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Why racial inequality and regional economic inequality can't be separated
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(MUSIC)

PITA: Welcome to Intersections. The podcast where two experts explore and explain the important policy issues facing us today. We are part of the Brookings Podcast Network and I am your host Adrianna Pita.

The US is a really big country. So, while we often talk about how the US economy is doing, within the big picture of the US economy, different regions are doing better or worse than others. And within those regions, different cities and neighborhoods are struggling or succeeding. To figure out how to improve economic opportunities and outcomes in struggling areas, we need to understand why different regions are doing better than others. And the legacy of racial segregation and the effects of structural racism is an important component of these regional economic disparities.

So, with us today to help explore this are Bradley Hardy, an Associate Professor of the Department of Public Administration and Policy at American University and also a Nonresident Senior Fellow in Economic Studies here at Brookings. And Fredrick Wherry, Professor of Sociology, Princeton University with the particular focus on the relationship that individuals have with money and financial institutions and how they experience debt.

So, gentlemen, thank you very much for being here today.

HARDY: Really happy to be here.

WHERRY: Thanks for having me.

PITA: Great. Bradley, I wanted to start with you because you have recently authored a new paper, the Historical Role of Race and Policy for Regional Inequality. And you have two co-authors on that, Trevon Logan at Ohio State and John Parman at William and Mary.

HARDY: That's right, yeah.

PITA: Great. So, this paper was a really thorough overview of historical segregation and a lot of policies that, whether intentionally or not, had disproportionately negative consequences, particularly for black communities but also for other communities of color. And you pointed out that a lot of these policies, like the people that they impact, they are not randomly distributed across the country. They affect certain areas.

HARDY: Yeah. That's right. Yeah, so you know, it's really interesting in this paper, we are able to look at the mapping and the distribution of people of color, black Americans specifically, throughout the US historically. And if you look at those mappings you can see that black Americans are locate in some of the same counties that are among the poorest in America. The same counties that have some of the lowest patterns of upward mobility across generations.

And that's really interesting because you think about the idea of America is that people can come in and relative to their parents, they can do better. They can move up the economic ladder. And so to see that many African Americans, many black Americans are situated in these locales, where mobility across generations appears to be low, it's concerning but also something that's important to visualize. And it's just the kind of thing that these place-based policies that Fred and I were, kind of, talking about and considering today, these place-based policies have to consider this context. At least that's what I think, yeah.

PITA: Yeah. You use the term spatial inequality a lot in the paper. Can you tell us a little bit about what that means as distinct just from segregational issues or that sort of thing?

HARDY: Sure. I mean, I think, I will be able to define it in part. And, you know, you got a whole host of social scientists who think about this as well and people have different opinions. But, you know, in parts it's the concept that even in a prosperous metropolitan area or a city, take a Boston or Washington, D.C., that you have all sort of different outcomes, amenities, conditions that are recurring even within that metropolitan area or city.

So, some neighborhoods look like they have higher quality schools, low crime, a whole host of amenities, while others, maybe even just miles away, are lagging on some of those same variables. And so, that's a form of spatial inequality, where you know just saying that this is a 'good city', that's kind of a misnomer. And, I think, about same inequity within a state and then within the nation, right? So, which parts of the country, which parts of the state, appear to be doing better or worse.

PITA: So, as you reviewed some of these historical policies that have had lingering effects, they were of course plenty that were explicitly racist. You know, they are redlining housing and educational --

HARDY: Sure.

PITA: -- segregation like this. But there are also several -- you brought up structures and policies that may not have intended to be discriminatory but the negative effects did fall disproportionately on racial minorities. Can you talk a little bit about some of those please?

HARDY: Yeah. For sure, I mean, one of the policies that really looms large happens to be the administration of welfare policy in America. And so, we see that as welfare policy has evolved, in specifically the nation's TANF Program. The precursor program was called AFDC. This is what people think of as cash welfare for the poor. Well, you know, this program is devolved to the states and then thereafter to the counties, to often times administer.

And unfortunately, we have seen instances, and there is evidence that case workers have discriminated against black clients. They have sanctioned them off of welfare far more than their white counterpart clients. And this obviously has a whole host of negative consequences for the families. That's just one such example where the policy explicitly wasn't meant to discriminate. That's just a contemporary finding in Florida. It wasn't meant to be discriminatory, but unfortunately you have people who come to the workplace with, perhaps their stereotypes, their discriminatory attitudes and that can have real impacts.

Another such policy that we, kind of, try to highlight in the paper has to do with educational spending. You know, it's interesting, many of the poorer school districts -- well, you know, years ago looking at this problem, the finding was that, well, we don't know whether or not spending actually positively impacts school outcomes and educational outcomes. And some of the more modern evidence on this, that's been quite sophisticated, comes around to the finding that, yes, in fact, you know, putting money into schools, putting money into poorer schools, has real tangible benefits. It is going to disproportionately positively impact black students and students of color, who are more likely to be situated in these schools.

I think one piece of the chapter that's noteworthy though is that, a lot of the public policies that harm black Americans are going to harm all of the residents in that local area. So, you can have a disproportionate impact on black Americans, that it's going to really have negative impacts on the economy overall.

PITA: Sure. That sounds very similar. Our colleague Andre Perry wrote a piece not too long ago, talking about neighborhood-based discrimination and how the zip code and the neighborhood is now becoming almost as much of a defining factor as race or gender or class issues. Is that, sort of, what you are talking about with this or is that different?

HARDY: You know, to a degree. I mean, simply imagine that you are a white child or a white parent situated in a neighborhood where the resource base is less, where the investment in the schools are less. Well, your child is caught up in that same set of negative consequences, right? So, I think it's just something to keep in mind that there is these broader efficiency implications when we don't have these policies being implemented in a, sort of, an equitable way.

So, no -- and I think, even more broadly thinking about the degree to which these same families face a whole range of work related hardships. How do they weather financial storms? I know that this is some of the work that Fred has thought about, vis-à-vis credit access. How does that day-to-day process look? How do financial institutions in some of these neighborhoods relate to those potential customers? What are the fees they incur, right?

PITA: Right.

HARDY: So, I think, it's a broad set of things we try to consider in the paper and hopefully the readers are interested to go and read more. Yeah.

PITA: Yeah. Fred, this is a good point to turn to you and talk a little bit about some of these disproportionate issues, access to finance, access to banking, all of these.

WHERRY: I will throw in a fact. This is a fun fact. It's a depressing fun fact. So, some sociologists listed an experiment, speaking of neighborhoods, in which they decided that we are going to sell some old electronics on Craigslist. But they put up a neighborhood marker. And they buried the neighborhood marker. So, that you know, if you are coming from a predominantly black neighborhood, would it affect someone buying a standard electronic product than if you are coming from a white majority neighborhood?

What they found, of course, is that it was harder to sell, if you had a neighborhood marker from a predominantly black neighborhood, and you are likely to get a lower price. And so, there is a sense in which these long-term neighborhood effects, it's not just about, sort of, do you have access to a job or a transportation routes. But there is something really fundamental happening in terms of the way people are ranking the value of what comes out of those places.

HARDY: Yeah.

WHERRY: And the way that they are evaluating the people who live in those places. Now this should be especially concerning to us because we also know that in neighborhoods that are disadvantaged, on the one hand we used to look at unemployment rates, in a census tract and you have got a lot of contiguous census tracts with a high joblessness. That looked really bad.

HARDY: Yeah.

WHERRY: What looks worse is when you look at people who are either have subprime scores or no scores at all, and there even if you are working, you may have a subprime score. And so, you have some neighborhoods -- there was recent mapping done out of the Boston Fed, where in some neighborhoods, every other household, either there is no one in the household with a credit score or they had subprime credit. And so, what does it mean when you grow up in an environment, where half the people around you, they can't access standard financial products.

HARDY: Yeah.

WHERRY: What does that mean for the way you think about your sense of belonging in that society and the way that you participate in that society, when half the people in the neighborhood, sorry, they have all got bad credit. And so, one of the things that happens, is it really changes the menu of choices for the people in these communities. So, on the one hand, they get a lot of advice with financial literacy about, please avoid high cost alternative financial services, like payday lenders, but there are neighborhoods where no one else is providing the types of services they need.

And so, here you start seeing an emergence of an America that is quietly separate and unequal. Because most of us don't walk around with our credit scores tagged to our foreheads. And if we did, I think, people would be, sort of, horrified at how it concentrates. Now, on the one hand, it's a sad story about the concentration of disadvantaged and how it intensifies in a very quiet and invisible way.

On the other hand, we can also think about credit scores as something that was supposed to be a form of liberation. So, they were supposed to something that was going to, sort of, not take race into account. Something that's going to allow people to make better decisions and you are going to push out identity in favor of, these are people who have earned their right to full participation.

Now, the difficulty with that is that in a recent experiment that Rourke O'Brien at

University for Wisconsin and Barbara Kiviat at Harvard, they looked at over a l,000 hiring professionals. And they presented them with resumes. And one of the things they did with this experiment is they basically said, so what is the suggested starting salary that you would give for the person with this resume?

Now, if you have a white male and a black male, and they are alike in every way possible, and they have a subprime credit score versus a prime credit score, when you are looking at the subprime credit score, somewhat same score, same credentials, same work experience; the white males are getting recommended higher starting salary than the black males in the study. And so, the thing that should have made them equal, simply provided additional justification for the lower salary. And so, that we can get, what we think, is subjective information, and have it filtered in really different ways by virtue of race and have a concentrated and really different ways by virtue of neighborhood.

PITA: You are working on a current project right now about financial citizenship. Is it getting at this? Tell us what you mean by that?

WHERRY: Yes, financial citizenship. So, this a book I am working on. We just finished the book

HARDY: Congratulations, that's great. Finishing things is great.

PITA: Yeah.

WHERRY: Finishing thing is great. You know, the proofs are on the way.

HARDY: Yeah.

WHERRY: Okay. So, it's with Kristin Seefelt at University of Michigan and Anthony Alvarez at California State, Fullerton. And one of things that we are explore in this book is, we start asking about how do people participate in social life in the US? And so, to what to extent is credit and having credit visibility a way in which they are then, sort of, participating in society. And we do this based on work that we did with the Mission Asset Fund out in California.

And so, from that we, sort of, start to see these themes emerge of, not only are people, sort of, wanting the visibility of the credit score, implicitly they also want some protections from exploitation. So, there is a sense of, we should have a right to safety. When we think about what -- is that the core of citizenship, as we think I am citizen of this country, therefore, I will be at least protected from enemies foreign and sometimes domestic.

The other thing that then emerges is, for me to participate as an adult, I needed to be treated like an adult who can make, sort of, legitimate decisions for myself and my family. And that's the area where, particularly people of color, seem to run into the biggest obstacles. And so, there is sense that they simply don't know what they are doing. And there is not a discussion of how those strategies actually map on to the institutional environments, in which they live. And so, this is why we decided, let's sort of talk about what people are doing when they are managing their money. And part of it is about, sort of, asserting autonomy and the other part is really about a sense of dignity and respect in taking care of loved ones.

HARDY: Yeah.

PITA: That's actually -- I was going to save this question till a little bit later. But since you brought this up, when you look at international development aid or your foreign aid, that kind of thing. So many studies have shown that direct cash transfers are the best way to get people help. Because people know what they need. They know whether this month they need more for rent or if they need more for the doctor or their car needs to be fixed.

But I was going to ask you both to weigh in. But there is that tension between, cash might be the most efficient way of delivering it, but there is the political will and capacity about how you design programs to help give people the support they need. And then also the dignity question of, people don't want to feel like they are lining up for a handout. So, how do you balance these issues when you are trying to design policy?

HARDY: My thinking on this actually connects quite nicely to what Fred was just discussing. And I have got work with collaborators, Sandy Darity, Jonathan Morduch and Darrick Hamilton. And we are really trying to understand what we think of as wealth along with your income level and the volatility of income. And so, we are trying to document specifically households that have very volatile incomes that are jumping up and down, maybe because their job situations are changing.

We know in the US most people and households are going to experience job loss. This is much more acute in the low and moderate income work sector and for people of color. That sort of volatility along with low wealth and relatively low incomes, right? So, when those three things are occurring at the same time, you know, what does that look like? What's your ability to cope with events?

And so, in a lot of our work, it doesn't touch directly on banking but you can see the clear policy implications that many working families, black families specifically but also white families, where you start to look at that middle of the income distribution, many of them, roughly half perhaps, if they had a 400-Dollar expense -- and this is data from the Federal Reserve, with a 400-Dollar expense, our analysis suggest that, they are not saying that they would be able to pay this off through their checking or savings account, nor would they pay it on a credit card and then pay that balance off within a month.

Now, no data are perfect, right? And so, we try to look at this using multiple data sources. But that kind of survey response, where you look at that same household and they report, many of them not even having 5,000 Dollars in savings. And we talk about wealth accumulation, often times we are visualizing, like, very conspicuous forms of wealth and maybe, you know, top 1, top 5, top 10 percenters.

But, you know, what about this just, sort of, ability to buffer or ensure against an unanticipated event. And so, then when you can't do that, that's going to put you in contact with the financial services industry, with the banking system. And this is where, I think, this national phenomena or snapshot becomes local. You know, what are your local options? Maybe the payday loan becomes the best, of a set of bad alternatives. If you are also thinking about providing food, housing, utilities, you are making these choices very quickly. And so, it's like national phenomenon that has local policy implications, what are we going to do?

And then to your question about income support then. I have studied the transfer system and income support policies, quite a bit. And I absolutely can see where today's workers are more likely to work with SNAP food stamps and to benefit from some earned income tax credits. And that's a lot to do with stagnant flat wages. I think, liquidity matters though. I think that the TANF system today in many states does not provide much cash assistance. And that doesn't have to be. That's a state policy choice.

And so, my overview is that, I agree families don't want to be permanently dependent on that, sort of, cash assistance but there are times, even temporarily so, when if you are between jobs and if you are not qualifying for full unemployment benefits -- even if you are trying to upgrade your skills, right? Go back to school, that some forms of liquidity, right, to your point about the evidence, can make a real difference. And maybe it's not forever but to have that insurance mechanism, many of us in this room, we could do it privately. But other folks, you know, I think it matters and that's where you have local choices, the block grant structure allows for states to make choices on those allocations.

WHERRY: Now, this is why one of the things I tell my students to do is, we do a sort of -- do the math. So, we did the math. We basically had them sit down with the, you know, let's look at a budget. And if your income, your inflows have not increased over the last 10 years, they are pretty flat. But then let's look at how much your rent has increased over the last, even five years.

HARDY: Right.

WHERRY: Let's look at how much your childcare has increased. Let's look at any associated fees with school. And so, you have these standard, sort of, outlays that have increased significantly over the last ten years. Income has not. And so, one of the difficulties is that we seem to be unwilling in this country to have a conversation about, if we are really talking about doing the math, let's do the math. And let's ask, what do you do, if ten years ago, you were just barely making it paycheck to paycheck and your rental cost and your childcare costs were much lower?

PITA: Right.

WHERRY: What do you do if you have parents, who have an inadequate retirement? And so, when something goes wrong, are you going to tell them, sorry, you can't get that medicine. What are you going to do? And so, part of it is, on one hand we like being realists, except in the area of giving poor people and moderate income people credit for, in fact, doing a lot with very little. So, when I think about models for things that, I think, have worked well -- I mean, you brought up the earned income tax credit.

HARDY: Yeah.

WHERRY: One of the things that people are really proud of when they get that earned income tax credit, is they say, I earned this. I earned this. And I am going to make some decisions about it. And they end up putting quite a bit of it into, sort of, rainy day fund. But they also are able to give their kids a few moments of, I want you to feel like you are a kid.

PITA: Right.

WHERRY: So, one of the difficulties that we have is that on the one hand we, sort of, have this notion that, you know, if you are getting any kind of benefit, you can't have your children be children. You can't have a nice birthday cake, right? That's all frivolous. But then if we are only working to accumulate and there is also that criticism of, why did you give so much to your church. It's on this, we interview people about their expenses and then at the end of interview because they have been talking about their faith in God and we will say, well didn't you give some money to the church? Of course, I gave to the church but that's not an expense. But they look at you, as a researcher, as if you are crazy.

HARDY: Yeah.

WHERRY: Because you have forgotten to be human. And so, one of the difficulties, I think, in the policy discussion is, whenever we are talking about providing any form of assistance to someone who has low or moderate income, we forget that these are human beings with families, who are making some pretty reasonable choices. It doesn't mean that sometimes people don't mess up.

HARDY: Sure.

PITA: Right.

WHERRY: I mean, God knows, in my early days, I had some mess ups.

HARDY: Yeah.

WHERRY: But I also had, sort of a pretty good outlook for what my income would look like in the future and I fixed it, right?

HARDY: Yeah.

WHERRY: And so, they don't get an opportunity to learn by doing. There is no room for error and anything that they do that, sort of, looks as if it conforms to a stereotype, it confirms we are biased. And often when they do things that, sort of, look as if it's pretty extraordinary, we think it's either a fluke or this person is very unlike the others, right? And so, this is one of the difficulties when we are having policy discussions, is that we have just stripped away the humanity of anyone who doesn't conform to a pretty, sort of, upper-middle class model of lifestyle.

HARDY: Yeah. I liked your full citizenship point, you know, in terms of that frame of thinking about it. And, I think, that there is an opportunity to do local interventions even, for example, the workforce system. So, can we think about a safety net for people who go back and try to do the up-skilling. Now there is programs -- [00:21:55 inaudible] has a disadvantaged worker pot. But we can do more there. We can be more innovative about thinking about how we connect local workers with the opportunities to get the jobs that are going to pay better, right?

Get them out of near-poverty, right? You know, just because you are not poor, a few dollars above the poverty line, you are not doing well. And so, that's a way to have these interventions take on the tenor of moving up the economic ladder, right? I think this is, you know, really important.

PITA: Absolutely. When we are looking at the long running effects of racial segregation, it's been really pernicious. So, even though the laws that established segregation and supported it, don't exist anymore and that there are laws that explicitly outlaw it. These patterns persist. As you said --

HARDY: Yeah.

PITA: -- a lot of it, you know, the concentrations of poverty and particularly of poverty amongst communities of color, have not changed in decades in many ways. But then there is also this issue of income segregation. And that income segregation has been in on the rise even within racial groups.

HARDY: Sure.

PITA: Can you talk a little bit about this problem and what's going on with that?

HARDY: You know, I will. And in part I want to go back to something Fred talked about earlier. He was talking about how he has his students think through essentially the household balance sheet, you know, the different expenses and the costs they face. I think this is really interesting because the challenge and the puzzle for place-based policy interventions, in part, is that we do see this sorting in America, where you have increasingly high income, highly educated families situating themselves in specific neighborhoods and counties.

And this starts, sort of, this process where those schools have more resources. They are the more desirable areas to live. They then consequentially start to cost more. Now there are ways in which we could increase the supply of housing, but at any particular point in time you see this playing out. And so, your question about segregation then becomes really challenging when we think about place-based policies because let's suppose you want to locate in one of these prosperous counties or prosperous parts of the county, where you see the high quality schools, lower crime.

In the absence of, maybe for example, a housing voucher, which happens to be oversubscribed right now, it's going to very difficult for these families to afford -- and I am going to isolate on housing, as a part of the budget, right. These places are more desirable for a reason. They are more expensive. And this is a real challenge. And so, to your segregation point, I mean, we see this playing out. There have been multiple scholars to highlight this economic segregation.

I mean, I will tell you that, yes, you could look at economic segregation, not just racial segregation and, you know, this plays out as absolutely, families of color, black families, that can often times afford to situate themselves in these prosperous neighborhoods, can and will do so. Unfortunately due to a whole host of structural factors and historical factors, depending on, if you count people or families, anywhere from a quarter to a third of black Americans are at or below poverty. So, this still has -- you know, the ocular analysis is going to really play out along racial dimensions largely.

But, I think, your point absolutely stands. That this is as much an education and an income piece, as it is racial. But unfortunately, those things seem to, kind of, flow along similar lines where it looks like racial segregation.

PITA: Yeah. You mentioned, I think, this came up in the paper that, particularly for certain black neighborhoods and it was particularly amongst a lot of the rust belt cities, they are having up the de-population problem, of that people have, as they have done better economically -- of course, there white flight in the 70s, but then even black families, as they do better they moved out. And so, now there just isn't a population base in those cities at all anymore.

HARDY: Sure.

PITA: Can you explore that just a little bit more?

HARDY: Yeah. And I guess, I mean, one thing to add to this is that there has been fascinating research -- and again, this is where, this chapter really does focus on race and policy. And it's worth noting that even in an area like Appalachia, there has been really great research by scholars, including at the University of Kentucky, who essentially found that a lot of big predictors of economic growth ultimately were, for Appalachia, proximity to the larger cities in Appalachia.

And that you really did have this within country, within the US version of, sort of, a skills drain, where a lot of the talent and a lot of the energy was, sort of, bleeding out of the smaller parts of Appalachia in USA to the larger city centers. I think larger cities in Pennsylvania, for example, right or Ohio. And so, I think that this is certainly an issue that is problematic, across race, frankly. And so, for the people who are left behind, what do you do?

You know, one of the challenges related to, what I believe to be among the most promising results that we have seen, in terms of policy interventions moving to opportunity, some of the long-term evidence with moving to opportunity, which involved providing vouchers for folks to move to a more economically advantaged communities, we basically found in some of the more recent studies there that, there are a host of long-term economic benefits. But a challenge is that, and I think you are alluding to this, many people won't move. We won't be able to move them.

And so, what do we do for folks who are going to remain? And I think that this is a puzzle. Part of what we are doing in the papers documenting some of this de-population that's occurring, but you know, I think that larger volume is trying to tackle what to do.

PITA: Right. Well, that gets at the big gentrification question. You have to ask that. How do you then move people to these underserved or underfinanced neighborhoods to bring them into these, to entice businesses but not do it in such a rapid overwhelming change that you end up kicking out all of the people who used to live there?

HARDY: Sure.

PITA: What are some of the options there? How do you deal with that?

WHERRY: I mean, unfortunately as neighborhoods become more attractive, for some reason, there is not more of an insistence on things like mixed-income housing. There is not enough of an insistence on these developers providing other types of amenities that will be enjoyed by everyone in the community. And so, it's not that it can't be done. It's just often neglected.

I think, one of the other challenges too is, as a neighborhood starts to rapidly appreciate in its real estate, it also starts to attract more police attention. Because if you have a bunch of well-off individuals moving into a neighborhood, they don't want to be robbed and they don't want to fear being robbed. And so, what you are likely to then have is more police who are present and because they need to, sort of, make sure that they are demonstrating that they provide value, you have kids who are just being kids, who aren't really a threat, but who are now more likely to come into contact with law enforcement, in ways that they might not have been before.

And so, I don't know that there are any clear cut pronouncements from the mountain, because part of the difficulty is that you need enough political will to force people to -- as we say back in South Carolina, to do right. And often we don't have that political will. We don't have the political leadership of saying, okay, you are coming in to develop but you need to do right.

HARDY: No. I mean, I would piggy back on that. There are times when these interventions just can't help but escape the need for greater resources, and in my view, greater revenue. So, these are local problems that do beg for additional resources, financial resources, right. So, the commitment to providing a stock of affordable housing, that's a zoning challenge and you might want to get private developers involved but whether and how you can provide vouchers that are competitive for some of these expensive local markets, can the voucher be an entitlement?

Right now, housing is not an entitlement. Food stamps are. But if you can qualify for housing benefits and be way in the back of the line, right. And meanwhile, this is the biggest bite of the household balance sheet, like Fred was talking about. So, I do think there is things we can do. And then to Fred's point about some of the cultural clashes that are occurring, this is an additional complication that those neighborhood preferences start to shift.

What was perhaps, just simply people enjoying themselves, starts to look like a community nuisance. And, I think, this has big implications for trust in local government. You know, some of my colleagues in public administration and policy are Jeff [Winger], Vicky Wilkins, Joslin Johnston, they talked a lot about this notion of street-level bureaucrats. And so, how do we interface with our local government. You know, what do we think about when we think of the local government? I might think of a City Council Member. I might think of the DMV. But in many communities, the local government can often times be law enforcement. And so, how are those interactions occurring?

And for place-based policy, I think, it does matter a lot, because you are talking about trust in local institutions. How are you going to come in and do place-based policy, if you don't have that trust? And so, obviously we are seeing a lot of this in the country. And, I think to Fred's point, some of these clashes can make these sorts of efforts more difficult.

PITA: I also wanted to ask you a little bit about -- and I wasn't sure what to call, whether it's about knock-on effects or if it's, sort of, unintended consequences. And what I am getting at, in this particular case, it was looking at the education issue. So, when you look at low-income neighborhoods or -- but you want to say, we want to improve STEM education for black and latinx students. So, great. We improved high school graduation rates. We have improved college education rate and now black students are carrying a much higher burden of debt than white students are. How do we go about trying to -- maybe I don't know if it's a question of foreseeing that there is going to be a multistep -- you know, this isn't just a case of getting better education, we are going to have to deal with the financing and the education piece; or then reacting to them when it does turn out, like, oh, we were trying to help. That didn't go as well as we hoped.

HARDY: Yeah. Yeah. This is interesting. I mean, you know -- so, I won't claim to have silver bullets here. But a couple of points. Some interesting research by Fenaba Addo at Wisconsin. And she does identify the very thing you are talking about, which is that much of the wealth gap racially, between blacks and whites, can be explained by education debt, right.

And so, the real challenge here then is that many black households are metaphorically -- I like football, they are running the playbook, so to speak, that we have told them to run. And which is to go and upgrade their skills, invest in higher education. Again, not a silver bullet but I will say, one piece of this is that, these communities are also heavily marketed from for-profit education providers. We have a victory that we can claim with respect to matriculation. Many more low-income and black high school students are going to college. We have now have a graduation gap. That is a real issue.

And I have got some work with Dave Marcotte at American University looking at this issue. So, you go, you get half of a credential, you don't graduate, you have the debt. You are not going to get treated like a college graduate. You are not going to get a college-grad type of job. But you are going to have that debt. And that's not even accounting for many folks who are first gen and don't have the knowledge, can be marketed to, to go and purchase what is really a low quality for-profit credential.

They are not all low quality, let me be clear. But many of them don't yield the positive labor market outcomes. And they are quite expensive. And so, I am not saying that that's everything. But it's a lot of what's going on. And the marketing, not just to black Americans but to veterans, who are returning. It's quite aggressive. And it actually speaks to some of the everyday life issues that Fred was discussing. People who are working hard, who have families, who need some flexibility. So, that's a strong marketing ploy. And it leads down some really troubling roads.

WHERRY: Yeah. And it also seems that even if a person has a pretty decent education loan, if you are black or latinx, you are probably going to pay for a lower monthly payment. So, and the longer it takes you to pay that thing off, the more it costs.

HARDY: Yeah.

WHERRY: Why are you going to opt for a lower monthly payment? Because, especially if you are first generation and you finally got out of college, the first thing that you want to do, is you want to, sort of, demonstrate love and care for those who have supported you while you went through that experience. Because, maybe you had even a full scholarship or partial scholarship, you know that at home, people were making sacrifices to help you get through all of the rest. And the first thing that you want to do is, I want to do something for mom or I want to do something for dad or auntie or granny or sister or siblings.

And so, in order to do that you need to have a little bit more per month in the wallet to, sort of, help the family out. And so, you have this other practice of paying back a little less than you could, compared to your white counterparts. Because some of them are going to just have fewer people in the network who require assistance. And so, the accent of which we have this network effect of, the more you have in the network who might need assistance and you now have the capacity to help, the more you are going have going out and therefore not, sort of, paying off more quickly the loan.

And so, there are a lot different ways that education debt starts to widen that wealth gap. It doesn't mean that it's not worth doing it.

HARDY: I love that point. That I love that, you got to go, right?

WHERRY: Right, you got to go.

HARDY: Like, the returns are still positive.

WHERRY: Returns are still positive. You are going to still have some wealth. But when we are talking about closing wealth gaps, I think, the difficulty is we are so, sort of, tacking it on to individuals and individual strategies, the wealth gap for it to be as big as it is, you can't on your own have a gap that big. I don't care if you are super -- you can't -- superman or superwoman, you are way into a gap that big.

HARDY: Right.

WHERRY: It required really deliberate policies to create such huge gaps.

HARDY: So, Frank is bringing the interesting things up that reminds me of also in this issue of student debt. I mean, one, you do have, what in my view has been, essentially a 30-year or so tax revolt that we have been engaged in nationally. So, there has been a de-commitment to subsidizing public education as much as we should at the post-secondary level. But then also this notion of those redlining policies and those historical policies, that you discussed briefly at the beginning.

Well, that has all sorts of long running consequences. Which families have the capacity to provide their down payment for a home? To wipe out that education debt? And then that matters, right. And so, that's -- and that's nobody's fault technically in the contemporary era, right, in my own view. But that's something that occurs that's an inequity. That's a legacy and it's having impacts.

WHERRY: Yeah. And the worst thing is when a parent dies, funerals are expensive. And to have to gather 7,000 to 10,000 Dollars all of a sudden --

HARDY: Right.

WHERRY: -- and they do it. The way they do it, we won't say, right.

HARDY: Sure.

WHERRY: So, part of it is, you have got a high cost lender here. You have got people who are selling off assets. They are doing whatever it takes. Because you want to live a life of dignity and you care about how you send off your loved ones. It's just important. We have two legs and not four. And sometimes we forget that. And so, somehow we refuse to be realistic about, this is what it takes to live in this country and to live with your head lifted up. And if people don't have institutional means to meet those obligations, so that they can walk with their head up, they are going to find another way that's going to be really costly.

And so, if we don't them to do that, then it's up to us as a society to say, actually, we can generate other types of programs, products, services. We can generate other forms of safety in the consumer market, so that people can walk with their heads lifted up. Maybe they are in debt but they can be in debt with a sense of dignity.

HARDY: Yeah.

WHERRY: It's up to us.

HARDY: It makes sense, yeah.

PITA: Yeah. Well, Bradley, I really want to commend your paper to our listeners for, not only being a very thorough overview in its own right of a lot of these issues. You are walking through education and incarceration and housing and segregation and all this.

HARDY: You read the paper.

PITA: I did. But it's also really fantastic for someone who, maybe they think that they don't know the basics because you are always directing to other studies. You know, so like highways had an effect on housing issues and cities. Here is these different studies that looked at this.

HARDY: Yeah.

PITA: So, I really want to commend it for that reason that it's a great place people who want to know where to go next after they get that basic overview.

HARDY: Yeah. I mean, it's a start and there has been so much work across the social sciences, sociology, history, economics, on these topics. And in a sense, it was a fun project but it was also really challenging because we had this page limit and we could only do so much, right?

PITA: Right.

HARDY: So, it is a start. And I do think it's important that folks know that there is actual evidence.

PITA: Yeah.

HARDY: And often times these topics, I think, are thought of as conjectures and --

PITA: Or anecdotal.

HARDY: -- anecdotal evidence. But there has been serious scholarship on these things.

And then we hope to try to bring at least some of that out.

PITA: Great. Well, thank you both very much for being here and being with us and explaining this. And I recommend to our listeners to find your paper. We will have the links in the show notes. And hopefully we will see your Financial Citizenship book come out soon. Do you know what's the date on that?

WHERRY: Yeah. They are estimating April 2019 --

PITA: All right.

WHERRY: -- Financial Citizenship from below Russell Sage Foundation.

HARDY: Very nice.

PITA: All right. Great. Well, gentlemen, thank you for being here today.

HARDY: Thanks for having us. Yeah.

WHERRY: Thank you.

PITA: Thanks for listening. You can find more episodes of Intersections and the rest of the Brookings Podcast Network on Apple or Google Podcasts, on Spotify, Castbox, Stitcher or your other favorite podcast app. And don't forget to follow us on Twitter @policypodcasts for new and updates.