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POLS 385

Dr. Whitt

26 April

Housing policies and the perpetuation of the Wealth gap in South Africa and
America.

Most people who come to the United States come with intentions of making their lives worth something. They plan to live the American Dream, or even a slice of it. The American dream gives the idea that if someone works hard, they can accumulate wealth, but the reality is not like this for most people. For example, someone who works a minimum wage job is working hard, but the probability that they will be wealthy is highly unlikely, whereas, "The Walton family, which owns Wal-Mart, controls a fortune equal to the wealth of the bottom 42 percent of Americans combined," (Kertscher) In this case, children who are born into the Walton family are wealthy, without having to work for it. The idea that one can be rich as a result of hard work is imbedded in many of the societal values. This is the reason why many think that as soon as they get into the United States, their lives are destined for transformation. The reality is that class mobility is not as easy here in contrast to what most people actually think; "Despite the widespread belief that the U.S. remains a more mobile society than Europe, economists and sociologists say that in recent decades the typical child starting out in poverty in continental Europe (or in Canada) has had a better chance at prosperity" (Wessel) Looking at the Southern Hemisphere, the same is the case for those in Africa, who look at South Africa as a way to relieve them from economic oppression that they face in their various counties, similar to how

other people view the United States as an economic oppression reliever. For the most part, this is true, but I wonder how if people are able to build wealth when they enter these two countries, as events in history show that the government branches disadvantaged blacks in both countries from being able to build wealth. Most of the black population in these countries was unable to build wealth, particularly through one asset, their home

The ideas about wealth accumulation for those who go to the United States from less economically developed countries are similar to the ideas of those who flee other worse parts of Africa to go and live in South Africa, to seek a better life and employment. Ideas about wealth accumulation have been distorted by many, for example when we look at wealth accumulation along racial lines, we realize that there are some uninvestigated parts that contribute to the idea of who is able and unable to accumulate wealth; determined by past or present systems of government. For those who are not born into wealth, there are ways to acquire it, which include, home ownership, through home equity. I will focus on how systematic racism carried out through segregated policies contributed to the wealth disparity in home equity for black people in the United States, as well as black people in South Africa.

America carried out systematic racism making Jim Crow acceptable, and South Africa did the same through Apartheid. There are similarities between Jim Crow Segregation and Apartheid. Apartheid is “a policy which is favored by a small group of Afrikaner intellectuals to be found in the churches and in the universities: they feel that the country should be separated into a number of states, loosely associated in a federal form which has not yet been clearly defined” (Roberts). “ "Jim Crow" represented a formal, codified system of racial apartheid that dominated the American South for three quarters of a century beginning in the 1890s” (Freedom

Riders). This separation influenced how housing was going to be conducted and determined where people would live, separating blacks and whites.

On the other hand in the United States, “In 1913 the city of Winston-Salem was one of the earliest cities in the South to follow the method invented in Richmond, Virginia, of designating blocks throughout the city black or white according to the majority of the residents of the block, forbidding any person to live in any block where the majority were of another race” (Little 269), which was form of Jim Crow segregation. Unpacking these statements, means that black people were unable to live in areas where majority white people lived. Separation of housing along racial lines in both countries in each of the two countries rooted itself from a system that applauded segregation. Looking at how these policies influenced the socio-economic status of blacks in both countries is important. South Africa and America have different stories historically in terms or race, but the overall themes that were used to dictate forms of life because of race are similar.

When Black people came to the United States, it resulted in them being a minority that faced racism, and most of them faced economic oppression, which is something sidelines when most people talk about the “American Dream”. Blacks in South Africa faced similar types of oppression. They also faced forced migration similar to that of Native Americans, the only difference, to blacks in the United States, was that blacks in South Africa contributed the majority of the population, whereas blacks in the United States, were the minority. This type of oppression had many effects on the black population of both South Africa, and United States, social and economic. One social effect is the feeling that some blacks may have because of past marginalization. Roberts gives us a taste of race relations in South Africa, which is also exhibited in the USA; noting that, “I think we must admit that the average child born into a black

environment anywhere in the world is born into an environment which is inferior to that of the white child. The African or the black child grows up and becomes aware of this- particularly when the superior conditions are, so to speak, in the next street, as they are in South Africa-and he is provided with a grievance against fate, which in South Africa is turned into a grievance against the white man” (167). Explicit laws that supported segregation also had negative effects on how people may have viewed themselves. Some of the laws that supported both Jim Crow and apartheid rooted themselves on baseless arguments about race.

Looking at the economic effects on black people in the United States, we see that, the Federal Housing Administration rooted its housing policies in discrimination, where they made it difficult for Black people to get loans backed up by banks and, made it difficult for whites who wanted to live near black people, thus causing housing segregation. Unfortunately, the FHA housing policies promoted Jim Crow laws. “The FHA had adopted a system of maps that rated neighborhoods according to their perceived stability. Neighborhoods where black people lived were rated “D” and were usually considered ineligible for FHA backing. They were colored in red. They denied black people access to mortgages in areas that were not red lined Redlining went beyond FHA-backed loans and spread to the entire mortgage industry, which was already rife with racism, excluding black people from most legitimate means of obtaining a mortgage” (Coates). The hegemony for some seems to have been set that gives some white people that the more black people are in the neighborhood, the more their property value will decrease. This point is perfectly explained by Shapiro in his book, *The Hidden Cost Of Being African American*, where he documents interviews he has with a number of families, some explicitly expressing their views about living in integrated communities and how the integrated communities causes a depreciation in property values. This in turn according to Shapiro causes White Flight. White

flight is the idea that when white people leave a neighborhood, they leave with the wealth, because home equity decreases with integration resulting in wealth disparities of Black people.

The FHA changed people's opinions about where they would choose to live by rating areas and, there is a link between people's ability to accumulate as a result of the FHA. Areas that had been red lined, meant that for people who lived in these areas, their homes would not appreciate in value, if anything, they would depreciate. Areas that were red lined also meant that schools in the area would not be able to have resources that surpassed the value of the homes. This has a ripple effect on the children in these neighborhoods. The area where one lives can determine a lot, the dreams one sets for them as a result of what they are exposed to. Sometimes, it also can affect how one performs in life, and one's ability to have access to accumulating wealth. Unfortunately, it was drilled into the minds of most that living in an all-white neighborhood was a prerequisite for one's home to appreciate in value.

Most white people favor the idea of living in majority white neighborhoods, in order to take advantage at the economic benefit that comes along with it. Looking at statistics in *the Hidden cost of Being African American*, we can see that, "homes lose at least 16 percent of their value when they are located in neighborhoods that are more than 10 percent black. Furthermore, property values decrease more steeply in neighborhoods with higher percentage of blacks" (Shapiro 142). Shapiro explicitly shows that it is harder to build home equity based on race in the United States. If a house that belongs to a particular family appreciates in value over time, it means that generations that come after them can still benefit from the house, thus increasing their wealth in terms of home equity. From class lectures, we learned that most Americans have their wealth in their home. However, the wealth differs. Looking at these differences along racial lines, we can see that these wealth differences lay along racial lines

If a house does not appreciate in value, its economic benefit is outweighed by the economic cost, thus future generations are unable to accumulate any wealth, if any, if the house is sold. Blacks were on this end of the spectrum because of how the FHA had administered housing. Most blacks were not given access to buying houses in neighborhoods where their houses could appreciate in value. In addition to oppression during slavery, all the way to the policies made by the FHA, whites had the upper hand, while blacks were left with no window to build wealth in home equity.

On the other hand, South African Apartheid government passed the Native Urban Areas Act, forcing Africans to live in specific areas (Hyatt). “Under apartheid, whites were allowed to own land and houses, whereas Africans were prohibited from owning either land or property in the city. They perpetually paid rent for government-built housing, lived in single-sex hostels, or illegally built shelters with materials they could find” (Overcoming Apartheid). Blacks in South Africa were restricted from building wealth as a result of the apartheid regime. As a result, most of them were unable to accumulate any wealth through their homes, and resorted to illegally built shelters and hostels, both of which do not appreciate in value. Acts passed by the Apartheid government robbed Africans of wealth accumulation. “The Natives Urban Land Act of 1913 took 90% of the land in South Africa to be owned by small percentage of whites” (Ogbu). Over the years, this land would appreciate in value for those who had access to it, and for those who did not have access to it, in this case, the black majority would have lost the opportunity to build wealth from this land. There were missed opportunities for the black population in wealth accumulation opportunities because of the Group Areas Act of 1950, which similar to FHA redlining, divided urban areas into racially segregated zones "where members of one specific

race alone could live and work" (Ogbu). When these zones were created, Blacks were forced to migrate to townships and in some cases, to live in slums.

Forced migration plays a big part in how blacks were unable to live wealth. I found that "migration is seen as the contributing factor between the have and the have nots" (Antobam). Apartheid placed Blacks in places far from the towns, with far distances for them to commute when they had to go to work in the towns, "for instance, 60,000 residents were forcibly removed between 1968 and 1982" (Ogbu). The townships blacks were forced to live were poverty stricken areas that lacked the care they needed from the government. They were not marketable or attractive places to live; as a result those who lived there faced the wealth disparity. The forced migration of Blacks in their own country is similar to that of Native Americans. President Jackson passed the Removal Act of, which forcibly removed Native Americans from their land, similar to what the colonialists in South Africa were doing to the African natives (Library of Congress). The natives in South Africa and those in the United States were displaced to favor the economic interests of the whites who had taken over. The displacement of both groups is similar in the fact that their own land was taken away from them, on the basis of economic expansion of whites, with the idea of race put forth. The forced removal of South Africans took their chance to acquire wealth from their own land. This land could have potentially the land that they would build their homes, if they had access to it. They could have been able to build wealth like the minority white population, but the system during apartheid did not allow them to.

Blacks were blocked from accumulating any sort of wealth because of the Acts the government passed; they lost their land and lost opportunities to build wealth, as a result of government policies they also did not have access to public services. After apartheid, "white-only areas have opened to other races; the biggest post-apartheid population shift has been the

movement of black middle-class residents from townships to formerly all-white suburbs, enabled in part by growth in the black middle-class. 4 And yet the FutureFact report found that 81 percent of township residents planned to continue living there” (Ogbu) Since most of the Blacks stayed in the townships that meant they were unable to build wealth through home equity, because township homes do not appreciate as much in value, as homes in integrated neighborhoods.

On the other hand, “ South Africa ended up with an explicit national policy of enforced segregation, while the United States evolved a patchwork of subtle laws—“camouflaged segregation,” (Moser) Looking the Group Areas Act in South Africa, the results brought about by the FHA redlining in America are similar to the occurring results in South Africa.

It is interesting to note how race, wealth and inequality have been the root of the marginalization of black people in the United States, as well as in South Africa. We see how branches of government in both countries played a part Jim Crow and apartheid and affected black people's ability to gain a substantial amount of wealth in regard to their white counterparts. Contrast to segregation, integration not only brings a mixture of different opinions together, but it also makes people of different races see the humanity in each other. The way house markets are perceived now is unfortunate, which rooted from the social and political construction of the race. Economic effects hit the black population even harder than it did other races. I acknowledge that in both of the countries, not only black people were affected by housing policies, other racial minorities who were not included in the definition of what whiteness was, were affected too.

Owning a home is an achievement, as well as having an asset that most people would want to transfer to their children and generations that come after them. Although global

economic crises may have played a part in some people regardless of race unable to buy homes, we must recognize that access to being able to buy a home in the place you wanted to buy in the 1920s in the United States, was impossible for blacks. In South Africa, blacks were being migrated from the city centers to far townships, which also denied them the opportunity to purchase these good homes in good neighborhoods. Of Course, it is no longer legal to have legal segregation in both of these countries, some blacks have been able to start purchasing homes, but for it is important to see how other factors have affected, blacks ability to purchase a home in places where their home equity would increase. Income inequality, which was present during apartheid and Jim Crow era, is still present now, and this affects the ability for blacks to purchase homes and make substantial home equity from their homes with time.

According to CNN money, “In 2014, the median household income for whites was \$71,300 compared to \$43,300 for blacks. But for college-educated whites, the median household income was \$106,600, significantly higher than the \$82,300 for households headed by college-educated blacks”, and in south Africa, “ The 2011 South Africa Census says that white South Africans earn six times more than black South Africans nearly two decades after the end of apartheid and despite income growth” (Donnelly). These stats were not provided a long time ago, but are pretty recent. In the past segregated housing, created missed opportunities for blacks at the hand of segregation. Now that legal segregation is over, we see a trend in income difference along racial lines, which may still be a factor in the future for why blacks are disadvantaged in building home equity, When one has a significantly higher income than someone else, it is plausible that the one who has more income has access to more opportunities, and access to acquiring assets.

Looking at how lenders would give money to along racial lines is also important in identifying why home equity was difficult for Blacks. Mortgage discrimination in the United States, where lenders would give many excuses not to lend money to black people. In one account, they were told, “the loan officer could not give them any indication as to whether or not they would qualify, because it takes too long, they have to submit a full application and payment, or it's a complicated process. White borrowers, in contrast, were told that they were likely to qualify in a matter of minutes without a full application, payment, or having to provide any additional information” (Cloud). Loan discrimination in South Africa is also to blame, which is shown by the account that in South Africa, “ there is strong evidence that hire/purchase lenders discriminated against black household”(Schreiner6).

The bitter, sad history that blacks in the United States went through slavery is significant to note. Blacks who were a minority in white America were disenfranchised and disadvantaged. The wealth that some whites created during slavery is built of their labor, and policies that put them on the lower end of the spectrum. At the end of slavery, we can see that policies were still being implemented that were implicitly racially biased, that prevented Blacks from being able to build wealth from home equity. This affects most black families today, as some of them do not have head start of assets as compared to that of their white counter parts. Would the socioeconomic status and wealth building of Blacks in both countries through home equity if factors such as Jim Crow and apartheid were not proposed and implemented? Certainly.

Policy has a big effect on who is able to “entitled” to building wealth, and those who the policy does not think deserves to accumulate wealth through home equity, which is what this paper sought to investigate.

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