and under. In 2019, for the tenth consecutive year, at least 70% of births to all women in that age group were outside of marriage, according to [CDC Final Birth Data](#). By race, the nonmarital birth rate for black women 24 and under was 91% and it was 61% for white women aged 24 and under.

In addition, nearly 40% of unmarried women aged 24 and under who gave birth in 2019 were already mothers, giving birth to at least their second child. Given these multiple births, unmarried women aged 24 and under who gave birth in 2019 alone were raising an estimated 850,000–1,000,000 children, according to the CDC Wonder database.

This pattern of out-of-wedlock childbearing is often established at a young age. According to the [CDC Wonder](#) database, in 2019, almost two thirds (64%) of first out of wedlock births were to women 24 and under. Like kids of teen mothers, these children are at much greater risk of experiencing child poverty, poor education, lack of upward mobility, traumatic stress, and many other adverse childhood experiences that impede their ability to generate wealth later in life. If we want to reduce such risks and mitigate the economic distress that usually ensues for both parent and child, we must educate adolescents about the likely outcomes associated with different behaviors and encourage them to think critically about the timing of family formation.

This is why there is growing consensus around the need for public information campaigns targeted to young people that would promote the creation of healthy, stable families, which can

take many forms but are most often created through education, work, marriage, then children, in that order. Both the [AEI/Brookings Working Group on Poverty and Opportunity](#), and Harvard University's [Closing the Opportunity Gap](#) initiative, strongly recommend a large-scale marketing campaign that uses social and mass media and engages local institutions like the church, schools, civic organizations and neighborhood influencers, to change and normalize a new set of behavioral expectations around family formation.

In addition to public information campaigns, 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. 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 the new initiatives 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 [Netflix](#), which announced in August of 2020 that they would allocate an estimated \$100 million of their cash holdings toward “financial institutions and organizations that directly support Black communities in the U.S.” As Netflix says, “bringing more capital to these communities can make a meaningful difference for the people and businesses in them, helping more families buy their first home or save for college, and more small businesses get started or grow.”

In sum, educators, philanthropists, policy makers and business leaders should support these types of initiatives and evidence-based curricula that help young people build agency by descriptively (versus prescriptively) 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. Without these steps, sending additional money to low-income young adults will do little to meaningfully alter their chances to achieve the American dream in the long run.

I look forward to answering your questions.