

Economic Literacy: The Sustenance of Our Market Economy

By
Robert Wynn

Kudos to Carrie Schwab-Pomerantz, the daughter of one of the greatest innovators in the world of finance, Charles Schwab. Given her distinguished lineage, her vision and passion for America to achieve its optimal economic future is not surprising. In her recent [article](#) entitled, “Financial Literacy: A Powerful Tool for Social Justice in 2020 and Beyond”, Ms. Schwab-Pomerantz declared a point that must be embraced by all Americans if we are to attain that penultimate future that she envisions. She succinctly and aptly states that, “***an investment in financial literacy is an investment in each other and in ourselves.***”

The main takeaways from Ms. Schwab-Pomerantz’s article are that financial literacy is often the difference between opportunity and adversity, and financial literacy opens doors to education and careers. Ultimately, she explains, financial literacy is more than understanding how to balance a budget or buy a house, it’s about understanding how to *approach* a financial situation. Her point could not be more important and relevant than presently, as we collectively and individually grapple with the fiscal challenges of Covid 19.

At its essence, financial education should begin by acquainting individuals with the “economic way of thinking.” According to UW-Milwaukee Emeritus Professor [Mark Schug](#) who is a renowned pedagogical advocate of economic education, the economic way of thinking comes from understanding how a set of key principles, relating to choices, costs and incentives, operate within the framework of our free enterprise system. This kind of thinking that helps an individual blaze their own trail toward economic security, wealth and financial freedom. This is the opportunity afforded by our free market economy. And the more people that embark upon this path of economic education and empowerment, the more thriving and robust our economy will be for all.

On a sobering note, a recent [report](#) from the TIAA Institute entitled, “African Americans Experience Low Financial Literacy Levels”, reported that African Americans definitively lag in financial literacy. This knowledge gap has an unmistakable negative impact on African Americans’ economic capability and behaviors. Put another way, African Americans, who comprise thirteen percent of the U.S. population, are on a whole, not well equipped with the financial and economic knowledge they need to fully actualize their opportunities to build wealth and participate within our free enterprise economy.

In their McKinsey & Company [report](#) entitled, “The Economic Impact of Closing The Racial Wealth Gap,” Jason Wright and Shelly Stewart III point out that “the persistent racial wealth gap is a burden on black Americans as well as the overall economy.” For those who don’t know, the wealth gap, when analyzed by race, is staggering. According to data that McKinsey gleaned from the Federal Reserves’ Survey of Consumer Finances, in 2016, the median household net worth of black Americans was \$24,000 compared to \$170,000 for white households.

Economic Literacy: The Sustenance of Our Market Economy

The McKinsey report interpreted these data in more depth than the typical social justice advocate. While they acknowledged that this abject wealth disparity impeded the human and community development of black Americans, the paucity of blacks' net worth also has a dampening effect on their consumption and investment in the U.S. economy. This Gross Domestic Product (GDP) deficit is estimated to be between \$1 trillion to \$1.5 trillion dollars between 2019 and 2028. This represents an opportunity to increase the United States' GDP by 4% over the next decade. This is indeed a potential rising tide that could lift all boats! - including black Americans.

The McKinsey report accurately notes that there are innumerable factors that contribute to the deficit in black household wealth including lack of: equity capital, liquid savings, access to credit, home ownership

and investable assets, to name a few. But Carrie Schwab-Pomerantz and the TIAA report make one thing clear – financial literacy is a resource, albeit more inchoate than its tangible cousins, that can positively fortify one's ability to compete in and contribute to the U.S. Economy.

So why not go all in?! By leaning in together with a concerted focus on financial education of youth, with an emphasis on youth of color, we can unlock more of America's wondrous economic potential. This is not only something that is good and just to do. It will generate a trove of trillions that will redound to the benefit of all of us. This wealth dividend will elevate the quality of life of millions, it will engender peace and prosperity, and it will sustain our economic way of life as more people understand and appreciate what we have.

Fortunately, and thankfully, a collection of financial literacy and social justice advocates, along with enlightened education, business and political influencers in Milwaukee have agreed to come together to develop a Strategy for Providing Effective and Sustainable Financial Education to The Youth of Milwaukee, Especially Youth of Color.

Our aspirational vision is that ***financial literacy, investing, entrepreneurship and the “economic way of thinking” become integral to the ethos of the urban youth culture.***

As we drill down into the elements that will drive our vision to fruition, we will consider many of the following elements, and we invite all comers to think about these and other ideas as well:

- Saving and investment accounts for infants and youth
- Financial and investment education incorporated in school curriculums in private, traditional public, and charter schools as well as in after-school and community-based programs.
- A proliferation of investment clubs among teens and adults.
- Intensive entrepreneurial education, training, and linkages to a robust supportive infrastructure

Economic Literacy: The Sustenance of Our Market Economy

- Teacher, parent and youth financial literacy training and certification programs in cooperation with institutions of higher education as well as financial institutions.
- Home ownership education and promotion.
- Social media, eEducation and gamification strategies.
- Optimization of employees' participation in defined contribution plans at work.
- Innovation in financial products and institutions to serve people from all walks of life.
- Innovation in public / private community economic development and public policies.

Luckily, we don't need to start from scratch. Important groundwork has already been laid by Secure Futures, Economics Wisconsin, Asset Builders, Wisconsin Women's Business Initiative, Bank On, Childhood Savings Initiative, Junior Achievement and many others. And school, government, and community-based collaborators stand ready and willing to assist.

Since a range of economic literacy programs and resources already exists, our task is to take our strong beginning to the next level. That is, we need to ensure that our financial education endeavors effectively connect with and impact the demographic that needs us the most. It will be through the power of our focused collective that we will finally infuse veracity and efficacy into the hallowed ideal that all United States Citizens truly have access to "life, liberty and the pursuit of happiness." Let's Go!