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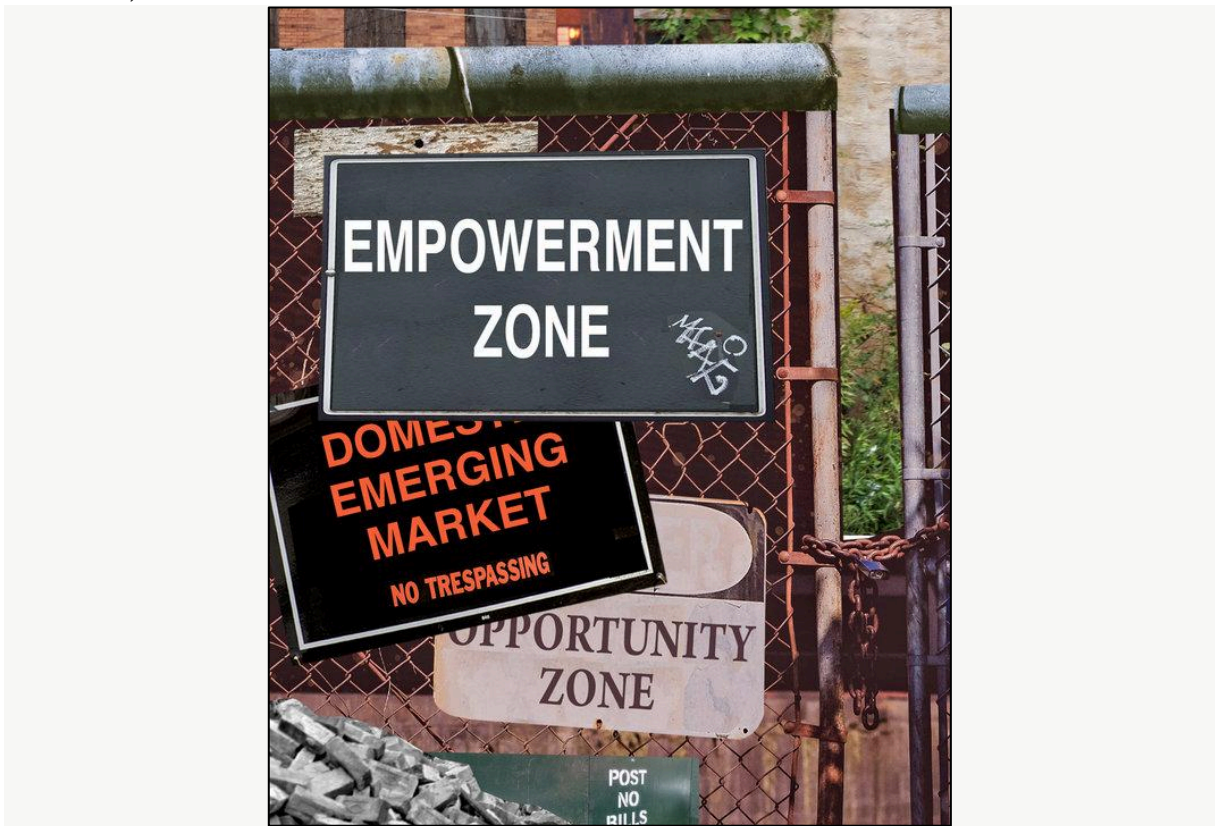
Opinion

The Real Roots of ‘Black Capitalism’

Nixon’s solution for racial ghettos was tax breaks and incentives, not economic justice.

By Mehrsa Baradaran

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The tax bill President Trump signed into law in 2017 created an “opportunity zones” program, the details of which will soon be finalized. The program will provide tax cuts to investors to spur development in “economically distressed” areas. Republicans and Democrats stretching back to the Nixon administration have tried ideas like this and failed. These failures are well known, but few know the cynical and racist origins of these programs.

The neighborhoods labeled “opportunity zones” are “distressed” because of forced racial segregation backed by federal law — redlining, racial covenants, racist zoning policies and when necessary, bombs and mob violence. These areas were black ghettos. So how did they come to be called “opportunity zones?”

The answer lies in “black capitalism,” a forgotten aspect of Richard Nixon’s Southern Strategy. Mr. Nixon’s solution for racial ghettos was not economic justice, but tax breaks and incentives. This deft political move allowed him to secure the support of

white Southerners and to oppose meaningful economic reforms proposed by black activists.

You can see how clever that political diversion was by looking at the reforms that were *not* carried out. After the Civil Rights Act, black activists and their allies pushed the federal government for race-specific economic redress. The “whites only” signs were gone, but joblessness, dilapidated housing and intractable poverty remained. In 1967, blacks had one-fifth the wealth of white families.

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Yet a white majority opposed demands for reparations, integration and even equal resources for schools. Black protests ensued, which turned into a resistance movement and black ghettos erupted in violence. To many, it felt like a domestic war.

During the last year of his administration, Lyndon B. Johnson assembled the Kerner Commission to study the riots. The report was scathing: “What white Americans have never fully understood — but what the Negro can never forget — is that white society is deeply implicated in the ghetto. White institutions created it, white institutions maintain it and white society condones it.”

President Johnson’s parting legislation was the 1968 Fair Housing Act, which he described as the most important legislation of the civil rights package because it pushed officials to “affirmatively further fair housing,” meaning to integrate.

Before the 1968 presidential election, the choices for reform seemed clear: housing integration, reparations or both. One Republican candidate, George Romney, called for an integration plan to loosen the “high-income white noose” of white suburbs around black ghettos. Several candidates presented reparations proposals, one of which, introduced in Congress with Republican sponsors, called for federal capital investment and Treasury financing to build up capital in the ghetto.

Mr. Nixon, however, decided instead to ride the tide of white resentment into office. His top aide, John Ehrlichman, admitted that a “subliminal appeal to the anti-black voter was always present in Nixon’s statements and speeches.” Indeed, Mr. Nixon promised Southern Republicans that he would “lay off pro-Negro” efforts.

To undermine meaningful economic reforms, Mr. Nixon adopted free-market rhetoric with a libertarian twist — with the assistance of Alan Greenspan, the Nixon campaign’s economic adviser (and future Federal Reserve chairman). Mr. Greenspan called the black protests “an attack upon America’s system of free enterprise and individual rights.” He argued that black rioters were wrong that white America exploited them and that it was erroneous to call the economic situation of the ghetto an “injustice.”

Instead, capitalism was the “natural” cure for the ghetto. Mr. Nixon should “help Negroes help themselves.” Agreeing to demands for federal spending or reparations in the ghetto was anti-capitalist.

That’s how Mr. Nixon gave us black capitalism. “Instead of government jobs and government housing and government welfare,” he said in a speech, “let government

use its tax and credit policies,” to power “the greatest engine of progress ever developed in the history of man: American private enterprise.”

While a generation of white Americans had gained wealth through discriminatory government-sponsored credit subsidies for student and mortgage loans, Mr. Nixon pointed blacks to the free market and wished them luck. Black capitalism was so politically appealing, every administration since Mr. Nixon’s has adopted it in some form. Black capitalism morphed into Ronald Reagan’s “enterprise zone” policy, Bill Clinton’s “new market tax credits,” and Barack Obama’s “promise zones.”

But President Trump has doubled down. He promised that the opportunity zones will provide “massive incentives” that will “draw investment into neglected and underserved communities.” Instead of meaningful reforms, the ghetto would get entrepreneurs.

It was entrepreneurs who leveraged subprime loans disproportionately targeted to black borrowers into profits — and helped produce the financial crisis that and wiped out 53 percent of the wealth of the black community. By 2009, 35 percent of black families had zero or negative wealth.

And now the opportunity zone program is dangling tax cuts to the same class of private equity funds with promises of “opportunity” from other people’s distress.

During the 1968 election, the Democratic nominee, Hubert Humphrey declared, “Talking about black capitalism without capital is just kiting political checks.” You can’t have black capitalism without capital. But this is exactly Mr. Nixon’s legacy.

These programs fail because the benefits of capitalism always accrue to the owners of the capital, not to the people living in enterprise zones or promise zones. Using capitalism to fix the racial wealth gap will work only if there is a means to transfer capital, assets, wealth or housing.

The communities would benefit through more jobs and development, but any rise in real estate value will go to people with the initial capital. And when the ghetto gentrifies, the longtime residents are often displaced. These residents do not own the land, and the newly created wealth benefits the investors and the gentrifiers.

To fix distressed communities, we have to create solutions like Senator Elizabeth Warren’s housing bill, which is a solid integration plan. After all, “a ghetto can be improved in one way only,” James Baldwin said. “Out of existence.”

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