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Human Capital Investment as an Economic Development Strategy: A Detroit Analysis

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*HUMAN CAPITAL INVESTMENT AS AN ECONOMIC DEVELOPMENT
STRATEGY: A DETROIT ANALYSIS*

by

TRUMAN HUDSON, JR.

THESIS

Submitted to the Graduate School

of Wayne State University

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for the degree

MASTER OF INTERDISCIPLINARY STUDIES

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Dedication

*An old man going a lone highway
Came at the evening , cold and gray,
To a chasm vast and wide and steep,
With waters rolling cold and deep.
The old man crossed in the twilight dim,
The sullen stream had no fears for him;
But he turned when safe on the other side,
And built a bridge to span the tide.*

*"Old man," said a fellow pilgrim near,
You are wasting strength with building here.
Your Journey will end with the ending day,
You never again will pass this way.
You've crossed the chasm, deep and wide,
Why build you this bridge at
eventide?"*

*The builder lifted his old gray head.
"Good friend, in the path I have come," he said.
"There followeth after me today
A youth whose feet must pass this way.
The chasm which was naught to me
To that fair-headed youth may a pitfall be;
He, too, must cross in the twilight dim-
Good friend, I am building this bridge for him."*

-W. A. Dromgoole-

In an effort to confront the social issues that plague the City of Detroit, I dedicate this work to my nieces, nephew, their friends and our community - our future.

Acknowledgments

This work could not have been completed without the guidance and direction of God, and the constant inspiration and lessons learned from the lives of, Thelma Robinson, Dorothy Hudson, Truman Hudson, Sr., Larissa and Latonya Hudson, Demetrius Williams, Darvell Porter, Edward G. Griffith, Jerome Reide, Hugh Blanding, Robert Crisp, Percy L. Moore, Tammi Wells, Sharon Bender, Laura Reese, Sharon Elliott, Pat Babcock, James Buri, Cheryl Simon, Alicia Diaz, Carla Floyd, Chester Jackson, William Batchelor, Don Spencer, George Galster, Ken Strzalka, William T. Cunningham, Eleanor Josaitis, Jeanne Vogt, Susan Turner, Michael Goldfield, Ron Aronson, Fred Wacker and Fran Shor.

Preface

Disciplinary study¹ has provided a means for communicating knowledge for centuries. Universities and colleges established programs with disciplinary structures with the hopes of addressing societal concerns in the areas of limited resources, i.e., land use, labor productivity, capital investment and resource allocation. Due to their limited scope in addressing the totality and complexity of certain issues, disciplinary studies can be challenged today. For example, the economic decline of Detroit did not occur just because of declining business investment, which is an argument that may come from an economist perspective (single discipline). Such an assertion would be partially false because there were other forces that played major roles in this dilemma, i.e., political and social environment, educational and employment opportunities in other states.

Typically, the view taken by disciplinary professionals would be to approach history from one subject area (economics or sociology) which is limited in its approach to addressing a given issue. Interdisciplinary studies, however, tends to reflect the opposite and explores the richness of a broader approach to an issue which could reveal other areas to be addressed. When viewing the simple case of economics we may note the importance of history. According to Gavin Wright, social-economist:

The lack of the historical perspective in economics is just a matter of refinement and breadth; it is a real handicap to the student we teach, from a very practical standpoint. If we were to ask just what is the purpose of economic instruction, why we teach it and why study it, surely one major class of reason involves the hope that the operation and performance of the American economy will be better if policies are developed with the advice of people with training in economics. We hope undergraduates will be better informed lawyers, politicians, businessmen and voters, graduate students will actually conduct studies and offer advice. If this is

¹ Disciplinary study refers to discrete areas of concentration within the collegiate system, i.e. economics, engineering, geography, biology, sociology, law, etc.

so, if the whole operation has something to do with improving the performance of the U.S. economy, then it is perfectly scandalous that the majority of economics students complete their studies with no knowledge whatsoever about how the U.S. became the leading economy in the world, as of the first half of the 20th century. What sort of doctor would diagnose or prescribe without taking medical history (Parker, 1986).

Wright's statement is very supportive of the importance of interdisciplinary work. Thus, to study Detroit's economic decline from any one discipline would limit the possibilities of finding multiple tangible and practical solutions to its economic resurgence.

This paper will attempt to explore several areas of concern as they relate to economic development in Detroit, i.e. its educational, employment and socio-economic history and development. In whole, this paper is not meant to provide a total solution to the complex issue of economic growth or development, but it does shed light on serious areas of concerns as they relate to the human capital investment argument as a means of economic development. Chapter I will address the issue of why increased human capital investment strategies may be of concern when attempting to approach the issue of economic resurgence. It will also develop for the reader an overview of what such strategies will include

Chapter II will examine the growth and decline of the city of Detroit's African American community as well as the city's current economic development strategy. This chapter will establish the foundation for understanding some of the factors impacting the declining economic base of Detroit.

As a form of human capital investment, education serves as the basis for economic growth. In Chapter III, this paper will review educational policies of the 1950's and 60's. These policies are important in as much as they create the framework for comparing reform proposals geared toward addressing economic development (human capital investment) in the U.S. from 1988 to date. This chapter will also review the policies and

programs of Detroit Public Schools as they relate to student performance and provide an example of a human-capital based strategy that has evolved out of the aforementioned policies.

After reviewing educational policies of the 1950's and 60's and the reform proposals since 1988, it is important to explore current issues that impede successful policy and program implementation. Hence, Chapter IV will explore the issues of teen-violence, financing, extended days, teacher training, inadequate programming, and the importance of our addressing these issues while seeking education reform.

By assuming that it is important to explore tangible solutions toward addressing economic decline in Detroit, the case analysis section will provide an example of a program which employs the human capital investment strategy concept and compare its social returns to a local business investment strategy.

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Chapter I

Introduction To The Human Capital Based Strategy Rationale

In an article addressing the economic decline in Buffalo, New York, Susan Turner, Assistant Professor with Wayne State University's Geography and Urban Planning Department, describe the city's economic decline resulting in slow population growth as well as a high level of unemployment. With a declining city population and structural changes occurring in Buffalo, "those residents who remain are older, poorer, less well educated, and more likely to be a part of a minority group." Turner's statement suggests that when encouraging economic development, that the strategies should raise the standard of living of the broadest possible number of people. Turner asserts that in order to address the social and economic dilemma of Buffalo, attention must be given to "the needs of the current and future populations" (Turner, 1991). She further states that:

Economic development, however, which improves the standard of living for the broadest possible sector of a city's population, cannot be created through glitzy image-enhancing projects, or bribes to keep businesses, or attempts to keep business technologically competitive. There are other ways to invest, and recent studies demonstrate that investment in our population - in our "human capital"- may prove far more beneficial to far more people over a far longer period of time. (Turner, 1991).

The human capital investment strategy is one example of how to stabilize urban populations. For example, parents who desire a good education for their children usually select areas that have a "good" educational system (Buri, 1997). As stated by

Turner (1991):

Good schools, housing, transportation, and health and human services are not as striking as a baseball stadium or the World University Games, but they will do more to attract people as residents, not just visitors, and keep people in Buffalo. Most importantly, increases in direct investment in our existing assets - our people, as well as the program and services they need, such as quality schools, job training, housing, and transportation - will also in themselves improve the city's overall standard of living.

Thus, the human capital investment strategy is important in addressing the skills of the underprivileged worker. Human capital investment is also an essential part of an overall economic development strategy and should not be devalued (National Center of Education and Economy, 1990).

Arguments in support of the human capital investment strategy are being promoted heavily by private industry and residents of urban areas to address these concerns. Increasingly, jobs are requiring more technical skills than what students in our public educational system acquire (Levy, 1995). In the Chicago area in the 1980's, "employers faced the challenge of expanding their employee base at a time when their traditional pool of labor, young, reasonably educated white workers who lived in places assessable to the job site was shrinking" (Orfield, 1992). According to Orfield, the "persisting inequalities in the Chicago labor market are part of the systematically unequal development of human capital among racial groups." He argues that these inequalities are major social impediments toward the "accommodation of minority populations into metropolitan areas" (Orfield, 1992).

Due to the public schools' inability to keep up with growing trends in industry, a

vast majority of the future work force will be forced to take low wage jobs that provide little economic security for raising families and/or increasing a city's tax base (Smith, 1993). With fewer limited opportunities becoming available for the less skilled worker, it is assumed that the best solution is prompting these workers to take responsibility for their conditions by encouraging self-investment. Thus, "by investing in themselves, people can enlarge the range of choices available to them" (Stiglitz, 1975).

Why should we invest in human capital? For many years human capital investment has taken a back seat to infrastructure and business investments in primary education (Educational Policies Commission, 1952; Riposa, 1996). As early as the 1960s, increased government support has been given to secondary education. Such support may be considered as a form of economic development (Benson, 1966). Real expenditures on primary public education have declined steadily since 1978 (Mills and Hamilton, 1989). In recent years, the majority of resources for the educational system in the nation has been distributed to colleges and universities for research, expansion and tuition assistance (Mills and Hamilton, 1989). As a result, primary education suffered the loss of economic resources for support services, teachers' salaries, text books, etc., of which all have had a long term effect on the education of younger students.

Many city managers and urban planners believe that the answer to remedy the problem of urban dis-investment lies in economic development program that create jobs, and increase business opportunities for corporations and entrepreneurs with the hope that benefits will trickle down to urban residents (Bartik, 1995; Riposa, 1996). As we view the current social and economic dilemma of America's urban areas, and the many economic development plans that have evolved in response to the urban crisis, this researcher believes that there is a general consensus by citizens, government, historians, economists

and city planners that cities as a whole, are not getting better (Riposa, 1996; Wolf, 1995). Though there have been a great number of attempts to revive urban communities, this researcher would argue that policy-makers have failed to put into place effective measures towards attaining significant social and economic improvements.

Economic Development

If a community has increasing unemployment, low high school graduation rates, and a distressed tax base, what is the solution for economic recovery? Some say economic development, few agree on the best policies and strategies to address economic concerns (Wolf, 1995). There are several policies and strategies that have been implemented as a result of the aforementioned interest, but this paper will only focus on the policies that have been employed to implement the empowerment zone development strategy in Detroit.

In an empowerment zone strategy it is believed that with the passage of federal legislation and the allocation of federal dollars to decaying urban cities that economic resurgence can occur (Gurwitt, 1996). Such a strategy involves reducing the tax burden to businesses and residents located in the zone¹ (Cuomo, 1995; Gittell, 1995). The reduction of the tax burden is believed to create a multiplier effect which will generate job opportunities and an increased tax which would support educational investment (Bartik, 1995). Further spin-off from such a strategy would include new firms and residents locating to the zone which will provide revenues for increasing the tax base, hence, providing revenues for improving the infrastructure, educational opportunities, new housing and overall increased economic viability (Dye, 1997).

¹MAP 1 details the area

When determining local economic development policies and strategies it is very important to pay attention to the community and their needs because "the atmosphere in which change is to be made is as important as change itself" (Blakely, 1994). In order to assist the community in realizing its development needs, it is important to develop agencies and institutions (formal and informal) that communicate with the populace and direct solutions toward achieving common goals and objectives. Neighborhood community economic development corporations that are responsive to the community needs can provide decision makers with valuable information for planning economic development (Blakely, 1994, Cuomo, 1995). Such groups have been set-up in Detroit's empowerment zone by way of funding (\$1.5 million) and support from the city's Planning and Development Department (Dye, 1997).

Detroit is fortunate in that it has been selected to participate in the federally funded empowerment zone program (Wolf, 1996). In doing so, the city administrators, under the leadership of Mayor Dennis W. Archer, conducted many studies through task forces made up of community groups, citizens and business leaders to develop possible solutions for the city's ill (Gurwitt, 1996). Currently, Detroit's empowerment zone program has several issues it will direct attention toward, homelessness, unemployment and business development (Dye, 1997). Though the special task forces have been created to address the aforementioned areas, emphasis have been placed on increasing business incentives so that firms will relocate to the 18.35 square mile zone.

Chapter II

A Historical Perspective: Detroit African Americans Population Economic Growth and Decline

Addressing the issues that lead to the fall of central cities in America is not an easy task. In order to devise feasible solutions to the issues that lead to the fall of central cities in America, it is important to review the history of the central cities, urban sprawl and blight in the U.S., in particular Detroit (Jackson, 1985). It is also important to note that the per capita income disparities that exist between central cities and suburbs did not occur overnight. With the blossoming of industrialization and the resurfacing of overt discrimination in the 1950's, we begin to notice the trend leading to the development of spatial polarization based on race in America suburban townships and central cities (Cosseboom, 1972). It is at this point we should begin our discussion on why and how suburban townships developed which will provide a partial answer for the question of why central cities failed.

From a historical perspective, income disparities between black and white Americans are interwoven into the fabric of our existence (Blackwell, 1991). Dating back to the colonialization of Jamestown, Virginia in 1607, we note that African American workers, along with other minority groups, provide undervalued and under paid services to English settlers. They produced the goods and services that assisted America in her gain of economic riches, for less than minimum wage (Morgan, 1975).

For centuries, the development of labor markets was dependent on the *Central City* theorem. In practice, primary emphasis were placed on the developing of one major area in a given region. Cities like Detroit were developed into central cities because of

their location and access to major thoroughfares and natural resources. Central cities served as the inner hub for all major trade, business and commerce transactions while supporting the surrounding areas with goods and services that were necessary for all in the region, i.e., groceries, furniture and clothing (Mowry, 1965). As time progressed, central cities or urban areas grew in astronomical measures. A historical overview of our nations' wealth reveals that from the late 1930's to the 1970's the United States experienced the greatest growth in prosperity in its urban areas (Jackson, 1985). During this time period job opportunities were abundant, most required limited skills and little formal education yet offered a decent living (Smith, 1992). Agricultural and blue collar jobs dominated the labor market created by industry, transportation and economic development. Another factor, technological advances, also prompted the nation to expand its labor markets in order to meet societal demands. With increased job opportunities, demands for housing in urban areas rose proportionately (Jackson, 1985).

The "old rural majority living on the producing land, or close to it in small villages became a minority, and central cities became centers for the industrial era. Central cities nurtured and assisted the growth of industry by providing land and houses to house employees which provided a new concentrated labor market (Mowry, 1965). The urban population boomed due to increased migration and immigration patterns. However, with migration to the suburbs, racial tension and social inequalities, it was difficult to provide adequate city services. This inevitably led to mass urban decay and to the decline of central cities tax bases which served as a critical source of revenue (Mowry, 1965).

The building of roads and the expansion of discriminatory federal housing programs further contributed to the migration of the middle class populace (white), to the suburbs. Urban areas became the central hub for the poor (African Americans and other

minorities). Such patterns of dis-investment left many urban areas, such as Detroit, Michigan financially crippled (Darden, 1987).

The inclusion of African Americans in the formation of vibrant urban areas during the industrial era was an enduring process. Barriers to participation were numerous and worsened with economic decline (Blackwell, 1991, Orazem, 1987). Issues such as racism and redlining, blocked growth in areas where there was a large ethnic minority. In direct response to these policies and social issues, "as early as the 1920's, whites in Detroit felt compelled to control by lawful and unlawful means, the spatial expansion of the African Americans community" (Darden, 1987). African Americans movement into white city and suburban areas was discouraged by lending institutions, real estate agents or residents. Suburban townships and cities practiced overtly discriminatory patterns of resident selection through redlining and rigorous and unfair application processes (Cosseboom, 1972). Other means of restricting African Americans movement were unwritten policies which were created to steer buyers to different areas by race and clandestine observance of protective covenants and gentlemen's agreements to exclude members of designated racial or ethnic groups from particular areas (Kleinberg, 1995). The enforcement of these policies forced the undereducated to reside in areas with few city services. A new picture of the American urban community began to emerge.

During the 1950's, Detroit's population peaked at around four million and teeter at the 1 million today. Like many other cities attempting to address the urban crisis, the City of Detroit has failed to create the proper package for economic development. For the past 20 years Detroit has continuously faced economic challenges in stabilizing its population, its budget and city services. By failing to meet these challenges, the city has fostered an unhealthy climate for economic development. Urban areas like Detroit are the homes for

mass social/economical disarray (Jackson, 1985). Considering that many urban communities around the country are experiencing dis-investment similar to Detroit, a closer look at the issues facing this city can shed light on the problems and challenges ahead.

After the 1967 race riots, the City of Detroit experienced major dis-investment from business, citizens and political officials (Darden, 1987). The suburban flight referenced earlier in this paper became a torrent. As a large number of affluent and middle class individuals moved out of the city, jobs followed. Demand for city services (health and educational) escalated. An increase in city taxes assessed on the remaining taxpayers also increased demands for low income housing which inadvertently affected the housing construction in the central city (Jackson, 1985). The labor market that remained consisted of low skilled individuals who were at best employed within the city limits at low wage jobs.

When addressing the economic decline of Detroit, Joe T. Darden suggests that "weak areas in the Detroit metropolitan economy must be strengthened by improving the labor force and increasing the number of jobs" (Darden, 1987). Yet according to Anderson, in order to strengthen the labor force, investment must be made in the nations' future, the youth (Anderson, 1965). Thus, a key area of concern in addressing the revitalization of Detroit is investment in improving the skills of African Americans - human capital (Turner, 1995).

The problems of the past continue to plague Detroit in the present. In June of 1996, United Way Community Services (UWCS) completed several studies that addressed the economic climate of the Metropolitan Detroit area. The studies assessed the community needs and trends that were shaping Southeastern Michigan's future. When

focusing on the future of this region one key area of concern was that of employment.

When addressing this area the studies revealed the following:

- From 1991 to 1995 unemployment dropped in the Detroit Metropolitan Statistical Area (Lapeer, Macomb, Oakland, St. Clair and Wayne counties), but increased in the City of Detroit.
- In the same time period per household income fell from \$16,790 in 1990 to \$15,102 in 1995.
- Number of people living below the poverty line increased from 12.9% to 14.3%.

Considering the importance of household income for economic survival of citizens which in-turn impacts the city's socio-economic make-up, several questions come to mind. Why has unemployment and poverty increased? What can be done to decrease unemployment and poverty in Detroit?

With increased demands for management techniques and advanced technological skills of workers, many workers have become displaced due to their inability to meet workforce demands (mainly Detroit residents) (United Way Community Services, 1996 and National Center on Education and Economy, 1990). A UWCS study urges the community to change the way in which education is delivered and concentrate on increasing skills to meet future workforce demands. It stresses broadening the curriculum to include skill development, teamwork, problem solving and communication skills (United Way Community Services, 1996) Hence, employers' demands would be met from the improvements in the delivery of education to community residents which in turn will decrease the unemployment ranks (Walsh, 1986, Allstate Forum on Public Issues, 1989).

Detroit's Current Development Strategy

In 1994 the City of Detroit devised an economic development strategy to address

the issues of urban decline. The city's plans explored several avenues for and heightening the city's image and increasing its' tax base and population. The plan included a large section dedicated toward aggressively increasing the housing stock and its value and also enhancing business opportunities. It identified areas within the city to increase land use above and beyond areas adjacent to freeways, main roads and other vital points to the city (City Council of Detroit, 1990).

In 1990 the city devised the **Detroit Master Plan of Policies** which delineated a nine point policy plan for education (City Council, 1990). The plan proposed the identification and reinforcement of strong job corridors and centers, but gave little financial commitment to increasing human-capital. Based on this researchers findings the plan creates little hope for actually addressing the current dilemma of under and mis-education which begins at the primary public school level. The policies that are presented in the plan do not include a dedication of financial resources necessary for increasing the quality of education. Due to the increased growth of job opportunities in the suburban areas, the 1994 plan proposed the repair of the public transit system for the purposes of better linking inner city residents to suburban employers. These types of solutions only allow those who are prepared to successfully pursue employment options (Turner, 1991). Literature supporting human capital-based strategies suggest that businesses locate in areas where (1) there are flexible, high quality work forces, (2) proximity to markets, (3) strong pro-business attitudes and (4) a good public education system (Kretchmar, 1991). The business location theory reinforce the need to address a human-capital based strategy.

For over 50 years, Detroit has dealt with the issue of stabilizing the population, but has been unsuccessful due to racial attitudes, suburban flight and employer's relocation choices outside city boundaries (Darden, 1987). Dating back to the 1943 riots, these

problems were the catalyst of Detroit's demise. By addressing these issues today, with little emphasis on increasing the skills of community, residents may experience more harm than good in their long term economic vitality (Turner, 1995).

The poor economic climate has also led to a decline in the city's parks and recreation areas (City Council of Detroit, 1990). Due to budget cuts from previous administrations, City Council, in the 1994 plan, proposed that funding be increased for parks and recreation. In direct response to this policy, the literature in support of human capital investment argues that the adding of greenery or more parks to an area does not necessarily assure that the residents in the areas possess the skills to find and maintain steady employment which will allow for greater life choices (Turner, 1991; Gittell, 1995). Thus, increasing the labor forces' skill level in conjunction with the parks and recreation policy may provide better opportunities for stabilizing the tax base (Turner, 1991).

Rev. Edgar Vann, a local minister, strongly supports the human capital investment strategy. After viewing the Detroit Board of Education and the State legislature's plans for eliminating adult education, Vann contends that "not long ago, a man with little education could find modest work to raise his family. Today, that no longer holds true. No education means no job, and no job means no opportunity for a better life." According to Rev. Vann, by taking actions to support the elimination of adult education, the state legislature took the position of further crippling the potential for urban economic growth. To deny "adults the chance to receive a basic education is a disservice to not only the individual, but society as a whole" (Vann, 1996). Based on Rev. Vann's assertions, we can conclude that educational opportunities must be given to everyone, "we should therefore step up to the plate and fulfill our obligation" and increase our investments in human capital based economic development strategies (Vann, 1996).

Chapter III

Educational Review

For some, education is a means toward achieving economic riches (Committee for Economic Development, 1965). Each year thousands of high school students graduate and further their educational pursuits at colleges and universities with the goal of receiving enough knowledge for obtaining employment that would somehow allow them the chance to be better off than their parents (Educational Policies Commission, 1944). Many individuals return to graduate school after undergraduate studies with the hopes of increasing their options and opportunities for financial success (Faber, Henry and Robert Gibbons 1991). For many, (African Americans in particular), this dream never materializes because they are inadequately prepared to take on employers' challenges (Holzer, 1994). To the dismay of corporate leaders, the public educational and university/collegiate system has failed American businesses (National Center on Education and the Economy, 1990). A large percentage of the employers that reported to the Committee for Economic Development concedes that too many new employees lack the proper "writing and problem solving skills" (Manegold, 1994). It is stated that this problem begins in the primary grades and continues through secondary and post secondary education. It is at the primary level that the students become acquainted with the demands of society and the future workforce (Garrison, 1995). Many public school districts are gearing up to address the concerns of employers so that prospective generations are prepared to take on the challenges of the future workforce (National Center on Education and the Economy, 1990).

If applied knowledge is power and many of our urban youth are ill-equipped to take on the challenges of the work force of tomorrow how do we bridge the gap between knowledge and workforce skills so that we prepare this powerless population for our nations' future? Research is being conducted by scholars on human capital investment strategies as a tool for alleviating this social/economic dilemma (Ashenfelter, 1977; Beck, 1990; Harvey, 1989). Due to the great demands of business, researchers and employers are saying that job skills must be nurtured in the primary stage (Garrison, 1995). Again, in order to address the needs of the urban community human capital-based strategies are paramount to our economic survival. Thus, a review of the country's educational policies will shed light on the concern for increasing human capital based development strategies in the primary educational system

Educational Policies of the 1950's and 1960's

During the mid 1940's the Educational Policies Commission modified and formulated new aims for education (Ornstein, 1985). The commission developed the report *Education for All American Youth*, which sparked a ten part schema, addressing "Ten Imperative Needs of Youth." The report emphasized providing youth with the opportunity to develop skills that would teach respect for ethical values, promote greater labor productivity, good health, and create an understanding of the democratic process, science, literature, man, consumer choices, communications and how to wisely use their time (Ornstein, 1985). Thus, the "whole child" concept was born. This concept was an opportunity to explore beyond the Seven Cardinal Principles of 1918 which "represented a perennialist philosophy of education and a mental discipline approach to learning" (Ornstein, 1985). The "whole child" concept promoted social, psychological, vocational,

moral, and civic responsibilities for youth through education.

According to Ornstein (1985), in the late 1950's education did a 360 degree turn back to the academic essentials and mental discipline philosophy of 1918. This new focus was sparked by the Cold War which increased technological competition between the USA and the former USSR. Emphasis was placed on increasing skill levels in math and science to increase opportunities for space exploration, greater machinery and weaponry production (Ornstein, 1985). In this era increased attention was given to intensifying job readiness skills of the American public. With the increase of an awareness toward greater job and technological skills, emphases on basic skills and continuing education were instituted as part of the American curriculum (Bailey, 1976).

James Conant, past chairman of the Educational Policies Commission, stressed the importance of providing education to all students with a greater push toward "educating adequately those with talent for handling advanced subjects" (Ornstein, 1985). The significance of advanced placement was that it was created to keep the competitive edge over the former USSR. America, at this time, was grappling with how to adjust to this new educational policy. Coupled with the dilemma on which educational philosophy to enforce, whole child or Seven Cardinal Principals, the American public school system, had yet another issue to address, the inadequate education of its under-served population, African-Americans and the poor (Margo, 1986).

In the 1950's and 60's America saw some remarkable but yet scary times. Being a part of the underprivileged and disadvantaged in the American society, African-Americans, prompted by social injustices and racial tension dating back to the first English settlement at Jamestown, Virginia in 1607, were inclined to protest this mistreatment by forcing the American school system, in the South as well as throughout the country, to

recognize that separate but equal would not solve their problems of blight and unemployment (Bloom, 1987). The 1954 Supreme Court decision *Brown v Board of Education of Topeka* set into motion the promise of educational equality for all American students (Noll, 1995). The decision to break down the legal, social and racial barriers that limited African-Americans and other under-served groups' ability to partake in and adequately access educational opportunities were deeply rejoiced in by African-American communities throughout the country (Bloom, 1987). What made this decision remarkable was the fact that for over 340 years such a decision was unheard of which in itself was scary because no one knew how the public would react (Bloom, 1987). Out of this and many other legislative and judicious decisions of the time period, coupled with deeply rooted racial hatred, came many riots and social upheavals which later increased the public awareness of the needs of African-Americans and the underclass in America (Ornstein, 1985).

Education for all became a catch phrase and federal policy during the 1960's and still is today. The policy was enforced by President Lyndon B. Johnson's administration. On January 12, 1965, in his address to the 89th Congress, Johnson strongly urged congressional leaders to rise to the challenge of the 1787 Continental Congress which declared that "schools as the means of education shall forever be encouraged" (Knott, 1991). Johnson supported this ideology because he understood the need for a skilled and educated work force. Johnson also knew that by having such a workforce that it would provide a means for increasing standards of living and production in the country. During his administration Johnson encouraged educational opportunities by passing measures which increased opportunities for the general populace. In 1965, Johnson increased funding and federal support for preschool, elementary & secondary, colleges, universities

and training program. The increased funding support assisted many of the nation's disadvantaged better their life choices (Knott, 1991). The problems of the 60's were not eradicated through Johnson's program, but today we boast of the increased numbers of college graduates and learned people due to his involvement in providing educational opportunities for our nation's primary resource, the people.

Educational Reform Proposals Since 1988

President Ronald Reagan, in 1988, set into motion several policies which dismantled what Lyndon B. Johnson set into place in the 1960's. Reagan's policies, referred to as the five D's, left the nation with an educational crisis (Gallegher, 1991). According to Gallegher (1991) Reagan's policies assisted in the dis-establishment of the Department of Education, deregulation, decentralization and deemphasis of the role of the federal government in education which ultimately lead to the diminution of federal financial support for education. Reagan's policies led to the increasing burden of the states, which already had limited funding to support an already failing system (Gallegher, 1991). Thus, education reform became the platform for future political races on the national, regional and local levels.

Since 1988, several proposals have evolved out of the cry for educational reform. Nationally, we witnessed two presidents propose change which would be achieved by the year 2000 by addressing the issues raised in the *Nation at Risk* report of the National Commission on Excellence in Education (Dowd, 1991; Seldom, 1995). During his administration, George Bush wanted to be recognized as the education president. Bush proposed *Education 2000*. Bush laid out his goals for the program in his January 31, 1990 "State of the Union" address.

By the year 2000, every child must start school ready to learn. The United States must increase the high school graduation rate to no less than 90%. In critical subjects, at the fourth, eighth, and 12th grades, we must assess our student's performance. US students must be first in the world in math and science achievement. Every American adult must be a skilled, literate worker and citizen. Every school must offer the kind of disciplined environment that makes it possible for our kids to learn. And every school must be drug free (Dowd, 1991).

Though Bush's lofty goals mirrored those of past administrations, his verbal support for educational reform was not backed with a financial commitment from the federal level (Dowd, 1991). During this administration the American public saw continued cuts in Chapter 1², school lunch and other school based program.

Unlike his predecessor, President William Clinton backed his talk with action. In 1995, he signed the Improving America's Schools Act, which distributed \$12.7 billion to our nation's elementary and secondary schools through the Elementary and Secondary Education Act (SEA) (Seldom, 1995). Like the changes that occurred in Johnson's administration, Clinton's changes in Title I had sparked a momentary drive toward addressing high poverty students (Seldom, 1995). The goals of changes to the old Chapter 1 program addressed increasing academic standards rather than continuing with the redemption instruction approach, lowered the poverty threshold, increased funding for professional development program, directed more funds at high poverty schools and expanded accountability (Seldom, 1995). The administration also induced reform through its Educate America Act and its Improving Americas Schools acts which support the SEA objectives as well as school-to-work initiatives. Each of these policies strongly

²Federally funded public school program for underprivileged students.

encourages program content reform, increased parental involvement and special needs program for students (Children's Defense Fund, 1995).

After impacting the Chapter 1 program through the aforementioned policies, Clinton pushed issues of technology for the classroom. He personally assisted in the installation of computer networks in several states and strongly encouraged business to step up to his challenge of partnering with schools in their areas to help build our nations future work force.

Local School District Overview

On a local level, past general superintendent of the Detroit Public Schools, Deborah McGriff (1991-1993) initiated plans toward achieving academic excellence in the school system. McGriff's philosophy was based on the challenges from the *A Nation At Risk* report. During her tenure she supported the creation of charter schools and academies which would provide challenging curriculums (Wilkerson, 1991). The new program created under McGriff's administration included expanded foreign language, math, technology, science, reading and African centered curricula.

McGriff's successor, David Snead (1993-Current), though faced with many obstacles due to limited funding, has attempted to continue the vision of McGriff, the NCEE and Lyndon B. Johnson. Snead instituted a plan which proposes that all students will achieve in the Detroit Public School System. In his proposal, *Excellence 2000*, the goals, which address increasing the quality of education delivered to Detroit Public School students, are driven by the *Nation at Risk* report. *Excellence 2000* supports the ideology that all children can learn and are highly valued (Detroit Public Schools Strategic Plan, 1995). The mission of *Excellence 2000* is for the Detroit Public Schools, in collaboration

with the community, to successfully educate all students in a clean, safe and healthy learning environment so that they may be productive participants in global society (Detroit Public Schools Strategic Plan, 1995) Based on this mission, Snead's administration wishes to, successfully educate all students and create a clean, safe and healthy state-of-the-art learning environment, maximize human resource development, enhance school, parent and community collaboration and ensure managerial and fiscal accountability.

In its efforts to address the concerns of business leaders and the many educational goals that were derived from *A Nation At Risk*, Detroit Public Schools created Detroit Compact in 1989. The Compact was designed to be a comprehensive education partnership between students, businesses, parents, schools and government (local and state) that prepares students to meet the challenges of global competition (Snead, October 1996). Detroit Compact is funded by community members, businesses and foundations (Majors, 1994) One of the goals of the Compact is to increase the number of graduates who are ready for employment and/or college (Majors, 1994, Snead October 1996)

The basic academic requirements for participants are defined by two program tracks - job/community college or four-year college. In the job/community college track students are encouraged to maintain a 2.0 GPA or better annually, stay drug free, obey the *Student Code of Conduct*, be in the 40th percentile for reading and math standardized test and attend classes 95% of scheduled days (Snead, October 1996). Successful students in this track that attend community college are given full financial assistance for up to two years.

Each student participating in the four-year college track, is required to maintain a minimum GPA of 3.0, achieve a score of 21 or better on the ACT (990 SAT), obey the *Student Code of Conduct*, be in the 40th percentile for reading and math standardized test

and attend classes 95% of scheduled days. Graduates of the four-year track receive full financial assistance for 2, 3 and 4 years based on their maintaining a minimum GPA of 2.5 and remaining in good standing financially and academically (Snead, October 1996).

As of May 1994, 165 graduates of Compact attended four-year colleges. Of the 165 graduates, 94 percent remained in college (Majors, 1994). Compact is designed to provide students with increased resources, i.e., ACT tutorial, employability skills training, job shadowing, mentors, tutors, performance incentives school to work planning and site visits to local and national colleges and universities (Snead, October 1996). Though the Compact is considered to be a move in the right direction for the district, some concerns still remain in regards to how the district will address the concerns of its diverse population (Orr, 1993).

Detroit's current student population is diverse ethnically and economically, i.e., Asian, Latino, Cuban, African-American, Lithuanian, Polish-American, Italian-American, German-American, middle-class, poor, rich, etc. (Michigan Metropolitan Information Center, 1993). Each group and sub-group has interests and needs that are as diverse as the population. Many of the administrative problems that occur in education come from trying to address the concerns of each group, e.g., the African centered programming, schools of choice and other programs in the Detroit Public Schools System (DPS) (Kantzer, 1986). Although Detroit has a 77% African-American population, it has been difficult to develop unity around the issue of creating African centered schools (Free Press Staff, 1996). Administrators, parents and teachers disagree on exactly which students should benefit from these schools of choice (Detroit News, 1997). Detroit also faces weak support from the State of Michigan Department of Education for the concept. This lack of State support coupled with a divided community has resulted in partial delivery of

school programs to a constantly changing student population.

Reviewing the goals as set-forth in a 1995 proposal by DPS, the system has witnessed an increase in Michigan Educational Assessment Program (MEAP) scores for the fourth year (Detroit Public Schools Strategic Plan, 1996). When compared with area suburban school districts these changes in scores are minute. A report, Detroit Public Schools Performance Report, compiled by a group of community representatives, takes a closer look at the 1995 MEAP results. In mathematics and reading 4th and 7th graders in the district received poor ratings of 41% and 40% respectively compared to the State average of 59% and 46% (Detroit Public Schools Performance Report Committee, 1996). This report also noted that though the district has made progress in some areas it still needs to improve in its preparing students for employment and future educational opportunities. The committee gave the district a D+ in the area of student success, a C+ in the area of fiscal and managerial accountability and a C in the area of community confidence.

The Detroit school district is also prompted toward addressing education reform directly from the State's support. In particular, the fourth Friday in September of each school year is very important to Detroit Public Schools (Floyd, 1996). It is at this time that State funding for public schools is determined based on student enrollment. In the 1994-95 Michigan Department of Education's budget, State funded schools received an average of \$5,272 per pupil (Ellis, 1996). In the 1995-96 school year Detroit Public schools received \$984,752,802 from the State of Michigan and \$21,600,000 from the Federal government. Of the Detroit Public Schools \$1,436,445,302 budget, State and Federal support constituted 68.5% and 1.5% of the budgetary revenues respectively (Snead, 1996). Because the district receives such a large portion of its budgetary support

from State funding, school officials, administrators and teachers are inclined to muster as many students as possible so that the school district can continue to reap the benefits of State support. The concern at this point is not on the delivery of services, but the number of "warm bodies" in school on the fourth Friday (Floyd, 1996). It is due to this practice that classroom sizes range from 30 - 37 students. This practice creates an uncomfortable situation for all involved (overcrowded classrooms). This is a major concern to many teachers in Detroit Public Schools, (Batchelor, 1996 and Floyd, 1996). It is hard for them to address the needs of each student when class size exceeds 25 (Detroit Public Schools Strategic Plan, 1996).

The district has implemented programs in accord with the 1983 NCEE report, i.e., school to work initiative (P. A. 25), teacher training, increased options for students, fiscal and managerial accountability (Detroit Public Schools Strategic Plan, 1996). Human resource development was intensified by the district in 1995. Greater attention was given to national teacher recruitment and to developing programs to support new teachers and professional development of teachers, staff and administrators as well as reducing class size (Detroit Public Schools Strategic Plan, 1996). According to two DPS administrators, such programs can only be successful when the gap is bridged between teacher's university training and what actually occurs in the classroom (Buri, 1997 and Batchelor, 1996). Batchelor further asserts that DPS, in its earnest desire to educate all, has mildly enforced managerial and fiscal accountability. If the system is to be successful, all administrators should be required to justify costs and balance budgets across the board (Detroit Public Schools Performance Report Committee, 1996).

The district goals are also based on the objectives of the State of Michigan Department of Education *Goals 2000*. In concert with national educational goals, the

State of Michigan Department of Education (MDE) has implemented its *Goals 2000*. MDE, in its implementation process has set out to stimulate innovation by reducing educational hierarchy to increase decision making as well as to increase responsibility of providing quality education on the part of stake holders at all levels (Michigan Department of Education, 1996). In 1993 MDE established its Technology and Telecommunications Planning and Advisory Group. The mission of this group was to address the concerns of how the State Board of Education could achieve the needs expressed by business for increased technical skills in the present and future economy. The groups' findings established the basis for the development of curricula and programs to address employers' needs (Michigan Department of Education, 1996).

When addressing human capital investment, it is imperative to note that the financial viability/economic stability of a community is pertinent to its ability to develop successful program. Though the basic argument that increased financing is considered to be paramount toward addressing low student success, we must also direct our efforts toward quality program (Galster, 1996). In particular, when we review low achievement level of DPS students and the Detroit Public Schools the per pupil budget for 1994-95 school year, we may note some validity in the school financing theory³. In comparison to neighboring suburban communities, Troy and Southfield, where students fare better on the statewide MEAP exam, though Detroit Public Schools receive more funding from outside sources than it generates from the local economy, its total budget per pupil is less supportive of its programs (see Table 1). In the 1994-95 school year DPS annual budget reflected support per pupil from state, federal and local at approximately 85%, 9% and 6%

³It is believed by some educators and parents that if funding is increased to schools quality programs would be ran

respectively. Such a support base makes DPS dependent on outside funding sources (Ellis, 1996)

TABLE 1
1994-95 Support Per Pupil⁴

| | Local | State | Federal | Total |
|-------------------|--------------|--------------|----------------|--------------|
| <i>Detroit</i> | 386 | 5514 | 579 | 6479 |
| <i>Southfield</i> | 5645 | 3821 | 187 | 9653 |
| <i>Troy</i> | 3193 | 4374 | 186 | 7753 |

With such a co-dependency nature it is hard for the State's largest school district to establish and implement curricula that will meet the needs of local students. It is also hard for the district to maintain its autonomy or local control because outside funding resources (State and Federal governments) require the district to address national concerns coupled with the district's local concerns (Galster, 1996). Low spending districts like DPS can not mount quality instructional program. According to Galster (1996) the dilemma of meeting the criteria of both State and Federal funders become the focal point of the school system which exacerbates the educational disadvantages of inner-city students.

Due to the thrust for educational reform, diversifying funding support and the need to address diversified populations, DPS can now boast of its 45 compact schools, 30 empowered schools, and 58 schools of choice. Each program was created with the concept of providing increased opportunities for parental and community involvement, as well as provide a means for delivering first-class education to students. By concentrating on target curricula these schools compete for students which produces the competitive

⁴Based on data from Bulletin 1014 Michigan Public School Districts Ranked by Financial Data - (Ellis, 1996)

environment similar to the university and collegiate system. With all of these changes being implemented in the district there are several questions that continue to surface:

- Is there too much activity and not enough student achievement?
- Who's monitoring the system?
- What are the qualitative benchmarks and milestones?
- How can program be improved so that all participants are successful?

Due to the size of the system and the many interests involved (business, parents, administrators, teachers and students), it has been hard to measure the success of DPS's 133 programs. Whether these program are successful or a failure will be determined when the ultimate outcome measures are evaluated in the future by the level of success of the participants in the program. In reality, as with McGriff's plan, due limited funding, the lack of accountability and diminishing resources, the attainment of the mission and goals setforth in *Excellence 2000* have yet to be realized.

Chapter IV

Current Issues in Urban Education

Historically, educational goals have evolved out of a need by a society to adapt and successfully thrive in its environment. Dating back to primitive societies from 7000 BC - 5000 BC we can begin to see this trend developing among groups (Ornstein, 1985). This momentum for obtaining knowledge to thrive in ones environment was shared by Thomas Jefferson who stated "I know no safe depository of ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise control with a wholesome discretion the remedy is not to take from them but to inform their discretion" (National Commission on Excellence in Education, 1983). Today, education still serves as a means for fostering the goal of empowering people to thrive in their environments (Orr, 1993). Some impediments toward our achieving these goals may be magnified in a review of current issues in urban education i.e. teen-violence, financing and standards, teacher training and inadequate program/curriculum. The calendar year debate represents another dilemma.

Teen-Violence

"From the outside, Thomas Jefferson High School in Brooklyn is an inner city fortress-a four story pile of faded brick with security screens on the windows and steel plate doors" (Norland, 1992). For many students at Denby, Central and other high schools in Detroit this image holds true as well (Buri, 1997). Urban students are in a position today where there is a greater potential for violent acts to be committed on or around school grounds (Norland, 1992). Too many of our urban youth carry guns, knives

and other weapons into schools which causes fear and inadvertently disrupts the learning process. "Across the country kids with guns are becoming small angels of death, transforming dead-end streets and tough-luck schools into free fire zones" (Norland, 1992). Guns have become the leading cause of death among older teenage boys - white and African Americans in America (Norland, 1992). According to the FBI's 1992 Uniform Crime Reports data, about one and one half million violent crimes were committed against juveniles ages 12 to 17 (Morrison, 1992). The National Education Association has determined that 160,000 children miss school each day because they fear bodily injury, physical attack, or intimidation (Morrison, 1992). Today, this problem continues to persist at an alarming rate.

From a local view, Detroit Public Schools witnessed the impact of teen violence in the 1980's. A horrid number of the district's youth were gunned down over gym shoes, hats coats and verbal disputes (Johnson, 1986). In 1986, 332 persons under the age of 17 were shot in Detroit schools (Salholz, 1987). Included in that 332, was a close friend and classmate of this researcher, Chester Jackson. In response to the escalating violence in middle and high schools, Detroit Board of Education implemented a district wide dress code. The district also installed metal detectors with the hopes of eliminating the violence at least inside the school campuses (Johnson, 1990).

For many interested in addressing this concern the question still remains how do we respond to these alarming numbers? "If a student enters class not knowing algebra we teach him algebra. If a student enters class not knowing how to behave, we punish him" (Kionsky, 1995). Is this the answer? In response to the issue of teen violence, many of our schools have adopted dress codes, instituted regular hall sweeps, and increased metal detectors at school entrances (Grantham, 1994). Programs like peer mediation and conflict

resolution are part of some schools curriculum, but one of the key problems with such programs is limited revenues (Jones, 1994).

Financing and Standards

Financially, our schools are strapped and are not in a favorable position to address many of the concerns of our urban youth. Like a parent reluctant to pay child support, policymakers often respond to children's needs with insufficient funds, under protest and just in time (Garrison, 1995). David R. Jones, columnist with the New York Amsterdam News, believes that true educational reform stems from increasing federal spending on training, job creation and real social work (Jones, 1994). Many trailblazers, in public education, like Jones, believe that new program, like schools of choice and charter concept schools will solve the problem, but our current financial crisis dictates differently.

Currently our public schools have limited funds and resources which when coupled with "schools of choice" provide no incentive for administrators to truly address the educational dilemma (Jones, 1992). Schools of choice have placed administrators into the position of competing for not only limited funding, but students as well (Free Press Staff, 1996). North Zone Schools in Boston, Massachusetts, are experiencing this financial crunch. For some 1,000 pre-kindergarten students, the opportunity to attend school may not be feasible (Shaughnessy, 1996). The area may have to cut this program from the curriculum due to limitations based on the districts 1998 budgetary obligations (Shaughnessy, 1996).

If what we spend on students' education, determines whether they succeed or fail what is the solution? David R. Jones (1994) asserts that schools must create systems that

financially support and systematically promote quality education which will assist students in preparing for future goals and challenges. Schools must also have high standards of achievement and accept nothing less. They must continue to challenge students to be their best and demand excellence (Jones, 1994). Schools with increased funding are better positioned to have state of the art equipment and attract teachers, administrators and professionals who are the best in their field. The key point to Jones' argument is that finances and standards must be in place in order to promote an environment in which our future work force can succeed. Jones strongly emphasizes the significance of maintaining high educational standards while increasing revenue expenditures to address educational programming, teachers salaries, text books and equipment purchases (Jones, 1993).

Teacher Training

There is a void between university training and the functionality of what occurs. Teachers are taught to develop and implement curriculum. Little attention is given to training teachers to deal with socio-psychological issues that arise in many school districts, i.e. teen violence, illnesses and mental disturbance (Floyd, 1996). It is believed by the NCEE, that if teachers in the classroom were given more time to teach rather than play the role of the parent, social worker, doctor, psychologist and police officer, that some headway would be made in actually addressing the low skill levels of American students (Dumaine, 1991). Other issues that are perceived to add to the low educational output are the ill-prepared and untrained managers of the system, school boards, and weak regulations (Kantzer, 1986). Such entrusted individuals must be held accountable for their decisions and the outcomes of their product, the American student. Thus, teachers and administrators must have proper training which will better decision making skills toward

making students successful (Madden, 1991). In a national poll, many teachers expressed concerns with the system's inability to rid itself of incompetent teachers (MetLife, 1995). This group further suggests the need for re-certification measures and professional development programs to upgrade teachers with poor skills

Inadequate Programming

In the literature reviewed, the public educational system has not only failed the students, but American businesses as well. Many of our schools lack adequate programming to address the expectations of the universities as well as the corporate sector. Many program supported by public funds tend to cease meeting the needs of the business sector when public support stops (Shaughessy, 1996). In a survey of employers, a large percentage of those who reported to the Committee for Economic Development, concede that too many new employees lack the proper "writing and problem solving skills" (Manegold, 1994). U.S. Labor Secretary Robert B. Reich and Education Secretary Richard W. Riley both agreed in 1994 that education and business must team up and address the issues of low achievement in the public schools (Manegold, 1994).

Due to the lack of funding for public school program many businesses have stepped up to the challenge of picking up where public funding left off. We have witnessed increased investments from the private sector which has aided in the creation of new programs to address many of our educational concerns (Dumaine, 1990). Corporate groups such as IBM International Foundation are actively promoting the inclusion of practical business skills in public school classrooms through special programs. With the support of foundations, businesses and private citizens, some schools have responded to the educational dilemma by implementing stronger community and parental based

programs (Wesley, 1984). By increasing parental and community support in the child's education these schools hope to address the concerns of low achievement of urban youth (Wesley, 1984).

Calendar Year Debate

Will a 220 day calendar year for schooling reverse the eroding educational system? It is argued that American students, when compared to European or Asian students are not achieving educationally due to the 180 day school calendar year (National Committee for Excellence in Education, 1983). Community and parental support coupled with the more time on task has created an environment where some schools have adopted a longer school calendar year to address the NCEE's concerns (Allis, 1991). In the Detroit school district major concerns with adopting an extended calendar year have evolved out of the lack of air conditioning in buildings. Other concerns that need addressing come from the lack of support by the teachers union toward an extended school year (Buri, 1997). The verdict is out, no one knows at this point if more time in school will increase students' readiness for employment, but it makes logical sense that if more time is spent on delivering quality education test scores should increase and students should be in better positions to compete locally, nationally and

Current Issues Summary

Education and business must together address the issues of low achievement in the public schools (Manegold, 1994). If teachers were given more time to teach rather than play the role of the parent, social worker, doctor, psychologist and police officer, some headway would be made in addressing the low skill levels of American students. Other

issues that are perceived to add to the low educational output are ill-prepared and untrained administrators (managers of the system), school boards (which determine policy), and weak regulations (Kantzer, 1986) While addressing administrative problems, based on the literature reviewed, schools should direct a large percentage of their energies toward recruiting diverse teachers and administrators for their mixed student population (Jones, 1994) Adequate funding must be in place for not only teacher recruitment but also text book/equipment purchases (Jones, 1994) Given this premise, Jones asserts that schools must put into place a system that financially supports and systematically promotes quality education which will assist students in preparing for future goals and challenges. Such schools must also have high standards of achievement and accept nothing less. They must continue to challenge students to be their best and demand excellence (Jones, 1994). Schools of this nature, because of their financial position, will have state of the art equipment and attract teachers, administrators and professionals who are the best in their field. The key point to Jones' argument is that the finances and standards must be in place in order to stimulate and maintain such an environment.

By addressing the issues of teen violence, financing and standards, increasing the calendar year, teacher training and inadequate programming, the U.S. public education system can begin to make a dent in education reform. In particular, with federal funding trending downward, it is suggested that advocates can impact reform by taking the first step by continuously assisting with the goals set forth by the NCEE in 1983, and by educating policy-makers on the ill-effects of decreased educational spending. e.g. decreasing the skilled labor force. By doing so, the literature suggests that administrators must take the next step and make their decisions based on the ideology of placing children first in their educational decisions (Children's Defense Fund, 1995).

By executing and addressing the goals of the *Nation At Risk* report, the literature suggests the goals of the Clinton administration must include the redesigning of the core curriculum to include basic analytical, reading, communications, math and science skills. In keeping with the principles of Thomas Jefferson, it is suggested that basic values, the significance of history and the understanding of education and its process be included in newly developed curriculums (Noll, 1995). As referenced in the case of the Detroit Public Schools, even if schools receive adequate funding, they have limited resources to provide proper evaluative tools for measuring reform (Noll, 1995).

Based on the data presented, through the educational policies in the 1950's and 1960's we can clearly witness similarities between the fundamental need to address common educational goals, financing and social issues of our current society. In the past we have witnessed the federal government's attention to education reform being sparked by global competition. If global competition is our main reason for improving the delivery of education in the U.S., we are in for a big surprise when we compare our nation to other developed nations. With the need to address increasing educational opportunities for American youth constantly presenting itself, we must become more proactive by increasing investments in our nation's educational program. By doing so, businesses as well as many other supporters of education reform believe that, we will become better prepared to foster the goals of preparing and educating future labor markets for success (National Center on Education and Economy, 1990).

Chapter V

Case Analysis

Focus: HOPE is recognized by the community for its investment in the cities future, human capital. Focus: HOPE has been the recipient of numerous awards and proclamations for its abilities to produce skilled individuals who harness and employ the skills necessary for moving the economy forward. They are noted recipients of the *Cranes Nonprofit Award For Best Ran Nonprofit* in 1994 (Focus: HOPE Is). Focus: HOPE is also recognized by the Michigan Employment and Securities Commission and the City of Detroit Job Training Partnership Program for its ability to produce individuals that obtain and maintain long term sustainable employment (Sase, 1996). Such employment education and training are believed to increase the quality of the workforce, tax base and revenue generation in an economy (Middleton, 1993). Thus, this section will attempt to present the importance of the positive outcomes measures (increased quality work force - increased earnings - increased tax base - increased revenues for development and services) from Focus: HOPE's MTI program in comparison to the General Motors Poletown Investment. The value in reviewing these impacts when determining development strategies will positively impact the economic development process of a community.

Methodology

Local governments receive about 39 % of their revenue from property taxes. Many also receive benefits from personal income or payroll taxes (Mills & Hamilton, 1989). In Detroit the current property tax rate is 2.5% of the assessed value of the property) and payroll taxes are 3% of the gross income. For a community like Detroit, it

is important to note that with a lack of business investment and further declining population (with remaining population consisting of low income individuals), an increase in property values or city residents income will positively impact the city's revenue or tax base (Mills and Hamilton, 1989). Based on the available data, the *Case Analysis* section will attempt to show the cost and benefits of the MTI Program and compare them to the community from General Motors investment. The comparison of social benefits to social cost is an attempt to show the importance that human capital investment may have for the local economy's tax base. Though there are many weaknesses in the cost-benefit analysis of educational programs, analysis should not go unnoticed (Middelton et al, 1993). The data collected are derived from research conducted by John Sase of Focus: HOPE's Machinist Institute Research & Training Administration and available information on the Poletown investment. It is not the aim of this section to critique and/or apply cost benefit analysis evaluation tools to the comparison both investment strategies. Rather, it is intended to give an overview of the advantages and disadvantages of each investment strategy.

General Motors Poletown Investment

In its efforts to maintain jobs and an industrial base, the City of Detroit, in the early part of 1980, faced yet another challenge, how to keep General Motors (GM) from relocating out of the city. GM (the worlds largest corporation), in its efforts to expand, was in need of new facilities and considered closing several of its plants in Detroit (Fasenfest 1986). With GM threatening to relocate, economic development in the city would further be hampered (Roach, October 22, 1980). At stake were 6,150 jobs and a decrease in the tax base. GM agreed to build a new plant in Detroit if a suitable location

were identified. The City of Detroit imposed its powers of eminent domain to assemble 465.5 acres of land in Detroit's Poletown (Polish section of the city). More than 3,438 residents and 143 institutions were displaced. GM acquired the 465.5 acres at a bargain for \$8 million with a 12 year 50% tax abatement on its initial \$60 million investment, and promised that 4,000 temporary construction jobs with 20,000 additional jobs created by the multiplier effect would be created and more importantly the 6,150 jobs would be saved (Bukowczyk, 1986)

The investment stirred great debate in the community due to its unsound strategy (Fasensfest, 1986). In the wake of high unemployment⁵, a \$135 million deficit and decreasing corporate investment, something needed to be done to increase the city's coffers. Thus, GM was given a 12 year 50% reduction in its \$18,275 million annual tax to \$9,138 million (Roach, 1981). Several City Council members disagreed with allowing GM a 12 year 50% reduction in taxes, i.e., Kenneth Cockerel and Herbert McFadden, Jr. (Roach, October 11, 1980). According to Cockerel, tax abatements would eventually lead to wide spread budget cutbacks and layoffs of hundreds of policemen and other municipal employees.

The multiplier effect of job creation was a farce and never realistic (Auerbach, 1985). According to Mayor Coleman A. Young, the plant "would not create permanent jobs ... because claims of thousands of jobs were not accurate and the original payback of 15 years presented to City Council did not take into consideration the tax abatements" (Fasensfest, 1986). Other city officials later went on record stating that the job creation discussion was a tactic to solicit federal aid for the project (Roach, October 20, 1980).

⁵At the time of the GM investment unemployment in Detroit was 18% in comparison to 14% for the State of Michigan.

Ernest Zachary, aide to Mayor Young from the city's development department, further stated that would have to wait 30 years to break even from the GM investment. Though GM intended to retain 3,800 jobs the city inflated the numbers to sound good to the community and to potential funders.

The plant was built - jobs stayed in the city but not to the degree in which GM projected. Over a period of time the plant never reached the 6,150 employee mark that GM promised, only 3,000 jobs were retained. This was due in part by plant automation which decreased the numbers of individuals needed for production (Fasenfest, 1986). Job creation from the projected multiplier effect never materialized. The impact of the project was measured by its social cost. The city's direct cost was \$200 million and the social cost, \$300 million. The social cost from this investment is derived from the lost tax base due to the displacement of the local resident and business populations (Bukowczyk, 1986). Thus, the net loss from the GM project to the City of Detroit was \$500 million.

Focus: HOPE

In an attempt to address the concerns of regional machinist shops Focus: HOPE created its Machinist Training Institute (MTI) in 1981. MTI's goals were based on the organizations mission of overcoming racism poverty and injustice. Based on this mission, MTI's core objectives were to create a quality workforce that would stimulate a healthier regional economy (MacNeil Lehrer, 1992). From a sample of 780 program graduates a cost benefit analysis was conducted by the agency's research and assessment department in 1996. The total cost for participating in the program for each participant was \$17,000. The study evaluated a the cost-benefit impact over a 30 year period for each participants⁶.

⁶Measurements were conservative to reflect not so liberal outcomes (Sase, 1996).

It was determined that each graduate would pay an estimate of \$65,000 in taxes over the projected 30 years. The 30 year return on investment from the MTI program was calculated \$48,000 (\$65,000 - \$17,000). Average return of investment is estimated to be 9.5% from contributions to FICA annually will increase by 20% for program each participant. The total social benefit from participation in the MTI program is estimated to be \$37,440,000 over 30 years (for the 780 participants in the study).

Investment Comparison

Without doing an formal cost-benefit analysis, it is hard to determine the advantages and disadvantages of each investment. Based on the available data, when comparing Focus HOPE to the GM project, the benefits derived from the increased skilled citizenry that is produced at Focus HOPE could possibly alleviate the negative economic impact of the GM Poletown project. The Poletown project's net loss to the City of Detroit was \$500 million.⁷ Whereas with Focus HOPE the initial investment is repaid several times over (Sase, 1996).

The true benefits of the GM project were never determined by the city - benefits were dependent on GM's commitment to stay and not actual projected revenue streams or cost-benefit analysis (Fasenfest, 1986; Auerbach, 1985). When the City of Detroit Community and Economic Development Department compiled its data projections for the investment, the benefits estimates were optimistic and were based on non-discounted dollars⁸ (Fasenfest, 1986). Consequently, based on more realistic data compiled by David Fasenfest, with a discount rate of 10%, the project was only marginal and could not meet

⁷Based on 1986 data.

⁸Dollars not taking into consideration the time value of money.

the city's needs (Fasenfest, 1986).

What makes Focus HOPE a success? By placing so many well trained individuals, in particular African Americans, into positions that are traditionally located in suburban areas, Focus HOPE addresses its mission of integrating the suburban and urban cultures that were divided by the 1967 riots (Sase, 1996). Such placement provides opportunities for dispelling both suburban and urban fears, e.g., stereotyping. Further studies reveal the significance of job placement to training programs success. Job placement is an outcome measure that many training programs evaluate when determining program impacts (Patten, 1971; Leigh, 1990; Middleton et al 1993). A study on the impacts of training programs reported by Duane E. Leigh (1990) indicates that enrollment in a Downriver Detroit training program increased the placement rate and employment rate of formerly displaced BASF workers by 21.4%. The average earnings of the BASF group showed improvement by \$110.90 per week (Leigh, 1990). Though these gains aren't as significant as those of the Focus HOPE project, it should be noted that the program did assist in making improvements to the participants overall earnings.

Since industries usually locate where there is a highly educated labor force, Focus HOPE has leveraged the city's opportunity to take advantage of a future increased tax base (Warner, 1989). With over 1,200 graduates from MTI with average earnings of \$10.00/hour after six months of training and approximately 4,650 from Fast Track earning between \$5 and \$7.50/hour (Focus HOPE 1996), Focus HOPE is impacting the economic development of the City of Detroit. According to John Sase research on the net benefits of the MTI program (1996), graduates of MTI repay the initial public

investment⁹ for training within 37 month of completion. Sase's research further revealed that

Estimates of expected cumulative earnings for their remaining work life suggest that they repay the public investment 13.6 times over again. The real rate of return to the public investment averages 41.2% per annum (1996).

Failures to the MTI training program may be its inability to recruit a larger percentage of high school students, drop outs and older citizens. Currently, each of the Focus: HOPE programs are marketed to public school students between the ages of 17 to 23 with high school diplomas who are willing to make an educational investment in their futures.

Based on Focus: HOPE's admissions criteria, many who could benefit from the program are not aware of the opportunity or are able to meet the qualification requirements.

⁹Program cost per MTI student is \$17,900 per year in 1994 dollars which is borne primarily by federal, state, foundation, corporate grants and individual gifts.

Chapter VI

Discussion

Detroit, in the 1960's, experienced a high level racial tensions culminating in one of the city's worst riots in 1967 (Darden, 1987). Some of the factors involved in the promotion of the riots were traced to the constant unequal and mistreatment of African Americans residents by not only the city's law enforcement, judicial and legislative systems, but also the constant unfair practices of area merchants toward Detroit's African Americans population. A study conducted by a local organization in 1969 (Focus: HOPE) revealed that when compared to suburban supermarkets, many inner city grocery stores charged area residents (African Americans) more and offered poorer quality produce. The rationale for these disparities was that inner city dwellers stole more from their stores than suburban residents. Thus, prices were raised to recover these losses.

Focus: HOPE, in response to the effects of the 1967 Detroit race riots, had formed as a human and civil rights organization in 1968 whose purpose was combating discrimination and injustice by integrating Detroit's separate racial communities (Focus: HOPE Is, 1996). The organization formed the nation's first and largest **Commodity Supplemental Food Program** designed to give area infants, pre-school children and at-risk mothers an equal opportunity for sustaining life, healthy births and physical, cognitive and emotional growth (MacNeil Lehrer, 1992). After years of providing supplemental commodities to low income mothers and children, Focus: HOPE began to address the larger issue of Detroit's underdeveloped human capital in 1981.

Three nationally recognized programs were developed to address community needs as well as the concerns of the automotive manufacturing industry. The automotive

manufacturing industry concern evolved the need for skilled machinist and engineers. The shortage of skilled machinist and engineers was addressed by the Center for Advance Technologies (CAT), Machinist Training Institute (MTI) and Fast Track programs at Focus: HOPE. These programs blazed the trail for increasing the economic wealth of the community by investing in urban dwellers (MacNeil Lehrer, 1992).

Through the sequence of its three training programs, Focus: Hope continues to address the needs of both industry and community residents. Because automotive manufacturing is Michigan's largest industry, the significance of Focus: HOPE's programs are paramount to the development of Detroit and its residents as far as economic stability (Focus: HOPE Is, 1996).

In this researcher's assessment, if job placement is a measure of success then we can consider Focus: HOPE very successful. Focus: HOPE has 100 % job placement for its graduates of CAT and MTI. Fast Track graduates that choose employment over further training experienced similar results (Sase, 1996) Because its program are producing a high quality labor force, Focus: HOPE is sought after by business and governmental leaders as possible partners for various projects, i.e. Detroit Diesel Corporation pulley project, General Motors manifold project, Ford Motor Company in-take manifold project, U.S. Department of Defense, etc.. Unlike Focus: HOPE's training programs, the Downriver demonstration project was not designed to address a specific demand by employers, hence, its impacts were not as significant, but should not go unnoted¹⁰.

Focus: HOPE has done what has been argued by Susan Smith (1993)

Focus: HOPE is not only a model of why human capital-based strategies are important

¹⁰"For preemployment vocational education or training to pay off for individuals and for government, skilled jobs must be available . . . Where jobs are not available, the returns to training investments are unsatisfactorily low. (Middleton et. al, 1993) p 47.

toward the economic revitalization of urban communities, but it also adds tangible meaning to the parable of the hungry man and the fisherman in which Eleanor Josaitis, Assistant Director strongly believes. Focus: HOPE is providing its students with the opportunity to maintain a living, as well as providing them with skills which are relevant to today's and tomorrow's work place. Therefore, based on the positive outcomes measure (increased quality work force - increased earnings - increased tax base - increased revenues for development and services), human capital-based strategies are valuable development strategies for increasing the worth of the individual which in turn positively impacts the economic development process.

The rally of support for educational reform by federal, state and local officials is of both great joy and sadness to this researcher. The constant dilemma of how to deliver adequate educational opportunities for our nation's future must be resolved. In this researcher's opinion, as with interdisciplinary studies, a solution for social problems should evolve out of multiple cohesive efforts working as a unit. If we are to accomplish greater success in our goals with educational reform, we must work together as many successful teams do. Such team work is what occurred with the development of the Detroit Compact. The Compact involved community members, businesses, local and state government, educators and student working together toward achieving gains in economic vitality of the community. Though the fruits of this relationship have yet to actualize, the efforts of the project should not go unnoticed.

In 1940, each member of the labor force, on average had 6.85 years of elementary schooling, 1.71 years of high school and .46 years of college or university (National School Board Association, 1966). Since then educational levels have increased with employment demands. With job opportunities increasing for skilled and trained individuals, having a

skilled labor force has been a necessity for the survival of urban areas similar to Detroit. In a table reconstructed by Marion Orr (1993), the percentage of jobs distributed in Detroit based on education level of jobholders show that attention must be given to increasing skill levels of the workforce. Orr presents four categories of educational attainment for comparison, less than high school, high school graduate, some college and college graduate. From 1970 to 1980, the table shows that as jobs requiring increased educational levels rose, job distribution decreased for Detroit residents lacking higher education (Orr, 1993).

TABLE 2

Percentage Distribution of Jobs in Detroit by Education Level of Jobholders, 1970 and 1980¹¹

| | Less Than High School | High School Graduate | Some College | College Graduate |
|------|--------------------------|-------------------------|-----------------|---------------------|
| 1970 | 37.3 | 36.8 | 13.9 | 12.0 |
| 1980 | 21.1 | 32.8 | 25.8 | 20.3 |

Jobs requiring high skills and more education are going unfilled by Detroiters and a match between labor force needs and local workforce availability is not being made.

If we accept Orr's research at face value, general concerns should be given to redirecting efforts toward addressing the human-capital investment argument in Detroit. Such redirection could possibly be achieved in a program similar to the Detroit Compact.

Though the Detroit Compact is not the cure-all for Detroit's economic ills, it does illustrate the possibilities of placing human capital investment on the local agenda (Orr, 1993).

Education provides the central resource for enhancing human capital. The benefits

¹¹Reprint from Orr 1993, p. 108.

of education in shaping children and preparing them for life in the real world are well known. Improving the economic and social success of inner-city youth, entails offering them real access to markets and encouraging and supporting their achievement of the learning and social skills these markets require (Orr, 1993).

From within the system that prepares our future workforce, Detroit Public Schools lacks accountability, efficiency and fiscal managerial integrity. DPS is unable to address clients needs due to problems that range from teen-violence, financing and standards, teacher training, inadequate programming to the calendar year debate. With such a heavy burden of producing our nations future workforce, public school systems similar to DPS must continue in their efforts toward increasing educational standards, thus, increasing options and opportunities of their clients (students).

Conclusion

Education in America has received a great deal of attention from business leaders, politicians, urban community leaders, parents, labor unions and the general public. Many have charged that the system is not educating our youth. Much of the literature reviewed supports the theory of increased and equal access to educational opportunities for all. In order to grasp an understanding of the current educational dilemma, this paper attempted to explore background information pertinent to the historical, economic and educational significance of human capital based investment strategies as it relates to Detroit.

Educational goals, philosophies and policies of the 1950's and 1960's have set the framework from which our current educational system operates. Goals which were centered on providing educational opportunities for the masses were not only championed in the 50's and 60's, but were equally, if not more, embraced by educators and policy

makers in the 1980's and 1990's. The challenges of each time period grew out of increased global competition for production which spawned such philosophies as the whole child concept¹² and educational essentials¹³ in the U.S. Though times have changed one issue has remained constant, education in the U.S. has increasingly lacked adequate funding for teachers salaries, facilities, resources and most importantly program. Out of the lack of funding, the U.S. public educational system has failed to successfully address the forever increasing needs of the population and the challenges of providing adequate educational opportunities to urban youth. With the increased involvement and resource commitment of business leaders, U.S. schools are becoming better positioned for increasing urban youth educational opportunities. Though educational program goals, philosophies and policies have changed, over the years one theme has remained: it is imperative that if the U.S. is to maintain and expand its economic system it must increase educational opportunities for its population (human capital investment).

Historically, Detroit has had a weak economic base due in part by corporate and civic dis-investment. Such dis-investment left only low skill set jobs in the city. Dis-investment coupled with the persistent problems in the delivery of quality public education has placed Detroit into an unfavorable position with a great number of unemployable adults. (Wilson, 1996) (See Maps II and III)¹⁴. In response to this crisis, human capital investment similar to Focus: HOPE's MTI may provide individuals with increased economic options and opportunities, thus, impacting the economic base of the community.

¹²Education centered on the development of liberal arts which would include the three R's as well as the arts and sciences.

¹³Reading, writing and arithmetic or the Three R's.

¹⁴Depiction of unemployment and educational levels in Detroit - Based on 1990 Census Data.

When addressing economic development concerns, it is suggested that communities build on existing strengths, (similar to focus: HOPE) in order to positively impact development (Blakely, 1994). Focus: HOPE, in its efforts to rebuild the community, took on the challenge of working with the manufacturing industry that disinvested in the city. Because these industries needed skilled workers and were the major portion of Michigan's revenue base, the training program was able to provide the necessary labor to meet employers demands (Sase, 1996). A recent study predicted that General Motors, Ford and Chrysler will hire up to 129,000 workers between now and 2003 (United Way Community Services, 1996). Focus: HOPE is producing the labor force for these needs. Because of Detroit's high unemployment and increasing high school drop-out rates, it important that Focus: HOPE's model is duplicated and/or infused into the Detroit Public Schools curriculum.

Does human capital investment make sense? Based on a cross national study, it has been deemed that nations and countries where citizens achieve higher education levels had higher gross national products (GNP) (Phillips, 1991).¹⁵ In the last decade, education and training has become a major issue in most advanced industrial countries. Economic change has been the driving force behind this movement. As long as there is a demand for skilled labor¹⁶ that isn't being met the supply side will require an increasing amount of attention. Thus, in industrial countries like the U.S. where technology constantly requires increased skill levels it is imperative that human capital investment is addressed as the economy expands.

¹⁵Total production in a country - Consumption + Investment + Government Expenditures + (X-Ports - Imports) = GNP

¹⁶Demand for skilled labor will be the determinan factor in what skill sets will be needed when addressing the higher educational levels.

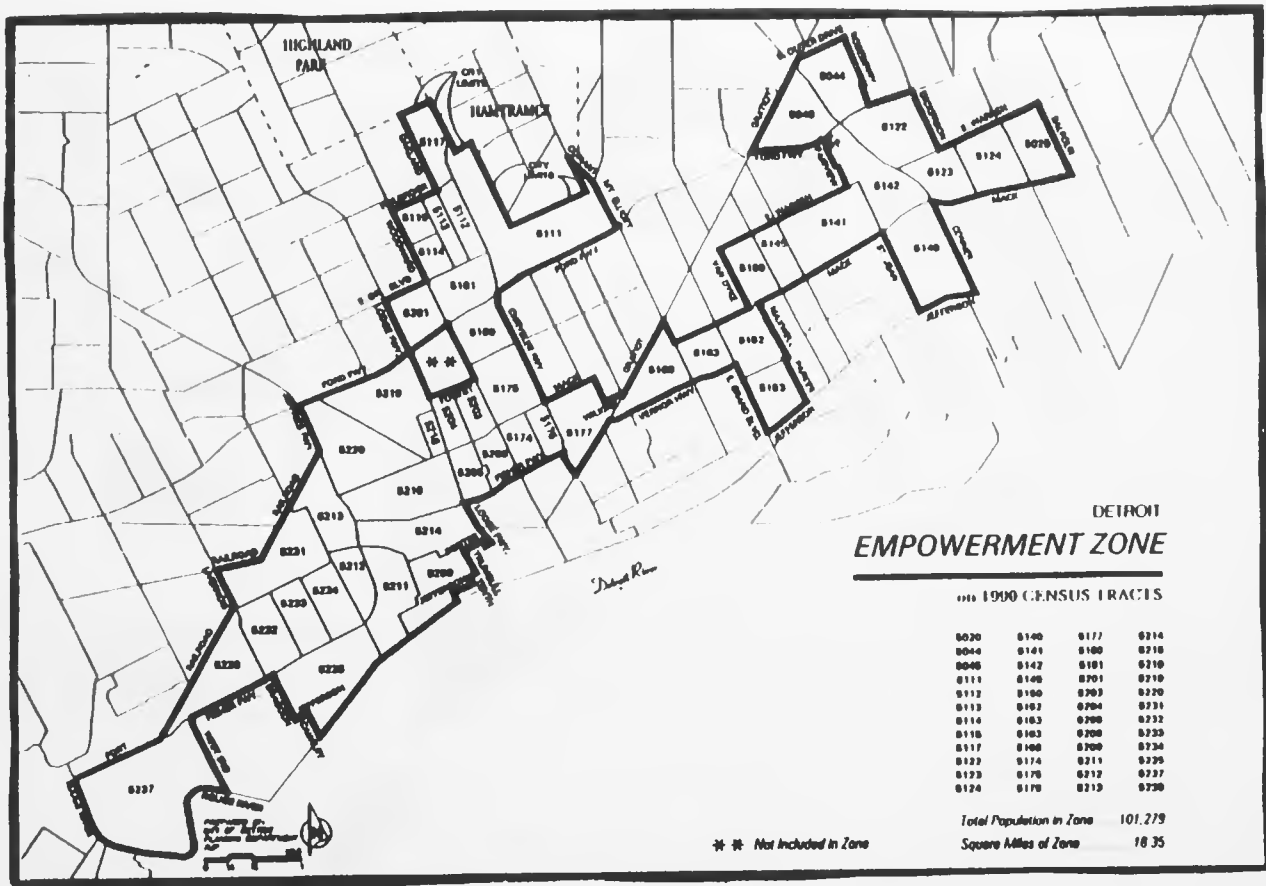
Appendix

Maps

Map I *Empowerment Zone*

Map II *Percent of Population with Less Than High School Diploma*

Map III *Percent of Population Unemployed*



Map 1



Map II



Map III

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ABSTRACT

*HUMAN CAPITAL INVESTMENT AS AN ECONOMIC DEVELOPMENT
STRATEGY: A DETROIT ANALYSIS*

by

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Many urban developers have responded to the challenges of economic development¹ by providing tax incentives to businesses for relocating to urban areas (Bartik, 1995). By not being able to provide the skilled labor force that businesses require, developing communities are not postured to fully take advantage of the newly created job opportunities. Thus, wage disparities between the classes increase, leaving many of the underclass citizens without adequate employment for sustaining modest living standards (Turner, 1991).

As part of various economic development strategies², increased concerns have been given to human-capital based strategies (Psacharo-Poulos, 1985). This paper puts forth the argument that the implementation of increased human capital-based economic

¹Economic development is a means for increasing local jobs, lowering unemployment, and enhancing tax base

²Economic development strategies consist of the implementation of various initiatives that promote economic development, i.e., empowerment zone, renaissance zone, etc.

development strategies¹⁹ directly targeted to residents, when compared to programs aimed at business, can do as much or more to improve the standard of living of residents, and should be considered when creating economic development strategies (Turner, 1991). Directing development efforts toward increased spending and/or giving attention to education or training programs are forms of human capital investment that may be considered. The comparison of a local business investment strategy (General Motors Poletown) to a local human capital investment strategy (Focus: HOPE) will be employed as a means of expressing the significance that human capital investment may have on a local economy.

¹⁹Human capital-based economic development strategies include but are not limited to programs geared toward increasing citizens productive (educational and employment) skills as well as access to employment, i.e. educational programs, performance guarantees, etc.

Autobiographical Statement

As a long time resident of Detroit, Michigan, Truman Hudson, Jr. has remained involved in community relations since his undergraduate years at Wayne State University in Detroit, Michigan. Hudson is a current candidate for the Master of Interdisciplinary Studies, with a concentration in Urban Planning at Wayne State University's College of Lifelong Learning. In 1996 Hudson completed training in the National Society of Fund Raising Executives of Greater Detroit Fellowship Program. He also holds a Post-Baccalaureate Certificate in Service Agency Administration (1995) and a Bachelors of Arts in Economics from Wayne State University(1993).

Hudson's civic commitment include; Cornerstone Schools Chess Club, Coach, 1997, Detroit Omega Foundation Board of Directors - Chair, 1996, Detroit Omega Foundation Board of Directors - Secretary, 1995 Omega Psi Phi Fraternity Inc. - Nu Omega, House Restoration Committee - Chair, 1996 Omega Psi Phi Fraternity Inc. - Nu Sigma Chapter - Vice Basileus, 1991 - 1992; Generation of Promise Program - Board of Trustees; Member, 1994 - 1995, Generation of Promise Program - Facilitator, 1994 - Current; UNCF Michigan Campaign - Pledge Committee, 1994; UNCF Walk Corporate Team Captain, 1990 - 1992, NAACP Membership Drive; Corporate Committee Chair, 1992, Delta Sigma Pi Professional Business Fraternity - Gamma Theta Chapter - Member, 1991, Into The Streets/Project Volunteer - Member 1990 - 1992, American Humanics Student Organization - Member, 1990 - 1991, Corporate Safety Committee, 1989 - 1992

Hudson's professional career is highlighted by several years of employment with Detroit based nonprofit corporations; Focus: HOPE and Accounting Aid Society. At Focus: HOPE he was responsible for project planning, coordination and implementation for the Focus: HOPE Glazer- Elementary Partnership, Martin Luther King Countdown to Eternity Exhibit, Holiday Programs and Home Bound Seniors Program. While with the Accounting Aid Society Hudson was responsible for coordinating, marketing and sales of the agency's publications, seminars, workshops and consulting services. He also conducted workshops on *How to Successfully Start a Nonprofit, Volunteer Recruitment That Makes CENTS* and *Contract Management*.

Hudson is currently a contractor with the City of Detroit Empowerment Zone Homeless Coordination Continuum Care Services Project where he is responsible for coordinating service delivery to the homeless population in the 18.35 square mile empowerment zone.