

“Government Policies and Practices that Increase Discrimination”

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For fair housing advocates, a crucial part of the problem of racial inequality and injustice stems from the ways in which people of different races in the United States are relegated to different spaces. Housing and lending discrimination work insidiously to skew opportunities and life chances along racial lines. We would make enormous progress toward racial justice if fair housing laws were only strengthened and enforced.

Yet stronger laws and better law enforcement alone will not be enough to counter the ways that race skews opportunities and life chances in our society. Although private acts of direct discrimination by individuals remain pervasive, existing racial gaps in wealth, inheritance, asset accumulation, health, education, and employment are also sustained and exacerbated by putatively race neutral policies and practices by governments at all levels. Local, state, and federal governments do not do enough to combat discrimination to be sure, but even worse, they add to existing injustices and inequality by providing subsidies for segregation and rewards for racism.

At all levels, government policies today produce unearned advantages and unjust enrichments for whites while imposing unfair impediments to asset accumulation, education, employment, and health care for people of color. These policies actually increase the rewards of past discrimination by extending favored treatment to the descendents of its perpetrators. In addition, they make victims of past discrimination pay a disproportionate share of the burdens of social change by exploiting the accumulated weaknesses incurred by aggrieved communities.

Putatively race-neutral tax policies consistently subsidize those forms of income most likely to be inherited as a result of successful discrimination in the past. Housing discrimination has allowed whites to “lock in” advantages of homeownership and its attendant subsidies. Legal scholar Daria Roithmayr describes the long history of restrictive covenants, racial zoning, redlining, steering, block busting, and mob violence between 1866 and 1948 as part and parcel of a concerted action by a racial cartel that monopolized the benefits of homeownership for whites. Government action played a direct role in providing whites with assets that appreciated in value and could be passed down to subsequent generations. The 1862 Homestead Act gave 1.5 million families some 246 million acres of land. Only whites could receive these lands. Today, some 46 million adults can trace the core of their families’ wealth to assets originally secured on an expressly racist basis from the Homestead Act. Similarly, the 1934 Federal Housing Act put the full faith and credit of the federal government behind the home mortgage industry, creating the largest redistribution of wealth and assets in U.S. history. The expressly racist categories required by the act’s appraisal manuals made sure that between 1934 and 1968, ninety-eight percent of FHA loans went to whites.

Current housing, home loan, and tax policies inhibit the entry of new competitors into the housing market. They add to the locked-in advantages and wealth of those who inherit the advantages secured on a discriminatory basis from the Homestead Act and the FHA. For example, the home mortgage interest deduction -- and the favored tax treatment given to income derived from inheritance and capital gains -- all work to augment the value of the unfair gains secured through direct discrimination in previous eras. Segregated suburban schools and neighborhoods provide whites with assets that

appreciate in value and with privileged access to insider information and personal networks that give them decided advantages in securing the eighty to ninety percent of jobs in U.S. society that are never openly advertised. Yet the “locked in” gains of past discrimination also secure subsidies in the present. Homeowners generally deduct the costs of local property taxes from their federal income tax. This lowers their federal tax obligations and makes it financially desirable for them to support property tax increases that fund local schools. Similarly, the home mortgage interest deduction increases property values which add to the income of wealthy districts. In contrast, school districts whose constituents include large numbers of renters or less affluent homeowners who do not itemize deductions do not secure similar funding for their schools. A study in 2001 showed that while the poverty stricken city of Camden, New Jersey received \$1,140 per student in federal aid (mostly from Title I grants), property tax and mortgage interest deductions funneled \$2,399 per student to the wealthy suburban city school system in Princeton, New Jersey.<sup>1</sup>

From the 1930s through the 1970s, federal urban renewal and highway construction subsidized the rewards of whiteness. Federally assisted urban renewal projects demolished twenty percent of the central city housing units occupied by African Americans during the 1950s and 1960s.<sup>2</sup> People of color made up more than sixty percent of the population displaced by urban renewal.<sup>3</sup> Ninety percent of the low income housing units destroyed by urban renewal were never replaced. Urban renewal demolished some sixteen hundred Black neighborhoods in cities north and south. Clinical psychiatrist and public health specialist Mindy Thompson Fullilove argues that urban renewal in the mid-twentieth century was of sufficient scale and scope that it destroyed the emotional

ecosystems of Black communities, inducing a profound alienation, a collective traumatic stress reaction that she describes as “root shock.”<sup>4</sup>

It would be naïve to think that the designers of urban renewal were unaware of the racial consequences of their actions. Yet they did not have to express intentional racial animus. The cumulative vulnerabilities of communities populated by the victims of housing discrimination meant that the neighborhoods slated for destruction had large numbers of absentee landlords, suffered from political isolation and powerlessness, and locations near downtown desirable for creating centralized convention facilities, museums, concert halls, and subsidized hotel and office developments. Although large scale urban renewal programs seem to be a thing of the past, the logic that guided racialized urban renewal persists in a wide range of public policies including tax abatements, tax increment financing, and issuance of industrial development revenue bonds.

Addressing the skewing of opportunities and life chances along racial lines in the society require stronger fair housing laws and better law enforcement. But we also need to end these practices and policies that widen racial disparities and instead create new programs designed to promote equal opportunity through asset accumulation, educational equity, and environmental justice.

- <sup>1</sup> . Richard Rothstein, "How the U.S. Tax Code Worsens the Education Gap," *New York Times*, April 25, 2001, A17
- <sup>2</sup> . John R. Logan and Harvey Molotch, *Urban Fortunes: The Political Economy of Place* (Berkeley and Los Angeles: University of California Press, 1987), 182
- <sup>3</sup> . Arlene Zarembka, *The Urban Housing Crisis: Social, Economic, and Legal Issues and Proposals* (New York, Westport, Connecticut, London: Greenwood Press, 1990), 104
- <sup>4</sup> . Mindy Thompson Fullilove, *Root Shock: How Tearing Up Neighborhoods Hurts America and What We Can Do About It* (New York: Ballantine, 2005)