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Racial Discrimination in Housing: A Moving Target

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A passage from Stanley Lieberson's classic book on the methodology of social research, *Making It Count* (1985), has always stuck with me. In it, he considers what a social scientist might conclude from a regression model predicting black and white earnings from various background characteristics, including education. Invariably the coefficient for schooling is strong, positive, and significant—the more education one has, the greater one's earnings. Moreover, the apparent gap between black and white earnings is much smaller when schooling is included as a predictor in the equation than when it is left out. In this sense, the racial gap is "explained" by lower average levels of education among blacks compared with whites. Obviously, therefore, all one has to do to reduce the racial gap in earnings is to increase levels of black education. The social scientist thus recommends that policymakers design and implement programs to reduce black dropout rates and increase the odds of college attendance.

Lieberson (1985), however, doubts that reducing educational gaps will reduce the earnings gap and goes on to sketch a provocative counter-argument:

Suppose we start with a radically different perspective on this question and see where it leads us. Let us hypothesize that racial or other interest groups will tend to take as much as they can for themselves and will give as little as necessary to maintain the system and avoid having it overturned. In this case, whites will give blacks as little as they can. Under such circumstances, one would assume that observed interrelations between income gaps and features such as education . . . describe . . . the current pathways leading from a specific causal force to the outcome of that force. If so, a complicated causal analysis of factors contributing to the racial gaps in income has not the causal value one might have assumed. It describes the given set of events at a given time; it describes what a black person might well follow as a get-ahead strategy if he or she can assume that not many other blacks will follow the same strategy and hence the basic [social] matrix will remain unaltered. But there is no assurance that this matrix will continue to operate—indeed, there is virtual certainty that the matrix will not continue to operate if some superficial factor that *appears* to cause the income gap is no longer relevant (for example, if the groups end up with the same educational distribution). In which case, new rules and regulations will operate; the other regression coefficients will change in value in order to maintain the existing system. (pp. 191–92)

Simply put, Lieberson argues that if whites are selfishly motivated to discriminate against blacks to enhance their own material well-being, then when the government forces them to end a particular discriminatory practice, they will simply look for other means to maintain white privilege. If an older discriminatory mechanism based explicitly on race becomes impossible to sustain, whites will substitute new ones that are more subtly associated with race. The specific mechanisms by which racial stratification is achieved may thus be expected to change over time as practices shift in response to civil rights enforcement. Whenever one discriminatory pathway is shut down, another is soon invented.

Lieberson's pessimistic analysis suggests that the problem of racism is not likely to be "solved" easily or quickly by passing a few reforms and calling it a day. Racial discrimination is a moving target. One cannot simply ban prevailing discriminatory practices and declare the

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struggle for racial equality won. Given the historical depth and institutionalized longevity of racism in the United States, it is logical to assume that new mechanisms of racial subordination will be invented as others are eliminated. Under these circumstances, ending racial discrimination in U.S. housing markets is likely to require a sustained and dedicated effort over a prolonged period of time.

The three articles on housing discrimination published in this issue of *Social Problems* illustrate this viewpoint very well. As federal anti-discrimination policies have become more effective in overcoming certain forms of racial bias in housing, new forms have emerged to perpetuate residential segregation. The classic discriminatory mechanisms before 1968 were the refusal to sell or rent to African Americans seeking to enter white neighborhoods, the “redlining” of minority neighborhoods to preclude mortgage lending within them, and the rejection of minority home loan applications at disproportionately high rates (Massey and Denton 1993).

Prior to the passage of the Fair Housing Act, it was perfectly legal for real estate agents to deny African Americans access to housing solely on the basis of race, and even though racial discrimination in housing was banned in 1968, enforcement of the act over the next two decades was weak, sporadic, and ineffective. The probability of being charged with discrimination was low, and the penalties for conviction were negligible. Although agents could no longer refuse outright to market housing to African Americans, a variety of subtle ruses and clever subterfuges ensured that blacks were very unlikely to learn about, inspect, rent, or buy homes in white neighborhoods.

Housing audits conducted by the federal government in 1977 and 1989 thus found high levels of racial discrimination with few signs of decline (Wienk et al. 1979; Yinger 1995). However, in 1988 Congress passed amendments to the Fair Housing Act that significantly increased the likelihood of prosecution, raised the odds of conviction, and increased the penalties for a guilty verdict. The 2000 Housing Discrimination Study analyzed by Stephen L. Ross and Margery Austin Turner is the first large-scale attempt to measure trends in racial discrimination after the passage of these amendments. As their article shows, the new legislation appears to have been successful in reducing direct discrimination against African Americans in urban housing markets. Their results show significant movement toward equal treatment across a large sample of paired trials comparing the experience of white and black home seekers.

As Lieberman might have predicted, however, the full story is more complex than a simple victory of equality over racism. Even though direct discrimination against African Americans may be on the wane, a newer and less obvious form of housing discrimination has apparently increased: racial steering. Under this discriminatory mechanism realty agents systematically guide (or “steer”) blacks toward neighborhoods characterized by higher concentrations of minorities, poorer families, and more substandard housing, thereby channeling black housing demand away from desirable neighborhoods that are predominantly white or at least non-black. These findings are consistent with the recent findings on linguistic profiling (Massey and Fischer 2004).

Similarly Richard Williams, Reynold Nesiba, and Eileen Diaz McConnell argue, in their analysis of trends in mortgage lending, that “as the old inequality in home lending has slowly diminished, a new inequality has emerged.” Racial discrimination against mortgage applicants was banned in 1974 by the Equal Credit Opportunity Act and redlining was prohibited in 1977 by the Community Reinvestment Act. As with the Fair Housing Act, however, discrimination in mortgage lending did not immediately diminish, and high rates of discrimination persisted well into the 1980s (Ross and Yinger 2002).

During the 1990s, however, the Federal Reserve and the Federal National Mortgage Association put increasing pressure on lending institutions to demonstrate compliance with fair lending law (cf. Fannie Mae 1998). As a result, Williams and associates report that bias in home lending has shifted from the outright denial of mortgages to individuals and

neighborhoods on the basis of race, to a pattern of “predatory lending” whereby poor minorities received less favorable loan terms and are channeled into problematic forms of housing. Although lending to underserved markets may have increased substantially during the 1990s, half or more of the gains were in the form of “subprime” loans—which charge higher interest rates, offer shorter payment periods, assess greater penalties for falling behind, and often require more money down—or in the form of loans to purchase “manufactured housing”—also known as trailer homes. Lenders, compelled by fair housing legislation, grudgingly offered loans to minority homebuyers, but only on predatory terms that maximized profits at the expense of poor, financially unsophisticated African Americans and Latinos.

As problematic as minority access to mortgage lending may still be, being offered predatory loans is probably better than being offered no loans at all. Yet recent increases in the coverage of underserved populations are threatened by new regulations that have been recently proposed by the Bush Administration (Smith 2004). In their analysis of data culled from Home Mortgage Disclosure Act and the U.S. Census, Samantha Friedman and Gregory Squires demonstrate the significant effect of the Community Reinvestment Act (CRA) in improving minority access to housing. They found that “in metropolitan areas where a relatively high proportion of loans are made by CRA-covered institutions, blacks and Latinos are more likely to purchase homes in predominantly white neighborhoods than in areas where relatively fewer loans are made by such lenders.”

At the end of their article, after noting that federal regulatory agencies are currently reviewing CRA regulations, the authors argue that coverage of the CRA should be expanded to embrace a larger fraction of financial institutions, which according to the results of their model would have a more significant effect in promoting the desegregation of U.S. metropolitan areas. Instead, the Bush Administration is seeking to raise the asset threshold for coverage so that a smaller fraction of financial institutions fall under the requirements of the CRA, thus moving the industry decisively away from open housing.

Some social observers have argued that civil rights enforcement has outlived its usefulness and that we have moved into a new, post-racial society that is substantially “race blind” (see D’Souza 1996; Thernstrom and Thernstrom 1996). The articles published here clearly demonstrate that this is not the case. As Lieberman realized some time ago, whenever one social group derives systematic benefits from an institutionalized system of subordination, its members can be expected to resist efforts to dismantle the system despite its injustice. Instead, as old forms of discrimination are curtailed, new mechanisms will be invented. The struggle to achieve civil rights may thus be expected to be a long, drawn-out affair. As with liberty, the price of racial justice is eternal vigilance.

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