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12-18-20

Inequalities in Homeownership

Homeownership is something that a lot of people strive for. In the United States, becoming a homeowner is a common long-term goal for many people. In a world where inequality exists in different forms, is homeownership also one of those inequalities? There is evidence of this inequality attempting to be addressed in a 2003 bill passed by George Bush. Bush signed the “American Dream Down Payment Initiative” that year, which was meant to aid first time homebuyers with their downpayment (Goodman and Mayer 2018). Bush’s plan was to try and reduce racial inequality in homeownership. Using consumer expenditure data from the U.S. Bureau of Labor Statistics, I experiment with logistic and generalized linear model regressions in order to test homeownership demographics. I also investigate to see which variables are best at predicting whether or not someone is a homeowner. Some of the variables that are good predictors include wage and education level. Surprisingly, race and gender were highly correlated with being a homeowner. This could mean that not only is their racial inequality, but there is also gender inequality in homeownership demographics as well. In my data I wasn’t able to find any convincing data and/or numbers showing me that inequality in homeownership. I believe this may be due to the fact that my mean wage is too high and does not account for the lower part of the economy. Also I chose a family size of 3 or more, where family size plays a role in wage and homeownership rates.

Laurie Goodman and Christopher Mayer in their article “*Homeownership and the American Dream*”, investigate homeownership data that includes demographics, financial benefits of homeownership, and U.S homeownership rates as compared to various other nations (Goodman and Mayer 2018). An interesting excerpt from their results was regarding the homeownership rates from 1985 - 2015 (Goodman and Mayer 2018). The rates increased in 1995 and 2005 but fell more in 2015 than demographics can explain (Goodman and Mayer 2018). They brought up the carefree credit standards as playing a huge role in the rate increases, as well as the recession of 2008 in the decrease. Their research shows that homeownership rates for black households fell every decade from 1985-2015, even after controlling for income. Shockingly black households with a college education are less likely to own a home than white households heads with a high school education (Goodman and Mayer 2018). In order to obtain these results, they use data from the American housing survey to run several regressions. Their regressions include dummy variables in order to compare the categorical coefficients with the dropped factors. They also took the log of income to reduce the effect of education on homeownership.

Alexandra Killewald and Brielle Bryan, authors of “*Does your home make you wealthy”,* research how prior wealth creates transitions to homeownership and yearly wealth benefits of being a homeowner. They also look at racial differences in wealth gained through homeownership. The data set used for their paper is from the NLSY79 survey where 75% of the participants are still being interviewed annually since 1979. Some key results include their original confirmation that homeownership has substantial wealth benefits (Killewald and Bryan 2016). They also relate the wealth inequality gap to low homeownership rates in Hispanics and blacks as compared to whites, as well as lower accumulated years of homeownership. They state 3 disadvantages in blacks and Hispanics as compared to whites. “First, as shown in our descriptive results, they have, on average, characteristics that are less likely to facilitate entering and maintaining homeownership. As a result, they participate less in this wealth- generating state” (Killewald and Bryan 2016). “Second, even holding other determinants of homeownership constant, blacks and Hispanics have lower rates of entry into homeownership and higher rates of exit than whites” (Killewald and Bryan 2016). “Third, for every year they spend as homeowners, blacks and Hispanics receive lower median wealth returns than whites do. Disparities in homeownership rates and in the returns to homeownership both contribute substantially to the gaps by race in long-term wealth accumulation from homeownership” (Killewald and Bryan 2016). Regressions are used comparing the wealth of different races weighted against each other.

Both authors agree that homeownership rates are lower in Hispanics and blacks compared to whites. Killewald and Bryan believe that minorities can increase the inequality and wealth gap by decreasing the homeownership race gap. Killewald and Bryan state that their findings may not be completely substantive especially when it comes to neighborhood housing rates. A challenge in these types of studies can be that unmeasured variable of cultural differences between blacks and whites and even Hispanics. These cultural differences can play a part whether or not someone wants to own a home or needs to own a home for that matter. Cultural differences can include but are not limited to, pooling of money to buy a future generational home, as well as rural and urban social and economic factors (ex: Living in rural areas where more inexpensive housing may be available, may require cars, longer babysitting times, and longer work and school commutes.

**Table 1**

Relevant numeric variables for my subset

|  |  |  |
| --- | --- | --- |
| **Variable** | **Mean** | **Standard Deviation** |
| FWAGEXM(Yearly Wage) | $96,977.26 | $79,552.45 |

**Regression Results**

**Coefficients: Estimate Std. Error z value Pr(>|z|)**

|  |  |  |  |
| --- | --- | --- | --- |
| Intercept  AGE\_REF | 4.5757383  -0.1757775 | .7190797  0.0183767 | 6.363 1.97e-10  -9.565 < 2e-16 |
| I(AGE\_REF^2) | 0.0018033 | 0.0001931 | 9.341 <2e-16 |
| SEX\_REF | 0.2630499 | 0.0727039 | 3.618 0.000297 |
| I(EDUC\_REFB\*SEX\_REF) | 0.0756228 | 0.0644693 | 1.173 0.240794 |

The data set I used is the consumer expenditure survey data from the U.S. Bureau of Labor Statistics. I am going with the diary data over the interview data and my subset uses people between the ages of 20 and 87 with a family size of at least 3 (the 3 includes the interviewee). In my first regression I wanted to see what variables would show a relationship with wage if the person was a homeowner. The strong predictors for homeownership were wages, education, race, and gender. I first ran my subset without family size and then ran it with a family size of 3. When family size is added to the subset the wages for both Asian male and black male homeowners increase as the slope becomes positive compared to negative for family sizes including 1 and 2. Do extra family members persuade companies to pay more in wages? Are family men more likely to strive for higher wages? Something interesting that should be mentioned and looked at further. I then plotted predicted wage for Asian women and black women, comparing the wage to their age. I wanted to check for differences in the 2 races for homeowners, so I kept the education levels equal at a bachelor’s degree. There’s is a small difference early on that remains in effect throughout all ages. I then ran a regression with the log of wage in order to reduce the strong relationship education was providing on wages. The variables with p values less than 0.5 included Marital status and gender. I expected to see a low p-value for the black race however It was about 0.5. In my next regression I wanted to test a relationship between race and sex for homeowners and how the wage is affected. The p value was high at 0.338427. An interesting note was that a black person who owned a home was making almost $10000 less on average compared to a white person. When gender is factored in, the gap decreases to $17,000. I also found that an Asian homeowner is more likely to have a higher income than a white homeowner. This raises the question of Asian homeowners and can open up future research on Asian vs white homeowner demographics. After comparing predictors, I ran a logit model using homeownership as the dependent variable and had several variables as independent including gender, race, and education. I found a strong correlation between gender and being a homeowner as men are 26% more likely to own a home as compared to a female. I also have a strong correlation between education and being a homeowner as a higher education level person regardless of gender is more likely to own a home compared to a lower education level person. The logit model plot below shows the values of the coefficients and u can see which variables are reacting strongly to homeownership.Chart

Description automatically generated

Works Cited

Goodman, Laurie, and Christopher Mayer. “Homeownership and the American Dream.” *Source: The Journal of Economic Perspectives*, vol. 32, no. 1, 2018. *JSTOR*, [www.jstor.org/stable/26297968?seq=1#metadata\_info\_tab\_contents](http://www.jstor.org/stable/26297968?seq=1#metadata_info_tab_contents).

Alexandra Killewald, and Brielle Bryan. “Does Your Home Make You Wealthy?” *RSF: The Russell Sage Foundation Journal of the Social Sciences*, vol. 2, no. 6, 2016, p. 110. *Crossref*, doi:10.7758/rsf.2016.2.6.06.