



After the Fact | Crisis and Change: Conversations With Leaders — Economic Opportunity in America

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TRANSCRIPT

Dan LeDuc, host, The Pew Charitable Trusts: You're listening to "Crisis and Change: Conversations With Leaders," a five-part series with leaders in the social sector about how they're navigating some of today's biggest challenges. I'm Dan LeDuc from The Pew Charitable Trusts.

Eric Nee, host, Stanford Social Innovation Review: And I'm Eric Nee from *Stanford Social Innovation Review*. In this episode, we're exploring wealth inequality in America. It's a topic that intersects with a number of other challenges we've talked about in this series so far.

Dan LeDuc: Yeah, Eric. You had a fascinating conversation with La June Montgomery Tabron, president of the W.K. Kellogg Foundation, and Larry Kramer, who leads the William and Flora Hewlett Foundation. They really pinpoint the increasing divide of economic opportunity in the United States, and how that affects all of us.

Eric Nee: And coming up with solutions is complicated. One of the points I took away from the conversation is that it may require a new way of thinking about our economy.

Dan: Right, because it's about more than just material wealth. When Larry and La June talk about this topic, they also speak to the structures in society that afford more economic opportunities for some, but not necessarily for everyone.

Eric Nee: It's a multidimensional problem, and we started with how we got here.

This podcast series is about crisis and change. And certainly, one of the areas where the United States is in a state of crisis and change is the growing inequality in income and wealth. There was a period in the mid-20th century when the gap between the wealthy and the poor was not as great and there was a large so-called middle class.

But since then, the gap has grown, and that is particularly true when it comes to wealth. A recent Pew Research survey from January 2020 found that 61% of Americans believe there's too much economic inequality in the United States, and 42% say that it should be a top policy priority for



the federal government. I'd like to begin by talking about the problem itself, and later in our conversation discuss how to begin solving this problem. Well, let me start with you, La June. How big of a problem is income and wealth inequality in the United States?

La June Montgomery Tabron, president and CEO, W.K. Kellogg Foundation: Well, thank you, Eric. I'm honored to be here today. And if I were to look at that Pew poll, I think the Kellogg Foundation and I would be in that 61%, believing that there's too much economic inequality. I think as we have witnessed this pandemic over the past several years, the demonstration of what that looks like and how it impacts all of our fate has been relatively clear. So, at the W.K. Kellogg Foundation, what we work on is making sure that the opportunities exist for families and children, those in the low-income categories so that they can grow and thrive in this nation. And we believe that happens when you're beginning to look at access, access to opportunities, access to capital, access to health and well-being. And that's the hard work that has to happen to address this issue.

Larry Kramer, president, William and Flora Hewlett Foundation: I guess I'll add onto what La June said, sort of two points that I think underscore why it is such a huge problem. I mean, obviously it's a huge problem in and of itself, just as a problem of fairness and the allocation of society's resources. There's something wrong with a society in which 1% of the nation or 0.1% of the nation has a vastly larger share than the other 99% put together. So that's just a problem of fairness, equity, equitable, equality, all of those interrelated values.

But second, and we know this. You cannot sustain a democratic society with that kind of inequality in the distribution of the wealth of the society. The income inequality today is at the same level as it was in 1929. And we saw what happened then in the 1930s and so on. And that's been historically true. The founders of this country talked a huge amount about the need to have a more equitable distribution of wealth, or the tensions it would create for sustaining a democracy would become too great. And we're seeing that today as well. So, it is both the unfairness in and of itself and the pressures that it puts on our democracy and the ability to keep it going.

Eric Nee: You referenced the 1920s. Here we are 100 years later, same place. How did we get here? Why is this a problem that continues to be with us?

Larry Kramer: We got here actually for very much the same set of reasons, which is a way of thinking about the role of government, society, and the economy that facilitates the growth of wealth inequality. So, in the 19th century and the early 20th century, you had a set of laissez-faire policies that, at some point when you had a much earlier developed economy, did not create huge problems. But as the economy turned into a modern industrialized economy, it generated wealth inequality. That is literally the nature of that particular form of free market.



So, this is not about capitalism and it's not about free markets, because those are very broad concepts, right? But within those broad concepts are many choices that can be made about how to do it. And there were a set of choices made in the late 19th, early 20th century and a very similar set of choices that were made beginning in the 1980s that produced this result. And it tracks exactly. So, we're here because we made choices that put us here. And we can make choices that will take us out of this if we can get it together to think about how to do that.

La June Montgomery Tabron: I will build on what Larry has said and say yes, there were choices. There were choices made, there were policies made that created systemic racism in our nation. And we believe that it is the systemic racism and systemic inequality that creates these inequalities. It's not just a free-moving market. It's a market laden with policies that advantaged some and disadvantaged others.

We can go back to housing policy, which created wealth for some and not for others, which was also deemed to be a racist policy because people of color were intentionally written out of that policy advantage. So yes, it got here because of racism, and we believe it will be removed when we dismantle this concept of a hierarchy of human value.

Larry Kramer: I just want to elaborate on that point just a little, partly just to separate the policies that have produced systemic racism and the policies that have reduced ad wealth inequality. They're not completely separable, but they're also not exactly the same.

One of the things about systemic racism is it wends its way; it insinuates itself into any of the systems that we have. And so, as you climb out of it, you need to think about and address it intentionally and deliberately. But it's not the whole or only problem that we need to deal with. So, you could imagine a world in which we eliminated the systemic racism and left everybody equally bad off. We could still have massive wealth inequality, it just wouldn't be maldistributed along racial or ethnic lines.

On the other hand, it's hard to imagine doing that. It's equally hard to imagine reducing the wealth inequality without at the same time dealing with the systemic racism that's built in and making sure that as you adopt a new set of policies, you do not self-consciously also act to reduce the racial disparities.

La June Montgomery Tabron: And I would just add that may be a technical distinction, but I would submit that if we deal with racism in this nation, the difference or the disparities will be much more equitable across all people as opposed to these glaring disparities that track very consistently with racial identity.



Larry Kramer: I think there really are different policies. And you could, in fact, do a lot to address racial disparities while still leaving gross wealth inequality. You're not going to make progress on race unless you can turn this into a "both and" problem.

La June Montgomery Tabron: Actually, race, Larry, is all of us. Race is about every last one of us and how we're all impacted, regardless of whether we're on the advantage side or the disadvantage side. We're all impacted when we are carving out an entire portion of our population and ensuring that they don't have access to the opportunities and the ability to thrive. It impacts all of us.

Our definition of racism is very expansive. And the system of creating disparities around gender, around race, around nationality, all of these issues come to bear when you're looking at how do you re-create this economy to work for everyone. Our work is about making sure that when we are making these policies, the issue of race has become a lens by which people then understand disparate impact and begin to try to equalize those impacts across many populations.

Eric Nee: I think that's a good segue into talking about how we go about solving this problem. And is there the will and the political will to actually begin doing this?

La June Montgomery Tabron: It's interesting that I think we're in a moment in time where there is some political will. Of course, we know that in the current administration, that this has been articulated. There has been an attempt to look at new policy as it is being distributed and documented to say, have we made sure that this policy can be implemented for all people? And an example of that was, when you think about how funds were first distributed from the CARES Act, there was an inherent bias in who was able to access those funds as opposed to who needed those funds.

What we've heard in the current administration [is] that the implementation of these policies is key. And we've gotten a commitment now that ARPA dollars and infrastructure dollars will be implemented with exact frameworks that allow full and more equitable distribution. Whether that's actually going to happen or not still is something that has to play out.

The thing is, yes, I think there is at least some discussion now where we want to be more equitable. But the key is in the implementation and how we work alongside and partnerships that help people understand how that implementation impacts people in communities.

Larry Kramer: We started by saying this is a really, really big problem, which it is. And so, it's not easily solved. You need to change the entire ecosystem. One of the things we've learned over time, of course, is policies can work, and you can still fail to be able to sustain them for all sorts of reasons. So, it's not enough to have policies and it's not even enough to have policies that work. You have to change the way people think about and understand. If you haven't changed



the deeper, broader, larger background understandings and people are still thinking about it the same way, the people who just don't agree with you come in and they undo what you've done.

So, philanthropy can't solve this problem, certainly, but we can contribute. And one of the questions that we ask ourselves is where can we have the best contribution? At Hewlett, we launched this what we call the "Economy and Society Initiative" because the place in this ecosystem where we think we can have the biggest contribution is in helping develop the set of ideas that become these background understandings that will then hopefully empower better policies. So, you're talking about moving business and media and policymakers and eventually the larger public. And to do all that, you need a coherent story that is more than just a kind of potpourri of policies, even good policies that will work.

Eric Nee: Specifically, what are the kind of things that you are doing as the head of a substantial foundation? But as you say, philanthropy alone can't solve this, even ones as large as yours, particularly when it's a systemic problem.

Larry Kramer: Sure. So, we are funding people in various different kinds of institutions who are thinking about these larger intellectual paradigms in ways that are productive. There's always a prevailing paradigm. And then there are periods when they get disrupted and you get political disruption until a new one settles. We're in one of those periods of disruption now. So, we're looking for people who are thinking about a better alternative and can justify the kinds of policies that we're talking about. So that's a lot of funding among universities and academics. In think tanks. But it's also connecting those people to movement groups, to media, to business, because you have to change all of their thinking.

And so, at this moment, we're seeing real interest. And we're seeing it happen. How do we rethink antitrust and competition law? How do we rethink industrial policy? How do we think about climate and the need to address it not as a market problem, but as a problem where we have to win and not worry about efficiency as the most important value? There's lots of places in which we're seeing the movement beginning. And then it's just knitting it all into a coherent whole. And we're funding all along the ecosystem, looking for ways to do that, produce synthetic thinking, get people thinking and talking together and seeing where their ideas relate to each other and building on each other.

Eric Nee: La June, how is Kellogg approaching this problem?

La June Montgomery Tabron: We approached it from this concept of shared fate and really looking at the money. So, our business case for racial equity actually demonstrated that by 2050, if we were to provide opportunities for all in our economic system, that our GDP for this entire nation would be \$8 trillion more than what it is today. And looking at that concept of what we're



leaving on the table. And I'll give you an example of that. The city of Detroit is deemed one of the lowest places for opportunity as a city in our nation by some of Dolores Acevedo Garcia's work.

And so, when we analyzed that system, what we saw was that people of color did not have access to capital in order to grow their businesses and hire locally as some did. And so, we actually created an entrepreneurs of color fund, where people of color could access capital and receive wraparound services to make sure, because they have been blocked from the system for so long, that they had the technical assistance to do the reporting, etc.

This fund started out with small resources by a partnership between the Kellogg Foundation and JPMorgan Chase, started out with \$7 million. Is now up to about \$22 million in funds that we are loaning across the community. Over thousands of people are now being employed by these organizations, and these companies are now thriving businesses. So yes, there's national policy and then there's local policy. And there's also people coming together to understand how these disparities hurt everyone and then working together to actually create and remove the barriers. And what we're finding is when you do so, people do thrive.

Eric Nee: Are there bright spots that give you hope on this issue?

Larry Kramer: Oh gosh, yes. As I say, what we worry about is you're not going to solve this problem alone by lots and lots of local efforts. So how do we knit them together into a story that then gives them power to do all sorts of other things, including things we can't yet imagine.

I mean, one of the really neat things if you look at the way ideas have developed in the past is at the beginning, they're used to justify an immediate set of activities that people want, but they also change how we imagine the possible. And within a period of time, ideas are being proposed and solutions are being adopted that weren't even imagined at the time that you launched. So, we're looking at a world in which there is an immense amount of recognition that what we've been doing isn't working, recognition that we need to think about and try new things.

I'm really hopeful that there's so much action and activity and vibrant movement. But it's a scary moment any way you look at it, particularly when you think about the intersection between all these economic things that we're talking about and democracy. The income inequality is unquestionably the major stressor on our democracy. How people translate it and the actions that it leads them to take are not necessarily what we'd like to see. But you can see that happen. So, we need to address these things before the democracy collapses as well.

Eric Nee: La June, what bright spots do you see out there that give you hope?

La June Montgomery Tabron: We celebrated our National Day of Racial Healing. It's Jan. 18, the day after Martin Luther King Jr. Day. And the purpose of this day is to actually bring people together in local communities around the nation to begin to have the truth-telling, healing



conversations that we believe are at the root of how you get to racial equity. You don't get to racial equity without going through this process of healing because we've all been hurt and damaged by the structures that we've spoken of. Our communities are fragmented because of these racialized structures. This was our sixth annual National Day of Racial Healing, and every year the engagement has grown.

And there are people now, after witnessing over two years of disparities and death, who are now at a place where they are saying, we have to fix this. And we want to know how. And they're engaging in these conversations where they're learning to develop empathy about issues that they don't fully understand, and they're beginning to sit at the same table with those impacted by these disparate systems, and they're coming up with new solutions and together creating new opportunities in communities. We don't talk a lot about this work. I think division sells more. But people are coming together, and people are working together to change systems by the hundreds of thousands. And that's what I'm very hopeful about.

Eric Nee: Thanks for listening. To learn more about this episode and our "Crisis and Change: Conversations With Leaders" series, visit ssir.org or pewtrusts.org/afterthefact. You can find this series on your preferred streaming platforms under the "Inside Social Innovation" podcast by *Stanford Social Innovation Review* or the "After the Fact" podcast.