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Creating a Just and Inclusive America

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Thank you very much, everyone. It's great to be here with you. I want to thank the university, and in particular the Center for Social Development and the School of Law, for the invitation to give this lecture today. Special thanks to Michael Sherraden and Karen Tokarz for inviting me and for helping me think about how best to contribute to this very special series here on campus.

The Ford Foundation has long supported work by Michael and the center to help define, measure, and grow the field of asset building—and to advance the premise that people of all backgrounds should have the opportunity to build wealth and reap the benefits that come from having a financial cushion to deploy for themselves and their families. It's a key element of any inclusive, opportunity-rich society. And given our long association with the important work led here at this university, it's a special treat for me to be here and be in conversation with all of you about how we can create a more just and inclusive America.

I'm not going to *focus* on the role of philanthropy, though I'll offer the perspective of someone who is thinking hard—and learning day by day—about how philanthropy can best contribute, working with many different partners and many approaches to social change. Many years ago, Paul Ylvisaker, a program officer at the Ford Foundation, famously quipped that philanthropy is society's "passing gear." Something that accelerates progress—or has the potential to accelerate progress.

And philanthropy *has* been a part of America's adaptive capacity—a part of the project of creating a more just and inclusive country—for more than a century. Philanthropy played a central role in inventing the community library system, children's television,

much of higher education as we know it, community development, Head Start, public interest law, and other fields. From building fields to nurturing social movements such as civil rights, the environmental movement, the women's movement, the LGBT movement, and many lesser known, even taken-for-granted innovations. For example, the neighborhood as a planning concept, as a supportive building block of urban life—that concept was incubated by a foundation in the 1920s and rapidly disseminated across the country and even around the globe.

I say all this to underscore, at the outset, that working in philanthropy is a great privilege, and from our perspective at Ford, a privilege that comes with great responsibility: first, to stand unequivocally for social justice, and second, to push ourselves to see around the bend and support the people and institutions, around the world, that can both *imagine* a better future and *help bring it into being*.

But we're not the only privileged institutions. Universities are also privileged, particularly great universities like this one. They help to lead fields, conduct groundbreaking research, and redefine education as we know it.

For all these reasons, I want to recognize the important step taken by this university to expand financial support for students in need and to enrich the economic diversity of the students who can get an education here. I'm a scholarship kid, and I was raised by a single mom who had to leave high school, in the 1940s, to help support her family. I would have had a very different and much poorer life if not for the universities that made it possible for me to work hard, gain a spot, and then afford it.



Washington University in St. Louis

As one of your students told the *New York Times* last week, fitting in can be hard in college, especially a well-off college, if you come from a disadvantaged background. Enrolling someone is one thing, and making it possible for them to thrive and contribute is another. But the first and most decisive step is opening that door. And you're doing that here. And that sends a powerful signal.

I once attended a speech by a governor who stopped more or less at this point and said, "But that's enough from me. I've got a great speech writer, so let's see what she thinks." I'm not a governor, and I write my own stuff. But let's turn now to the heart of the matter.

Preview

I'd like to address two principal questions in this talk.

First, what kind of economy does a just and inclusive America require, and what will it really take to create it, given how *unequal* we have become?

And second, how can we thrive in the context of increasing racial and ethnic diversity? How can we do that when we struggle with basic questions of racial justice and segregation that defined the headlines for news media, national commissions, and electoral platforms more than 40 years ago? Why haven't we made more progress? Many thoughtful voices have weighed in on aspects of this second question, particularly since the tragedies in Ferguson, Cincinnati, and Staten Island—and since the rise of a movement to remind everyone that Black lives matter. If one kind of tragedy triggered that movement, the other tragedy is that such a movement, such a declaration, would be necessary at all in America in the 21st century. With this second question, and with all humility, I'd like to tie race—a defining part of the American experiment—to the larger question of justice and inclusion.

Since campuses are all about lively debate, what I'd really like to do is pose more impertinent versions of those two questions. Then I plan to complain about the answers we too often get fed. And then I'd like to propose some different answers for you to consider. Sound OK?

The Economy Q: A Redraft

How did America, the country that boomed after the Second World War—driving the global economy and business practice and, more than that, defining for the world what inclusive economic growth could

look like—how did *that* country become the most prolific creator of bad jobs in economic history? How'd that happen, that dramatic turnaround—even before the foreclosure crisis that became the financial crisis and then the Great Recession? Before that big shock and all the job losses, back when the economy was considered strong, perhaps one in four jobs in America was in low-paid, low-mobility, insecure work. *Why?*

Here are some of the answers we've been given, consistently, over the past three decades.

Technological change and globalization undermined American competitiveness. In this telling, America's position as an unrivaled exporter to the world was bound to erode. After the war, Japan and Europe were devastated, but they rebuilt, and then new competitors industrialized—competitors like Korea, Taiwan, and later China. New technologies made it possible to communicate, travel, and trade in new ways across greater distances, and to offshore American jobs.

The problem with this answer isn't that it's wrong. It's quite true, actually. And insightful. And it's a warning against hubris: a reminder that our fortunes are bound up with the rest of the world and that other countries are innovators and strivers too.

No, the problem with this easy answer to the economic question is not that it's wrong. The problem is that it's so incomplete.

And over the past three decades, particularly as wages stagnated and income and wealth inequality grew dramatically, this answer too often came in the form of a *genius-of-the-market* story.

It called into question the very premise that government has an important role to play in protecting people in the economy and helping everyone to thrive. It denied or ignored an earlier history, when America boomed through an Industrial Revolution and then invented the institutions to make a newly urban, industrial society more just and livable—and to reconcile the power of markets with our highest values as a people.

But let's set that history aside for a moment and say this another way. An even simpler version of this story is that *capitalism is what it is*. It's tough, sometimes for long periods, and there are winners and losers. All anyone can do is work hard and hope for the best.

Here's the real problem, and it's not about information technologies or trade deals or the rise of China. The real problem is that there has always

been more than one version of capitalism, or what scholars call “varieties of capitalism”.¹

There are different institutional rules in different countries—different ideas and norms about safety nets, finance, and other things that make a modern economy possible. And there have been different versions, over time, right here in America.

Back to the Industrial Revolution: It unleashed tremendous growth and productivity, brought new devices and opportunities to millions, built the modern city, and changed the structure of society itself. But to make it work, we had to invent new ideas about capitalism and then the institutions to bring those ideas to life:

The *idea* of collective bargaining—and then the institutional rules and the organized capacity, in the form of the first industrial unions, to give workers protection and power. That helped create the 20th century middle class.

The *idea* of unemployment insurance—and then the program and its rules. That helped people weather economic shocks.

The *idea* of an anticompetitive trust as a bad thing—and then public agencies with the authority and tools to monitor industries and challenge illegal collusion, unfair competition, and other threats. That helped level the playing field for business and give start-ups—entrepreneurs—a shot.

The *idea* of social security—and then the program, which dramatically reduced poverty and the risk of experiencing extreme hardship after one’s working years.

The *idea* of universal secondary education—because when we were an agricultural nation, most Americans only got a few years of primary school—and later the idea of broad access to college and the institutional means to deliver on that, still a work in progress.

So I ask again: Why did we become an economy of IT billionaires and a thriving, high-skill “creative class” on one side and millions of workers in dead-end, bad jobs on the other? In the late 20th century, American productivity continued to grow, but the average American worker did not reap the rewards. Economic mobility stalled. Why?

Because we forgot that capitalism does not resolve itself, or sustain itself.

Because we forgot that, like other advanced economies, we *invented* a more inclusive capitalism over years and even decades.

Because we allowed our *version* of capitalism to become needlessly mean.

Our politics and our culture let it happen. Foreign competition and the computer mouse didn’t do it to us.

And here’s the thing: I’m a recovering engineer and also a social scientist. And don’t look now, but I just made a *moral* point. I said our version of capitalism became needlessly mean.

If we intend to call ourselves a nation of values, then let us commit to creating—I’m going to say *inventing*, because it takes creative drive and invention—let us commit to inventing an inclusive capitalism for *this* generation. For now. With a healthy respect for the power of markets *reconciled* with our highest values—an insistence on human dignity and equal opportunity and fair reward.

And here’s the other thing: A needlessly mean capitalism is also a myopic capitalism.

Now I’m making an *empirical* argument, not a moral one.

Because the empirical evidence is increasingly clear: More inclusive economies enjoy more robust, more sustained growth.

Yes, in the near term, rapid growth follows from market disruption, from new industries coming into being, and therefore tends to generate some inequality—see China over the last 30 years or America in the late-19th century.

But over the long run, it’s inclusive societies that innovate, adapt, and prosper.

See Acemoglu and Robinson’s 500-year economic history on the importance of inclusive institutions to unlocking human potential, innovation, productivity—the drivers of growth and the creators of wealth.²

See the report on inclusive growth that we issued jointly last year, with the Organization for Economic Cooperation and Development, at an international meeting of ministers in Paris.³

For more than a generation now, our public discourse and our politics have been dominated by a simplistic economic mythology that is not true to our history or to who we are.

But as the old saying goes, “You can’t replace something with nothing.” So we need entrepreneurs and educators, activists and scholars, investors and legal practitioners, committed philanthropists,

² Acemoglu & Robinson (2012).

³ Organization for Economic Cooperation and Development & Ford Foundation (2014).

¹ See Hall and Soskice (2001).

insightful journalists, and others to help replace a mean and myopic model, and the storyline that supports it, with a robust, inclusive alternative.

We have done it before.

Race

So how about race?

On one hand, of course, the last hundred years of our history underscores how a commitment to economic inclusion tends to bring some of the most powerful gains to the most disadvantaged. Not only did incomes and standards of living grow in America in the first few decades after World War II, but those gains were broadly shared. The racial gap in incomes and education actually narrowed—*in spite* of discrimination in employment, housing, and other domains.

On the other hand, we clearly cannot view the stakes, or the work ahead, only in economic terms.

Ours is a country founded on aspiration as well as contradiction. The aspiration to be free from tyranny, to enjoy equal justice under law, to create opportunity for all.

And the contradiction that was slavery: Slavery supported by the legal and political institutions that were structured to insulate the power of Southern slave owners, the ideology of racial superiority, and a seemingly endless program of racial fear-mongering and repression.

Slavery that required a far more pernicious kind of invention than the economic rules I talked about earlier—the invention of a second-class citizenship.

We've recently commemorated Dr. King's life and legacy, and I won't try here to review all the gains of the civil rights movement in response to the legacy of slavery—or the powerful example that movement set for other nations, or the social justice movements it helped inspire here and abroad.

That movement is singular in our history, even if, and perhaps because, its work is far from complete.

But if I ask *why* we haven't made more progress, why some of the most extreme expressions of the racial divide can seem to be caught in endless, intolerable, heart-wrenching replay, a few things stand out:

Civil rights reformers broke down barriers for renters and homeowners of color, but in so doing, income segregation within communities of color—the tendency of the better off to live apart from

the poor and especially the very poor—increased significantly.

It created concentrations of minority poverty, in some cases extreme poverty, first and most quickly in inner cities but over time in economically vulnerable inner suburbs as well. In this sense, there are hundreds of places like Ferguson, across many regions.

School segregation has worsened considerably, in part because of housing segregation and how the two reinforce each other: Housing choices are school choices for most families, and in an economy demanding higher skills and better credentials, housing values are driven by school performance. Most racial segregation in public schools is now between poor and well-off *districts*, not between *neighborhoods* within a district.

There is now a mountain of evidence on these patterns—and fairly compelling evidence on why such segregation persists. More than anything else, it is driven by *avoidance*—by the tendency of higher skill, higher income people, especially families with children, to avoid the communities and school districts that are home to poor people, especially if they are poor people of color.

In order to avoid economic diversity and sometimes to clearly avoid racial change too, many communities make it all but impossible to build affordable housing. So-called exclusionary zoning is one of the linchpins of inequality in America, not because it has an impact as obvious as low wages or Social Security reform but because it operates so invisibly and rules out concepts of “fair share” that were part of a promising, if short lived, inclusionary housing movement 40 years ago.

These are just a few of the important changes, of course. In general, racial attitudes have become far more tolerant, and to an important degree, that is about generational change. As the Obama campaign powerfully demonstrated in 2008, young Americans, on the whole, are much more tolerant, much more likely to have friends of another race, much more likely to see a racially integrated workplace or civic organizations as “normal.”

But they are not immune to the pressures—about family, wealth, and educating the next generation—that I just outlined. Public opinion favors tolerance. Broadly speaking, though, the rules of the housing game do not favor inclusion—not of the poor of any race and least of all poor African Americans.

Nor are young people immune to the politics of fear and division. Longitudinal surveys show quite clearly that Americans became more racially

tolerant at the same time that they became less likely to believe that racial discrimination and other inequities persist—let alone that government should do something about them.

It turns out that tolerance and denial are perfectly compatible. We are great rationalizers. We can embrace inclusion in principle but reject responsibility.

On one front, a sustained movement could put the lie to this denial, which is deeply flawed and destructive. And at their best, creative movements manage precisely this—to offer powerful moral challenge without shrill accusation. To juxtapose the reality in our faces with the values we espouse.

But beyond that, here in this region and in many other parts of the country, justice and inclusion require real leadership in government, business, and the core of the civic sector, not just in social movements.

In his book *Leadership Without Easy Answers*, Ron Heifetz distinguishes exercising leadership from exercising authority.⁴ Like other astute observers, he argues that the function of leadership is to produce adaptive change. It includes helping people to confront fear, resentment, and contradiction—without fleeing the room, literally or figuratively. It employs storytelling and listening to build trust—and confidence-building, concrete actions, even baby steps initially, to strengthen that trust and make more ambitious cooperation possible.

Authority is important, Heifetz argues, but its function is different: to restore order, to enforce norms, to offer clarity. Sometimes leadership requires just the opposite, and sometimes authority figures are the last to lead.

This is not prediction on my part, nor is it pessimism. But I hope it's sober optimism. And it's a reminder that we need leadership from many sources and that we shouldn't confuse leadership with the mere exercise of authority.

On a final note, there are hundreds of places like Ferguson in a different sense: They have limited civic capacity. I am not referring only to grassroots capacity to organize and voice one's concerns. That's necessary, even vital, in a just democratic society, but it's not sufficient.

There have to be mechanisms of cooperation, of learning and bargaining, that bring together the public, private, and nongovernmental players, the grassroots and the so-called grass-tops—the resource providers, decision makers, opinion

leaders, and other influencers—to work out agendas of change and to mobilize resources to advance those agendas. In other words, civic capacity is what enables real problem solving, whether the issue is local housing, schooling, policing, or something else.

Civic capacity is challenging to build and preserve in the context of racial change, the exhausting stresses of living poor in a poor place, and the pressures that public officials too often feel to hunker down rather than engage, experiment, and adapt. But civic capacity can be built, and it can even be born out of conflict. It does require a small number of well-placed people committed to understanding the motives and interests of someone across the table—and the blind spots they have and constraints that are operating on them.

In the years ahead, some of the arbiters of racial justice and inclusion will be big policy debates—like debates about the minimum wage or sentencing reform—that are not about the politics of place or the patient work of building and using civic capacity in productive ways.

But some of those arbiters will hinge on the quiet work, out of the spotlight, to overcome fear and mistrust at a very local, street corner, kitchen-table level. And that too is in the best of our traditions as people in a country of aspiration and of values. It is a project to which we can all contribute.

Thank you very much for your attention, and for the things you will do, whatever they are, to imagine a more just and inclusive nation and to make it ever-more real.

Thank you.

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⁴ Heifetz (1994).

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