

Conversations on Economic Inclusion with Richard Rothstein

Dionissi Aliprantis

This is Conversations on Economic Inclusion. I'm Dionissi Aliprantis, the director of the Program on Economic Inclusion here at the Federal Reserve Bank of Cleveland. In our program, we aim to bring together researchers and practitioners to learn about what it takes for more people to participate more fully in the economy.

Inequality of opportunity appears stubbornly persistent across racial groups, and I recently spoke with Professor Dan O'Flaherty about the insights gained from research in the economics literature on why this is. We touched on residential segregation and how it creates differences in educational opportunity and labor market networks. To learn more about how residential segregation arose, I spoke with Richard Rothstein. He was the national education columnist for *The New York Times* for several years, and recently wrote an influential book on this topic called *The Color of Law: A Forgotten History of How Our Government Segregated America*. In it, he describes how federal, state, and local policy explicitly segregated metropolitan areas nationwide.

Before we get started, I should mention that the views expressed here are those of the participants, and not necessarily those of the Federal Reserve Bank of Cleveland or the Federal Reserve System.

And now, here's my conversation with Richard Rothstein.

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So, Richard, I was wondering if you could just tell us a little bit about your background kind of personally, professionally, what led you to where you are today?

Richard Rothstein

Well, before I wrote *The Color of Law*, I was a policy writer, journalist specializing, mostly in the field of education. I was *The New York Times'* education columnist for several years, with a weekly column. In those days, it was a, a paper product, not something online. And I wrote about education and education policy in the 1990s and early 2000s. We had a national education theory that said that the reason we had an achievement gap between Black and white children was because teachers had low expectations of Black children. They just didn't try very hard to educate them. And if only we can force teachers to try harder, the achievement gap would disappear. I thought this was a ludicrous theory. I spent many, many columns and articles explaining why. I understood that the reason that we have an achievement gap is not because of lazy teachers; of course, that's a very small part of the explanation. It's because so many African American children in particular, coming from urban neighborhoods come to school with social and economic challenges that impede their ability to learn.

And I remember writing one column about asthma, as you probably know in places like Cleveland, Chicago, other urban areas, African American children have asthma at a much higher rate than middle class children. In some measures, it's been four times the rate, it's an enormous difference. And if a child has asthma because they live in a more polluted neighborhood, because they have more trucks driving by their homes, more vermin in the environment, more dust, more peeling paint. If a child has asthma,

that child is more likely than a child who doesn't, to be up at night wheezing and then come to school drowsy the next day.

And if you have two groups of children who are identical in every respect, same racial composition, same social economic background, same family structure, but one group has a higher rate of asthma, that group is going to have slightly lower achievement, simply because it's a drowsy group. Now that doesn't make a big difference, but then you begin to think of all of the other challenges like this, the children from low-income neighborhoods come from a disadvantaged neighborhoods. Asthma, lead poisoning, measurable impact on IQ, and African American children are more likely to have lead poisoning than middle class white children because they live in buildings that are more likely to have peeling paint from many generations prior paint jobs. Many urban neighborhoods still have water being delivered in lead pipes. Well, you begin to add up all of these things; lead poisoning, asthma, homelessness, economic and security, toxic stress from being exposed to violence. You add these all up and pretty soon you've explained the achievement gap. It doesn't leave much left to explain with low teacher expectations, lazy teachers.

But this was a widely shared view, the lazy teacher theory, we passed a law in 2001 called the No Child Left Behind Act that required children to be tested every year, proposed to hold schools and teachers accountable for those test scores, with the prediction that the achievement gap would disappear in just seven years because teachers would be so ashamed of the fact that their African American children were scoring lower, they would try harder and the achievement gap would disappear. This was a ludicrous theory, but it was enacted into law. We're now 20 years out, and the achievement gap is still about where it was then.

Well, I realized that it's one thing, if a child has asthma, or lead poisoning, or homelessness, or economic insecurity, or toxic stress, it's another thing if you have a school where every child has one or more of these challenges. And we call those schools, "Segregated schools." I realized that the schools are segregated because the neighborhoods in which they're located are segregated. School segregation today is more intense in this country than it has been any time in the last 45 years, because of neighborhood segregation. And that's why I began to think that neighborhood segregation was an educational problem. I still wasn't thinking about housing. I was approaching this is an educational problem. And that's really how I got into this.

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Your book, *The Color of Law*, it provides this history of public policies leading to this kind of residential segregation. Your work in education kind of pushed you in that direction. I'm wondering if you could describe some of the public policies that you found that are in the book and maybe some of their effects, whether on residential segregation or school segregation?

Richard

Perhaps the biggest, and the one I regard as the most powerful policy that segregated this country was a program most intense in the period immediately after World War II, where it began before then, of the Federal Housing Administration, and then after World War II, of the Veterans Administration, to move the entire white working-class, middle-class population out the urban areas into single family homes in all white suburbs. This was a racially explicit program. We were, as you may know, not a suburban country at that time. Both white and Black working class and middle-class families were living in urban areas. We were a manufacturing economy. Factories had to be located near deep water ports or railroad terminals to get their parts and to ship their final products. So, if you had a factory district that employed both Black and white workers, they had to be able to walk to work, they didn't have

automobiles in those days, maybe take short streetcar rides. But they had to live in broadly the same neighborhoods. Same thing with the middle-class workers who were working at the banks that serviced those manufacturing facilities and other service industries.

Well, the federal government began a program immediately after World War II (intensified it rather, it began it before then), to move the entire working- and middle-class population, into single family homes in all-white suburbs. As I say, this was a racially explicit program. It wasn't the action of rogue bureaucrats. The Federal Housing Administration had a manual called *The Underwriting Manual*, which was distributed to appraisers all over the country whose job it was to evaluate the applications of builders, developers who wanted to build one of these all-white suburbs. And the manual said explicitly that you couldn't approve an application for a federal bank guarantee of a developer or builder who is going to sell to African Americans.

The manual went so far as to say that you couldn't even recommend for a federal bank guarantee, a loan to a developer who was going to sell to only whites but was going to locate this project near where African Americans were living, because the manual said, and I'm quoting, "That that would run the risk of infiltration by inharmonious racial groups." In the book, *The Color of Law*, I have a photograph of a six-foot high, half mile long concrete wall with a developer of an all-white project in Detroit area proposed to build but would get a federal bank guarantee from the federal housing administration only if he constructed a six-foot high, half mile long concrete wall separating his project from a nearby African American neighborhood. So, this was a racially explicit program, nothing unintentional about it. It wasn't the action of rogue bureaucrats, as I say.

Well, perhaps the best known of these was Levittown, East of New York City, was the largest in this immediate post-World War II period: 17,000 homes in one place. No bank would be crazy enough to lend William Levitt the money to build 17,000 homes in a rural area where we weren't a suburban country, the banks thought nobody would want to buy these places. He had no buyers yet. No bank would lend them the money. The only way he could lend the money was by going to the Federal Housing Administration and Veterans Administrations, submitting his plans for the project, making a commitment never to sell a home to an African American. The FHA and VA even required Levitt and builders all over the country, I don't want to imply that Levitt was any way unusual, builders all over the country to place a clause in the deed of every home prohibiting resale to African Americans or rental to African Americans.

Well, the reason I say that this is probably the most powerful of the policies was because unbeknownst to the FHA and VA at the time, unbeknownst to the white returning war veterans, working class families who bought those homes at the time, they appreciated in value enormously over the next couple of generations. Homes in Levittown, for example, and this is true of virtually every one of these developments that I've looked at, sold in the late 1940s for about \$8,000 apiece. In today's inflation-adjusted money that's about \$100,000. Twice national median income. Any working-class family, Black or white can afford to buy a home for twice national median income. African Americans had jobs in the postwar boom, they could easily afford to these homes.

Well, as you know, everywhere in the country, they no longer sell for \$100,000. They sell for, 300, 400, \$500,000, and some places, \$1 million or more. The white families who bought these homes, not as a way of gaining wealth, but simply as a place to live, suburban lifestyle that was advertised to them, gained this wealth from the appreciation in the value of their homes. They used the wealth that they gained, the equity that they gained in homes to send their children to college. They used it to finance their own retirements. They used it to take care of temporary emergencies, maybe a medical emergency or short-term unemployment. And they used it to bequeath wealth to their children and grandchildren,

who then had down payments for their own homes. African Americans were prohibited by explicit federal policy from participating in this wealth generating program.

Today in this country, African American family incomes on average are about 60% of white incomes. You'd think that African American wealth would be about 60% as well, because families can save the same amount of money from the same incomes. But in reality, although African American family incomes are 60% of white incomes, African American household wealth is now about 5% of white household wealth. And that enormous disparity between a 60% income ratio and a 5% wealth ratio is entirely attributable to unconstitutional federal housing policy practice in the mid-20th century, that has never been remedied. That wealth gap locks African Americans into urban neighborhoods, especially now that the prices of these homes has escalated. So without down payments, substantial down payments, it's impossible to buy one. Being locked into those neighborhoods explains, to a significant extent, as I said earlier the achievement gap in schools. It explains health disparities between African Americans and whites. African Americans, as you know, have shorter life expectancies, greater rates of cardiovascular disease.

All because, or in large part, because of living in more dangerous, more polluted neighborhoods. It explains a good part of the mass incarceration of young African American men. It's not that no police officer would ever abuse a young man if it weren't for the segregation that we imposed, but when you concentrate the most disadvantaged young men in single neighborhoods where they have no access to good jobs, the transportation to get to them, to schools that aren't overwhelmed by the social and economic challenges of their pupils, when you concentrate those young men in single neighborhoods, it's inevitable that the police are going to engage in confrontations with them, and adopt methods of control that they would never adopt in more middle class neighborhoods.

And finally, let me say that the segregation, that this particular policy that I've just described is responsible for, is a good part of the explanation is very, very dangerous and frightening political polarization that we have in this country today. It's not entirely racial, but it largely tracks racial lines. How can we ever expect to develop the common national identity that we need to preserve this democracy if so many Blacks and whites live so far from each other, that we have no ability to understand each other, no ability to empathize with each other? Those are the consequences of just this one policy, the FHA, and the VA, and there were so others that the federal government, state, and local governments followed as well.

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Richard, I was wondering if you could maybe give an example, So one question that might arise is the question of how binding, or how powerful, or how strong was this policy? So, could you say a few words, how strong were the obstacles to say Black families, suppose that a Black family wanted to move into one of these neighborhoods?

Richard

You asked me earlier how I got into this topic, and I told you about my interest in education. Well, the real thing that provoked me once I understood that neighborhood segregation was the cause of our educational difficulties was in 2007. The Supreme Court evaluated a program of two school districts, Louisville, Kentucky, and Seattle, Washington that had very, very token school desegregation plans. They permitted parents, the choice of which school in the district their child would attend, but the choice of a parent wouldn't be honored if it was going to intensify the segregation of the school, and if it was not going to do so, the choice would be. So, if you had an all-white or mostly white school and both a Black and a white child applied for it, the Black child be given some preference because it helped to desegregate the school.

Well Supreme Court evaluated this program, denounced it, said you couldn't do such a thing, said it was unconstitutional. The decision was written by Chief Justice John Roberts, who explained that the schools in Louisville and Seattle were segregated because the neighborhoods in which they were located were segregated, and they went on to say that those neighborhoods were segregated *de facto*, without any government involvement. Well, I read this decision in 2007. This is really what got me going on this. I read this decision, and I remembered something that happened at Louisville, Kentucky some years before. There was a white homeowner in one of these single-family homes in all white suburb called Shively. He had an African American friend living in the center city of Louisville. The African American friend was a decorated Navy veteran, had a wife and the child that he wanted to move to a single-family home, but nobody would sell in one.

So, the white homeowner bought a second home in Shively, and resold it to his African American friend. And when the African American family moved in, this gets to your question, an angry mob surrounded the home, protected by the police. They threw rocks through the windows. Police made no effort to stop it. Dynamite and firebombed the home. The police made no effort to stop it. But when this riot was all over, the state of Kentucky arrested, tried, convicted, and jailed with a 15 year sentence the white homeowner for sedition, for having sold a home to a Black family in a white neighborhood. This is not *de facto* segregation; this is a blatant 14th Amendment violation.

And what I discovered as I began to look into it further, and this is the first thing I began to look into, is that there were hundreds of cases around the country of police-protected, sometimes even police-organized and -led, mob violence to drive African Americans out of homes that they had legitimately purchased or rented in previously all-white neighborhoods. And every one of these, it was a blatant 14th Amendment violation, where the police were involved in either protecting, leading, or organizing a violent mob. Every one of them was a constitutional violation and it happened all over the country.

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How do you create a neighborhood that fosters integration, or allows that to happen? And while there are households choosing to move to majority white neighborhoods, or minorities in those neighborhoods, what about the ones that don't, and that don't feel comfortable there, or that are feeling the hostility? How do we address that? Because if that is a major influence in where people move, that seems like a strong force kind of maintaining segregation. And just more generally thinking about some of the forces maintaining segregation, how do you address those?

Richard

Well, any program to redress segregation has to have, I'd say four different foci. One is, clearly improving the resources in existing, low-income, urban, predominantly African American neighborhoods. We do have a debate in the policy community, as you know, that's shorthand is it's "place based versus mobility" approaches. Place based means investing in existing low-income Black neighborhoods to improve their quality, to improve the quality of housing, bring transportation to them, bring a market selling fresh food, improve the quality of schools. All of those things. The problem with that is the notion that you can improve the quality of a segregated Black neighborhood and keep it Black is a fantasy. Because once you've created higher quality resources in that neighborhood, the middle-class families, including whites, are going to want to move in. Sometimes it's called gentrification, but it can't be stopped. Separate but equal doesn't work any better in neighborhoods than it didn't school, or restaurants or buses. The only way to keep a neighborhood homogeneously Black is to deny it resources.

So, the second focus has to be stabilizing the transition of that neighborhood so that there isn't massive displacement of existing, lower-income families. And we know what the policies to do that are, we're not following them anywhere, but we know what the policies to do that are; it should be rent controlled, should be limits on condominium conversions, should be inclusionary zoning programs, and it should be freezes on property taxes for existing homeowners, so that they're not forced to leave their homes that they may have fully paid off, because as the neighborhood improves in value, they can no longer afford their property taxes. So, that's a menu of four different, important policies that we should be following as we improve the quality of those neighborhoods. Those are two things.

The third thing is obviously to open up all-white neighborhoods to diverse populations, and that has a lot to do with zoning, and subsidizing not only low-income families, but middle-income families, as I was talking about before, when I talked about Levittown. Subsidizing middle income African Americans to move to neighborhoods that now are unaffordable.

And then, the fourth thing is to stabilize those neighborhoods, so that when they become diverse, they don't flip because of white flight, to predominantly Black neighborhoods. And again, we know what to do to try to do that. There are case studies. Oak Park, Illinois was able to stabilize its desegregation, and actually, some places in the Cleveland area did so as well. In Oak Park, what they did was they adopted a program. One of my favorite programs is they adopted an insurance program to insure homeowners against the loss of property values so that they would not feel that they had to move if Black families were moving into their community. The program only lasted a few years. It was terminated because they never had to pay out any premiums. After a while, people saw it wasn't necessary.

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When we think about a school serving a neighborhood with concentrated poverty, I'm just curious to know what you see as some potential paths forward to improving outcomes in those schools? I see a range of possibilities; there's one set of policy prescriptions is to give kids choice among the schools in their districts. So, trying to break some of the link between schools and neighborhoods. Another option I see is kind of trying to improve the technology of how education is delivered in the schools. And some of that has to do with things like wraparound services. Cleveland is a Say Yes to Education city; a lot of supports for kids are being implemented. And then, another would just be kind of housing mobility programs and actually moving kids around.

But focusing on that second option there, so thinking about trying to improve the technology of what's going on in terms of the delivery of education, I mean, technology very broadly, I don't mean just smartboards, I mean the process by which we're educating kids, I'm wondering if you could talk a little bit about out some combination of how you see that interacting with efforts for school accountability, and how do you see that interacting with some of these positive approaches, or whatever you think are some of the more promising approaches?

Richard

Up until 2007 when I was only following this, I had ideas that I think are not terribly unique or unusual. High quality early childhood programs, probably the single most important thing. I'm not talking about pre-K, but I'm sure you're familiar with the nurse-family partnership, with efforts to supplement what parents who don't have a lot of education themselves do in the years before preschool. That to me, is the single most important. Second is putting health clinics in schools. I wrote a book in 2004, well, it published in 2004 called *Class and Schools*, in which I described all of these many social and economic challenges that children from lower income neighborhoods face. And some critic made fun of it, he called it, "The dental theory of education." Because one of the points I made in the book was that lower

income African American children, one third of them came to school with untreated dental cavities, which at the minimum caused some discomfort.

And again, all of these things, as I was describing before, they make a small difference, along with asthma and lead poisoning, and the other things I was talking about. Dental care, which is, even with clinics in low-income neighborhoods don't really give children the kind of dental care that middle-class children have. So, putting full service primary care clinics in schools is something that I think is very, very important.

So, I mentioned asthma earlier. You can't do anything in school about the trucks driving through people's neighborhoods, but what you can do is make sure the children who do have asthma, have inhalers. Again, most middle-class children with asthma, there are fewer of them, but then when they have it, they have treatments for the symptoms. Poorer children are less likely to have treatment for those symptoms. So, a full-service health clinic in schools is something I think is important.

And so, I've talked about early childhood and health clinics, and then finally is after school and summer programs that are not based on homework help, or more drill in math and reading. But give poorer children access to the kinds of enrichment activities that middle class children have. I'm sure you're familiar, and again, I haven't looked at this in 15 years now, but when I was 15 years ago, I was very familiar with the summer setback literature, which showed that-

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Now called "Summer Melt."

Richard

Okay. Well, I hadn't heard of that term before, but yeah, which showed that children from lower class families lost much more learning in the summer than middle class children did. Not because they were being drilled more, not because they weren't taking the remedial courses, but because the middle-class children were getting music lessons, and dance lessons, and organized sports, and all the things that the middle-class children get in the summers that lower class children don't. So those are the kinds of wraparound services that I think that schools have to become, I guess, the term, is it full-service schools? Again, it's been 15 years since I did this.

Dionissi Aliprantis

Yeah. Okay on that note, thank you very much Richard Rothstein for participating in this conversation on economic inclusion. Really appreciate your being here.

Richard

Thank you. It was great talking to you.

Dionissi Aliprantis

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