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## The Dumbing Down of the Financial Services Industry's Future

To listen to the Department of Education and the laments of public school system officials you may be left with the impression that our schools are impoverished and can only survive by cutting arts and sports programs in order to stay within budget. Statistics point out a different reality: while we now spend private-school amounts on public school students, performance results are getting worse, not better.

As I'll argue later on, this decreasing performance has big implications for our industry. For now, let's start by addressing the overall performance issue using the chart below:

### Spending More and Getting Less

Since 1970, K-12 spending has gone up astronomically (from approximately \$55,000 per student to \$165,000) while test scores have remained flat or gone down. The author of the Cato Institute graph above, Andrew Coulson, remarked in a tongue and cheek manner that if music players had suffered the same cost/performance trends we'd all be lugging around cassette boom boxes, but they'd now cost almost \$1,800. Aren't you glad we didn't give tax-funded state monopolies to 19th century Victrola manufacturers?

According to a *CBS News report*, the United States spends more than other developed nations on our students' education each year. Still, the U.S. routinely trails its rival countries in performance on international exams despite being among the heaviest spenders on education (1).

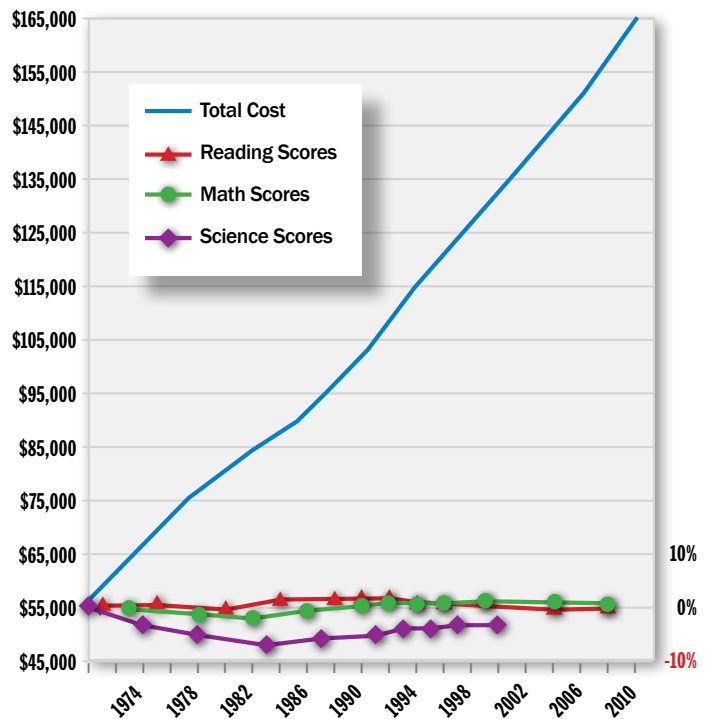
An education group based in Minneapolis called Better-Ed.Org has been on a crusade to educate families via billboards and direct mailers in the inner city about the crisis they face in city public schools—large sums being spent on students yielding extremely poor results. This group's objective is to build grassroots demand for school choice, since it is the poor families

that have little choice in education because their financial situation does not give them the option of private school.

### Urban Versus Suburban

When reviewing the 41 school districts in Minnesota, if we look at the spending at the highest ranking school (suburban Mahtomedi) and compare it to the St. Paul and Minneapolis school districts that rank near the bottom, you see a pattern that is common throughout the country—urban public schools doing poorly and suburban schools ranking near the top.

Trends in inflation-adjusted cost of complete K-12 public education (\$ scale), and achievement of 17-year-olds (% scale)



**Cato Institute**  
"Total cost" is the whole amount spent on the K-12 education of a student graduating in a given year.

**Data sources**  
(test scores): NAEP, *Long Term Trends* reports, U.S. Department of Education (cost): *Digest of Education Statistics 2011*, Table 191, U.S. DOE, CPI adjusted to constant 2012 \$. Missing values linearly interpolated or extrapolated.

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## 2013–2014 Spending/Student vs. MCA\* Scores, Metro MN School Districts

Rank	District	2013-2014 Spending/Student	2014 Reading Proficiency	2014 Math Proficiency
1	Mahtomedi	\$13,698	82%	84.7%
38	Minneapolis	\$20,741	42.4%	43.1%
40	St. Paul	\$17,597	38%	39.2%

Source: Minnesota Department of Education \*MCA: Minnesota Comprehensive Assessment

As the chart above makes clear, spending more does not result in better education. However, school administrations and teachers' unions still don't offer any solutions for improvements other than more spending. Creating competition between schools would break the complacency that has been prevalent for decades. One way to do this is by offering school vouchers for inner city families to choose the school they want their children to attend. This is the kind of change that BetterEd.Org advocates, to bring equal opportunity to all children versus inner city families having to settle for a local public school that yields poor academic results.

### Family Structure a Factor

Another trend that demonstrates the difference between urban and suburban schools is the ballooning percentage of single-parent homes, which a decade ago was almost unheard of but is now a growing dilemma.

Consider this: 68% of black women who gave birth in 2013 were unmarried, compared to 11% of Asian women, 43% of Hispanics and 26% of non-Hispanic whites, as reported by the *Huffington Post*.

In 2015, 1 in 4 children under the age of 18—a total of 17.4 million children—are being raised without a father and nearly half (45%) live below the poverty line. A primary difference between urban students and suburban students like those attending Mahtomedi School District is that the students at suburban schools are much more likely to have two-parent families.

The Brookings Institution, the Washington-based nonprofit public policy organization, has studied the issue of poverty extensively and drilled down to “three rules for staying out of poverty.” Those rules say you can avoid poverty by:

1. Graduating from high school.
2. Waiting to get married until after age 21 and not have children until after being married.
3. Having a full-time job.

Further, Brookings reports that if you do all three things, your chance of falling into poverty is just 2%. Meanwhile, you'll also have a 74% chance of being in the middle class. These rules apply to all races and ethnic groups. Breaking these rules is becoming more commonplace, unfortunately, for all racial groups, according to Brookings.

Ron Haskins, co-author of the Brookings study, notes that it's time to emphasize the role that personal decisions have on staying out of the poorhouse. According to Haskins, there is no shortage of government safety nets. A typical child from a poor family has access to government income and housing support for their family, health care, preschool education, public school education, college loans and scholarships and employment and training programs, to name a few of the available government programs.

Haskins argues that personal decisions trump anything the government can do. Without relentless emphasis on personal responsibility, the billions of dollars we spend on government programs will continue to produce mediocre results and opportunity in America will continue to stagnate.

### The Role of Unions

Besides the impact of family structure on education, school unions, generally averse to change, are another force to be reckoned with. The documentary “Waiting for Superman” told the sad tale of inner city students hoping to get placed via a lottery drawing into a charter school, but of the hundreds hoping to gain entry, charter schools only had a handful of openings.

The worst school district in the country as measured by performance—Washington, D.C.—hired Michelle Rhee to turn things around. Rhee cut 100 jobs from the central office, closed 23 schools and fired 25% of the principals.

The Washington Teachers Union and the national American Federation of Teachers opposed her changes, finding her proposals so offensive they wouldn't allow a vote on the matter but rather pressured the DC school system to dismiss Rhee as superintendent. After her dismissal, Rhee said that "It's all about the adults," noting that the union would not alter tenure, she couldn't extend the school day and the union would not allow merit pay for good teacher because to the union, a teacher is a teacher is a teacher—no good teachers versus poor teachers.

Rhee went on to say that the bureaucracies we have set up to further education have become impediments to change. The DC schools, like many city schools, have become dropout factories, with kids pushed through the system but essentially illiterate and unemployable.

All children have amazing potential and it's a lie that disadvantaged students can't learn, with many charter urban schools proving this point. But here again, school unions fight charter school formations, not wanting to see competition to their monopoly on education.

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## Setting a Lower Bar

Standards are being lowered to improve results in all public schools. Better-Ed.Org compared the reading curriculum list in Minnesota for sixth graders in 1908 versus today's list for South View Middle School, which is part of Edina Public Schools, an upper middle class suburb of Minneapolis.

Keep in mind that South View is in one of Minnesota's top school districts, Edina Public Schools, which ranks fourth in Minnesota.

Now let's look at a 6th grade reading list of Lake Harriet Community School which is under the Minneapolis Public School District. As this charts make clear, we've been moving downward in standards over time and as we move from the suburbs to the city:

1908 6th Grade Reading List	6th Grade
Title and Author	Reading Level
<i>Adventures of Ulysses</i> Charles Lamb	8.8
<i>Tales from Shakespeare</i> Chares and Mary Lamb	8.5
<i>The Hoosier School-boy</i> Ed Eggleston	6.8
<i>A Wonder Book for Girls &amp; Boys</i> Nathaniel Hawthorne	7.7
<i>The Last Days of Pompeii</i> Edward Bulwer	9.2
<i>Andersen's Fairy Tales</i> Hans Anderson	7.0
<i>In the Days of Giants</i> Abbie Brown	6.8
<i>The Merry Adventures of Robin Hood</i> , Howard Pyle	8.0
Source: MN Historical Society Common Schools of MN	

South View Middle School	6th Grade
Title and Author	Reading Level
<i>Hatchet</i> Gary Paulsen	5.7
<i>Passage to Freedom</i> Ken Mochiuki	4.1
<i>Climb or Die</i> Edward Myers	4.7
<i>The Girl Who Married the Moon</i> , Joseph Bruchac	5.7
<i>The Buried City of Pompeii</i> Sheely Tanaka	5.7
<i>Dinosaur Ghosts</i> Lynett Gilette	6.3
<i>Lost Temple of the Aztecs</i> Shelley Tanaka	6.1
<i>The Great Wall</i> Elizabeth Mann	6.4
<i>Under the Royal Palms</i> Alma Flor Ada	6.6
<i>Chuck Close Up Close</i> Jan Greenburg	5.8
<i>The Adventures of Sojourner</i> Susi Trautmann Wunsch	7.8
<i>Eugenie Clark; Adventures of a Shark Scientist</i> , Ellen Butts	7.7
Source: South View Middle School Edina Public Schools	

Lake Harriet Cmty School	6th Grade
Title and Author	Reading Level
<i>A Seedfolks</i> Paul Fleischman	4.3
<i>What Do Fish Have to Do with Anything?</i> Avi	3.9
<i>The Quality of Mercy</i> Anne Schraff	4.5
<i>Touching Spirit Bear</i> Ben Mikaelson	5.3
<i>Walk Two Moons</i> Sharon Creech	4.9
<i>The Hunger Games</i> Suzanne Collins	5.3
<i>Tuck Everlasting</i> Natalie Babbitt	5.0
Source: Lake Harriet Community School Minneapolis PS	

## The Loss of Structure and Discipline

Beyond illustrating a lowering of standards today, the 1908 reading levels brings up an interesting reality. The progressive teaching theories implemented since the 1960s that foster creativity and enhanced self-esteem have failed our children. The departure from structure, competition, discipline and skill-and-fact-based learning has been harmful to all children, says Christina Hoff Sommers, author of *“The War Against Boys.”*

Mike Myatt, the author of the Forbes article *“The Un-Education of a Nation: Where We Went Wrong”* further explores this topic. “With all the advances in technology and academia, why is it today’s leaders are more “educated” but so obviously less literate than our Founding Fathers?” he asks. The answer, Myatt says, is that “the intellect of our Founding Fathers was formed by, and highly developed as a result of something most of our leaders today don’t have—a classical education.”

Myatt continues, “We’ve lost the tools of learning that have been commonly accepted for thousands of years. We’ve lowered our standards, and expected too little from our children. How is it that colonists in the 1770s, many of whom had little formal schooling, had higher levels of literacy, more expansive vocabularies and a better command and mastery of a wide variety of subjects than the average student today?”

“We are spending more money per student, awarding more degrees, and spending more time in school than ever before. Yet one could make the case that most modern Americans are not as well read as the “graduates” of the one-room schoolhouses that equipped early Americans.”

Myatt explains further that many who hold modern era post-graduate degrees are unable to read and comprehend the great authors even of the recent past. Levels of literacy have declined, contrary to the popular myth that they have improved. We focus on creativity before mechanics, self esteem before achievement—*being someone* instead of *doing something*. Myatt then quotes author and education Leigh Bortins, founder of Classical Conversations, whom he believes sums up our current crossroads:

“...the current culture of education has displaced parents as the primary instructors of children in favor of professionals who try their best to recreate the home environment at school; has the federal government rather than the community determining the structure of equal educational opportunity; has deserted the idea that memorization trains the brain; has fostered a loss of literacy by replacing the study of original writings with abridged textbooks; has created a populace unable to engage in reasonable discourse. We have rejected the historically successful model of rigorous, classical education in favor of entertainment and job training.”

Myatt concludes that “We are less literate and less educated than many of our global competitors. The only way for our nation to survive the trying times of the present is to replace the commoditization of education with a passion for developing our greatest national treasure—the rich intellect of our people.”

## College Material?

Devin Foley, president of Better-Ed.org, recently explained how the trickle up education dilemma is reaching a crisis mode at Universities. “We hear from college professors how they do spot observations of their teacher assistants in the class room. They are observing TAs writing on white boards unable to use punctuation or not applying capitalization of words where needed. Freshman college students are increasingly overwhelmed by the curriculum, forced to drop out by their first year. The dropout student’s comment, “I don’t understand why this is happening, I got As and Bs in high school but this is too much.”

Achieve.org explains that colleges must do too much remediation. “Seven in ten college instructors spend at least some or a significant amount of class time reviewing material and addressing skills that they think should have been taught in high school. College instructors estimate that half of the students at their schools are inadequately prepared to do college level math and the same proportion is inadequately prepared for college level writing. The drag of students unprepared for college standards is having a declining effect on graduation standards. Just 5% of students complete their associate’s degrees in two years and at

## The Education of a Great President:

- Had less than one year of formal education.
- Performed physical labor most of the day.
- Wrote on a wooden shovel with a piece of charcoal.
- Carefully and repeatedly read the few books he had.

*Education facts from the life of Abraham Lincoln.*



non-flagship public universities, just 19% percent of students finish in four years, and just 36% do so at flagship or research universities.

### What This All Means for Financial Services

For the financial services industry, the trickle-up effect from K-12 to college will have an inevitable and lasting impact on the quality of candidates from whom we have to choose. The bright spot for our industry is that the percentage of undergraduates obtaining business degrees has nearly doubled in the last 40 years from 12% in 1966 to 21% in 2011. This rise is due entirely due to women arriving on college campuses. Where female business majors were virtually nonexistent in 1970, today 1 in 10 undergraduate business students are women.

With the continued dumbing down of education standards for both men and women, all the attention has been on the quantity of candidates to replace retiring advisors, but there is surprisingly little discussion regarding the quality of candidates entering our industry. Between private schools, homeschooled children and charter schools, perhaps some of this downtrend can be countered.

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In the meantime, public schools continue to operate in a business-as-usual mode. If you want to see improvements, they'll tell you they need additional tax money thrown their way.