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FORUM: DEBT

Getting into Good Debt: Race, Debt, and the Pursuit of Freedom

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#BankBlack. #BuyBlack. In the wake of deadly police murders of unarmed Black women and men, calls for greater investment in Black business emerged as one panacea for the myriad divisions rending the very flesh of the American promise. In July 2016, hip-hop artist and business owner Michael "Killer Mike" Render issued a call to action days after the police murders of Alton Sterling and Philando Castile. "We owe them our outrage," he stressed in a call-in to a town hall meeting sponsored by cable television channels MTV and BET and hosted by a popular local Atlanta radio station. "But," he countered, "we don't have to burn our city down."[1] Instead of burning, he challenged 1 million people to open a 100-dollar account at a Black bank. Days following Killer Mike's call to "bank Black," about 8,000 Atlanteans opened accounts in Citizens Trust Bank, a Black-owned bank started in 1921. Riding a catchy hashtag and waves of discontent, the #BankBlack movement quickly spread beyond Atlanta. In less than a year, people around the world moved an estimated $60 million into Black-owned banks.[2]

The #BankBlack movement has expanded its mission to addressing the economic development and wealth-building challenges facing Black and Brown communities. The initial challenge transformed into a call to get into "good debt," to riff on the famous call by longtime human justice advocate the Honorable John Lewis to get into "good trouble" as a response to state violence and injustice.[3] Advocates turned attention to making the kinds of loans to individuals and businesses that other banks might not.

These kinds of strategies are not new. Black financial institutions, which include banks but also thrifts, credit unions, finance companies, and insurance companies, had long experimented with ways to get Black borrowers in "good debt." Racial discrimination in access to credit, from redlining to the ghetto tax, created a racial tariff for many Black consumers—what pioneering business scholar and Socialist Abram Harris described as "higher prices for

[1]Donette Lowe, "#BankBlack Has Moved Almost $1 Million in Five Days," *Vibe*, July 14, 2016, https://www.vibe.com/news/national/killer-mike-bank-black-on.e-million-437437/ (accessed May 15, 2023).

[2]Michael Render had encouraged attendees at a concert in February 2016 to open accounts at Citizens Trust Bank. Lowe, "#BankBlack"; Alex Siber, "Killer Mike Asked Atlantans to Invest in Black-Owned Banks, and They Listened," *The Complex*, July 15, 2016, https://www.complex.com/pigeons-and-planes/2016/07/killer-mike-atlanta-banks-speech; Michael Harriott, "1 Year After #BankBlack, America's Biggest Black-Owned Bank Still Doing the Work," TheRoot.com, Sept. 18, 2017, https://www.theroot.com/1-year-after-bankblack-america-s-biggest-black-owned-1810522862; and Marielle Segarra, "The Bank Black Movement Gains Traction," Marketplace.org, https://www.marketplace.org/2017/04/20/bank-black-movement-gains-traction/. All sites accessed May 15, 2023.

[3]In response to police and civilian violence against protesters marching across the Edmund Pettus Bridge in Selma, Alabama, in support of African American voting rights, the young activist John Lewis encouraged people to respond not with despair or violence but to, "Get in good trouble, necessary trouble, and redeem the soul of America." Quoted in Rashawn Ray, "Five Things John Lewis Taught Us about Getting in 'Good Trouble,'" Brookings.com, July 23, 2020, https://www.brookings.edu/blog/how-we-rise/2020/07/23/five-things-john-lewis-taught-us-about-getting-in-good-trouble/ (accessed May 15, 2023).

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inferior goods and services."[4] The racial tariff also compounded the costs of credit. How African Americans spent, loaned, borrowed, donated, and invested their money took on political significance in the context of a long history of disenfranchisement, segregation, extralegal violence, and economic exploitation. The pernicious legacies of slavery and the tendrils of the Jim Crow system have continued long since the system of racial apartheid legally ended.[5]

"We can't go out into the street and start bombing, shooting, and killing," Killer Mike mused in his call-in to the 2016 town hall organized in the wake of protests around Sterling's and Castille's deaths. "I encourage none of us to engage in acts of violence. Instead we should to take our warfare to financial institutions."[6] Debt could provide access to the American Dream, offering a way not just to respond to violence but to channel it. Violence—or, more accurately, dealing with its aftermath—has, unfortunately, been a key means to draw attention to issues around economic justice in the United States. Defenders of lynching, whitecapping, and other forms of mob violence trumpeted such acts of racial terror as commensurate justice for the most grievous transgressions of public morality and safety, namely Black men raping white women and the murder of white innocents. Activist and journalist Ida B. Wells-Barnett exposed the "threadbare lie" about Black men's lust and Black people's propensity for violence. She highlighted the truer underlying motives for mob violence: jealousy and control of African Americans who presented economic competition, who fought against or maybe even managed to slip the grip of the crop-lien system, and who stood up for themselves or their loved ones who were targets of discrimination and injustice.[7]

Historically, Black community responses to instances of state-sanctioned violence have included calls to redouble efforts to support and invest in Black businesses and institutions. An 1887 lynching near Drake's Branch, Virginia, and the subsequent terrorizing of local Afro-Virginians inspired William Washington Browne to charter the first Black bank in 1888. In 1900, race massacres in major cities like New Orleans and New York; smaller cities like Akron, Ohio; and even smaller towns like Darien, Georgia, added urgency to Booker T. Washington's call to organize the National Negro Business League later that same year. Sweet Auburn, the fabled Black Wall Street of Atlanta, emerged in part from the ashes of the Atlanta Race Riot of 1906. Driven from the central business district through the coordinated efforts of white mobs, police, and locals, Black business owners regrouped and rebuilt within the confines of their segregated communities. In the aftermath of the 1921 pogrom in Tulsa, Oklahoma, the Black residents of Greenwood rebuilt even stronger, creating a second Black Wall Street by World War II that surpassed the first.[8]

[4]Abram Harris, *Negro as Capitalist: A Study of Banking and Business among American Negroes* (Philadelphia, 1936), 178.

[5]Harris, *Negro as Capitalist*; Devin Fergus, "The Ghetto Tax: Auto Insurance, Postal Code Profiling, and the Hidden History of Wealth Transfer in America," in *Beyond Discrimination: Racial Inequality in a Post-Racist Era*, eds. Fredrick C. Harris and Robert C. Lieberman (New York, 2013), 277–316.

[6]Quoted in Bryan Cain, "Understanding the #BankBlack Movement," *The Financial Brand*, Apr. 1, 2021, https://thefinancialbrand.com/news/bank-culture/black-banking-oneunited-111098/ (accessed May 15, 2023).

[7]On Wells-Barnett's critique, see Mia Bay, "'If Iola Were a Man': Gender, Jim Crow and Public Protest in the Work of Ida B. Wells," in *Becoming Visible: Women's Presence in Late Nineteenth-Century America*, eds. Janet Floyd, R. J. Ellis, and Lindsey Traub (New York, 2001), 105–128.

[8]James D. Watkinson, "William Washington Browne and the True Reformers of Richmond, Virginia," *Virginia Magazine of History and Biography* 97, no. 3 (Jul. 1989): 375–398; Gregory Mixon and Clifford Kuhn, "Atlanta Race Riot of 1906," *New Georgia Encyclopedia*, Mar. 11, 2020, https://www.georgiaencyclopedia.org/articles/history-archaeology/atlanta-race-massacre-of-1906/ (accessed May 15, 2023); Allison Dorsey, "The Turn Toward Violence: The Atlanta Race Riot, 1906," in *To Build Our Lives Together: Community Formation in Black Atlanta, 1875–1906* (Athens, GA, 2014), 147–166; William L. Calloway, *The "Sweet Auburn Avenue" Business History, 1900–1988* (Atlanta, 1988); Scott Ellsworth, *The Ground Breaking: The Tulsa Race Massacre and an American City's Search for Justice* (New York, 2021).

Black communities actively sought out ways to participate in the mainstream economy beyond the limited roles of domestic, sharecropper, and laborer. Though the Supreme Court enshrined separate but equal into U.S. society and culture with *Plessy v. Ferguson* (1896), African Americans never stopped pushing against those restrictions, including in the marketplace. One of their most effective strategies was creating vibrant Black commercial spheres. On one side, factors such as exclusion from central business districts limited access to credit and industry knowledge and actual instances of extralegal violence circumscribed these Black enclaves. On the other side, however, these enclaves expanded those same limitations through the Black community's limitless ambition and ingenuity.

Prospectuses for mines, factories, and firms along with advertisements for real estate investment, finance corporations, and books and pamphlets detailing ways to go into business for yourself peppered Black newspapers. Appeals to race pride encouraged communities to spend and invest—to get into "good debt"—as a path to racial uplift. Appeals to race pride represented, however, much more than a self-interested business class's efforts to divert attention away from or ignore the inherent ethical dilemmas in exploitative relations of capital. Black borrowers and investors were not just willing dupes. The intentions and goals of those who frequented, financially supported, and even criticized Black banks and businesses reveal a complex response to "buy Black" appeals. According to Claudreena Harold, working-class African Americans made purchases, borrowed, and invested in Black businesses "with an expansive sense of civic responsibility, extensive organizational experience, an astute awareness of class distinctions within the black community, and an understanding of the ways in which their position in the political economy negatively impacted their life chances and experiences."[9] Buying, borrowing, and investing Black offered regular people a sense that they possessed some control over the wheels of capitalism.

Could free enterprise really make you free? Since their arrival on American shores, African Americans have been jury and witness to the problematic place of race in U.S. narratives of democratic capitalism—and to the legitimacy of democratic capitalism itself. Black investors and consumers did not have an answer, but they did test the possibilities and limits of consumption, credit, and investment as liberatory practices. Their support and criticisms of Black business in particular and the U.S. political economy in general placed among the earliest, sustained, and loudest voices condemning racial capitalism and all of its depredations: higher costs for goods and services, low wages, and inequitable access to not only mortgage and consumer credit but also to safe working conditions and healthcare.[10]

African Americans experiencing boom times after World War I purchased radios, automobiles, and other luxury goods on credit. They speculated in stocks and real estate, actively engaging in the economic risk taking that made the 1920s roar. Most of them could not have foreseen the economic devastation that would quiet that roar to a whimper by the end of the decade. The Great Depression came early, though, to African American communities. Farmers battling catastrophic floods and shriveled cotton prices experienced the dark economic clouds long before Black Monday. And the Depression hit African Americans with the ferocity of locusts: companies laid off and fired Black workers to reserve jobs for whites. Black unemployment rates in urban areas rose and often exceeded 50 percent—more than twice the rate of whites.[11]

Homeownership represents a hallmark of the American Dream. It is clear now that New Deal agencies such as the Home Owner's Loan Corporation (HOLC) and Federal Housing

[9]Claudrena N. Harold, *The Rise and Fall of the Garvey Movement in the Urban South, 1918–1942* (New York, 2007), 6.

[10]Lou Turner, "Toward a Black Radical Critique of the Political Economy," *The Black Scholar* 40, no. 1 (Spring 2010): 16–17; Zenia Kish and Justin Leroy, "Bonded Life: Technologies of Racial Finance from Slave Insurance to Philanthrocapital," *Cultural Studies* 29, no. 5 (Mar. 2015): 645–646.

[11]Joe William Trotter Jr., *From a Raw Deal to a New Deal: African Americans 1929–1945* (New York, 1996), 25.

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Administration (FHA) spun nightmares, not only exacerbating racial segregation in housing but also institutionalizing white privilege in lending. Racial disparities in Depression-era credit modernization programs (CMPs) and the accompanying marginalization of Black financial institutions (BFIs), however, were hardly foregone conclusions in the early years of the Great Depression. Black banks, thrifts, and insurance companies—significant sources of loans and credit for Black communities—felt hopeful about President Herbert Hoover's associationalism and grew even more excited about the experimental *zeitgeist* of President Franklin D. Roosevelt's New Deal. Federal programs envisaged, at least on paper, that BFIs would have equal access to federal dollars to benefit themselves and their customers, namely by providing much-needed reinforcements in their longtime fight to support Black homeowners and businesses. The specter of Jim Crow regulation and BFIs' activist lending priorities, however, quickly dashed those hopes.[12]

While much of the scholarship on racial discrimination in lending focuses on the HOLC and FHA, consider the example of the Reconstruction Finance Corporation (RFC). Hoover created the RFC in late 1932, and Roosevelt retained the agency as part of his administration. Modeled on the War Finance Corporation created during World War I, the RFC represented an experiment in state capitalism in which the "government intervened directly in the economy with a variety of regulations and subsidies."[13] The federal government diverted billions of taxpayer dollars into private and semiprivate industries. The RFC promised to do more than prime the financial pump; it would unleash a flow of capital and credit to save jobs, modernize American infrastructure and homes, and revive the spirits of millions of Americans deeply affected by hard times. BFIs anticipated a place within this hoped-for prosperity, particularly equitable access to industry knowledge and other benefits that would allow them to compete more effectively in the broader U.S. financial market and finally give their borrowers greater access to loans and credit that could help them achieve their financial goals. BFIs, however, quickly recognized the barriers to not only the flow of capital and credit to Black borrowers but also their efforts to sustain their lending priorities.

Black borrowers desperately needed loans to pay property taxes, keep up with mortgage payments, and keep businesses afloat. BFIs placed these needs at the top of its priorities: conservative underwriting be damned in the effort to save homes and businesses. Activist lending represented as much of a continuation of BFIs' lending strategies and practices that responded to the needs of the investors and consumers on which they heavily depended as it did a bulwark against the Great Depression. Investors and consumers needed more money to do more. In theory, the RFC offered a solution. The RFC's bank stabilization program "loaned" money to banks through a special class of preferred stock. The stock purchases poured extra money

[12]See Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (New York, 2017); N. D. B. Connolly, *A World More Concrete: Real Estate and the Remaking of Jim Crow South Florida* (Chicago, 2014); Louis Hyman, *Debtor Nation: The History of America in Red Ink* (Princeton, NJ, 2011); Kristen B. Crossney and David W. Bartelt, "The Legacy of the Home Owners' Loan Corporation," *Housing Policy Debate* 16 (Mar. 2005): 547–574; Guy Stuart, *Discriminating Risk: The U.S. Mortgage Lending Industry in the Twentieth Century* (Ithaca, NY, 2003); Adam Gordon, "The Creation of Homeownership: How New Deal Changes in Banking Regulation Simultaneously Made Homeownership Accessible to Whites and Out of Reach for Blacks," *Yale Law Journal* 115, no. 1 (2005): 186–226; Ira Katznelson, *When Affirmative Action Was White: An Untold History of Racial Inequality in Twentieth-Century* (New York, 2005), especially ch. 5; Kevin Fox Gotham, *Race, Real Estate, and Uneven Development* (Albany, NY, 2002); Thomas Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* rev. ed. (Princeton, NJ, 2005), especially Part I: Arsenal; and Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (New York, 1985), especially chs. 11–13. On the deeper roots of mortgage discrimination before the New Deal, see Paige Glotzer, *How the Suburbs Were Segregated: Developers and the Business of Exclusionary Housing, 1890–1960* (New York, 2020).

[13]James S. Olson, *Saving Capitalism: The Reconstruction Finance Corporation and the New Deal* (Princeton, NJ, 1988), 11.

into banks, but they also gave the RFC power to make changes it felt strengthened the banks' financial standing and thereby protected the RFC's investment. In addition, the RFC required that any debts secured by real and business property be "self-liquidating," meaning that the home, building, or business could be sold to repay the debt.

In practice? All BFIs had long histories fighting state regulators, including bureaucratic harassment, discretionary application of state laws, and even outright destruction of BFIs. Regulators' assessments of what constituted valuable and profitable assets and securities were rife with racial biases, despite the alleged impartial and neutral standards federal bureaucrats and local experts claimed they applied. Race inversely correlated with value: the more Black bodies, the less valuable the property. Whites, too, often reserved harsh criticism for the lending and investment strategies of BFIs while failing to acknowledge fully the structural and institutional constraints acting on BFIs.[14] Submitting to greater state oversight combined with allowing outsiders (made up mostly of local white business-civic elites) significant financial control gave pause to even the most desperate BFI board members. They risked a loss of autonomy and the wholesale devaluation of Black wealth through their participation in federal CMPs like the RFC.

Long after the Great Depression, Black borrowers and investors continued to negotiate a credit market that racialized risk: that presumed Blackness inherently riskier and less valuable. Modern-day strategies to the question "can free enterprise *really* make you free?" face similar barriers—but also greater opportunities. Calls for economic justice in the Black community have always underlaid appeals for rights and freedom. Those appeals are not without serious criticism.[15] Yet the appeal of Black self-determination through financial access persists in part because the structural and institutional racism that feeds poverty, mass incarceration, and other disparities persists. More important, the belief that using debt as a path to access is an act of both resistance and agency. Getting into "good debt" expresses both financial acuity and political astuteness, a response to appeals to investment and debt that reflects an individual's values and collective goals. Demands for "good debt," from the boardroom table, factory floor, and store aisle, claim rights from and press demands of the business class and civic leaders. Even with its attendant limitations, "getting into good debt," offers a foundation to fight and challenge white supremacy.

[14]See for example Shennette Garrett-Scott, "'All the Devils This Side of Hades': Black Banks and the Mississippi Banking Law of 1914," *Business History Review* 95, no. 4 (Winter 2021): 631–670, https://www.cambridge.org/core/journals/business-history-review/article/all-the-other-devils-this-side-of-hades-black-banks-and-the-mississippi-banking-law-of-1914/009D1EE90AB76BF35EFF5591CF64A33C (accessed May 15, 2023).

[15]Guy Emerson Mount, "Why #BankBlack Is Betraying the Black Freedom Struggle," *Black Perspectives*, Aug. 30, 2016, https://www.aaihs.org/why-bankblack-is-betraying-the-black-freedom-struggle/ (accessed May 15, 2023).