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Austerity, Neoliberalism, and Black Communities

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Race Taxes and the Political Economy of Black Urban Housing in the 1960s

Keeanga-Yamahtta Taylor

In scholarship on race and housing, Black poverty is used to explain the overrepresentation of African Americans in substandard housing. This practice has masked how many African Americans were actually able to afford comparable homes to whites in the housing market, but the existence of a “dual housing” market created a captive Black market where more was paid for inferior housing. Blacks are estimated to have paid tens of thousands of dollars more for substandard housing—payments popularly known in Black communities as “race taxes.” This practice would be counted as a factor in Black rebellions in the 1960s.

Keywords: “dual housing”, housing, political economy, poverty, segregation

All citizens of the United States shall have the same rights, in every State and territory, as it is enjoyed by white citizens thereof to inherit, purchase, lease, sell, hold, and convey real and personal property. —Section 1982 of the Civil Rights Act of 1866¹

He [Martin Luther King, Jr.] knows that he must make it understood that slum ownership, contrary to popular notions, is a highly lucrative venture, that, in fact, the current system encourages such ownership by rewarding it with huge profits...slumlords are given the green light for their exploitative practices. Skimping on heat, repair, landscaping, decorating, janitorial services and other maintenance costs, they pocket vast, undiminishing profits in rentals for their

relatively small initial investments in their substandard properties. —*Ebony* Magazine on King and the movement against slums in Chicago, 1966²

Inflated prices, higher interest rates, and other onerous terms and conditions imposed upon them [African American homeowners in Chicago], are in effect badges of slavery. —Friend of the Court Brief filed by the Nixon Department of Justice, March 1969.³

In the summer of 2012 banking conglomerate Wells Fargo, the nation's largest residential home mortgage originator, agreed to pay \$175 million in damages settling a lawsuit filed by the United States Department of Justice (DoJ) that had accused the bank of discriminating against African American and Latino borrowers from 2004 through 2009. Spokespersons of the DoJ said that in 36 states and the District of Columbia, the bank charged 34,000 African American and Latino borrowers higher rates for loans and fees while steering them into predatory subprime loans when many of them qualified for prime loans. Assistant Attorney General of the DoJ's civil rights division, Thomas Perez, described the greater amount of fees paid by African Americans and Latinos for loans compared to fees paid by whites as a "racial surtax."⁴ The subprime lending practices like those of Wells Fargo created the current housing crisis that has disproportionately devastated African American communities. Expensive loans and historic levels of unemployment combined to drive the level of African American homeownership down to 44 percent today from a high of 50 percent in 2006. Moreover, from 2005 to 2009 as a result of the decline in homeownership levels, Black wealth collapsed by 53 percent compared to a 16 percent drop experienced by whites. As a result, Black household wealth in 2009 was a paltry \$5677 compared to \$113,149 held by white households.

The disparities in both wealth accumulation and homeownership between African Americans and whites is not new nor did it just develop in the last several years because of unregulated banking activities. For decades segregative, federal housing policies bore great responsibility for the deterioration of the urban housing stock just as millions of African American migrants were heading to American cities. Residential segregation dramatically limited the housing options of African Americans and drove up the price of already scarce housing. The exclusion of African Americans from traditional and conventional sources of credit essentially forced them into economically exploitative and predatory relationships with unscrupulous lenders. This was the impact of the dual housing market. African Americans paid extra for their inferior housing because they lived in urban areas. The added costs of the dual housing market amounted to the "million dollars a day cost of being Black."⁵ These added costs constituted what was popularly known in Black communities as a

“race tax” that not only fleeced individual African Americans, but it also siphoned money from necessary investment and development in urban communities. These predatory economic relationships should not be seen as separate from the civil rights inequality of housing discrimination itself; rather, racially biased housing policies helped to create a dual housing market that was foundational in the economic exploitation of African Americans, ultimately boiling over into rebellion by the end of the 1960s.

The rise of this dual housing market did not reflect the “free market” principles touted throughout the 20th century as a distinguishing feature of American exceptionalism and the motor of the American Dream; instead it demonstrated the existence of a racialized political economy where Blacks paid more for everything from housing to automobiles to groceries to eye glasses. Residential segregation, thus, was not just a racial phenomenon but it was also an economic one. These added costs incentivized the continuation of a separate Black housing market. The existence of “race taxes” and the financial exploitation of African American communities as a feature of residential segregation were widely understood by everyone from activists to the news media, to politicians from both political parties. Ironically, forty-three years before the settlement of the Wells Fargo lawsuit, three months into the presidency of Richard Nixon, another Assistant Attorney General of the DoJ’s civil rights division, Jerrod Leonard, filed a memorandum in support of a lawsuit initiated by Black Chicago homeowners against the discriminatory practices of the real estate industry, local banks, and savings and loans associations. The memo read in part, “The Negro . . . purchasers have paid a race tax. They paid a higher price because they are black.”⁶

The description of a race tax as mentioned by two attorney generals separated by forty-four years represents a destructive continuity of racial oppression and economic exploitation in the American housing market. This “race tax” demonstrated how racial segregation created economic incentives for predatory and financially exploitative relationships with African Americans communities. This phenomenon has not been fully understood in the multiple analyses of poverty and financial disparities that exist between Black communities and whites. Instead, scholars have overemphasized poverty as the main factor in the residential segregation of African Americans while paying less attention to the ways in which financial exploitative practices, as one author wrote, “This is a fact too often ignored—such practices not only exploit poverty, they actually *create* poverty.”⁷ The Black Freedom Struggle of the postwar era highlighted the existence of structural inequality and racial discrimination as the central explanations for the persistence of deprivation in Black communities

especially in the 1960s when urban rebellions across the nation underlined the extent to which, collectively, African Americans felt excluded from the alleged promise of the American Dream. In the decline of those struggles arose an economic and political neoliberal order deemphasizing structural explanations for inequality and the need for the interventionist state of the civil rights era while promoting “cultural” and other subjective explanations for the disparities. This article contends that closer attention should be paid to the existence of “race taxes” and other exploitative financial relationships to fully understand the persistence of residential segregation, disparities in homeownership and poverty in Black communities.

The Dual Housing Market

Housing advocate and attorney Charles Abrams described the meaning of homeownership in the postwar United States as “represent[ing] not only the desire to achieve housing peace but also an emotional experience; it bespeaks freedom and security, it is tied up with pride and confidence. The two-bedroom house on 800 square feet of land amid other 2 bedroom houses on 800 square feet of land has become the post-frontier symbol of what we call the American way of life.”⁸ Understanding why the discriminatory policies that curtailed equitable access to homeownership for African Americans in the postwar era became such a politically and socially explosive issue in the 1960s requires a grasp of the centrality of homeownership in the United States and its pathway to political, economic, and cultural citizenship. Indeed, homeownership was considered a cornerstone of the American Dream but its access and availability were governed by financial capacity. By 1960 more than 60 percent of white Americans owned their own homes but only 39 percent of African Americans were homeowners.⁹ The difference between the two was that white homeowners were the beneficiaries of government policies developed in the midst of economic depression in the 1930s aimed at re-invigorating a housing market in free fall.

In 1933 the federal government established the Home Owners Loan Corporation (HOLC) hoping to stem the tide of approximately one thousand foreclosures happening a day.¹⁰ The HOLC performed this task by allowing the federal government to intervene on behalf of homeowners by both refinancing loans and directly lending to recently foreclosed homeowners allowing them to buy back their property. The program was wildly successful and between 1933 and 1935 the HOLC provided mortgage assistance to ten percent of urban homeowners.¹¹ The process by which the HOLC picked homeowners

to assist was controlled by highly subjective criteria like the “desirability” of a particular neighborhood. These initially abstract projections were quickly transformed into objective fact. Planners at HOLC created residential maps grading communities based on neighborhood desirability, and these maps were used to determine eligibility for refinancing or direct lending. The communities with the lowest grades were Black and urban. The policies of the HOLC not only resulted in the “redlining” of certain neighborhoods, but also created a two-tiered system of home financing. Redlined neighborhoods were those that evidenced “detrimental influences in a pronounced degree [with an] undesirable population” meaning that “some mortgage lenders may refuse to make loans in these neighborhoods and others will lend on a conservative basis.”¹² According to the HOLC, “we do not mean to imply that good mortgages do not exist or cannot be made in the Third and Fourth grade areas, but we think they should be made and serviced on a *different* basis than in the First and Second grade areas.”¹³ Author Antero Pietila described this as how, “a two-tier lending industry was born. Banks served well-to-do white areas; blacks had to get financing from speculators at harsh terms.”¹⁴ Thus, government intervention for whites made it, “cheaper to buy new suburban homes than to rent comparable older dwellings in the central city.”¹⁵

This was not the trailblazing moment where race and poor housing were conjoined for the first time. Anti-Black prejudice was already an existing feature of state and local ordinances as well as within the real estate industry. As early as 1917 the United States Supreme Court ruled against the use of racial zoning laws in the *Buchanan v. Warley* case. These were local laws that tried to dictate where in cities African Americans could rent or own homes. In 1924 the National Real Estate Board’s (NAREB) code of ethics, governing the largest grouping of real estate brokers in the country, declared, “A realtor should never be instrumental in introducing into a neighborhood a character of property or occupancy, members of any race or nationality, or any individual whose presence will clearly be detrimental to property values in the neighborhood.”¹⁶ The HOLC’s actions attributed property values to the racial or ethnic identity of residents then helped codify it into a national housing policy. HOLC guidelines also signaled to private lenders that they, too, should be wary of lending in the low-graded areas.

These practices were amplified when in 1934 a federal housing policy was set in motion with a National Housing Act and the subsequent creation of the Federal Housing Administration (FHA). The FHA revolutionized home buying in the United States primarily by guaranteeing mortgages to those who could not afford the terms of conventional mortgages. Federal mortgage insurance and a new

policy of mortgage amortization helped to dramatically reduce down payments and the overall cost of homeownership and other housing by extension. The new legislation took much of the risk out of lending to ordinary people for the purchase of homes. These changes precipitated the postwar housing boom of the 1940s and 1950s. The FHA also relied on racial and place-based analysis in determining where mortgage insurance would be available and to whom. The reliance on racial categorization and ranking in FHA underwriting criteria reflected the popularity of eugenics among American policymakers. For example, Homer Hoyt, a former real estate broker and urban sociologist from the University of Chicago who was instrumental in creating the federal government's underwriting criteria for mortgage insurance, relied on a racial ranking system to determine FHA guidelines from 1934 until 1940. Hoyt used Chicago as the model to illustrate his theory of neighborhood racial composition and property values. Hoyt delved into racial myths to rank the ethnic minorities impact on land value writing, "Ranking of races and nationalities with respect to their beneficial effect upon land values [which] may be scientifically wrong from the standpoint of inherent racial characteristics [but it] registers an opinion or prejudice that is reflected in land values." He then ranked in descending order those ethnic groups that had the most desirable effect on property values to those that had the most adverse effect on value. The list was as follows:

1. English, Germans, Scotch, Irish, Scandinavians
2. North Italians
3. Bohemians or Czechs
4. Poles
5. Lithuanians
6. Greeks
7. Russians, Jews (lower class)
8. South Italians
9. Negroes
10. Mexicans

Racial mythmaking was eventually elevated to the level of public policy when the FHA institutionalized its ranking system in the 1938 *Underwriter's Manual* where federal standards were elucidated:

Areas surrounding a location are investigated to determine whether incompatible racial and social groups are present, for the purpose of making a prediction regarding the probability of the location being invaded by such groups. If a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial classes. A change in social or racial occupancy generally contributes to instability and a decline in values.¹⁷

Abrams said the first fifteen years of the FHA *Underwriting Manual*, “read like a chapter from Hitler’s Nuremberg Laws.”¹⁸

There is a vast body of literature demonstrating how federal housing policies promoted racial discrimination and residential segregation as a result of these guidelines.¹⁹ Prospective white homeowners were the beneficiaries of public policies governing access to home financing, mortgages, and brand new housing in suburban areas where the job market was robust and federally subsidized highways paved the way. The ability to participate in the FHA Section 203 program—the basic program for the purchase of a single-family home—meant low down payments, lower interest rates, and a thirty-year mortgage. Over time it also included access to a bevy of tax benefits including the ability to write off mortgage interest rate payments. All of these benefits including accrued equity in the home itself, the ability to live in communities with rising property value, and growing wealth accumulation became synonymous with American homeownership throughout the 20th century. The exclusion of African Americans from the conventional housing market created the conditions for a separate Black housing market where transactions were made on exploitative and predatory terms.

The failure to fully account for the creation of this dual housing market has led many scholars to overemphasize the poverty of African Americans in explaining their segregation into urban ghettos in the 20th century. While it is true that the rate of Black homeownership was always lower than whites because of disproportionately higher levels of poverty among Blacks and racial discrimination in the housing market, in the postwar period rising income among migrating African Americans should have made more of them eligible for homeownership. In a 1954 address, Dr. Frank S. Horne, the assistant to the administrator of the Housing and Home Finance Agency (HHFA), stated, “[B]etween 1940 and 1950, annual earning of nonwhite workers tripled. In 1939, 3.7 percent of Negro families earned between \$3,000 and \$5,000 a year; in 1950, the percentage had risen to 17.8 percent.”²⁰ Another study conducted by the HHFA in 1963 pointed out that the number of nonwhite people earning more than \$4000 a year increased nearly sixteen fold between 1949 and 1959, from 59,000 to 940,000.²¹ By 1967, the average Black income in metropolitan areas was \$5700 versus the \$2900 made by Blacks in rural areas.²² Poverty did matter and it constrained Black opportunity in multiple ways, but the rising income of many African Americans should have made a number of them eligible for FHA mortgage insurance. The attitude of real estate brokers toward prospective Black homeowners sheds light on the discrepancy between African American economic readiness

for homeownership and their exclusion from the broad housing market. In a 1943 NAREB publication, *Fundamentals of Real Estate Practice*, the authors wrote,

the prospective buyer might be a bootlegger who would cause considerable annoyance to his neighbors, a madam who had a number of call girls on her string, a gangster who wants a screen for his activities by living in a better neighborhood, a colored man of means who is giving his children a college education and thought they were entitled to live among whites. . . . No matter what the motive or character of the would-be purchaser, if the deal would institute a form of blight, then certainly the well meaning broker must work against its consummation.²³

The Black Tax

The housing shortage began to ease in the 1950s when waves of middle-class whites left the cities for the suburbs to move into their new federally subsidized houses. As whites left their inner city houses, Black opportunities to own a home opened up dramatically—but often on very expensive terms. Many whites left for the greener pastures of the suburbs effortlessly, others had to be cajoled. The practice of “blockbusting” or “panic peddling” was widespread in this era of mass suburbanization. In a special report on housing in Chicago in 1962, a national publication called the *Saturday Evening Post* published an exposé on blockbusting featuring a real estate speculator’s description of the process:

I specialize in locating blocks which I consider ripe for racial change. Then I “bust” them by buying properties from the white owners and selling them to Negroes—with the intent of breaking down the rest of the bloc for colored occupancy. Sometimes the groundwork—the initial blockbusting—has already been done by some other speculator by the time I arrive on the scene. . . . I make my money—and quite a lot of it incidentally—in three ways: 1) by beating down the prices I pay the white owners . . . 2) by selling to the eager Negroes at inflated prices; and 3) by financing these purchases at what amounts to a very high rate of interest. . . . If anybody who is well established in this business doesn’t earn \$100,000 a year [they are] loafing.²⁴

Blockbusting thrived for two reasons: redlining of African American neighborhoods and a Black population that was growing and desperate for living spaces. Despite rampant mortgage discrimination, African Americans still tried to buy their own housing. There were a small handful of Black mortgage lenders throughout this period of Black migration. Many of the Black lenders organized Savings and Loans Association (SLA) branches that operated locally and amongst relatively tightly knit group of people. In 1930 there were 73 minority owned thrifts with assets totaling \$6.5 million, but by 1950 this number dropped to twenty-nine with only \$18 million in assets.²⁵ Black-owned SLAs offered some lending options for African Americans, but Black lenders also exploited the inflated costs of

the Black housing market and were just as likely to engage Black customers under predatory terms.²⁶ Because of their own tenuous economic situation, Black lenders were less likely to be interested in the cheap terms of FHA loans. In several states, African Americans in search of mortgages turned to “land-installment contracts” (LICs) to purchase property. Contract purchases were akin to “rent-to-own” schemes in which purchases paid higher interest rates and higher overall costs as a result.²⁷ The most extensive analysis of Black contract buyers for home purchases has been in Chicago.²⁸ There is emerging research that shows similar exploitative transactions were typical in Baltimore as well.²⁹ In general, where African Americans were not able to borrow from conventional lenders, they were forced into financially exploitative relationships.³⁰

The widespread use of land installment contracts in the buying and selling of homes in Black Chicago shows the anatomy of the exploitative relationship between buyers and sellers in racially inspired political economy. The Chicago contract market also demonstrates how the flow of profit was not just to shady real estate speculators, but the huge profits extracted from exploitative contract sales boosted the bottom line of almost half of the SLAs in Chicago.³¹ Blockbusting and LIC sales offered huge financial incentives to SLA presidents to deepen their financial relationships with speculative real estate moguls, while keeping qualified Black homebuyers at bay. Between 1956 and 1961, home sales on contract charged 15 percent interest rates—far and above the standard rate of between 6 and 7 percent.³² In 1965, the use of LICs was in decline, nevertheless the origination fee on these contracts were three times higher than typical loans, and the interest rates charged on the LIC were at least twice as high as a conventional loan. Finally, the payback period for the LIC was 29 months shorter than for a conventional loan. High fees, high interest rates, and shorter payback times could have a positive effect on the bottom line of an SLA. An SLA in North Lawndale increased its asset growth from a low of \$10 million in 1959 to a high of \$31 million by 1961 mostly as a result of speculative real estate activity.³³ Moreover, sweetheart deals³⁴ rewarding SLA presidents 25 percent of annual net earnings incentivized the continued business with real estate speculators who dealt in predatory contract sales.³⁵

African American homeowners could not typically get a mortgage loan from an SLA but real estate brokers were given unfettered access to mortgage capital that was used to buy houses that were resold to Blacks on installment contract. As one author observed, “contract sellers depended on access to a continuous and reliable source of capital to finance a large portfolio of [land-installment contract] properties. Without this capital, speculative activity would

have been limited by an investor's smaller personal investment resources."³⁶ A 1959 survey of SLAs in Cook County found that in a twelve-month period of 243-chartered associations only 21 of the SLAs including two Black-owned SLAs, extended mortgages to African Americans. But there were another 141 commercial banks and 229 Savings and Loans that made *no* loans to African Americans, though they made loans to white speculators who used those resources to sell homes on contract to African Americans.³⁷ SLA involvement with speculative blockbusting activity intensified in the early 1960s as more African Americans were in a better position to purchase homes because of rising incomes. By 1963, Black median income in Chicago had risen to a high of \$4700, substantially higher than the national average for African Americans, and 35 to 40 percent of Black Chicagoans were considered middle-class.³⁸ Despite this rise in income, the LIC was the "principle means of purchase by Negro homebuyers."³⁹ An investigation of an all white block in Chicago showed that all the white homeowners had conventional mortgages while two-thirds of the African Americans on a South Side block had contracts. The study concluded that funds were "readily available" for Blacks who wanted to move to "all-Negro communities," while "most lenders . . . refuse a highly qualified Negro buyer a loan in an all-white areas [of the city and suburbs]."⁴⁰ In other words, Blacks who continued to search for housing in segregated neighborhoods were allowed some access to mortgage funds, while African Americans who dared to look for homes in white neighborhoods were penalized.

A Chicago report on the availability of mortgage funds for African Americans found that in 1963, on average, Black homeowners paid 73 percent more for housing than whites, even though their median annual income was one half of what it was for whites.⁴¹ This disparity was partially a result of the unwillingness of local SLAs to grant mortgages to African Americans even when they met the financial requirements. The 1964 Civil Rights Act made it illegal for federally chartered Savings and Loans Associations to discriminate on the basis of race so SLA loan officers offered many other explanations from "unstable family structures" to an assumed inability to make a down payment to justify their consistent refusal to grant mortgages to prospective Black homeowners.⁴² One survey of loan officers concluded that only 20 percent of African Americans could afford to buy a house for \$18,200, the average cost of a house in Chicago in 1960.⁴³ Yet, a report published one year earlier found that in at least one Chicago neighborhood, Blacks were paying an average of \$19,216 for homes on contract and, of twenty-four homes included in the study, all but six had been successfully paid off—and four of those six were almost paid off.⁴⁴

In 1961, the Urban League estimated that African Americans in Chicago spent more than \$157 million over a seven-year period for the added cost of renting and owning homes. The *Atlanta Daily World* calculated that, in part, that money could build and fully equip fifty hospitals with one hundred rooms as well as purchased almost 8000 three-bedroom ranch style houses with \$20,000 mortgages.⁴⁵ The tens of thousands of additional monies paid by African Americans had long-term and detrimental impacts on Black Chicago. Higher home costs meant less money to invest in renovations and general maintenance, exacerbating the already deteriorated condition of Black urban properties. The excessive monthly payments incurred by contract buyers also forced them to bring more people into their households in an attempt to cover their monthly housing costs. The onerous terms of contract buying meant there was always a possibility of defaulting on a payment. When contract buyers did default the bank was stuck with an overvalued house that could not be sold for the price at which it was appraised. The impact was huge. Between 1963 and 1968 more Illinois SLAs were closed than in any other state—and speculative contract sales was the main reason.⁴⁶

Slum Colonialism

The higher costs of housing produced the greatest frustration among African Americans simply because urban housing was so deplorable, but the race tax in housing was only one way in which the segregation of Blacks created opportunities for economic exploitation. A study by the Federal Trade Commission (FTC) conducted in Washington, D.C., found higher prices charged for goods sold in ghetto stores than in other areas. Their study found that 92 percent of the sales made in urban stores were based on exploitative installment plans as compared to 27 percent of sales outside of ghetto areas. The commission found that urban stores were selling, *on average*, the same merchandise for 50 percent more than other stores. *Ebony Magazine* reported, “Shopping surveys taken in Boston, Philly, Chicago and San Francisco revealed the same pattern: the poor are paying exorbitant prices, usually 75 to 100 percent for goods from stores in low-income areas as compared with those in ‘ethical’ stores patronized by the middle-class.”⁴⁷

When radicals described Black communities as “internal colonies” within the United States, the color tax made sense of that militant rhetoric.⁴⁸ *Ebony Magazine* published an article describing the political economy of the urban ghetto:

Economic racism? Its effects abound. Ghetto economics are such that black income is half and black unemployment nearly three times the national average.

Black dollars buy less are harder to acquire and are eaten up faster and in larger bits by usurious and fraudulent practices than white dollars. Markups of 100 to 300 percent are quite common in the ghetto. American colonialism, in short, relegates black people to a subordinate, inferior status, entrapping them in a vicious poverty cycle. Denied good jobs, they are stuck with low incomes and unable to obtain a good education with which to get good jobs, proper housing or adequate medical services. The money that does trickle into the black community only tarries momentarily then returns to the already prosperous white community—a natural consequence of the absentee white ownership of the most ghetto business.⁴⁹

When two Black men were interviewed in Cleveland after riots broke out there in 1966, they described the exploitative dynamic that existed between Black communities and white society. “The whites know what they are doing. They want us to make the money for them and don’t want us to have a damn thing.” Another said, “A major problem in this country is that the white power structure still looks upon the black community as a plantation.”⁵⁰ A Black youth from Watts connected this exploitation to the rebellion when he explained, “You pay almost double the price here for the same good as you do in [white neighborhoods]. The people just got fed up. They had had enough.”

It was not just Black radicals or disaffected Black youth who recognized this exploitative relationship between the urban ghetto and white society; some figures within the “white power structure” also recognized it. In a hearing on the lack of credit resources available to African Americans in the inner city, Democratic Senator Walter Mondale of Minnesota described the plight of urban America when he said,

There is a growing awareness among economists and urban experts that the problems of the inner city are similar to the problems of underdeveloped countries...urban ghettos...share another characteristic with some undeveloped countries—and that is the problem of colonial exploitation.⁵¹

Dr. Kenneth Clarke described the ghetto as a source of wealth for those who lived outside its boundaries, “Exploiters come into the ghetto, from outside, bleed it dry, and leave it economically dependent on the larger society. . . . [T]he white power structure has collaborated in the economic serfdom of Negroes by its reluctance to give loans and insurance to Negro businesses.”⁵² In their influential book, *Black Power*, authors Stokely Carmichael and Charles Hamilton described this dynamic. “The groups which have access to the necessary resources and the ability to effect change benefit politically and economically from the subordinate status of the Black community,”⁵³ and thus, the “race tax” continued.

Multiple commissions and studies charged to investigate the many dimensions of “urban crisis” continued to over-emphasize poverty as

both the cause of conditions within the inner city as well as the reason behind the segregation of African Americans. They repeated the theory that Blacks were in ghettos because they could not afford rents beyond the ghetto's borders. The Kerner Commission report identified "exploitation of disadvantaged consumers by retail merchants," as a feature of Black urban life, but the authors concluded that poverty was the main issue:

Most low-income families are uneducated concerning the nature of credit purchase contracts, the legal rights and obligations of both buyers and sellers...many poor families have...low incomes, bad previous credit records and unstable sources of income...[finally] because they have unstable incomes and frequently fail to make payments, the cost to the merchants of serving them is significantly above that of serving middle income consumers...⁵⁴

Kerner's explanations for housing disparities also rested on the poverty thesis: "many ghetto residents simply cannot pay the rent necessary to support decent housing. Forty percent of nonwhite occupied units required rent that was thirty-five percent of their income."⁵⁵ It was undoubtedly true that some Black residents were living in extreme poverty in urban neighborhoods, but what Black residents understood to be true and what the researchers completely failed to grasp was that in most cases African Americans were paying as much as whites, if not more, for inferior housing. If African Americans had free choice of where to live the cost of rent would have been driven down making it even more likely that they would not have had to live in deteriorating conditions. Urban League leader Whitney Young, described the phenomenon in a weekly column he wrote for in New York's *Amsterdam News*, "Some whites fail to recognize that millions of Negro families are paying more for leasing a Harlem slum than their white counterparts pay for a Hartford Townhouse. When Negro leaders assail the 'color tax', slumlordism, the bigotry many banks and savings and loan associations and their realtor allies toiling to keep Negroes in the ghetto, these whites look the other way."⁵⁶ In an interview with the *Chicago Tribune*, Martin Luther King, Jr., also described the "race tax": "My neighbors pay more for rents than their neighbors in the white suburbs. In Lawndale, a Negro pays \$90 a month for an apartment without utilities and intermittent heat. A white in South Deering, Gage Park or Belmont pays \$80 a month for a similar apartment."⁵⁷ But the cause of the exploitation was not poverty; it was racism. A Los Angeles attorney, Carlyn Walker, was interviewed in 1965 for a governor's commission investigating the riots in Watts and said, "When historians write the story of all of this trouble, they're going to wonder how in the hell such an incendiary element could have been so complacently accepted and overlooked."⁵⁸ The "incendiary element" she was referring to was the "color tax."⁵⁹

Scholars have not previously identified the significance of the “race tax,” but activists fighting the neighborhood erosion caused by it, have for many years. A Chicago Urban League study identified its impact in a study in the early 1960s,

Negroes must pay a color tax of approximately \$10 per month more than do whites for comparable housing. The median monthly rent in 1960 was the same for both Negro and white families, ie., \$88, but the quality of housing occupied by the Negro family was more likely to be inferior . . . it appears that Negroes pay directly an average of \$1500 more than whites for comparable dwellings. In addition, Negro homebuyers generally have to pay higher interest rates on mortgages and/or contract purchases. Although Negro families earned one-third less than did white families in 1960, they spent a higher portion of their take-home pay than did white families for comparable housing.⁶⁰

Economic Discrimination versus Racial Discrimination

The financial exploitation of Black communities, particularly in the housing market, contributed to resentments that ultimately boiled over into the rebellions that shook the United States through the second half of the 1960s. Seven days after the assassination of Martin Luther King, Jr., in April of 1968, Congress finally passed federal legislation banning racial discrimination in the rental and sale of public and private real estate. Title VIII of the 1968 Civil Rights Act, popularly known as the Fair Housing Act, was to be phased in over two years ultimately leading a ban on discrimination in the buying and selling or renting of up to eighty percent of public and private property in the United States—but not including owner-occupied properties or property sold by individual homeowners as opposed to real estate brokers.

Two months after federal fair housing legislation was passed, the Supreme Court returned a landmark decision in the case *Jones v. Mayer* that effectively banned *all* housing racial discrimination immediately. The Court referred to a section of an 1866 Civil Rights Act that explicitly addressed the right of African Americans to buy and sell real estate on the same terms as whites, “All citizens of the United States shall have the same rights, in every State and territory, as it is enjoyed by white citizens thereof to inherit, purchase, lease, sell, hold, and convey real and personal property.”

The Supreme Court went so far as to describe housing discrimination as a “badge of slavery” and compared it to the Black Codes enacted after the Civil War that aimed to control the movement of the newly freed Black population. Justice Potter Stewart wrote in the majority opinion for the court,

Just as the Black Codes, enacted after the Civil War to restrict the free exercise of those rights, were substitutes for the slave system, so the exclusion of Negroes

from white communities became a substitute for the Black Codes. And when racial discrimination herds men into ghettos and makes their ability to buy property turn on the color of their skin, then it too is a relic of slavery. Negro citizens, North and South, who saw in the Thirteenth Amendment a promise of freedom—freedom to “go and come at pleasure” and to “buy and sell when they please”—would be left with “a mere paper guarantee” if Congress were powerless to assure that a dollar in the hands of a Negro will purchase the same thing as a dollar in the hands of a white man . . . the Thirteenth Amendment includes the freedom to buy whatever a white man can buy, the right to live wherever a white man can live.

This ruling opened the door for African Americans to pursue further legal challenges to the way in which a dollar in Black hands actually purchased less than a dollar in white hands. The combination of federal fair housing legislation and a landmark Supreme Court decision clearly banned the racial discrimination that pervaded the real estate and banking industries. Black homeowners in Chicago took advantage of the new ruling to challenge the exploitative contracts used to purchase their homes. In 1968 hundreds of African American homeowners on contract in Chicago organized themselves as the Contract Buyers League (CBL). The goal of the CBL was to force the real estate speculators and SLAs that held the mortgages on their contracts to renegotiate the contracts into conventional mortgages. In December of 1968 they filed a lawsuit against fifty real estate brokers, local banks and SLAs for conspiring to maintain the dual housing market and using economically exploitative land installment contracts. The legal argument was not traditional discrimination but that the real estate industry had “taken advantage of the societal discrimination against blacks which had created a separate racially defined real estate market.” The lawsuit attracted national attention, namely from the Nixon Administration, whose Department of Justice filed a friend of the court brief in support the Black homeowners. Jerrod Leonard of the DoJ spoke sharply about the issues at stake in the lawsuit:

Negroes have a right to go into a Federal court and sue for damages when they’ve bought a home, appliances, groceries, clothing or other items on less favorable terms than whites get. . . . Negroes have paid millions and millions of dollars throughout this country because of these transactions . . . anyone who rakes off a profit from racial discrimination should have to pay it back. . . . We believe if you take the profit out of blockbusting, blockbusting will stop.⁶¹

The lawsuit went beyond simply seeking damages from unfair contract terms in Chicago to raising the potential of Blacks to sue for all kinds of predatory and financially exploitative transactions. Historian Beryl Satter, in her seminal book on LICs in home purchases in Chicago, *Family Properties*, pointed out, “If successful, their suits might do more than force the remaining contract sellers

to renegotiate. They could also establish legal precedent for challenging other profits derived from racially divided markets.”⁶² The DoJ described their support of the lawsuit as a “commitment on behalf of the federal government to bring the power and prestige of the federal government”⁶³ into the fight against residential segregation while pledging to initiate investigations of blockbusting and financial exploitation in seven other cities including Detroit, Fort Worth, Buffalo, Washington, D.C., Kansas City, and Baltimore. Attorney General John Mitchell said the Administration’s intervention in the case was the “federal government’s first effort...to break massive Northern housing segregation.” These were wild pledges from the Nixon Administration but fit with its position of developing Black business and capitalism in the inner city. It was easier to advocate fairness and equity for African Americans in their own communities than to pursue a more contentious strategy of attempting to integrate the suburbs that Nixon’s secretary of the Department of Housing and Urban Development, George Romney, was dubiously pursuing without Nixon’s knowledge. Nixon’s DoJ intervention in the Chicago lawsuit also created some cover for the Administration’s slow implementation of the new Fair Housing Act’s call for the DoJ and Housing and Urban Development (HUD) to pursue parties involved in racially motivated housing discrimination. By 1970 only one thousand complaints against racial discrimination had been received under the Fair Housing Act. Complaints were slow to come in for many reasons including things like the requirement that complaints be notarized. Moreover, only 125 people *nationally* were the HUD staff assigned to follow up on complaints. The CBL lawsuit allowed the Nixon Administration to talk big against housing discrimination without having to commit any serious resources to actually implementing and enforcing the new fair housing rules.

The Chicago lawsuit passed its first hurdle when the judge in the case refused to dismiss it as per the request of the defendants. Instead, the judge upheld the theory advanced by the CBL attorneys that regardless of whether or not the defendants were directly discriminating against Black homeowners, they were financially profiting from residential segregation and that was a violation of the 13th Amendment. He wrote:

Defendants present the discredited claim that it is necessarily right for a businessman to secure profit wherever profit is available, arguing specifically that they did not create the system of de facto segregation which was the condition for the alleged discriminatory profit...but the law in the United States has grown to define certain...ethical limits of business enterprise...for it is now understood that under Section 1982 as interpreted in *Jones v. Mayer*, there

cannot in this country be markets or profits based on the color of a man's skin...there is no reason to distinguish a refusal to sell on the ground of race and a sale on discriminatory prices and terms.⁶⁴

Clearly, the CBL lawsuit was shaping up to challenge the entire premise of the dual markets created as a result of residential segregation. It would take another year before the case advanced to trial but the judge who allowed the case to move forward recused himself after repeated accusations of favoritism by the defendants. The judge who replaced him was an older white man from Alabama who immediately displayed where his sympathies lay, allowing the attorneys for the defendants to exclude all of the potential African American jurors from the jury pool. In fact, a jury never heard the case when after six weeks of testimony the judge abruptly agreed to the defendant's motion for dismissal of the case. In a prepared statement echoing the ascending politics of "colorblindness" the judge said, "Council for plaintiffs have not painted a pretty picture of the defendants, but the picture is a picture of exploitation for profit, not racial discrimination. . . . Nowhere in the six week trial is there one scintilla of evidence that the defendants . . . ever refused to sell to a white person or a Black person . . . any house, or refused to sell one or the other at a higher or lower price, absolutely no positive evidence of discrimination in this record."⁶⁵ In other words, without an intentional display of anti-Black racism, racism could not be alleged. The judge's hasty dismissal would eventually be overturned by appeal-two years later. When the case came to trial again in 1975 another conservative judge and all white jury ruled for the defendants and against the African American homeowners. The jury's foreman kept a diary during the trial and wrote that the outcome was fair because the case was "not a matter of civil rights, but supply-and-demand economics."⁶⁶

Conclusion

For much of the 20th century federal policies reinforced and expanded racially discriminatory access to credit and loans needed to participate in the private housing market. The systematic marginalization, and often exclusion, of African Americans from conventional sources of credit dramatically limited their housing choices to deteriorating, urban ghettos. The rise of a dual housing market created a captive market where economically exploitative and predatory transactions became the dominant way business was conducted in inner cities across the country. The dual housing market gave way to other "dual markets" constituting a political economy of exclusion where African Americans paid more for the same, but often, inferior housing, services and other goods-what Black people called a "race tax."

The central problem in ending dual markets in the United States has been the legal emphasis on intentional racism as the most significant evidence of racial discrimination. In the post-Civil Rights era, the absence of demonstrable intent is the foundation for what has become known as “colorblindness” where the absence of racial language or actions are interpreted as the absence of racism. Even before this more recent development of “colorblindness,” the law has always placed the burden of proving racist intent on its victims. What law-makers, in particular, failed to grasp or what they willfully ignored, was that the elimination of intentional racism in the law could not automatically undo decade upon decade of the effects of legal discrimination. Institutional racism was the cumulative effect of policies, programs, and practices of public and private organizations causing the exclusion or marginalization of African Americans from the benefits enjoyed by whites. These policies and practices, whether they were intentional or unintentional, *de jure* or *de facto*, the major criterion was what they produced, not what they intended.⁶⁷

The existence of dual markets has been described as simply the “free market” or “supply-and-demand economics,” but participation in the American economy has never been “free” rather, class, gender, sexual orientation, race, and ethnicity have always limited one’s access to full participation. For African Americans these hurdles were exacerbated and compounded by widespread notions that conflated blackness with economic risk and deteriorating property values. This institutional racism rippled far beyond the private housing market, affecting African Americans’ general participation in and access to the conventional economy. The failure to take action against institutional racism, and not just intentional racism, explains, in large degree, why racial discrimination persists in the American housing market more than forty years after the passage of the 1968 Fair Housing Act.

The Fair Housing Act banned racial discrimination not only in the buying and selling of real estate, but it also banned blockbusting and discrimination in mortgage lending. Legislation passed throughout the 1970s like the Home Mortgage Disclosure Act and the Community Reinvestment Act were intended to compel lending institutions to lend to African Americans and other minorities on equitable terms. “Credit scores” gained wide usage in the 1970s as a “color neutral” measure of credit worthiness allowing banks and other lenders to evaluate potential borrowers blindly. Good credit, however, was determined by a host of factors deeply influenced by race including job history, wealth accumulation, assets, and the ability to pay off debt on time to name only a few. A disproportionate number of African Americans suffer from low credit scores as a result making them, once again, more susceptible to predatory financial arrangements.

The more recent subprime crisis is only the latest incarnation of this cycle of racial and economic inequality.

The Fair Housing Act of 1968 removed the final vestiges of legal racism in the United States and with it came the ascendance of the concept of “colorblindness,” which deepened the idea that explicit declarations of racism are the only evidence of racism. The retreat from “institutional racism” and “structural inequality” as explanations for the economic disparities distinguishing African American lives from white lives has given way to more subjective explanations for inequality in the United States—mainly that Black culture is to blame. The study of the “race tax” and dual markets in their historic and current iterations, demonstrate the economic underpinnings of race in the United States. These underpinnings can lend explanation to the financial gaps that distinguish between Black and white experiences in the United States, but they can also explain, in part, the persistence of racial segregation long after public policies and private practices stopped formally promoting it. As the Wells Fargo settlement shows, there is money to be made in the perpetuation of race taxes and dual markets. Thus, segregation is not just a static spatial relationship defined by the proximity of African Americans to whites or others, but it is reflective of a race for profit that transforms urban space into what one writer has described as a “profitopolis”⁶⁸ where profits for mortgagees and real estate brokers are never ending and shattered credit and ruined neighborhoods are all that remain for African Americans who live there.

Notes

1. “Family Properties: Race, Real Estate, and the Exploitation of Black Urban America,” p. 276.
2. “Dr. King Carries Fight to Northern Slums,” *Ebony Magazine*, April 1966, 94–102.
3. “Nixon to Aid Blacks,” *Wall Street Journal*, March 31, 1969; “U.S. Supports Negroes on Blockbusting Losses: Enters Chicago Case for Home Owners’ Reimbursement of Exorbitant House Costs,” *Los Angeles Times*, March 29, 1969.
4. “Wells Fargo Fined for Racist Policies,” *Wells Fargo Watch*, July 12, 2012. <http://wellsfargowatch.blogspot.com/2012/07/wells-fargo-fined-for-racist-policies.html> (accessed January 1, 2013). Thomas Perez, “an African-American wholesale customer in the Chicago area in 2007 seeking a \$300,000 loan paid on average \$2,937 more in fees than a similarly qualified white applicant. And these fees were not based on any objective factors relating to credit risk. These fees amounted to a racial surtax. A Latino borrower in the Miami area in 2007 seeking a \$300,000 paid on average \$2,538 more than a similarly qualified white applicant. The racial surtax for African Americans in Miami in 2007 was \$3,657.”
5. Beryl Satter, *Family Properties: Race, Real Estate, and the Exploitation of Black Urban America* (New York: St. Martin’s Press, 2009).
6. “Nixon Bid To Aid Blacks,” *The Wall Street Journal*, March 31, 1969.
7. Warren G. Magnuson, “How the Ghetto Gets Gypped,” *Ebony Magazine*, September 1968, p. 116.
8. National Bureau of Economic Research; Census website on historic rates of homeownership. See also William J. Collins and Robert A. Margo, “Race And Home Ownership: A Century-Long View,” *Explorations in Economic History*, 38, no. 1 (January 2001): 68–92; “Historical Census of Housing Tables Ownership Rates,” *United States Census Bureau*, <http://www.census.gov/hhes/www/housing/census/historic/ownrate.html> (accessed October 1, 2012).

9. L. L. Woods, "The Federal Home Loan Bank Board, Redlining, and the National Proliferation of Racial Lending Discrimination, 1921–1950," *Journal of Urban History* 38, no. 6 (April 9, 2012): 1036–1059, doi:10.1177/0096144211435126.
10. Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of America* (New York: Oxford University Press, 1985); Thomas J. Sugrue, "Crabgrass-Roots Politics: Race, Rights, and the Reaction Against Liberalism in the Urban North, 1940–1964," *The Journal of American History* 82, no. 2 (1995): 551–578, doi:10.2307/2082186.
11. Antero Pietila, *Not in My Neighborhood: How Bigotry Shaped a Great American City* (Chicago: Ivan R. Dee, 2010).
12. Ibid.
13. Ibid., 70.
14. Ibid.
15. Douglas S. Massey and Nancy A. Denton, *American Apartheid: Segregation and the Making of the Underclass* (Cambridge, MA: Harvard University Press, 1993), 52.
16. Rose Helper, *Racial Policies and Practices of Real Estate Brokers* (Minneapolis: University of Minnesota Press, 1969), 204; Arnold R. Hirsch and Raymond A. Mohl, *Urban Policy in Twentieth-Century America* (New Brunswick, NJ: Rutgers University Press, 1993), 74–75.
17. Ibid.
18. Hirsch and Mohl, *Urban Policy in Twentieth-Century America*, 85.
19. Arnold R. Hirsch, *Making the Second Ghetto: Race and Housing in Chicago 1940–1960* (Chicago: University of Chicago Press, 1998); Martha Biondi, *To Stand and Fight: The Struggle for Civil Rights in Postwar New York City* (Cambridge, MA: Harvard University Press, 2003); Robert O. Self, *American Babylon: Race and the Struggle for Postwar Oakland* (Princeton, NJ: Princeton University Press, 2003); Thomas J. Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton, NJ: Princeton University Press, 2005); Thomas J. Sugrue, *Sweet Land of Liberty: The Forgotten Struggle for Civil Rights in the North* (New York: Random House, 2008); Lizabeth Cohen, *A Consumers' Republic: The Politics of Mass Consumption in Postwar America* (New York: Knopf: Distributed by Random House, 2003); Calvin Bradford and Dennis Marino, University of Illinois at Chicago Circle, *Redlining and disinvestment as a discriminatory practice in residential mortgage loans* (Washington, DC: U.S. Department of Housing and Urban Development, 1977); Philip Ashton, "Advantage or Disadvantage? The Changing Institutional Landscape of Underserved Mortgage Markets," *Urban Affairs Review* 43, no. 3 (January 1, 2008): 352–402; Kevin Fox Gotham, *Race, Real Estate, and Uneven Development: The Kansas City Experience, 1900–2000* (Albany: SUNY Press, 2002); Ann B. Schnare, "Trends in Residential Segregation by Race: 1960–1970," *Journal of Urban Economics* 7, no. 3 (May 1980): 293–301, doi:10.1016/0094-1190(80)90002-9; Daniel R. Kerr, *Derelict Paradise: Homelessness and Urban Development in Cleveland, Ohio* (Amherst: University of Massachusetts Press, 2011); Massey and Denton, *American Apartheid*.
20. Woods, "The Federal Home Loan Bank Board, Redlining, and the National Proliferation of Racial Lending Discrimination, 1921–1950."
21. Papers of Lyndon Baines Johnson: File Group 170, Folder: Department of Urban Housing and Development, LBJ Library Box 256 Problems, Summary, the Douglas Commission Report.
22. Ibid.
23. Hirsch and Mohl, *Urban Policy in Twentieth Century America*.
24. "Confessions of a Block-Buster," *The Saturday Evening Post*, July 14, 1962. In possession of the author. See Amanda I. Seligman, *Block By Block: Neighborhoods and Public Policy on Chicago's West Side* (Chicago: University of Chicago, 2005), 151–153.
25. David L. Mason, *From Building and Loans to Bail-Outs: A History of the American Savings and Loan Industry, 1831–1989* (New York: Cambridge University Press, 2004). <http://site.ebrary.com/id/10131647> (accessed October 7, 2012)
26. Preston H. Smith, *Racial Democracy and the Black Metropolis: Housing Policy in Postwar Chicago* (Minneapolis: University of Minnesota Press, 2012).
27. Lisa A. Danielson, "Installment Land Contracts: The Illinois Experience and the Difficulties of Incremental Judicial Reform," *University of Illinois Law Review* 1986 (1986): 91; Ray D. Henson, "Installment Land Contracts in Illinois: A Suggested Approach to Forfeiture," *DePaul Law Review* 7 (1958–1957): 1; Grant S. Nelson and Dale A. Whitman, "Installment Land Contract—A National Viewpoint," *Brigham Young University Law Review* 1977 (1977): 541; John Mixon, "Installment Land Contracts: A Study of Low Income Transactions, with Proposals for Reform and a New Program to Provide Home Ownership in the Inner City," *Houston Law Review* 7 (1970–1969): 523; Lynne Beyer Sagalyn, "Mortgage Lending in Older Urban Neighborhoods: Lessons from Past Experience," *Annals of the American Academy of Political and Social Science* 465 (January 1, 1983): 98–108; Hirsch, *Making the Second Ghetto*, 29–33; Sugrue, *The Origins of the Urban Crisis*, 39–47. The practice of contract buying

was largely unregulated because in contract sales the title of the house did not change hands until the final contract payment was made, thus there are very few official records documenting the extent of their use. Because of this limited paper trail, there has been no academic study of their impact on African American communities even though they were widely used in cities like Philadelphia, Houston, Cincinnati, Albany, Portland, Rochester, Detroit, and Baltimore. Chicago is an exception. The combination of activism and litigation against the use of LICs in Chicago at the end of the sixties created an enormous archive detailing both the mechanics of the contract buying system as well as the grassroots efforts to undo it. Moreover, the CBL movement was covered widely in the local media from 1968 through 1970 creating the kind of documentation that is missing from other cities. Some scholars have alluded to these contracts in general discussions about exploitative conditions created by residential segregation, but none have explored the collusive relationship between housing speculators, real estate moguls, and local savings and loans associations and their collective effort to keep Blacks locked out of the wider, white housing market while using the LICs to trap them in poor neighborhoods and laden with debt.

28. Satter, *Family Properties*.

29. Pietila, *Not in My Neighborhood*.

30. Ibid.

31. Sagalyn, "Mortgage Lending in Older Urban Neighborhoods," 98.

32. Ibid., 102.

33. Ibid., 364.

34. A sweetheart deal is a sale or an agreement in which one party in the deal presents the other party with very attractive terms and conditions. The terms of the sweetheart deal are usually so lucrative that it is difficult to justify turning down the deal.

35. Sagalyn, "Mortgage Lending in Older Urban Neighborhoods," 360–364.

36. Ibid.

37. "Jet – Google Books," http://books.google.com/books?id=HVSDAAAAMBAJ&pg=PA6&lpg=PA6&dq=%22John+L.+Waner%22++HUD&source=bl&ots=8DKg5hTM5g&sig=n2oN_CRrhtcBKO-dFdNdPP_3PAU&hl=en&ei=cLZzTM2_BIq5ngeY27y7CQ&sa=X&oi=book_result&ct=result&resnum=1&ved=0CBIQ6AEwAA#v=onepage&q=%22John%20L.%20Waner%22%20%20HUD&f=false (accessed August 24, 2010).

38. Chicago Commission on Human Relations City of Chicago, "Mortgage Availability for Non-Whites in the Chicago Area: A Report," April 1963, 6.

39. Chicago Commission on Human Relations City of Chicago, "Buying and Selling Real Estate in a Racially Changing Neighborhood," June 1962, 2. In possession of author.

40. Chicago Commission, "Mortgage Availability," 4.

41. Chicago Commission, "Buying and Selling," 5.

42. Alfred Avins, *Open Occupancy versus Forced Housing Under the Fourteenth Amendment* (New York: Bookmailer, 1963), 271–272. In a survey of loan officers, several explained that they were reluctant to offer mortgages to Blacks because "family stability [is] of prime importance to financing a non-white house. Several officers of associations commented on the disruptive influence of Negro marital problems on home financing, and one [survey] said that because non-white families were less stable, particular attention should be devoted to this aspect of the applicant."

43. Ibid., 275.

44. Chicago Commission, "Buying and Selling," 9.

45. Enoch P. Waters, "Urban League says Chicagoans Paid Huge 'Color Tax,'" *Atlanta Daily World*, May 25, 1961.

46. Federal Home Loan Bank Board, *Branching in the Savings and Loan Industry: Economic Analysis and Federal Policy Review, Extended Summary, Excerpts and Conclusions from the Full Study* (Washington: The Board, 1976).

47. "How the Ghetto Gets Gypped," *Ebony Magazine*, September 1968, 112–118.

48. Thomas A. Dutton, "The Colony Over-the-Rhine," *The Black Scholar* 37, no. 3 (October 1, 2007): 14–27; Stokely Carmichael and Charles V. Hamilton, *Black Power: The Politics of Liberation in America* (New York: Vintage Books, 1992).

49. Alex Poinsett, "The Economics of Liberation," *Ebony Magazine*, August 1969, 150.

50. Stanley Scott, "Negro Ghettos Teeming with Discontent," *Chicago Defender*, September 12, 1966.

51. United States. *Fair Housing Act of 1967*, hearings before the Subcommittee on Housing and Urban Affairs of . . . , 90-1 on S. 1358, S. 2114, S. 2280, August 21, 22, and 23, 1967, p. 84–87.

52. Carmichael and Hamilton, *Black Power*, 17.

53. Carmichael and Hamilton, *Black Power*.

54. United States. Kerner Commission and Tom Wicker, *Report*. (New York: Bantam Books, 1968), 274–278.

55. United States. Kerner Commission and Tom Wicker, *Report*.

56. Whitney Young, Jr., "Measuring Ghettos," *Amsterdam News*, October 9, 1965.
57. Phil Warden, "Negroes Pay Color Tax—King," *Chicago Tribune*, December 16, 1966.
58. Warren G. Magnuson, "How the Ghetto Gets Gypped," *Ebony Magazine*, September 1968, 121.
59. William K Tabb, *The Political Economy of the Black Ghetto* (New York: Norton, 1970); Carmichael and Hamilton, *Black Power*; Satter, *Family Properties*; "The Political Economy of Black Housing: From the Housing Crisis of the Great Migrations to the Subprime Mortgage Crisis—Free Online Library." <http://www.thefreelibrary.com/The+political+economy+of+black+housing:+from+the+housing+crisis+of...-a0224711356> (accessed August 24, 2010); Robert L. Allen, *Black Awakening in Capitalist America; an Analytic History* (Garden City, NY: Doubleday, 1969); Dalton Conley, *Being Black, Living in the Red: Race, Wealth, and Social Policy in America* (Berkeley: University of California Press, 1999). In two of the most influential books of the 1960s, *Black Awakening in Capitalist America* (A Guide to Black Power in America) and Stokely Carmichael and Charles Hamilton's *Black Power*, both clearly identify the "race tax" as a demonstration of the "colonial" status of African Americans in the United States. In explaining the existence of the disparity in prices paid between African Americans and whites, Carmichael and Hamilton write: "because the Black community has been the creation of, and dominated by, a combination of oppressive forces and special interests in the white community . . . nothing meaningful [is done] about institutional racism. . . . The groups which have access to the necessary resources and ability to effect change benefit politically and economically from the continued subordinate status of the Black community," 22.
60. League of Women Voters of Illinois Current Agenda for 1965–1967, "Minority Group Housing: The Problem," undated, p. 6, Box 235, Folder 2134, Richard J. Daley Library, University of Illinois at Chicago, Martin Bickham Papers, Hereafter RDLUIC-MBP.
61. "U.S. Supports Negroes on Blockbusting Losses: Enters Chicago Case for Home Owners' Reimbursement of Exorbitant House Costs," March, 29, 1969, *Los Angeles Times*.
62. Satter, *Family Properties*, 320–340.
63. "Nixon Bid to Aid Blacks," *Wall Street Journal*, March 31, 1969.
64. quoted in John C. Tucker, *Trial and Error: The Education of a Courtroom Lawyer* (New York: Carroll & Graf Publishers, 2003), 265–274.
65. Satter, *Family Properties*, 322.
66. Francis E. McClelland, "The Contract Buyers Case: A Jurors Notes," Undated. In possession of the author. This was a seventy-page diary kept of the trial proceedings in the CBL case.
67. James M. Scott, "Land Development and Racism in Fairfax County, VA," *The Washington Suburban Institute*, 1970.
68. Leonard Downie, *Mortgage on America* (New York: Praeger, 1974).

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Keeanga-Yamahtta Taylor is a doctoral candidate in the department of African American Studies at Northwestern University. Her dissertation titled, *Race for Profit: The Political Economy of Black Homeownership in the 1970s* explores the use of public–private partnerships in the promotion of single-family home ownership in Black communities in the aftermath of the urban rebellions in the 1960s. Taylor is a Northwestern University Presidential Fellow, the university's most prestigious award for graduate students. She is also a recipient of the Ford Foundation Dissertation Fellowship. Taylor's work has been published in *Ms. Magazine*, *The Chronicle of Higher Education*, *CounterPunch*, *The Black Commentator*, *Black Agenda Report*, *Gaper's Block*, and *New Politics* among others.