

**MARGARET ANADU:** Hi everyone and welcome to Talks at GS. I'm Margaret Anadu, Head of the Urban Investment Group. It is my absolute honor to be joined today by Richard Rothstein. Richard is a distinguished fellow of the Economic Policy Institute and a senior fellow emeritus at the Thurgood Marshall Institute of the NAACP Legal Defense Fund. He is also the author of an extraordinarily powerful book called *The Color of Law: A Forgotten History of How Our Government Segregated America*. Richard, thank you so much for joining us.

**RICHARD ROTHSTEIN:** Thank you Margaret.

**MARGARET ANADU:** I think *The New York Times* review of the book probably put it best calling the book both a powerful and disturbing history of residential segregation in America. I would say it also incredibly blunt in the way it tells the history. What drew you to this topic to begin with? And why do you think this moment has made that history so relevant?

**RICHARD ROTHSTEIN:** I realized that schools in this country, which are more segregated today than they ever have been in the last 45 years, are segregated because the neighborhoods in which they're are segregated. So, I began to think that neighborhood segregation was an educational problem, a school problem. I wasn't really thinking about housing. And then the Supreme Court prohibited two school districts from implementing a very, very token desegregation plan on the grounds that they said that the neighborhoods in those school districts were segregated, they called it, *de facto*, just by private actions of businesses or people's personal choices or bigoted homeowners or renters or landlords not willing to sell or rent to African Americans, or maybe income differences. And they said we have *de facto* segregation; you can't do anything about it.

And one of those school districts is Louisville, Kentucky. And I remembered reading about something that happened in Louisville some years before where there was a white homeowner in a single-family home in an all-white suburb of Louisville that had an African American friend. He had an African American friend living in the center city, a decorated Navy veteran, a wife and a child. And nobody would sell him a home, the African American friend. So this white homeowner in this single-family home in an all-white suburb bought a second home in this community and resold it to his African American friend. And when the African American family moved in, a police-protected mob threw rocks through the windows. They dynamited and firebombed the home. But when the riot was all over, the State of Kentucky arrested,

tried, convicted, and jailed, with a 15-year jail sentence, the white homeowner for sedition, for having sold a home in a white neighborhood to a black family.

And I said to myself, this doesn't sound to me like de facto segregation. It was a 14th Amendment violation. And that's why I began to write this book.

**MARGARET ANADU:** So, your core argument in the book, touching on that, is that African Americans were unconstitutionally denied the means and the right to integration in middle class neighborhoods. First, I could not agree more. But second, for those less familiar with this part of history, who may be skeptical of such a conclusion, walk us through how you arrived at that point?

**RICHARD ROTHSTEIN:** We weren't a suburban country before the 1940s, 1950s. The federal government created suburbs mostly for returning World War II veterans, but for working and middle-class families generally. It embarked on a program to move the entire white working class and middle-class population out of urban areas into single family homes in all white suburbs. That's where they were living before, in urban areas, because we were a manufacturing economy and factories were located near deep water ports or railroad terminals.

So, the federal government began a program to move the white families in those neighborhoods out into single family homes in all white suburbs. And prohibited African Americans for doing so. The biggest of these was Levittown east of New York City, 17,000 homes. These were created all over the country creating a white noose around every metropolitan area. Levitt, the developer of Levittown and any of these other developers, could never have assembled the capital on his own to build 17,000 homes in one place. The only way he could do it was by going to the Federal Housing Administration and Veterans Administration, making a commitment never to sell a home to an African American if they would guarantee his bank loans. And on that basis, they did so, and he built that project.

This was not the action of rogue bureaucrats. It was an explicit written federal policy of the federal government, which is why this can't be considered de facto segregation. The manual of the Federal Housing Administration that was distributed to appraisers all over the country said that you could not recommend for a federal bank guarantee a suburban development that was going to include African Americans.

The notion of de facto segregation is utter nonsense. The white noose that was created by the federal government in every metropolitan area of this country was an explicit racial policy. It was unconstitutional. The lawyers call it de jure. That's not as commonplace a term as de facto. It's opposite.

**MARGARET ANADU:** And you started to talk about sort of the evolution of public housing during that time. So then we get to 1973. You know, President Richard Nixon kind of famously referred to public housing projects as "monstrous depressing places, rundown, overcrowded and crime ridden." How did we get there? And why did Nixon believe that to be true?

**RICHARD ROTHSTEIN:** The evolution of public housing is very interesting. As I indicated a minute ago, it was not for poor people. In the New Deal it was created for working class families who were working in urban areas. White and black, always segregated. They were paying the full cost of the housing in their rent. We had a 25 percent unemployment rate in the New Deal. Enormous unemployment. But public housing was for the 75 percent who had good jobs and stable incomes and could afford public housing, which was the most desirable housing available.

But then if if you recall, these projects were located mostly in urban areas. And in those urban areas, they were there because the factories had to be located in deep water ports and railroad terminals. The white workers were then subsidized by the federal government to move out of both public housing and private rental housing into these all white, single family suburbs. The factories left those same areas. The African Americans who were remaining in public housing became poorer and poorer because they no longer had access to well paying jobs and could no longer pay the full cost of the housing and the rent.

Once they began to be subsidized, the federal government, then local housing authorities, stopped investing in them. They began to deteriorate. And most significantly, they became a place to concentrate the most disadvantaged, poor, African American families.

The public housing authorities went so far as to evict families from public housing if they got jobs. If they had income. If they thought that the most desperate, poor people were most in need of housing and people could afford housing in the private market shouldn't be in public housing. But the result was to create urban slums which concentrated the most disadvantaged

families without a stable middle class that used to live in those public housing units with them but were no longer doing so.

**MARGARET ANADU:** So, we've touched a lot on sort of the federal ordinances and those levels, maybe going local for a second and turning to what you describe in the book as racial zoning. So, starting with Baltimore, you know, the ordinance that you spoke about in the book in 1910 which spread to other cities like Atlanta, Saint Louis, what led to those ordinances? And how did the case of *Buchanan v Warley* become so influential in these zoning laws?

**RICHARD ROTHSTEIN:** Baltimore adopted an ordinance as Jim Crow became more and more intense, adopted an ordinance prohibiting either black or white families from moving onto blocks where they weren't already a majority by race. Now, if you think about it, that ordinance would have had no meaning if you didn't already have integrated neighborhoods. Well, the Supreme Court struck down those kinds of ordinances. At the time, you may know, the Supreme Court interpreted the 14th Amendment of the Constitution as not having anything to do with the citizenship of emancipated former slaves. But it was only designed to protect property rights. And the Supreme Court ruled in 1917 that you couldn't have an ordinance that prohibited a white homeowner or property owner from selling to an African American because it interfered with his property rights.

Well, following that, the first Republican administration following Wilson's administration was that of Warring Harding. He appointed as his Secretary of Commerce, Herbert Hoover. And Herbert Hoover began a program to evade, to get around that decision, that *Buchanan v Warley* decision that prohibited explicit racial zoning laws. And he had a committee that was built largely of planners who had a documented record of advocating segregation in neighborhoods. And they developed a model zoning ordinance that they thought would effectively prevent integration. And that model zoning ordinance is what we know today as exclusionary zoning. It was designed with a racial purpose to create all white segregated communities. And those zoning ordinances continue to this day to prevent the desegregation of neighborhoods that were originally created, as I described before, with that federal housing administration policy explicitly segregated neighborhoods. And then their segregation was maintained by means of these zoning ordinances.

**MARGARET ANADU:** So, all of this you walked us through kind

of, you know, federal policies back from 1910 to the '40s, beyond. You know, all of this is very much linked to the inequality we see today in black communities. You know, African Americans received suppressed wages, unfair tax treatment, at times denied membership from workers unions. How did those policies stunt opportunity for African Americans to, not just specifically in housing, but overall gain wealth, connected to, of course, owning property, that still contributes to the inequality we see in America today?

**RICHARD ROTHSTEIN:** Well, the subdivisions that were created by the federal government, the suburbs in the late 1940s, early 1950s, they weren't expensive. The homes sold for about \$7-8,000 a piece. And inflation-adjusted money, that's about \$100,000 today. Those homes as you know no longer sell for \$100,000 in any metropolitan area of this country. And so, whites gained wealth and African Americans couldn't from the appreciation in the value of their homes.

**MARGARET ANADU:** So, if we look forward, you know, determining how the government can provide adequate justice to all the Black Americans whose constitutional rights were violated, you write, "our focus can be only to develop policies that promote an integrated society, understanding that it will be impossible to fully untangle the web of inequality." So, from a policy perspective, you know, we're obviously on the precipice of a new administration, what do you see as the key to promoting that integration?

**RICHARD ROTHSTEIN:** Well, I don't think there's much that the new administration can do. I think the key is the creation of a new civil rights movement that's going to create a different political environment to insist on the remedies that are necessary. Policies to redress segregation are well-known. Policy experts write about them all the time. What's missing is the political movement to demand them. I'm very hopeful about that. You know, the Black Lives Matter demonstrations of the summer and spring enrolled 25 million Americans, many of them whites, unheard of any time before in American history to have that kind of support for racial justice. Of course it didn't engage in issues of housing desegregation. And that has to be something that emerges from this new awareness. We have white elected southern politicians running around the South removing statues to commemorate the defenders of slavery, also unheard of before in American history.

So, I think the potential, I'm not confident, but I'm hopeful,

the potential for a new civil rights awareness that's going to take on these issues is there. And if it creates a new political environment, then I think we can have legislation. But I don't see anything happening in the immediate future. It hasn't happened in past administrations and I don't think the political environment is any better now for doing that.

**MARGARET ANADU:** Maybe we can learn a lesson. You talk in the book about sort of other moments in time where there were particular figures who tried to really move the needle. You know, I was fascinated to read the portions that you wrote about Romney. Can you tell a little bit of that history and maybe we can try to, you know, extrapolate what went wrong and how to think about it differently in terms of approach?

**RICHARD ROTHSTEIN:** Yes, I'm sorry, that illustrates the issue precisely. In 1970, George Romney, Mitt's father, was Secretary of Housing and Urban Development under Nixon. And he understood that the federal government had created what he called a white noose around every metropolitan area. And he said the federal government's job was to untie that noose. And he began a program called Open Communities in which he required suburbs to take steps to desegregate. And threatened to withhold funds from suburbs that didn't. And the action withheld funds from three suburban communities. One was Baltimore County that surrounds the city. Another was an area outside of Cleveland. And another was Warren, Michigan, a suburb of Detroit.

And Nixon, President Nixon, cancelled the program. And he forced Romney out as Secretary of Housing and Urban Development. And there's been nothing so aggressive since. The Obama administration adopted a rule called the Affirmatively Furthering Fair Housing rule, which was a bare shadow of what George Romney had tried to do.

**MARGARET ANADU:** The book has sort of a clarity in sort of the way that it focuses on policy, right, and how those things drove the segregation which is so much of the core of our issues today. Without sort of spending the entire book talking about racism. But I felt this kind of connection between how policies can drive racism, racism drives policy. What do you think could be done today to sort of start to, you know, unravel just some of the racism that we're dealing with that drives, I guess, blocking so many of these policies that could make a bigger difference?

**RICHARD ROTHSTEIN:** Let me say I am very hopeful. I don't want

to be pessimistic here. I'm very hopeful because I think we have a more accurate and passionate discussion about race than we ever have had before in American history. And if we build on that, we can, perhaps, develop the political momentum to change some of these policies.

**MARGARET ANADU:** All right. Thank you so much. As you know that I've gushed to you over the phone and over email, I think your book is amazing. I've read it three times. It's impacted, you know, me deeply and many of my colleagues. So, thank you again for being here with us.

**RICHARD ROTHSTEIN:** Well thank you. That's almost as many times as I've read it. Thank you for the invitation.

*This transcript should not be copied, distributed, published or reproduced, in whole or in part, or disclosed by any recipient to any other person. The information contained in this transcript does not constitute a recommendation from any Goldman Sachs entity to the recipient. Neither Goldman Sachs nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this transcript and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. The views expressed in this transcript are not necessarily those of Goldman Sachs, and Goldman Sachs is not providing any financial, economic, legal, accounting or tax advice or recommendations in this transcript. In addition, the receipt of this transcript by any recipient is not to be taken as constituting the giving of investment advice by Goldman Sachs to that recipient, nor to constitute such person a client of any Goldman Sachs entity.*

*This transcript is provided in conjunction with the associated video/audio content for convenience. The content of this transcript may differ from the associated video/audio, please consult the original content as the definitive source. Goldman Sachs is not responsible for any errors in the transcript.*