Achieving Economic Equality in America:

A Path Toward Financial Security Through Meaningful and Sustained Reform

By: Harsha Ahmed, Diego del Castillo, Mahi Jaladi, Matthew Lerch, Lara Manhani Mattos,

Keely McAteer, James Parlee, Quin Spear, Lily Xu

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Research Coorindators: Matthew DeSantis & Erica Friedhoff

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Abstract

Achieving financial stability in the United States is hindered by several interconnected challenges. Insufficient financial literacy education, socio-economic disparities limiting access to education, and the enduring housing crisis all contribute to this complex landscape. To address these issues effectively, a blend of educational programs and policy adjustments is necessary.

Furthermore, systemic issues like racism, financial insecurity, and societal norms intersect, perpetuating economic disparities. Biased lending, workplace discrimination, and societal expectations all contribute to unequal wealth accumulation. Confronting historical injustices, challenging discriminatory practices, and reshaping societal norms are essential steps toward a more equitable society.

Moreover, legal and political impediments, such as unfair labor practices and inadequate childcare support, hinder poverty reduction strategies. Examining tax regulations' impact on poverty and considering prison reform's potential role in promoting economic equality are also crucial aspects.

Through comprehensive solutions and a holistic approach, we can dismantle barriers and foster a more inclusive and prosperous future for all Americans.

Keywords: financial stability, financial literacy education, socio-economic disparities, housing crisis, discriminatory practices, equity, labor, taxation

Introduction

Achieving financial stability in the United States is hindered by several intertwined challenges. Insufficient financial literacy education, socio-economic disparities limiting access to education, and the enduring housing crisis all contribute to this complex landscape. To address these issues effectively, a blend of educational programs and policy adjustments is necessary.

Furthermore, systemic issues like racism, financial insecurity, and societal norms intersect, perpetuating economic disparities. Biased lending, workplace discrimination, and societal expectations all contribute to unequal wealth accumulation. Confronting historical injustices, challenging discriminatory practices, and reshaping societal norms are essential steps toward a more equitable society.

Moreover, legal and political impediments, such as unfair labor practices and inadequate childcare support, hinder poverty reduction strategies. Examining tax regulations' impact on poverty and considering prison reform's potential role in promoting economic equality are also crucial aspects. Through comprehensive solutions and a holistic approach, we can dismantle barriers and foster a more inclusive and prosperous future for all Americans.

Economic Impediments to Financial Stability

Attaining financial stability is vital for everyone, yet numerous obstacles within America’s economic and financial systems make this task daunting. These hurdles include insufficient financial literacy education, socio-economic disparities hindering access to education, and the persistent housing crisis. To address these challenges effectively, this section advocates for a blend of educational programs and policy adjustments. By implementing these measures, we strive to dismantle economic barriers and foster a more equitable financial landscape for all Americans.

The United States Financial Literacy Deficit

The American Dream professes that any hardworking individual can achieve their goals in life through merit. This vision has drawn millions of immigrants from the days of Columbus and continues to inspire many people. In a free economy, people can purchase their ideal houses, work their desirable jobs, and live fruitful lives where merit is the only restriction. However, only 66% of all Americans truly possess the means to achieve their dreams, and much of that has to do with a lack if financial literacy.

Defining Financial Literacy. Financial literacy is the ability to grasp and utilize financial skills ranging from budget allocation to taxes to retirement planning (Tamplin, 2023). It is tied into the concepts of financial awareness and financial health. Someone who is financially literate is, by extension, financially aware of their situation and how to handle their money, therefore possessing the ability to remain in good financial health. The critical components of financial literacy include the teachings of budgeting, expense management, investments, savings, insurance, and a knowledge of financial concepts like inflation and taxation. Such concepts help youth grow up to become efficient and capable when dealing with their money, but teaching such concepts is often dependent on key factors and sources during one's formative years.

Financial Literacy Education. The onus of learning these essential concepts is often tied to parents, with 82% of American parents agreeing that it is their responsibility to teach their children the value of the dollar and how to manage it (SWNS, 2023). Education starts at home, and the same does apply to financial literacy. Basic concepts like taxation and handling money are best taught unfiltered and under direct supervision at home. However, those with non-traditional families or families that struggle to overcome systemic obstacles are unlikely to receive financial education before adulthood. The responsibility, therefore, falls upon schools.

Schools, too, are responsible for providing financial literacy to students, something that only 29% of American parents find has been taken seriously. Just 7 of the 50 American states require students to take a semester-long personal finance course in order to pass high school (Carrns, 2023). In the aforementioned cases, like non-traditional households or households where financial awareness and knowledge are not present, schools are further encouraged to take up the mantle of financial education, but are currently failing to do so.

As both parents and schools work towards improving the situation, a new rising source has also played a significant role in assisting with financial literacy: the Internet. Fintech has grown through online articles and websites that provide knowledge of finances in layperson's terms, with newer A.I.-powered technologies even allowing users to consent to provide their financial information in exchange for curated tips on improving it (Davis, 2023). It allows people to control their finances without external influence or formal training. In essence, it is a personalized financial guide for people.

However, considering the importance of money and how it revolves around the lives of 8.1 billion people, it is quite surprising that only ⅓ of all Americans know how to handle their taxes and budgets (McMillon & Bryant, 2022). The lack of financial literacy can be tied to three factors: the absence of financial literacy from traditional curriculum, the irrationality of human decisions, and a cycle of poverty that encourages individuals to remain unaware of how to deal with their money.

A Lack of Curriculum. Financial literacy is not a significant part of the traditional school-based curriculum and is often overlooked or needs more resources. Only 25 states mandate some type of financial literacy curriculum, but even this takes place in varying forms, from actual courses to simply implementing financial literacy standards in other courses

(Solutions, 2022). For example, math classes consisting of financial concepts like inflation or RGDP calculation often substitute for actual financial literacy courses. While technically meeting the requirement to teach financial literacy, such a curriculum does not specialize solely in financial awareness and is, therefore, less effective.

Additionally, there is a distinct lack of interest in the subject (Gupta, 2023). Financial literacy is often based on math concepts that bore people, drawing them away from it. Many Americans, particularly children, are also unaware of how their lives are financed, from gas prices to loans.

It is also extremely hard to teach financial literacy practically to minors. Until the onset of student loans, most children never need to earn or deal with money (Farrington, 2022). Almost 45% of American teenagers do not have a job and, therefore, are not exposed to the ideas of budgeting, savings, and expenditure (Bureau Of Labor Statistics, 2020). Thus, there is no requirement or need for many children to go beyond what they are taught in an attempt to gain financial awareness. However, even when children find the need to make decisions with their money, their choices often need to be more rational and well-informed.

While today's educational infrastructure does a poor job of meeting the needs of children and teens when it comes to teaching the importance of financial literacy, it is not the only problem young consumers face. Irrational or questionable individual financial choices contribute to the issue many Americans face when attempting to achieve financial stability.

Irrational Choices Made By People Regardless of Financial Literacy. Behavioral economics dictate irrational behavior, such as spending too much on leisure (consumer culture) and other materialistic products, which leads to poor financial decisions. 6 in 10 Americans live paycheck-to-paycheck as they overspend due to a variety of factors (Walrack, 2023). Social pressure and the need to keep up with others, even if some purchases are unnecessary or detrimental, are often significant pushes toward irrational choices. Unnecessary spending creeping into finances, like eating out regularly. Additionally, emotional impulse spending in response to sadness or a feeling of the deficit over material products is cited as a significant source of “shopping sprees.”

The inability to plan or follow an effective budget allocation is also a significant factor behind irrational choices and decisions (Paul, 2021). Inconsistent income sources cannot be constrained to a budget, as the allocations would keep changing. The lack of budget allocations worst hits those with annual income changes of 25% or more, which represents 34% of the American population.

Human behavior is subject to change and can lead to unexpected outcomes (Witynski, 2022). Even those with financial literacy make irrational choices like not investing in 401ks due to nervousness over their success despite the clear, proven benefits. “Nudges” like the aforementioned social pressure or factors like medical emergencies lead to irrational or sudden expenditures that cannot be accounted for by reason or logic.

Lack of Public Discourse. Stigma against public discussion of finances also plays a vital role as an obstacle to financial literacy (Larsgaard & Altmix, 2021). 66% of employees do not talk to their employers about their financial concerns due to shame. Furthermore, 40% of money-related conversations between couples lead to a fight, discouraging discussions of finances. This leads to a lack of public discussion on effective budgeting strategies that can be personalized. There is a dependence on opinions from successful people that often cannot work for individuals based on their preferences and situations. The aforementioned lack of public discussion often seeps into society, leading to a widespread lack of knowledge that soon becomes a geographic intergenerational phenomenon.

The Lack of Financial Literacy Is A Cyclical, Intergenerational Phenomenon. The cycle of poverty induces a lack of generational wealth or knowledge (Ray et al., 2021). Segregated regions are stuck in a cycle of poverty and cannot teach their children the right decisions. Regions generally occupied by minorities tend to lack economic opportunities due to segregation and have access to subpar resources, facilities, and loaning opportunities. Black, Hispanic, and Asian-dominated schools receive an average of $23 billion less than predominantly white districts, which puts them at a disadvantage for financial literacy courses and educational opportunities. Even those who are educated might not be able to put their learnings to practice due to current issues like medical emergencies, such as the COVID-19 pandemic, which heavily affected minority-dominated areas, particularly the black community. The Paycheck Protection Program implemented under the CARES Act only gave relief to employer firms, which excluded 95% of black-owned businesses, thus adversely affecting them during quarantine.

Improving Financial Literacy. The solutions that can be proposed must be effective, simple, and address a significant concern. In short, we must develop a primary curriculum for financial literacy that can be implemented universally. This includes teaching essential concepts like taxation and budget allocation.

Solutions in the Classroom. A class economy project could be utilized to generate interest in the subject. In this project, students are given a form of currency and have to role-play a society, with economic details like spending, saving, and sudden emergencies also factoring in. In essence, it is a practical method of teaching finances, as seen in real scenarios. The students are encouraged to make the most likely decisions they would, therefore allowing them to see the effects of budgeting and financial concepts on their lives.

To generate interest through a more theoretical approach for those who do not lean towards mathematics, the curriculum could also focus more on explaining topics like inflation as a concept rather than solely involving calculations for CPI percent changes. Mathematics is a pillar of finance, but so is financial theory. Designing a curriculum that explores and explains concepts theoretically before delving into the mathematical side would allow students to understand what is being done before utilizing mathematics to make the calculations. Certain subjects like standard high-school chemistry already offer a non-algebraic curriculum, and schools can take up a similar model.

Government-backed allocation for financial literacy to make it a traditional subject in school is necessary to expand the push for financial awareness in all 50 states. Online resources and websites like playspent.org and investopedia.com already serve a role in spreading financial awareness online for free. They could work effectively to teach those without access to schools or other financial literacy-related resources.

Solutions in the Home. Parents, too, have a responsibility to train their children in financial matters from a young age. Education starts at home, and teaching a child about the value of money from an early age dramatically helps them develop their financial skills. In traditional households, educated parents can simply impart what they have already learned. However, the main issue arises with non-traditional households, dysfunctional households, and households needing prior generational knowledge to pass on.

In the first case, parents/guardians in non-traditional households could be provided with training workshops hosted by the government to teach them financial concepts, allowing them to begin financial education for their children at home. In the case of dysfunctional families and families with no prior generational knowledge, there are three options. Firstly, people in such circumstances can access the aforementioned online resources to gain as much knowledge as possible.

However, some regions do not have proper access to the Internet, so the government can host similar workshops in those cases. Finally, and perhaps most importantly, schools in such regions can be encouraged to teach financial literacy as part of the curriculum.

Conclusion. With a specific focus on providing financial education by identifying generally segregated regions, schools will be able to provide children with the financial knowledge they need to pass on to future generations and move up the vertical social ladder themselves. The current problem is the lack of opportunities and awareness, and education would allow people to not only become aware of what they can financially do but also use that to their advantage to create new opportunities.

Impacts & Effects of Socioeconomic Status (SES) on Education in the United States

In the 20th century, the expansion of education became a global priority, with movements for universal access to schooling and the recognition of education as a fundamental human right because of its inherent correlation to economic prosperity. Today, education systems vary widely across states and regions, but familiar challenges persist, negatively impacting America's economy and people. While education is seen as the "great equalizer" across the world, socioeconomic status significantly influences educational opportunities and, therefore, inadequate educational opportunities continues to perpetuate the cycle of poverty in American society.

Access to Education. It is generally understood that education is essential for young children. It is essential that many states legally mandate that children of a certain age must attend school. However, despite how critical it is for children to get an education, many studies show that absenteeism rates are highest in low-income areas (Burford et al., 2021). This is likely because of the additional obstacles students in underfunded school districts face when receiving their education. Things like a lack of available transportation, a safe environment, and appropriate accommodations are all challenges that students in low-income areas face.

For example, over 50% of K-8 students have to travel 2 miles or more to school, meaning that they can not get to school without appropriate means of transport. In areas with underfunded school districts, there can often be a deficit of sufficient transportation, leaving many needing a way to get to school in the morning.

In some areas, students commute actively to school (ACS). Active commute to school involves walking or biking, which is often only possible for children with short and safe distances to their school. It has been shown that ACS decreases in areas with higher crime rates. (Burford et al., 2021). This contributes to the idea that achieving the education critical to escaping economic hardship is most challenging for those already burdened with poverty and living in marginalized areas prone to more criminal activity. Situations such as these are vivid examples of the infinite loop that is the cycle of poverty.

This highlights that as an area's status decreases, the need for school buses to provide school accessibility and educational opportunities increases, as it shows that many impoverished students rely on public transportation. When children cannot get to school, it becomes impossible for them to obtain the education and tools they need to escape the cycle of poverty and gain economic mobility. Therefore, increasing the accessibility of additional means of transport is vital in disrupting cyclical poverty caused by educational inequities.

Relevance of Quality Education. School systems in low-SES communities in America are often under-sourced, directly correlating to students' academic development and achievement (Filardo et al., 2019). Having a quality education increases economic opportunity and mobility. However, this concept proves the near-inescapable nature of the poverty cycle because of how lower socioeconomic status leads to not only fewer educational opportunities but worse educational outcomes. For example, underfunded schools in low-income areas often lack the appropriate technology to prepare students for higher education and careers that heavily rely on modern tech. Alternatively, these schools rarely have the funds to uphold a quality learning environment to educate efficiently or effectively. These flaws in the academic system burden the American government and taxpayers and devalue its students.

Technological Deficiencies. Technology is nationally recognized as a critical factor in increasing student achievement (U.S. Department of Education, 2017). However, half of America's low-income families do not have the technology they need to support modern online education systems (American University, 2020). This not only causes students to fall behind in the classroom but also puts them at a disadvantage when finding a job.

Modern technological innovations are becoming an integral part of the American workforce. Therefore, when students in high-income areas can have elevated education, they are more prepared when they begin looking for a career. Conversely, low-income students who lack the technological advances of students in wealthier districts are disadvantaged. Not only is this morally wrong, but it will only further the income gap and economic disparities that perpetuate the cycle of poverty.

When bridging that gap, support for underfunded schools must not be equal but *just.* Many students in low-income school districts are at a disadvantage compared to those in high-SES areas, so solving problems like disparities in classroom materials and technology is an integral aspect of diminishing inequalities in public education.

***Lack of Physical Infrastructure*.** Still, technology is only one small portion of the failing facilities in many under-sourced public schools. These school systems continue to produce results that showcase students being exposed to mold, poor ventilation, uncomfortable temperatures, overcrowding, and excessive noise. These physical factors harm student and teacher health and reduce cognitive abilities, continuing to limit and disparage student achievement at these schools (Filardo et al., 2019). Students who attempt to gain an education in these sub-par environments are disadvantaged tremendously; therefore, they achieve lower academic outcomes.

While these substandard schools spend more (per student) on education, they achieve lower academic outcomes than other similarly developed countries (U.S. Department of Education, 2023). Educational inefficiency suggests insufficient student engagement, which leads to decreased student success (Delfino, 2019). This educational inefficient wastes funds that could be going towards critical educational expenses (tools, curriculum, teachers, etc.), thus reducing the quality of education for students.

When education becomes unorganized, classroom involvement decreases, causing the subsequent decline in student success. Circumstances like this, or any of the other problems plaguing low-income school districts like a shortage of technology or faulty buildings, are the most prominent issues that exacerbate the cycle of poverty because they handicap students who already find themselves at a disadvantage for no other reason than the situation they were born into.

Financing the Change. In many states, a large majority of funding for public schools comes from local property taxes. This is an ideal system for high-income areas with families who can afford to pay taxes, ultimately determining the quality of their children's education. However, many families do not have the luxury of living in one of those areas because they cannot afford to. So, they live somewhere with lower property taxes. Although this idea of living where one can afford to is simply the way the world works, areas with minimal taxes subsequently end up with minimal funding for public education - condemning the next generation to get their education from somewhere that can barely afford to give it.

Money Matters. When states invest in their public schools and create more equitable school finance systems, student achievement levels rise, and the positive effects are even more significant among low-income students. This is why state and federal governments must emphasize fiscal equity when allocating resources. This might involve advocating for increases in education budgets, changes to funding formulas, or new revenue sources dedicated to education.

A simple step in obtaining the necessary funding for public schools in low-income areas is implementing and revising state funding formulas to ensure that resources are distributed equitably among schools. These would mean instituting additional adjustments for factors such as student population, socioeconomic status, English language proficiency, special education needs, etc. Another widely considered idea to generate more funds for public education is reforming the distribution of tax dollars. Studies have shown that from 1990 to 2011, states that reformed their local tax policies to allocate more funding to high-poverty school districts narrowed the area's achievement gap by 20%. (Martin et al., 2018). On the most basic level, this includes advocating for increased state and federal funding for public education and increasing the number of supported initiatives to raise revenue through progressive taxation or reallocating resources from other areas of government spending.

Reformation also means prioritizing funding for schools serving high-need populations, such as those in low-income communities or with a high proportion of English language learners and students with disabilities, as well as directing funds toward essential needs such as hiring qualified teachers, reducing class sizes, updating educational materials and technology, and providing comprehensive support services for students.

Additionally, a portion of these funds would be designated to support the implementation of measures to improve the efficiency and effectiveness of resource allocation within school districts. This would mean highlighting transparent budgeting practices, creating performance-based funding models, and rigorous oversight mechanisms. Incorporating advanced efficiency measures would establish clear accountability standards that would make goals more transparent and more accessible. Shedding light on resource allocation within schools with lower student achievement and graduation rates would make it possible to understand better the connections between funding in education and academic success.

Non-Government Organizational Funding. Supporting the American education system is not the government's responsibility alone. Private entities are a relatively untapped source of funding that could help ensure the betterment of schools in low-income areas. This means advocating for partnerships between public schools, businesses, philanthropic organizations, and community groups. These organizations would increase funds for school districts through supplemental funding through donations, grants, sponsorships, and volunteerism. The ability to utilize tools like corporate social responsibility initiatives, matching grant programs, and foundation funding would make it impossible to exponentially increase the amount of money going to schools without further burdening those below the poverty line in the community. Facilitating new relationships with corporations would open the door for several public-private financing arrangements to generate additional funds for school construction, renovation, and infrastructure improvements. Beyond that, several alternative revenue sources have yet to be explored as sources of revenue, such as local bond measures and school impact fees.

Public Awareness & Policy Initiatives. Thanks to technology and social media, campaigns across the country have seen over 100% increase in funding. This is because an often overlooked source of funds can be found in raising political and social awareness by implementing innovative fundraising strategies such as crowdfunding campaigns, community events, alumni donations, and corporate sponsorships to engage stakeholders and mobilize financial support for schools. An example of a successful public campaign is the recent SchoolSafety.gov awareness campaign launched by the Biden-Harris Administration to support schools in low-income areas with safety resources (U.S. Department of Education, 2023). As previously mentioned, the safety of schools in low-SES areas is a significant factor in a student's ability to attend school, so more programs like these would benefit low-income communities. An essential aspect of helping students is helping their communities. This awareness campaign is one example of many that promote better advancement opportunities for kids inside and outside the school building. It is the best approach for stimulating change in an impoverished community and its educational systems.

Conclusion. The accessibility and quality of education in America are critical factors in ending the perpetuation of socioeconomic inequality hindering upward mobility. Despite the global recognition of education as a fundamental human right and its possibility to be our country's "great equalizer," the reality is that in the United States, there are significant disparities for it to be anything but. Issues such as transportation challenges, safety concerns, under-resourced schools, and academic inefficiency disproportionately affect students from low-income backgrounds, exacerbating the cycle of poverty. Addressing these challenges requires cohesive reforms prioritizing fiscal equity, increasing public awareness, and fostering community partnerships. Through investments in equitable school finance systems, allocations of additional resources for at-risk students, and insisting on accountability for educational outcomes, policymakers can work with the communities they serve to dismantle barriers to education and create pathways for socioeconomic advancement. Through equal efforts from the afflicted areas and those who govern it, it is possible to transform the education landscape and reaffirm the promise of the American dream for all.

The Effect of the Housing Crisis

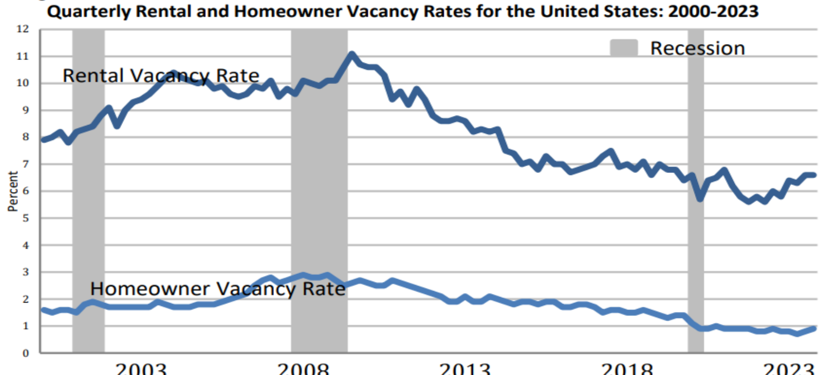
Throughout our nation's history, housing development has adequately mirrored population growth. Today, however, Americans face a housing crisis derived from a lack of availability in the housing market. From 1996-2016, median home values increased by 168% in San Francisco, 97% in Boston, and 94% in Seattle (Metcalf, 2018, p. 60). However, these pre-pandemic numbers do not accurately reflect the extent of today's problem, which has only been exacerbated. Between 2019 and 2021, suitable rental homes for "extremely low-income renters worsened by more than 500,000 units, or 8%" (Clarke, 2023, p. 1). As a result, in 2021, there were more than half a million homeless Americans on any given night (Osebe et al., 2023). This housing crisis in America is leading to financial instability for millions.

A Supply and Demand Problem. Data collected in the last three years, which has showcased a pandemic, record-breaking inflation, unusually high vacancy rates, widespread job loss, and skyrocketing rental prices, clearly show the problem at hand. Between January 2021 and December 2022, the cost of renting a home increased [by] 22% nationally (Osebe et al., 2023). The problem results from an extremely high demand met with a dangerously low supply.

The U.S. has a shortage of 7.3 million affordable rental homes for renters with extremely low incomes. (Clark, 2023). It can also be understood that a low vacancy rate indicates a lack of supply, and according to the U.S. Bureau Census, "National vacancy rates in the fourth quarter of 2023 were 6.6 percent for rental housing and 0.9% percent for homeowner housing." (U.S. Bureau Census, 2024). This shortage has led to a lack of incentive for landlords to provide quality housing units at an affordable price; with the low supply, landlords can charge tenants bills that greatly exceed base year prices. Tenants are forced to play the first hand they are dealt, while landlords get to pick the hand from the rest of the deck.

Figure 1

Quarterly Rental and Homeowner Vacancy Rates for the United States: 2000-2023



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, January 30, 2024
Recession data: National Bureau of Economic Research, <www.nber.org>

Making Ends Meat. There is a general rule of thumb that can be applied to the budget of most American households: the 50-30-20 rule. 50% of one's net income should go to necessities such as food, gas, housing, and transportation. 30% of income should go to non-essentials, including vacations, entertainment subscriptions, gym memberships, and more. Finally, 20% of take-home pay should be put into savings and investments like 401k's, index funds, bonds, etc. (Smith, 2023). Unfortunately, many tenants in lower-income areas spend more than 50% of their income on housing costs (Desmond, 2016). In 2019, "about 9.4 million households… paid more than 50% of their income on rent… of these renters, 7.8 million were very low income," which means that they were below the federal poverty line or below 50% of the median income for their area, whichever is value is higher (Katz, 2023). For those who already live near the poverty line, it is almost impossible to stay afloat with the continuation of the housing crisis.

The Bootstrap Fallacy. The housing crisis led to the entrapment of people in lower-income areas with the cyclical destruction of their futures. Being trapped in these impoverished communities, to no fault of their own, is leading to hundreds of thousands of Americans in generational poverty. They are given the choice between homelessness and permanent financial instability. Instead of being given practical and sustainable solutions to improve their housing predicament (which would then lead to improvements in their financial predicament), the people in these lower-income communities are told that they can "work their way out," but even with two part-time jobs, individuals cannot make ends meet without shooting themselves in the foot.

The idea of "pulling yourself up by bootstraps" is a myth in our current economic environment, as proven by author and political scientist Barbara Ehrenreich, who conducted an experiment to shed light on this fallacy. In her book *Nickel and Dimed*, Ehrenreich goes undercover and takes umbrage with the theory that "people can work their way out of poverty."

During her investigation, which required her to live life as a low-wage earner in the post-1998 Welfare Reform Act era, she could not achieve financial stability without the assistance of the American government.

Despite significant changes to the social welfare policy in America that the law (Personal Responsibility and Work Opportunity Act) purported to achieve, it is unrealistic for a single woman to become financially stable and impossible for single mothers and fathers to take care of themselves, their children, and their futures (Ehrenreich, 2001). A single white woman with a college education and adequate financial literacy could not break out of the cycle. Now imagine a single mother of an ethnic minority whose family has lived in the same impoverished city for generations.

The Solution. The housing crisis is a supply and demand problem. Macroeconomics tells us that there are two ways to lower the price of a good or service suffering from high demand and low demand: lower demand or increase supply. Often, the best solution is a mixture of both. The federal government has already begun to chip away at the problem.

Housing Vouchers. In hopes of lowering demand for specific housing, the U.S. government has attempted to give people more choices to live. The government has provided the opportunity to reduce segregation of people with low incomes in neighborhoods that have historically "disinvested in;" provide immediate relief instead of relocation, and restructure long-term financing for redeveloped public housing properties to stabilize funding for ongoing costs (Bailey, 2022). The government has funded these endeavors with vouchers. These vouchers have been invested in public housing since the aftermath of WWII. Today, people who meet income requirements can apply for government vouchers. If approved, money will be sent directly to the property's landlord, splitting the cost of renting for the voucher holder.

According to the Center on Budget and Policy Priorities, an investment of $62.7 billion would significantly impact America. It is estimated that a bill for the additional vouchers would help 302,000 people, including 96,000 children, 53,000 people with disabilities, and 37,000; of these 300,000, about 63% would go to households of color "due to their disproportionate rates of need" (Acosta, 2022). The number seems small relative to the entire population of America. It is important, however, to understand the effects that investing in housing could have on future generations of America. Since poverty affects individuals in cycles, preventing financial instability for one family would significantly decrease the probability that future generations will exist below the poverty line. An investment to help hundreds of thousands today would work to prevent the financial instability of millions tomorrow.

Public Housing. Unfortunately, but not coincidentally, as people of color moved into public housing units over the decades, the government failed to provide enough funding to make up for the growing gap between what people could pay in rent and the cost of maintaining housing developments (Bailey, 2022). Different sources debate the number, but approximately $100 billion is needed to revitalize public housing completely – note that this number does not include ongoing maintenance costs. This leads to a simple solution: increase government spending on these developments. With the increased investment, these barely functional houses could be homes for hundreds of thousands, decreasing the demand for private housing. Decreasing demand would decrease housing prices all over America.

Conclusion. Discrimination has tainted our country's history and is still preventing minorities from achieving their fullest potential. The lack of funding our government provides for public housing in America has created a devastating problem that will remain without resolution for decades without the intervention of our federal government. Working-class

Americans should be able to afford a home that does not prevent savings and investment. If not, financial stability in America will remain out of reach for millions, as the housing crisis directly contributes to financial instability in America.

Social Impediments to Financial Stability

In American society, systemic racism, financial insecurity, and social norms intricately intertwine, shaping opportunities and experiences across diverse communities. In this section, we explore these intersecting forces and examine how historical legacies and discriminatory practices perpetuate economic disparities. From biased lending to workplace discrimination, marginalized groups face enduring barriers to wealth accumulation. Additionally, societal expectations, from beauty standards to language biases, further perpetuate inequality. To address these issues, a comprehensive approach is needed: confronting historical injustices, challenging discriminatory practices, and reshaping societal norms. By illuminating these interconnected challenges and proposing actionable solutions, this article aims to catalyze progress toward a more equitable society.

America's Legacy of Systemic Racism on Financial Insecurity

America proudly boasts its fair and endless opportunities for individuals of all backgrounds. Beneath these accolades, however, lies the country's deeply rooted history of oppression and systemic racism: the outcome of institutionalized racial discrimination within a societal structure. While certain people can climb the ladder of generational wealth and wisdom, other minorities face the effects of systemic racism and fall short of the financial success America's capitalistic government so heavily values. While this social impediment is very multifaceted, it primarily affects a person of color's banking experience and education – thus, systemic racism poses a significant threat to the financial stability of marginalized groups.

Who does systemic racism affect? America has had a deep history of systemic racism, which dates back centuries to before it even became an independent state. African slavery was introduced to the American colonies in 1619, where, under British governance and, therefore, British law, were legally allowed to treat enslaved people as property (*Beyond 1619: Slavery and the Cultures of America | Folklife Today*, 2019). This dehumanization of enslaved people set the societal agenda that “white was superior to black.” Slavery persisted under the law for centuries until it was formally abolished in the mid-1800s – but by then, the ball had been rolling for far too long, and slavery had embedded itself into the very culture and economic success of the Old South. Racist mindsets inevitably became normalized.

African Americans were not the only group racially targeted through U.S. law – a plethora of people of color (POCs), including Native Americans, Asians, and Latinos, were alienated from society as well. The Indian Removal Act of 1830 caused Americans to view Native Americans as obstacles blocking their way toward ‘manifest destiny’ (*Milestones: 1830–1860 - Office of the Historian*, 2024). As a result, Natives were sent on a death walk along the Trail of Tears, where hundreds died before they even reached their relocated land and are still being pushed out of reservations today.

Like the Indigenous People before them, Mexican immigrants suffered at the hands of institutionalized racism. The Undesirable Aliens Act of 1929 criminalized border crossing to limit Mexican immigration into the US (*Undesirable Aliens Act of 1929 (Blease's Law) - Immigration History*, 2019). These laws have long since been abolished, but their effects remain in the country.

Lingering Effects of Systemic Racism. Black and Hispanic people are more likely to be incarcerated than White people for similar crimes (The Pew Charitable Trusts, 2023). It is the insidious implications of systemic racism and its acceptance into American society that undermine the treatment of minorities today and cause them to be instinctively placed on a lower pedestal than many white individuals, thus sentencing them to a perpetual cycle of imdepedimetns preventing them from achieving financial stability.

Systemic Racism and Financial Security

Systemic racism has placed POCs at a disadvantage when concerning housing and banking. It has also placed POCs at a disadvantage when it comes to education. These two obstacles make it very difficult for underrepresented families and their children to break the cycle of poverty and establish the generational wealth that is needed to realize economic equality and achieve financial stability in America.

Bias Within the Financial System. When the Federal Housing Administration was established in 1934, the practice of redlining – "refusing to insure mortgages in and near African American neighborhoods" – was utilized, which caused entire POC neighborhoods to spiral into further poverty: the poverty they were placed in when governmental housing projects years earlier pushed POCs into urban housing projects while white lower-class families enjoyed new housing (*A "Forgotten History" of How the U.S. Government Segregated America*, 2017).

Today, POCs are still being denied mortgages, which makes it difficult to move out of the poor housing situations they were forced into. If they get approved for one, they are likely handed a subprime mortgage: a lower-value loan that mortgage lenders provide to individuals with financial challenges but charge more interest due to supposed lending risks (Amine Ouazad et al., 2021). These high-interest rates on subprime mortgages make them increasingly more burdensome to pay back than prime mortgages and cause applicants to sink into further debt. Additionally, studies conclude that "financial intermediaries would often steer Black consumers into subprime mortgages despite them having met the qualifications for more favorable prime counterparts" and "white-owned startups with the same firm characteristics as Black-owned startups are treated more favorably" (Amine Ouazad et al., 2021; Shelby 19, 2023). Because mortgage lenders are ultimately humans, meaning they are at risk of being influenced by the country's racist mindset, there will always be some sort of bias behind the mortgage lending system.

Bias Within the Educational System. Another link between systemic racism and financial insecurity lies within the American education system. As mentioned, public education is funded through a community's property taxes. Due to the mortgage above and housing issues that plague many POCs, the communities they live in often have lower home values, which translate to lower property taxes. These property taxes prove insufficient to fund a proper public education system.

For example, many schools in New York City's poorest borough, the Bronx, "struggle to attract and retain highly qualified teachers due to low pay, lack of resources, and high workload" (TheBronxDaily, 2023). The Bronx is not coincidentally predominantly Black and Latino as the US Census states that the borough is over 44% Black and over 56% Latino populated as compared to the 15.5% Black-populated Manhattan, New York City's most affluent borough (*QuickFacts: Bronx County, New York*, 2023). While affluent families enjoy high-quality education, including qualified teachers, after-school tutors, and many extracurriculars that students may use to build their resumes and develop their worldviews, low-income families unjustly fall behind and physically cannot expose their children to the same privileges.

These limited opportunities come back to bite students during their college application process, as many POCs are unable to attend quality universities both due to their merits and a lack of financial support from their families. The inability to attend quality universities or attend university at all then affects their ability to land a financially stable job, which perpetuates the cycle of poverty that POCs have been stuck in for centuries.

Solutions. To combat the unequal financial standings between POCs and non-POCs, banking and education systems must undergo reform. Diversifying banking services and increasing their accessibility in low-income neighborhoods may primarily benefit POCs. Specifically, "increasing access to banking services could save Black and Latino or Hispanic Americans up to $40,000 over their lifetime" (Amine Ouazad et al., 2021). This would allow POCs to experiment with various savings accounts with various interest rates, which would benefit their overall financial standings and credit, ultimately aiding them in navigating better housing and mortgage deals and perhaps leading to a break in the constant cycle of poverty.

Diversity in Banking. Introducing diverse banks, especially POC-owned ones such as Liberty Bank and City First Bank, would also create a more welcoming and impartial environment for POC consumers to establish relations with and once again aid them in climbing the financial ladder. It would also benefit the banks to establish their spot in a previously unclaimed territory as they would gain the upper hand in attracting customers.

To encourage the implementation of new banks in POC-dominant neighborhoods, governments may offer construction or land subsidies to the company, which would be taken from the country's expansive military budget. In return, the bank may then focus on providing higher signing bonuses to customers, ensuring a higher rate of customers, especially those needing the extra financial cushion.

Equitable Lending. Additionally, automating loan systems would rid the loan process of any potential bias and has been proven to be successful – "their [the banks'] rate of lending to

Black businesses increases" when automated processes were used in 2021 (Amine Ouazad et al., 2021). This system, which may be readily implemented onto bank websites with a simple program, would directly address the underlying modern effects of systemic racism. As prejudice against ethnic-sounding names or ethnic accents often prevents POCs from gaining equal ground, automated loans would rid the unfortunate but inherent human bias towards 'alien' differences that may be the driving factors behind the divide between the unfair distribution of prime and subprime mortgages.

Improving the Educational System. To address the gaps in education, governments may collaborate with NGOs like The Education Trust, which works towards providing students of color/from low-income families proper education to give students more stimulating academic experiences that will help them gain more insight before college (*The Education Trust*, 2024). This would expand low-income students' choices for higher education and provide them with a potentially higher-earning job. The government may also increase spending on public education, which opens up opportunities for extracurriculars, better salaries for quality teachers, and more modern learning resources.

With these increased incentives, students would ultimately benefit, as extracurriculars would allow them to freely explore their interests, find their talents, and diversify their college resume, spurring a chain reaction of increased academic success. Higher-quality educators would instill in them increased creativity and curiosity as well as a passion for learning. Modern learning resources, especially technology and updated textbooks, would incentivize students to research any interests that may not be covered by the school's available extracurriculars and increase their access to current events.

Ultimately, using NGOs and government spending to equalize the education system would create more successful students and a more prosperous economy as these students then take their learned experiences outside academia and into the professional sphere of society.

Conclusion. Although systemic racism has afflicted POCs for decades, it is not impossible to combat its effects. The historical longevity of this social impediment is only another reason to begin acting now, or else its roots will dig further into America's societal structure and widen the financial gap between POCs and non-POCs. By addressing fundamental issues such as banking systems and education, America may see long-term progress towards a true indivisible nation with liberty and justice for all – as the saying goes.

Social Norms and the Poverty Cycle

Social norms, developed over thousands of years, are interwoven in our society. They are the unwritten rules regarding actions, beliefs, and attitudes and which ones are and are not socially acceptable. Most of them do little to no good for our society, even if they were intended to. These outdated norms are extremely harmful and tend to target already marginalized groups, contributing to, among other things, a barrier to economic equality that creates a cycle of financial instability that is nearly impossible for these individuals and their families to break.

A social norm is an informal understanding of what is and is not socially acceptable. Examples of social norms include beginning exchanges like "excuse me," "please," and "thank you" are all examples of social norms. While these examples do not necessarily create an imbalance in our society, many social norms create a deep rift that creates a plethora of inequities, including economic ones.

Conventional beauty standards such as women shaving their legs, black people straightening their hair, and disabled people expected to thrive in inaccessible environments.

These are all examples of harmful expectations. An exceeding amount of social norms in today's society amplifies the oppression that marginalized groups are already facing, thus significantly impacting their ability to achieve financial stability.

Stereotypes Regarding Success. American society has very defined and traditional standards and stereotypes for what "success" looks like. Generally speaking, when we think of successful individuals, we do not think of tattoos, dark skin, AAVE (African American Vernacular English), worn-out clothes, mental illness, foreign accents, names from other cultures, or disability. We do not associate those traits with privilege; therefore, people who possess some or all of these characteristics lose out on opportunities to gain financial stability.

Eurocentric Views on Tattooing. The concept of "professional attire" has a great impact on one's ability to gain employment and, thus, financial stability. Tattoos not only have a quantifiable impact on one's ability to get hired but also on the amount of money one is able to earn. In particular, the presence of any visible tattoo on a woman also leads to an annual salary that is nearly $2,200 lower than that of non-tattooed counterparts (Henle et al., 2022).

This has a substantial effect on quite a few communities, but especially on indigenous communities, as indigenous groups have used tattooing to signify parts of one's identity, like gender, marriage status, profession, family, sexuality, interests, accomplishments, or heritage. (Krutak, 2014). Such hiring biases are tantamount to workplace discrimination and can certainly lead to perpetuating the financial instability that individuals face.

Colorism and Racism. Racism is certainly not a new concept when it comes to workplace discrimination. The role racism plays in institutional biases when it comes to creating inequities in opportunities and access can be traced back to the “Doll Study" or “Doll Experiment.” In 1946, many Black children were shown plastic baby dolls, identical except for color, and asked a series of questions that required the children to indicate which dolls they “preferred” (Blakemore, 2018). 62% of all the young children, including Black children, preferred the White dolls. When asked which doll looked “bad,” 76% of all the children chose the Black doll, with many of the Black children becoming visibly upset, and running out of the room sobbing. (Clark, K. B., & Clark, M. P., 1947). Here, we see a grim reflection of our behavior that is so horrifying that it causes children to break down and cry at the sight of a baby doll that should have them smiling ear to ear. However, one does not need to go back 80 years to see the impact racism and colorism have on preferred status.

Discrimination Against African American Vernacular English. How one looks is not the only impediment to receiving fair and just treatment in our society. How one speaks or sounds has a tremendous impact on one's ability to achieve personal and professional status. African American Vernacular English is misunderstood and often discriminated against in the English language. The exact origin is disputed, but we know it is due to the Trans-Atlantic Slave Trade (Peoples, 2023). It should be treated no differently than a New England, Southern, or Midwestern accent; however, it is often on the receiving end of bias and prejudice.

Not surprisingly, the discrimination against AAVE speakers carries over into the workforce. Names with African American roots can also affect one’s chance of securing a job. Names with roots in African American culture are often discriminated against. Names like Latasha, Jamal, and Shaniqua were popularized in the 1950s and 1960s because of the Black

Power and Civil Rights movement. They were a way to empower Black people and let go of names that could be traced back to slavery and colonization.

Many of these names had African roots, but not all of them. Jamal is of Arabic origin, Tyra is of Swedish origin, and Anika is from Sanskrit. Regardless of their origin, they are now associated with African Americans, and employers were 30% less likely to hire candidates whose names resembled names of this origin. Additionally, employers were 50% less likely to give a call back to an applicant when their name had African Roots (Abel & Burger, 2023). When black candidates do buck the trend and secure adequate employment over their white counterparts, they are not compensated equally, as workers who use AAVE are paid 12% less than their SAE-speaking counterparts (Grogger, 2019).

The Marginalization of Mental Health. While there is a great deal of attention that is paid to the biases against physical appearance that lead to financial instability, the marginalization of mental health plays a significant role in creating the barriers to economic equality that many Americans face. Doing things like eating too much or too little, fidgeting, being anxious, having scars, or having tics would be enough for somebody to be discriminated against. This kind of discrimination is so intense that more than one in three workers would not seek mental health help out of fear of negative consequences or repercussions that would affect their employment. Furthermore, about half of all workers are afraid to discuss mental health concerns in the workplace (American Psychiatric Association, 2019).

Unfortunately, many people do not have the option to conceal their mental health concerns from their employers because an employer can ask about an employee’s mental health status in a number of instances. They can ask i) if an applicant needs a reasonable accommodation, ii) after a job offer has been made but before employment officially begins, ii) for purposes related to affirmative action, or iv) when they have some evidence that someone's condition could interfere with their work (U.S. Equal Employment Opportunity Commission, 2016). In any of these instances, an employer can gain information about an applicant's mental health and use that information to affect potential employment opportunities for that individual. Furthermore, the person's mental illness does not legally constitute a disability; there is no law keeping an employer (or landlord) from discriminating against the person, as the Equality Act, which prohibits discrimination in America, only applies to conditions that are considered disabilities. (U.S. Equal Employment Opportunity Commission, 2016)

Possible Explanations and Solutions. At the end of the day, most, if not all, of these norms are linked to colonization. Patriarchal systems, colorism, homophobia, racism, eurocentrism, and classism are all direct links to colonization. Over time, members of our society have continued to cling to these norms for a false sense of security as they struggle to rise against the oppression and obstacles that prevent financial stability. Often, letting go of social norms can feel like letting go of that sense of security. (Ramakrishnan, M, 2023)

Therapies like CBT and REBT work very well for this scenario. Cognitive Behavioral Therapy (CBT) works on the premise that environmental triggers are not the only thing that can upset a person, and how they perceive their problems also plays a substantial role. A big part of CBT is recognizing thought distortions, patterns, and negative thinking. Rational Emotive Behavior Therapy (REBT) is similar to CBT but has different focuses. While REBT does focus on making the best of what happens, it focuses more on the belief that somebody is still worthy of acceptance even if they are struggling. It is challenging to ignite social change without looking within and changing oneself(Cherry, 2024). So, although social norms are a massive part of our society, they may not be as helpful as they once were. It is possible to unlearn these norms, one person at a time.

Conclusion. Our society would look very different without the social norms we cling to for a sense of control. While these norms can reassure some, they cause catastrophic consequences for most. Whether or not a world without social norms is even possible, it is clear that we need change. That said, change cannot happen until we look within, and everybody bears a responsibility to do so.

Legal & Political Impediments to Financial Stability

In order to address the underlying economic and social impediments that are preventing poverty reduction strategies from taking hold in America, we must examine the legal and political impediments that are perpetuating the problems we experience in our society. This section will explore the history of unfair labor practices in the United States, the impact they have had on specific groups, and the negative consequences of these practices on financial stability. We will also discuss the current state of childcare in America and how we can work to empower the working class as they attempt to achieve financial stability. In addition, we will examine whether or not prison reform can help create a pathway for economic equality for an underrepresented portion of our society. Finally, we will take a close look at our current tax regulations and understand how they place an undue burden on those looking to escape poverty.

The Impact of Labor Practices on Financial Stability

Over the last few centuries, America has made remarkable progress in the world of labor law. During the Gilded Age, the rise of big business and monopolies came with unfair labor practices; it was not uncommon to see children 8-12 years old working in extremely unclean and dangerous factories. Workers in this period frequently worked 10-14 hour days and were paid meager amounts, sometimes making only $7 a week, which inflates to approximately $200 today

(VandeCreek, 2016). Because of their low pay, wage workers usually lived in terrible conditions. In bigger cities, they made so little money that they sometimes lived in housing units called tenements, extremely cramped apartment units that housed up to 19 people, often with only one bathroom and one stove.

Thankfully, the prominence of labor reform movements such as the Industrial Workers of the World and the Knights of Labor shut down unfair labor practices, sought more competitive wages, and advocated for an 8-hour workday (Goldman, 2020). These movements helped to instill laws protecting the working class. Due to these movements and gradual protections passed by the government, most of these unfair labor practices were shut down. However, some unfair wage regulations remain today in America.

One such regulation is the minimum wage standard. This standard is intended to ensure that everyone makes a fair wage; however, the system has flaws, and some argue that minimum wage levels are too low to provide adequate financial security, especially in areas with high costs of living.

Additionally, overtime regulations, while designed to compensate employees for working beyond standard hours, often fail to address the financial needs of low-wage workers sufficiently. This issue fuels financial instability and hampers the ability to achieve upward mobility, trapping affected workers in a cycle of economic hardship and limited opportunities for advancement.

To combat economic inequality in America, we must address these fundamental issues found in the workplace. Adjusting the minimum wage standard so that workers can make a living wage and enforcing worker protections when it comes to overtime pay will ensure that people are paid sufficiently for their hours worked.

Who is Affected. In modern America, unfair labor practices hit specific groups hardest, widening economic gaps and reinforcing systemic injustices.

Women. Women, especially women of color, frequently end up in low-paying sectors like retail and hospitality, facing unequal pay and limited chances for career advancement. Similarly, minorities, including Black and Hispanic individuals, encounter higher rates of joblessness, discrimination, and underemployment, pushing them further to the economic margins (Fredrickson, 2020). The discrimination these women face in the workforce, coupled with the discrimination they face in society at large, make them particularly vulnerable.

Immigrant Workers. Immigrant workers, especially those without legal status, are often exploited, enduring poor working conditions and wage theft with little protection. Undocumented immigrants, in particular, are vulnerable to exploitation by employers who take advantage of their immigration status to pay lower wages, deny benefits, or subject them to unsafe working conditions. Fear of deportation may prevent undocumented workers from reporting abuses and seeking help, furthering the cycle of their mistreatment in the workplace. On average, the hourly wages of undocumented workers are 42 percent lower than the wages of U.S.-born workers and legal immigrants (Hsin & Ortega, 2021).

Young & Old Workers Alike. High school, college, and recent graduates also suffer from unfair labor practices. They grapple with low wages and uncertainty about benefits like healthcare and retirement savings. However, young workers are not the only ones affected by low wages. 88% of workers affected by changes to the minimum wage are at least 20 years old, and 33% are at least 40 years old (Escrow & Cooper, 2013).

The Negative Impact of Unfair Practices

Low Wages. Low wages have a profound impact on the financial security of specific marginalized groups in America, manifesting in various ways, such as building up debt, poor housing situations, and limited access to loans. Low-wage workers often struggle with debt because they are forced to take out loans for utilities, healthcare, rent, or other expenses due to not making enough money to live comfortably. Many are forced to resort to high-interest loans or credit cards to cover basic needs, creating a cycle of debt that undermines their financial instability. Inadequate wages make it difficult for low-wage workers to afford stable housing, leading to overcrowded living conditions, frequent moves, and even homelessness in extreme cases (NAEH, 2023).

Overtime. Frequently, workers are told to work overtime by their employers. Low-wage workers often accept this overtime for two main reasons. First, they embrace the opportunity to make more money since they are making low wages. Additionally, since low-wage jobs have little job security, employees feel obligated to accept these assignments to secure their positions. However, low-wage workers fail to realize the benefits of this "forced" overtime. A 2021 survey found that 1 in 5 middle-class and lower-class workers are not paid for overtime commanded by their employers (Stein, 2021). So, not only are these workers being taken advantage of, but they are also not getting compensated for their work.

This lack of sufficient, consistent, and fair wages causes people to struggle to pay basic living expenses such as rent and utilities; on top of that, they have little to no time left for other responsibilities, as they spend most of their day at work.

Solutions. Like any social problem, there is no one-size-fits-all solution. Instead, we must examine the individual impediments contributing to the global issue. Regarding unfair labor practices, we must increase wages earned, limit worker exploitation, and improve worker benefits to give low-wage workers a better opportunity to achieve financial stability.

Advocating for Increased Minimum Wage. One crucial step to creating an economic environment where all Americans can succeed and achieve financial stability is advocating for policies that ensure fair wages for all workers, including raising the minimum wage to a level that reflects the actual cost of living. Even a raise of as little as $1 hourly can close a gap of almost $2,000 yearly, which could massively improve the housing situation of many living in lower-standard conditions.

The minimum wage is as low as $7.25 an hour in some places, including Pennsylvania, where a worker only makes $21,000 annually after working 8 hours a day for the entire year. The current average rent in Pennsylvania is $1,525 a month (Zillow, 2024). This means that for 12 months of living in an apartment in Pennsylvania and working with minimum wage, you would spend $18,300 on rent alone and only have $2,700 left for any other expenses, including groceries and other necessities for the entire year.

Regulating and Reducing Working Exploitation. Implementing more robust enforcement mechanisms to ensure workers are compensated fairly for all hours worked can help protect vulnerable workers from exploitation. To further ensure fair compensation for workers, it is essential to establish clear guidelines for tracking work hours and overtime. This could involve providing employees with easy-to-use timekeeping systems and requiring employers to review and verify these records regularly. Additionally, educating employers and employees about their rights and obligations regarding compensation can help prevent misunderstandings and disputes. Finally, creating avenues for workers to seek assistance and report violations without fear of reprisal is essential for fostering a safe and transparent work environment. Through these measures, we can strengthen protections for vulnerable workers and promote fairness in the workplace.

Affordable Housing Initiatives. Finally, investing in affordable housing initiatives and expanding access to affordable healthcare, two of the most significant American expenses, can alleviate financial burdens and improve the overall economic stability of marginalized workers. Targeted government subsidies and incentives for constructing low-income housing developments can directly address the pressing need for affordable housing. Expanding Medicaid coverage and implementing measures to lower healthcare costs, such as regulating prescription drug prices and increasing funding for community health centers, can significantly alleviate financial strain on low-income individuals and families. By tackling these fundamental economic challenges, policymakers can create a more equitable society where marginalized groups have greater opportunities for upward mobility and financial security.

The Importance of Proper Childcare in Obtaining Financial Stability

Childcare is a cornerstone of American society, enabling parents to stay in the workforce while ensuring the welfare of their children. While childcare has made great strides within American society throughout the last century, we must do more to meet the needs of American working families struggling to achieve financial stability.

During the 1930s, the US economy was sent into a deep depression, leaving many people, especially families, in deep financial strain. As a result, many support systems emerged, like the New Deal’s Emergency Nursery Schools program (ENS), which provided 1900 daycares to 43 states so mothers could work instead of taking care of their children (Michel, 2011).

Throughout the century, new childcare subsidies would emerge, like the Child and Dependent Care Tax Credit (CDCTC) in 1976 and the Child Care and Development Block Grant

(CCDBG) in 1990. These advancements not only changed the way our society viewed childcare but also allowed working-class families to achieve greater financial stability. Today, however, many families living in poverty continue to face challenges with access to childcare resources and inadequate benefits from support systems, pushing low-income families further into poverty.

Struggles with Childcare Affordability. Childcare costs are prohibitive within the first couple of years of having a baby. The cost of childbirth is at least $3000 out of pocket with insurance and $19,000 without it. After childbirth, families will have to invest at least $2000 into baby essentials such as strollers, car seats, cribs, baby formula, and diapers (Levine, 2024). Due to these costs, the infant years of a child's life are extremely expensive. The most substantial costs, however, are daycares.

Since 2019, daycare costs have surged by over 30%, with the average expense reaching $14,760 (Adkuloo, 2023). For perspective, “affordable childcare” should cost no more than 7% of household income. However, on average, low-income families spend 35% of their household income on daycare and essential baby care (Malik, 2019). So, these already high costs strain families' incomes (as evidenced by the previous discussion of the “50/30/20 rule of financial stability) and usually lead low-income families to provide insufficient childcare.

Insufficient Tax Programs. In the last 70 years, many government subsidies have emerged to address the high and rising costs of childcare. The most significant of these programs is the Child and Dependent Care Tax Credit (CDCTC), a non-refundable tax that reimburses a portion of childcare costs for working parents with kids under 13. However, this subsidy has several flaws, and it usually provides insufficient care or benefits the wrong demographics.

Specifically, the majority of families receiving this tax credit have annual incomes between $100,000 and $200,000 (NASEM et al., 2019). Since there is an absence of an income cap for eligibility, higher-income families can receive some of the funding that could go toward the low-income families that need it. Families with annual incomes in this range may not be considered wealthy, but they are still closer to obtaining financial stability than families living near or at the poverty line.

Additionally, the CDCTC is a nonrefundable tax credit and not a rebate. This means that high-income families often benefit from this tax credit because it helps offset their higher tax liability; therefore, they can fully use the credit. On the other hand, lower-income families have lower tax liabilities, which means the benefits of the CDCTC are not fully realized as excess credit that cannot be refunded.

Limited Access to Childcare. Financial constraints are not the only issue preventing working-class families from accessing adequate childcare options.

Childcare Deserts. Childcare deserts, areas with a scarcity of childcare resources, contribute to the inaccessibility of affordable childcare. While the Child Care Development Block Grant (CCDBG) provides federal funds for states to combat the issues with childcare deserts, the funding for this program is highly inadequate, as approximately 51% of people in the US live in childcare deserts (Pathak & Ross, 2021). This leads to fewer mothers in the paid labor force, as more mothers have to stay home and provide for their children with no daycare availability.

Lack of Paid Family Leave. While family-paid leave could significantly support these families who struggle with obtaining adequate, affordable childcare, especially for their newborns, the U.S. is the only high-income country that does not provide mandatory paid parental leave.

According to the Bureau of Labor Statistics, only about 27% of US civilian workers have access to maternity leave as of 2023. If a mother does not have access to paid maternity leave, the family will barely be able to cover the financial burden of caring for a newborn child. With such a dramatic decrease in income, families are left with the choice of returning to work or struggling to provide quality support for their children.

Additionally, even if someone is fortunate to have access to proper healthcare, the Federal Employee Paid Leave Act (FEPLA) offers eligible employees only 12 weeks of paid leave (Dennison, 2023). The policy provides some early assistance for mothers. However, such a short duration of time will lead to the same economic and emotional challenges as someone without access to maternity leave.

In contrast with countries like Norway, according to the European Commission, all parents are entitled to 49 weeks of 100% coverage or 59 weeks of 80% coverage (Norway - Employment, Social Affairs & Inclusion - European Commission. n.d.). This highlights the inadequacy of the US paid leave system, especially compared to other countries.

Solutions. Policy reform can address the high prices of child care and the low benefits from subsidies.

Mandatory Municipal Daycare. The U.S. could adopt a daycare policy like Finland's. Every family in Finland has the right to a municipal daycare, and low-income families are not charged any fee. Additionally, if a child is not attending a daycare, the family can claim a “child home care allowance,” which helps cover the necessary costs that daycare would usually cover (Finland - Employment, Social Affairs & Inclusion - European Commission, n.d.). Finland's policies have many systems in place to alleviate the financial strains of childcare, especially for low-income families. Because daycares account for around 85% of childcare costs, this policy could cut a family's daycare costs from $16,000 to just $2,000.

Childcare-related Tax Reform. Funds will become more sufficient by making the CDCTC a fully refundable tax credit and concentrating the benefits on families with the lowest income (NASEM et al., 2019). These families can allocate the credit towards their taxes, and if it is refundable, the leftover money can be redeemed and put toward other costs after covering their taxes. Moreover, if concentrated on families within the low to middle class, this could centralize the funding to just that tiny demographic, increasing their subsidies.

To address the issues of childcare deserts, the accessibility of childcare resources needs to increase through increased funding from the CCDBG (Gibbs, 2022). Currently, the CCDBG has to divide these funds between subsidies and building programs, and usually, each sector does not get enough funding. This increase in funding could facilitate the creation of more daycare facilities and increase the quality of existing ones, especially in areas where accessibility is very sparse. Furthermore, the increase in funding would also allow subsidy programs to allocate more enormous subsidies to families, ensuring families can afford childcare resources if they are available.

Conclusion. Adopting a better maternity leave policy is another way to address accessibility problems. By implementing a mandatory, longer, and 100% paid policy like Norway's, the US could provide much-needed financial assistance for families without access to childcare. A better maternity leave policy can also have health benefits, as it promotes a healthier work-life balance, increased parental bonding, and, ultimately, a more prosperous society. As demonstrated by Norway, a firm maternity leave policy will bring economic and social benefits to families.

The Criminal Justice System's Role in Financial Insecurity

Crime is committed all the time in the US, and many people go to prison. Some believe the purpose of prison is to serve as a punishment for bad actors, while others believe that incarceration is in place to be a deterrent to committing the crime in the first place. Regardless of the role prison actually serves in our society, one thing is for sure: prison has a significant and lasting impact on not only the person sentenced but society as a whole.

In the US, someone with a criminal record is 50% less likely to gain employment upon release (Linder, 2023). There are 1.2 million people in prison since 2022 (Carson, 2023). When these incarcerated people get out of the prison system, they will have a massive disadvantage in the job market\ The inability of convicted individuals to gain access to gainful employment upon their release from prison not only negatively affects that individual, it affects their family, community, and society as a whole. At best, these individuals struggle to become productive wage-earning members of the economy; at worst, they once again become victims of the cycle of poverty that increases their chances of being re-incarcerated. This is a significant reason why the US prison system should shift from punishment to rehabilitation to prevent the cycle of poverty that the current US system creates through its punishment-focused system.

Criminal records affect the cycle of poverty. In the US, one in every three adult Americans has a criminal record. Since 90% of employers, 80% of landlords, and 60% of colleges conduct criminal background checks, former inmates have a challenging path assuming a "normal life" upon being released from prison, as their past criminal convictions are a constant impediment to them accessing life-affirming opportunities. (Lake, 2020). When coupled with the institutional and systemic discrimination that is already present in finding a job, renting a house, and gaining acceptance into college, it is close to impossible for many Americans with criminal records to make it out of the cycle of poverty.

The US government mishandles this problem through the policies and practices of focusing on punishing criminal offenders instead of rehabilitating them. Studies have shown that prison time does not stop people from reoffending, and sometimes it even increases the chance of reoffending (Bryant, 2023). Therefore, focusing on punishing individuals who commit crimes does not help to reduce recidivism rates; it merely ensures that those individuals who are committed to turning their lives around and becoming a productive member of society will have even more difficulty doing so. The US can take note of other countries that focus on rehabilitation and how well it works in comparison to the method of punishment currently in place.

Comparing Other Systems. When most people imagine a prison, they imagine the large metal bars restraining rowdy prisoners who are violent and uncontrollable, but that is not the case in some criminal justice systems around the world.

A Focus on Trust and Rehabilitation. Norway's prisons are almost mini communities; they house prisoners without bars, and they all have easy access to sharp objects. This trusts prisoners, humanizes them, and makes them feel equal to other people regardless of the crimes committed. The goal of these prisons is not to punish the people incarcerated but to rehabilitate them and make them better members of society once they get out (Hayes, 2021). (What Norway's Prison System Can Teach the United States—

This approach to dealing with incarcerated individuals has proven to work, as evidenced by Norway's low rate of recidivism, which is only 20%, compared to America's 76%. Norway has a maximum sentence of 21 years for any violent crime (Hayes, 2021). However, if prison officials feel as though prisoners will not be ready for civilian life when they are released, then they are allowed to add five years to the prisoner's sentence. This system is criticized because of the somewhat light punishments for certain people who have done terrible things, such as murder. Regardless, the system seems to work.

Alternatives to Imprisonment. Germany is another country that focuses less on imprisonment and more on rehabilitation when sentencing prisoners and sees positive social benefits from doing so. In an attempt to negate the effects that the prison experience has on the criminal population, Germany prefers to use hefty fines for many criminal offenses. However, when it comes to the prison itself, Germany focuses on rehabilitation; the prisons do not look like actual prisons because they have no bars and comfortable cells. This is a continuation of the idea of humanizing the prisoners so that society does not feel as foreign when they get out (Subramanian & Shames, 2013).

These systems, compared to the US system, show that the focus on rehabilitation is more beneficial because the reduction in recidivism helps prisoners function in society once they are released, which helps them break the cycle of poverty perpetuated by punishment-focused prison systems. By reforming the American prison system, our society can better equip its incarcerated citizens for the cycle of poverty they are likely to resume once they are released from prison.

Solutions. One of the main obstacles ex-convicts have when leaving prison is their inability to find gainful employment or seek educational opportunities aimed at bettering their situation. Whether employers are reluctant to hire convicted felons or colleges and universities provide limited access to financial aid or impose housing restrictions on ex-convicts, the path forward for individuals with a criminal record once they leave prison is not easy.

One cost-effective and productive solution is to allow inmates the opportunity to work toward expunging their criminal record while still in prison. By allowing individuals to start the lengthy and involved process of expunging criminal records by the time they get out of prison, we will be providing them with not only a leg up on the lengthy process of rehabilitating their reputation but also some motivation to reenter society once they are released from prison. This can help people who are not financially capable of expunging their records the traditional way, and it will help to get ex-convicts out of the cycle of poverty once they leave prison.

Another solution that the US could employ to help break the cycle of poverty caused by prisons could be to humanize the prisons. Using the prison experience as an opportunity to rehabilitate individuals (mainly non-violent offenders) will allow those individuals to reintegrate into society once they are released from prison. All but the most hardened criminals will be returning to society at some point, and when they do, they will expected to contribute to society. However, the experiences they have in prison often hinder their ability to do so. Replacing the iron bars with glass windows would make the cells look more welcoming and personalized. Renaming cells to "rooms"- to make the prisoners feel as if they were still in society - may help with the eventual transition from prison back to society.

Conclusion. Overall, with the effects a punishment-based system has on America's cycle of poverty so severe, it is clear that rehabilitation is the necessary change for America. This is supported by the examination of how well rehabilitation has worked in other countries and the vast drops in recidivism. The US system must change its policies to focus on rehabilitation instead of punishment. Otherwise, the cycle of poverty in America today will never fade as former prisoners, especially those convicted of non-violent and victimless crimes, struggle to get jobs, find housing, and get an education once they are released from prison.

The Problem with Regressive Taxation

The American Dream, an ideal that the United States is a land of opportunity that allows upward mobility, freedom, and equality for people of all classes who work hard and have the will to succeed, poses a false hope to the country's lower class. It fails to show them the historical cycles of poverty in America and, more aggravatingly, conceals the biased legal practice that increases the gap between the low and high classes. This chasm starts with the American tax system. To address economic inequality in America, we must first address the inequalities found in the tax system.

Understanding U.S. Tax System. According to the IRS, the tax system "provides revenue for federal, local, and state governments to fund essential services-defense, highways, police, a justice system—that benefit all citizens" (IRS, 2022). Revenue is collected through three different methods. The most problematic of these is regressive taxation, infamous for its burden on America's lower class. Simply put, a regressive tax is a flat dollar amount taken from citizens.

Property Taxes. The property tax system, which accounts for "over 30 percent of total state and local tax collections and over 70 percent of total local tax collections" (*The Tax Foundation, 2023*), is an example of regressive taxing as it does not consider taxpayers' incomes. Factors like market value and municipality tax form a tax rate that all citizens in a specific area pay.

For instance, on a street of identical homes, one neighbor makes $95,000 yearly while another makes $175,000 yearly. Tax jurisdiction lines do not consider this immense gap, and both neighbors are taxed at a flat rate of $13,000 annually. For one neighbor, that number equates to 14% of their income, but to the other, it rings in at 0.07%. Due to this, property tax confines low-income earners into lower-income areas as they cannot pay these insensitive rates.

By forcing low-income workers to seek housing in areas with low property taxes, regressive taxing works to create lower-income neighborhoods, which are proven to have “more than double the rate of violent victimization as persons in high-income households” (*US Department of Justice*). By creating segregated congregations of low and high-earners who have varying levels of safety, education, and living conditions, the regressive nature of property taxation poses a severe threat to the well-being of American citizens who may have the desire to become upwardly mobile but lack the income to cover disproportionately high taxes associated with improving their financial situation.

This not only affects the property owners, but it also affects their children. Families forced to live in areas where municipality tax is lower are inevitably subject to substandard education systems. In fact, “less than 30% of students in the bottom quarter of incomes enroll in a four-year [college or university]. Among that group – less than 50% graduate”(*Deparle 4, 2014*). This creates a pattern where the children of families living in low-income areas are forced to embark upon careers in low-paying jobs, thus necessitating them to live in areas with low property values, which creates a cycle of poverty that is difficult for them to break.

An Overarching Impact on Society as a Whole. Regressive taxation already sets an unfair expectation by imposing a simply unattainable tax rate on those who do not earn much. Still, when examining it further, this regressive taxation issue can potentially affect the economy as a whole negatively. By forcing workers into low-income neighborhoods, government revenue decreases in the long term, as those with lower incomes may struggle to keep up with their tax obligations, leading to potential tax evasion or avoidance.

In 2022, the average cost of living for an Average American family of four was $85,139 per year (*Upward, 2023*). However, 55.5% of American households could not meet this benchmark (*US Census Bureau, 2022*). These citizens make up the lower class of America, those who cannot maintain a lifestyle that the US government deems “livable,” as they can barely afford necessities, let alone allocate the already meager disposable income they have to taxes.

Solutions. Imposing hefty taxes on financially unstable groups of people pushes them further under the poverty line and leaves them nowhere to look to for support other than the government. Conversely, progressive taxation on the wealthy would require the middle and upper class to contribute a proportional amount of their income to public services and help take the burden off of the economically unstable. By taxing the middle and high class to compensate for the financial instability American taxation practices have caused, regressive taxing affects not only the lower class but all American taxpayers.

Progressive Taxation. Significant reforms must be implemented to close the wealth gap and improve the lives of the lower class. The most popular option is a progressive tax system, where individuals are taxed at higher rates as their income increases. This ensures that those with higher incomes contribute a more significant portion of their earnings to taxes, helping to redistribute wealth and promote economic fairness.

The financial spectrum in America ranges from those who cannot afford necessities to “dot com billionaires” who compile fortunes by adding as little as “less than a 5% tax on the world’s richest individuals could bring in $1.7 trillion, enough to lift 2 billion people out of poverty”(*Oxford University, 2024*). Progressive taxation implements this system and could significantly relieve pressure on the lower and middle classes.

Corporate Tax Reform. Corporate America is responsible for some of the world's most enormous fortunes, which line thousands of people's pockets daily. It can only accomplish this through the government's leniency in the tax system. Aside from the companies “who face numerous lawsuits for tax avoidance or tax evasion,” the government instills policies that allow companies to pocket most of their revenue. “the centerpiece of the 2017 tax law was a deep, permanent cut in the corporate tax rate from 35 percent to 21 percent” (*Chew, 2024*). The reduction of corporate tax rates resulted in more revenue for corporate America, but “*none* of the earnings gains from the 2017 corporate rate cuts accrued to the bottom 90 percent of the income distribution, and this group received just a small fraction of the overall economic gains.” The 2017 corporate cuts reiterate the need for corporate America's taxation as it is unfair that while lining the pockets of CEOs, the burden of government revenue is being shifted to the lower and middle classes. Consequently, the lower class faces the greatest burden, starting with less disposable income.

By eliminating a regressive tax structure, introducing a progressive tax, and implementing a policy that would lead to corporate tax reform, America would put all its citizens in a position to exceed minimum living standards and, in turn, contribute to a better overall economy. However, for now, the lower class remains financially unstable due to the tax systems being implemented. Without crucial tax reforms and a shift in government revenue, we can expect to see a decline in the economic state of America as well as the well-being of its citizens. Regressive taxation directly contributes to these effects and dramatically influences the financial instability of the lower class in America.

Creating a Path Toward Financial Satbility

Achieving financial stability in the United States is a complex endeavor due to a myriad of interconnected challenges. Inadequate financial literacy education, socio-economic disparities limiting educational access, and the persistent housing crisis are key factors contributing to this intricate landscape. To effectively address these issues, a combination of educational initiatives and policy reforms is essential.

The lack of sufficient financial literacy education leaves many individuals, especially those from marginalized communities, ill-prepared to navigate personal finance. This knowledge gap perpetuates cycles of financial instability and widens wealth disparities, highlighting the need for improved educational programs.

Moreover, socio-economic disparities create barriers to quality education, exacerbating the problem. Marginalized communities face challenges such as underfunded schools and limited educational resources, hindering their ability to acquire the skills necessary for financial success. Addressing these disparities through equitable access to education is crucial for promoting financial stability.

The ongoing housing crisis further compounds these challenges, particularly for low-income households. High housing costs, limited affordable options, and discriminatory practices in housing contribute to housing instability, straining individuals' finances and perpetuating economic inequality.

Systemic issues such as racism, financial insecurity, and societal norms intersect to perpetuate economic disparities. Biased lending practices, workplace discrimination, and societal expectations contribute to unequal wealth accumulation, highlighting the need to confront historical injustices and challenge discriminatory practices.

Legal and political impediments, including unfair labor practices and inadequate childcare support, also hinder efforts to reduce poverty and promote financial stability. Progressive tax policies and targeted tax credits for low-income individuals can help alleviate economic inequality, while prison reform and reintegration programs can create pathways to economic stability for formerly incarcerated individuals.

In conclusion, achieving financial stability in the United States requires a holistic approach that addresses educational inequalities, socio-economic disparities, housing challenges, systemic racism, discriminatory practices, and legal barriers. By implementing targeted educational programs, advocating for policy reforms, and addressing systemic inequities, we can work towards a more inclusive and prosperous future for all Americans.

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