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## *Race and Class: Overcoming the Divides*



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### **Preface**

The forthcoming 2020 election is again highlighting the country's apparently deep divides on race and class. A common formulation is that a hopelessly racist White working class is locked into the new Trump Republican Party which consciously has adopted a divide-and-conquer strategy based on race. The mainstream Democratic Party hope is that an electoral coalition of the young, women, suburban middle-class and union loyalists will provide a majority to dump Trump. The Bernie Sanders/Elizabeth Warren challenge claims that White working class people can be won with an economic justice program that recognizes how insecure they really are and offers universal benefits that lift

all working people economically, including African-Americans, Latinos and other economically marginalized groups.

The campaign also offers an opportunity to look more deeply into these divisions that have plagued efforts to build majorities for economic and social justice programs. But before going there, let me make this stipulation: racial prejudice and discrimination against African-Americans runs deep in American culture and experience; all White people have in one-way-or-another, whether consciously or unconsciously imbibe in it. Prejudice + discrimination practiced by decision makers in powerful institutions constitutes racism; all-powerful American institutions have engaged in this practice. Saying this is a necessary step to understanding, and developing a strategy to end, racism. It is not a sufficient one. Sufficiency requires distinctions that I hope are illustrated in what follows.

### **The Redlining Example**

Nothing better illustrates divide and conquer, White working class “ethnics” pitted against Black working and middle class people struggling to get out of the inner-city and its slums, than historic redlining. What precisely was involved?

Often adjacent to White ethnic working/lower middle-class neighborhoods was the Black ghetto which included both the very poor and the emerging working and middle-class. The latter had the income to put down-payments on homes, but there was no place where they buy. The caste line kept them enclosed in overcrowded, under-served by government (everything from police to street sweeping and garbage removal), slums.

Typically across a wide boulevard or on the other side of a freeway was a White ethnic neighborhood where housing prices were well within the range of Black people seeking to buy. The percent of White ownership may have been high—into the 80s, and perhaps higher. Many of the Whites purchased their homes a number of years earlier. They had substantial equity in their property—typically the largest single source of equity they possessed. Experience and rumor told them that if a single Black family moved in, the value of their homes would significantly decline thus destroying equity they had spent years building.

Then along came a combination of a “block-buster” realtor and red-lining lenders and insurers. Homeowners in the White neighborhood seeking home improvement loans

would be told, “They’re not available; the neighborhood is deteriorating. It’s not a good investment.” That set them up.

Realtors engaged in “panic peddling” told Whites, “You better sell now, Blacks are going to be moving in. Your property is going to plummet in value.” They literally broke blocks—thus the term to describe them. The realtor purchased at a lower than previous market value price because the homeowner feared an even greater drop in value. The realtor then sold at a significantly higher than his purchase price to a Black family that had accumulated sufficient savings for a down-payment. The lender who made up the rest of the now-inflated purchase price typically provided a mortgage at a higher-than-market interest rate. Or there might not even be a standard mortgage; instead a “contract for purchase” is entered into. It had none of a mortgage’s protections for the new owner. For example, miss a payment and title to the property is assumed by the lender; the equity is gone!

The presence of the first Black families set in motion a self-fulfilling prophesy: more and more Whites sold, more-and-more cheaply, because panic-peddling had taken hold. The turnover from White to Black could be a matter of months. Observing this phenomenon in the next urban ring of neighborhoods were other White ethnics. The lesson they learned from the stories they heard from friends, relatives, co-workers, co-congregants or fellow parishioners, as well as from their own experience: “Keep the Blacks out!”

Where in this tale are the victims and the executioners? Is it adequate to call the White homeowners “racists”—a term generally used to imply prejudice and discrimination + power? Should the same term be used for the bankers, insurers, Black realtors, planners, zoning commissioners and politicians who were all part of the conspiracy that kept this process going? Should we think of the White homeowners as bearers of “white privilege”? (After all, they could buy in a further out still lily-White neighborhood.)

As this cycle played itself out over the years, a new dimension was added to the picture more recently when housing prices looked like they would forever rise: lower-income people were targeted for lending. By the late 1900s, Blacks and Latinos had broken into the suburbs—a victory won by the civil rights movement. But their housing problems did not end. New forms of exploitation were devised. Balloon-payment loans—in which a large payment was due five-or-so years into the loan—were made to those who didn’t qualify. Given what was promised as endlessly increasing prices for homes, the idea was

that increased equity would allow an owner to re-finance and pay off a loan before the balloon payment was due. The loans were profitable and risk-free because they were immediately packaged and sold off by the lenders to Wall Street investors. And there was this public relations side-benefit: lenders claimed they were helping minorities buy homes in neighborhoods they hadn't previously been able to afford! Then came the housing crisis of 2007-2009.

Here's what the Center for Responsible Lending says on the matter.

...During the first three years of the foreclosure crisis, from January 2007 through the end of 2009, we estimate that 2.5 million foreclosures were completed. The vast majority of these foreclosures were on owner-occupied properties with mortgages that were originated between 2005 and 2008.<sup>1</sup> • The majority (an estimated 56%) of families who lost homes were non-Hispanic and white, but African-American and Latino families were disproportionately affected relative to their share of mortgage originations.

...Combining borrowers who are two or more payments behind on their mortgage with those who are in the foreclosure process, we estimate that there are 5.7 million borrowers at imminent risk of foreclosure. Looking ahead, independent analysts have projected that between 10 and 13 million foreclosures will have occurred by the time the crisis abates...

[Marketplace December, 2018 says, "Nearly 10 million homeowners lost their homes to foreclosure sales in the U.S. between 2006 and 2014. The effects of the subprime mortgage crisis are not only still being felt today, they have indelibly changed the way Americans view homeownership and the way we live.]

...Even if foreclosures represented nothing more than a one-time cost only to the families involved, these findings would be troubling. But the costs are extensive, multifaceted and long-term, extending far beyond individual families to their neighbors, communities, cities and states...

The high cost of foreclosures highlights the negative consequences of reckless and inadequately monitored lending. With millions of foreclosures still ahead, there is an urgent need for policymakers to take stronger actions to stabilize the housing market, keep families in their homes and prevent destructive lending practices in the future.

("Foreclosures by Race and Ethnicity: The Demographics of a Crisis." CRL Research Report. Debbie Gruenstein Bocian, Wei Li, and Keith S. Ernst. June 18, 2010.)

### **Implications for Strategy**

We can, as most of the media has done, focus on racial and ethnic disparity. The figures clearly demonstrate African-American and Latino households were hit proportionately higher than Whites. That is wrong, and the history of it is long, going back to Federal policies adopted in the New Deal and racial covenants that preceded them.

Is that what we want to do? Will that build the power to make some kind of restitution program possible? If that approach is taken, what is the message sent to Whites who also lost their homes, and to those around them? To whom will African-Americans, Latinos, Native Americans and Pacific Islanders look for support against those who took their homes?

It follows that it is middle-to-upper-middle class White people who are viewed as possible allies. They are the only group left if we toss out the White working class. Will these middle class people support:

- + putting bankers in jail so massive foreclosures due to loans that shouldn't have been made doesn't happen again?

- + reparations funded by progressive taxes to restore people to their homes (or similar ones)?

- + breaking up the banks so they don't have the power they now have over the regulators who are supposed to stop them from doing what they did in the first place?

There is little reason to think that going to the centrist/moderate end of the Democratic Party spectrum is where allies will be found for the more fundamental changes required to begin to turn the ship of state around.

Thought of in new ways, it is possible to find in almost every area of social and economic concern “wedge issues” that can divide Donald Trump and his Republicans from White working class people. Thus far, it is only Bernie Sanders and Elizabeth Warren who are thinking in these terms. Are they going to break into White working class voters—a precondition to one of them getting the Democratic Party's nomination for President? And if they do, will the program that accomplished that result be one that keeps the Centrists at home in the general election?

### **Short Term...Long Term**

Until recently, I thought of Trump as a vulgar extension of much of what had preceded him, including from Democrats and Republicans. While there is a great deal of truth in

that view, it fails to take into account how dangerous he is. If you're not persuaded of that by this time, nothing I can say here will change your mind. But if you are, I think you will share these fears of mine: on the one hand, too many years of betrayal of white working class values and interests—going all the way back to 1966 when Lyndon Johnson was President and the Democrats lost their substantial majority in the House of Representatives through Jimmy Carter, and especially including Bill Clinton and NAFTA—will preclude the possibility of substantially winning their votes in 2020, or, on the other, that the Keynesian-New Deal economics voiced by Bernie Sanders and Elizabeth Warren are now viewed by centrists as “too far left” for them to turn out in the numbers required to defeat Trump in November, 2020. I hope I'm wrong.

Whatever the 2020 outcome might be, however, a longer term strategy cannot rely on politicians of whatever stripe to build the relational bridges, overcome cultural divides, and develop the programmatic alternatives necessary to build a new American majority capable of slowing, halting and reversing current trends of increasing concentration of wealth, income, status and power in an ever-smaller number of hands. That will require deep organizing outside the framework of the political parties—an organizing that we would have to look to 90 years ago that took place in some of the industrial unions of the CIO, an organizing that said and meant, “Black and White: United and Fight”.

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