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Home Ownership Trends and Racial Inequality In the United States in the 20th Century

George S. Masnick

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Abstract

Home ownership differentials are both a consequence and a cause of social inequality in the United States. Differences in income, wealth, education, family structure, and racial identity all contribute to differences in home ownership, and differential home ownership opportunities help sustain differences in wealth, education, access to jobs, and overall quality of life. In particular, home ownership differentials have played a pivotal role in creating and sustaining social inequality between whites and nonwhites across a wide range of social indicators.

Introduction

The best discussion of housing inequality in the contemporary United States is found in Myers and Wolch (1995). This study was commissioned as part of the 1990 census monograph series, and focussed on emerging housing trends between 1980 and 1990. They titled their contribution “The Polarization of Housing Status,” and developed their narrative around the theme that:

[T]he effects of polarization were spread unevenly, both socially and spatially. As younger persons struggled to reach their aspirations, and even to fill their most basic needs, an older generation rose to levels of economic success that were unmatched in this century. And, predictably, minorities, women and less economically advantaged citizens suffered most. Thus we find evidence of a growing “generation gap” and “diversity gap” in realization of the American Dream [of home ownership]. (p. 271)

In our own treatment of home ownership inequality, we focus on racial differences as the most persistent and most insidious threat to the integrity of the American social fabric. To be sure, the importance of generational differences will be recognized. As we shall see below, there are large gaps in home ownership levels between age cohorts for both whites and nonwhites. However, these gaps have alternately widened in the 1980s and narrowed again in the 1990s as home ownership rates themselves have gone first down and then up. Understanding trends and fluctuations in home ownership over time requires attention to changing economic, social, demographic and public policy conditions that have set the historical context in which home ownership progress of the different generations (cohorts) is realized. As we discuss below, such a broad understanding of the causes of inequality in home ownership has been difficult to achieve. We shall begin by reviewing the broad swings in home ownership in the United States, and racial inequality in home ownership, characterizing the 20th century.

Home ownership trends in the United States over the past century have rarely been stable for any length of time (Figure 1). During the early part of the 20th century, demographic and economic factors primarily determined the course of aggregate home ownership trends. Home ownership rates moved steadily downward during the early decades as immigrants

from Europe swelled the ranks of the U.S. population, and as the resident population became ever more concentrated in urban locations where home ownership opportunities tended to be more limited. The large down payment that was typically required to purchase a house and the short terms for most mortgages, all made home ownership a difficult goal to achieve for the majority of households early in the century. Winnick (1957) reports that the average down payment in a sample of 22 cities ranged from two-thirds of the purchase price in 1911-1914 to about half in 1925-29. Mortgage contracts were short term, typically 6-11 years. Significant shares of homes (between 25 and 50 percent) were acquired debt free.

Throughout these early decades of the 20th century tremendous demographic pressure was put on the housing stock by immigration and urbanization, but federal, state, and local governments were reluctant to become involved in serious ways to directly address emerging housing needs. Direct public policy initiatives with respect to owner occupied housing played little role in shaping trends until after 1930. The U.S. stood far behind its European counterparts in having a coherent national housing policy, and the prevailing philosophy was that local initiative and the free market would best meet the demand for housing. The booming economy in the 1920s and a big investment in housing by private entrepreneurs appeared to vindicate this philosophy, with the private sector adding almost a million units annually to the housing stock during the peak years of the 1920s. As a consequence of this boom in housing construction, the home ownership rate reversed its downward drift of the previous decades and began to move upward.

But the Great Depression soon put the brakes on nascent home ownership growth. Massive bank failures of the 1930s, personal bankruptcies, and high unemployment characterized the Depression decade and caused the home ownership rate to drop over four percentage points, from 47.8 percent in 1930 to 43.6 percent in 1940. During the early 1930s mortgage foreclosures soared to around 1,000 per day, and half of the country's homeowners were in default (Listokin, 1991). The actual decline in home ownership to its nadir in the 1930s was probably larger than Figure 1 indicates, but annual trends during these early decades cannot be accurately measured between decennial censuses.

Multiple federal government interventions in the 1930s in financial and housing markets as part of the New Deal boosted home ownership rates and forever changed the role of government in providing for America's housing needs. The establishment of the Federal

Home Loan Bank system in 1932 and the passage of the National Housing Act of 1934 establishing the Federal Housing Administration (FHA) were critical first steps in what would eventually become a much broader federal housing policy. Other agencies established during the 1930s included the Federal National Mortgage Association (Fannie Mae), the Federal Savings and Loan Insurance Corporation (FSLIC), and the Reconstruction Finance Corporation (RFC). After the establishment of these agencies and programs, and the new private housing efforts they stimulated, Americans increasingly were able to rely on the availability of fully amortized, government-insured long-term mortgages. Thus, the third leg of the tripod (federal housing policy) was added to the other two (economic conditions and demographic change); these three elements would continue to each exert strong influences on home ownership trends throughout the balance of the 20th century. Depression era programs were directed at making home ownership more dependable and affordable, but the secondary goal of supporting the construction industry, as a means to put people back to work, was equally important. Support for the construction and real estate industries continues to be an important goal of United States national housing policy up to the present time.

The home ownership rate climbed dramatically during the 1940s and 1950s. This sharp increase in the home ownership rate was the result of multiple reinforcing trends. First, the establishment of government-backed mortgages, as we have already mentioned, was significant in placing the long-term cost of home ownership at affordable levels for many households. Second, the booming war economy of the 1940s and sustained prosperity of the 1950s boosted household earnings, and this supported increased home ownership. Third, the federal government guaranteed returning war veterans low interest mortgages to help them move quickly into home ownership, and other federal programs for veterans supporting education and employment helped to increase the ability of many Americans to achieve their home ownership goals. Fourth, the rise of the automobile and federal support for cheap gasoline opened up vast areas of land to housing development, and the modern automobile-dependent American suburb was born. Finally, the great expansion of the interstate highway system under President Eisenhower, ostensibly to improve military preparedness during the Cold War, created many opportunities for the birth of new suburbs across the country and for the expansion of the old ones.

The run-up in home ownership rates that took place between 1940 and 1960 was truly unprecedented. This trend was magnified because new renter household formation was simultaneously weakened in a variety of ways, thus accelerating the rise in homeowners as a share of total households. The booming economy and affordable mortgages helped facilitate the transition from renter to owner for many existing renter households, releasing a “pent-up demand” for ownership that had built during the 1930s and early 1940s. The earlier marriage and rapid childbearing characterizing the post-WW II period made moving to owned houses with safe streets, big yards and newly constructed schools the clear choice of households being formed in the 1950s and 1960s.

In addition, federal, state and local urban renewal policies set about to “clear the slums”, often in conjunction with highway expansion, and this activity had a severe impact on rental housing in America. While plans usually called for the replacement of the demolished substandard private (usually rental) housing stock with public housing (also rental), these plans were slow to be implemented. For example, in 1950, only 32,000 public housing units were started nationally, a drop in the bucket compared to housing units being demolished, and to the almost 2 million private housing starts that year. (Listokin, 1991). The free-market was indeed slow to address the needs of renters, particularly low-income renters.

Starting in the 1950s, federal housing policy began to slowly move away from the free-market model that characterized the first half of the century. The 1949 Housing Act articulated a goal of “a decent home and a suitable living environment for every American”. This far-reaching pronouncement would affect housing policy in the decades to come. The 1954 Housing Act recognized the need to broaden the federal initiative beyond just demolition of substandard housing and new construction, and began to address the needs for rehabilitation of deteriorating housing units and neighborhood infrastructure in general. Next, by signing the Housing Act of 1961, President Kennedy created the first FHA-insured low-income rental housing. In 1965, the Department of Housing and Urban Development was created by President Lyndon Johnson as a Cabinet-level agency, and in 1968 the Housing and Urban Development Act privatized the Federal National Mortgage Association (Fannie Mae) and established the Government National Mortgage Association (Ginnie Mae). HUD initiated new low-income home ownership (Section 235) and rent supplement (Section 236) programs. In 1974, the Housing and Community Development Act made rent vouchers (Section 8

certificates) available for use in the private housing market; this approach to assisted housing became the dominant initiative in the 1980s and 1990s as free-market efforts to stimulate rental housing once again surged to the fore. The reader is directed to Keith (1973) and Mitchell (1986) for a further discussion of early federal housing policy.

Between 1960 and 1980 the interactions between economic, demographic and public policy initiatives took on a new synergy, and home ownership growth slowed dramatically. The oldest of the baby boom generation entered the household formation age groups in the mid-1960s in large numbers, but unlike their parents' generation, they increasingly chose not to marry and start families at a young age. By the 1970s, those who had married were divorcing at record rates. The growth in non-family and single-parent households that resulted from this demographic shift was much more favorable for renter occupancy.

By the mid-1960s, the federal government had become more serious about addressing the housing needs of low-income (mostly renter) households. The urban riots of that decade left no doubt about the seriousness of racial inequality in America. A blue-ribbon commission appointed by President Lyndon Johnson to investigate the causes of the riots began its 1968 final report with the now famous quote: "*Our nation is moving toward two societies, one black, one white – separate and unequal*".¹ The commission recommended the need for dramatic improvements in the quality of life in central city neighborhoods requiring marked increases in federal spending for education, housing, employment, job-training, and social services (Yinger, 1995). President Lyndon Johnson recommended nothing less than a "war on poverty" to address these problems.

In 1960, a cumulative total of approximately 425,000 units were covered by major federal housing subsidy programs; by 1970 subsidized housing approached 1 million; by 1975 it had jumped to 2.4 million units and by 1985 to 4.6 million (Listokin, 1991). Housing programs of this period promoted the construction of many new rental units; the greater availability of rental housing boosted renter household formation and had a dampening effect on the rise in the home ownership rate.

Finally, the inflation of the 1970s and early 1980s, touched off by the 1973 Arab oil embargo, eventually boosted mortgage interest rates to double digits. Housing inflation during this period motivated those that could afford to "invest" in home ownership to

¹ National Advisory Commission on Civil Disorders, Final Report (1968), p.1.

purchase houses and to move up into bigger and more expensive housing. However, many potential first-time homebuyers were unable to afford the higher down payments or monthly mortgage payments created by an inflationary housing market. In addition, many young workers were impacted by the restructuring of older rust belt industries that began in the late 1970s, and by the Reagan Recession of the early 1980s, and this weakened home ownership.

These economic and demographic explanations of the decline in home ownership rates in the 1980s are not the whole story, however. To be sure, a continued shift away from married-couple household formation was responsible for part of the slipping demand for owner occupied housing in the 1980s, but ownership rates for young and middle-aged married couples also declined during this period (Masnick, et. al., 1999). High unemployment and high real housing costs certainly depressed home ownership in the early 1980s, but improvements in both indices during the late 1980s did little to boost the home ownership rate. In spite of the aging of the baby boom generation into the peak years for home ownership, and a generally favorable economy and more affordable interest rates, home ownership rates remained stuck near 64 percent between the mid-1980s and the mid-1990s.

Housing analysts now recognize that additional economic and demographic factors were operating to influence home ownership trends. These include high down-payment burdens with the general rise in the price of homes, the widespread decline in real wages of men over the past quarter of a century, and the increasing role of immigrants from Asia and Latin America in many of the larger U.S. housing markets (Joint Center for Housing Studies, various years 1988-1999).

Beginning in the summer of 1994, for the first time in history, an Administration occupying the White House developed and implemented a policy specifically targeted to increase the home ownership rate. The Clinton Administration set a goal of reaching 67.5 percent homeowner households by 2000, and remarkably appears on track to almost reach the goal. The effort is remarkable in that it did not leverage off of an already existing trend, did not depend on any major new legislation, and did not recommend any large new funding initiatives. The strategy to accomplish the goal depended heavily on boosting home ownership among groups with low home ownership rates, and involved vigorously enforcing fair housing and banking laws already on the books. By partnering with over two dozen public and private organizations that serve as national housing advocates, the Clinton

Administration developed a far-reaching program to help minorities and others who have been historically under-served by housing markets. The program had goals to: (1) make home ownership more affordable; (2) eliminate barriers to home ownership; (3) enable families to better manage the responsibilities and rewards of home ownership; and (4) make it easier to complete the paperwork to buy a home. Initiatives were undertaken by the FHA, Fannie Mae, Freddie Mac and others, to lower the down payment requirement, to recognize multiple income sources in qualifying a household for a housing loan, to reward the prompt and regular payment of monthly mortgages, to facilitate mortgage applications in languages other than English, and to work with realtors and banks to end discrimination in marketing and lending. Subsequently, home ownership increases have been particularly strong for minorities. But this has gotten us ahead of our narrative.

White and Nonwhite Differentials in Home Ownership

There is perhaps no greater indicator of the persistence of social inequality in the United States than that measured by enduring racial inequality in home ownership. And there is no greater challenge to addressing inequality in home ownership in the U.S. than that provided by long-term black vs. white differences. Yet, in spite of over 50 years of attention to the insidious consequences of racial segregation for black/white social inequality, research on home ownership differentials has not figured prominently in the debate on racial inequality in America.² Concern with black/white inequality traditionally has focussed upon such social indicators as per capita income, average wage levels, poverty rates, unemployment, labor force participation, household composition, educational attainment, out-of-wedlock childbearing, infant mortality, and life expectancy.

In retrospect, factors helping to create differences between white and black home ownership opportunities can generally be viewed as also promoting differences in well being between the races across the whole range of social indicators. The economic and psychic well being of individuals, households, and the nation at large has been linked to trends and differentials in home ownership. In their comprehensive literature review on home ownership

²See *An American Dilemma* (Myrdal, 1944), *American Apartheid* (Massey and Denton, 1993) and *Poverty and Place: Ghettos, Barrios and the American City* (Jargowsky, 1996). Only two researchers (Galster, all years; Yinger, all years) have done sustained heavy lifting on the black/white homeownership gap.

in the United States, Megbolugbe and Linneman (1993) put forth a long list of reasons why policy makers now view home ownership as especially worthy of attention. They make a strong case that home ownership opportunities are generally associated in the minds of the public with better housing, safer and more pleasant neighborhoods, better schools, better jobs, and enhanced opportunities for savings and capital appreciation. These aspects of home ownership are what Americans view as the core of the “American Dream” (Rossi, 1980; Myers, 1981). From a societal perspective, broad-based home ownership promotes greater community involvement, the upgrading of the nation’s housing stock, personal savings, and helps to stimulate local and national economies. In such a context, enduring racial differences in home ownership must be taken very seriously.

Figure 2 and Table 1 captures the broad sweep of trends and differences in aggregate white and nonwhite home ownership rates between 1890 and 1999³. Figure 3 shows the white/nonwhite gap in home ownership rates narrowing between 1890 and 1940, and then, despite periods of improvement, widening again on average over the next 50 years. Overall, one can see that for over one hundred years white home ownership has exceeded nonwhite home ownership by a significant margin.

Decade by decade, the broad trends in the home ownership rate gap has gone through noteworthy ups and downs. The narrowing of the gap during the first 50-year period was briefly interrupted between 1920 and 1930 when the gap widened slightly. Not surprisingly perhaps, whites appear to have benefited more than nonwhites did from the booming economy of the 1920s. However, whites were hurt more than nonwhites in declining home ownership levels during the Great Depression decade of the 1930s, when white home ownership fell by 5 points (10 percent) compared to a 1 point decline (4 percent) for nonwhites.

The majority of nonwhite homeowners were black rural farmers during the Depression, and blacks were able to maintain their status quo better than the more urbanized whites. During the 1940s, both blacks and whites showed strong gains in home ownership

³ Census data on tenure were often published by race for whites and nonwhites only. Prior to 1980, the low presence of Asian, American Indian, and Hispanics (who can be of any race) meant that nonwhite and black trends were almost synonymous. Starting in the 1980s, increases Asian and Hispanic immigration, and an increase in the numbers who claim American Indian ancestry, has made the use of nonwhites as a group less useful for analysis. Increasingly, the categories of non-Hispanic white, non-Hispanic black, non-Hispanic Asian/other and Hispanic are being used.

rates, and there was no change in relative position. But during the 1950s, white home ownership rates increased significantly faster than nonwhite rates. Whites fared better in the rapid suburbanization that was part of the great post-WW II economic expansion.

During the late 1940s and 1950s the continued movement of displaced black agricultural workers from the rural South to the urban North, where home ownership opportunities were more limited, dampened the increase in black home ownership. During the 1960s and 1970s, the gap once again narrowed as the cumulative effect of economic growth and Great Society social programs benefited working-class blacks. During the 1980s and early 1990s, nonwhites once again lost significant ground to whites, but in the late 1990s, nonwhite ownership gains have outstripped those of whites.

Governmental policies have played a role in preserving black/white homeownership inequality. The FHA in its early *Underwriting Manual* discouraged loans to all black or racially mixed neighborhoods under the pretext that such housing represented a poor risk of holding its value (Oliver and Shapiro, 1995). The laws and practices that prompted such discrimination in lending were struck down by the Supreme Court in 1948. Many analysts viewed the narrowing of the home ownership gap during the 1960s and 1970s as one of the major achievements of federal initiatives in civil rights and fair housing of that period. The widening of the black/white home ownership gap that took place between 1980 and 1995 was therefore especially disturbing in that it represented a step backward after two decades of hard won progress. In fact, while the “redlining” of black and racially mixed neighborhoods was clearly illegal by 1950, many banks and mortgage companies continued to follow the practice, although perhaps not formally (Galster, 1993a). It was not until 1990 that fair housing audits of banking practices began to force changes in the way mortgage lending was done. In particular, the 1989 HUD sponsored Housing Discrimination Study, and strong actions taken by the Federal Reserve Bank in voiding a bank merger where discrimination in mortgage lending was documented, appear to have had the largest impact on reversing mortgage lending discrimination. Still, racial steering by real estate agents remained undiminished in most places and contributed to the persistence of housing segregation throughout the 1980s and early 1990s. (Yinger, 1995).

More recently, the sharp decrease in the racial home ownership gap due to strong gains in nonwhite home ownership between 1995 and 1999 suggests that perhaps yet another

chapter has opened in the continuing narrative of racial inequality in home ownership in the United States. In the following pages we will attempt to summarize our understanding of the gap in white and black home ownership, and will delve in more detail into some of the reasons for both long and short-term trends.

The Research Literature

Modern studies of racial differences in income and wealth go back to the 1960s (see Collins and Margo (1999) for a concise summary of this literature), and of racial differences in home ownership to the early 1970s. In a paper first presented in 1969 and published several years later, Kain and Quigley (1972) were among the first to attempt to measure the effects of discrimination on black home ownership. In a sample of St. Louis residents interviewed in 1967, they found that the black home ownership rate would have been almost 30 percent higher if blacks had been able to purchase homes at the same rates as whites of similar life-cycle, income, education, and employment characteristics. They also found that blacks who had recently moved were no more likely to own their homes, indicating that barriers to home ownership were not falling (at least in St. Louis). In addition, their results showed that black owners paid more than white owners for equivalent housing. They concluded that restriction on the supply of housing, because of segregation and housing market discrimination, is the root cause of both the black home ownership deficit and higher home ownership costs.

Kain and Quigley's paper stimulated a series of studies that attempted to verify and clarify the measurement of black and white home ownership differences. McDonald (1974) found similar results for a sample of Detroit households, and attempted to show that mortgage discrimination within the black ghetto was equally as important as restrictions on movement out of the ghetto in accounting for lower black home ownership. Roistacher and Goodman (1976) also found lower home ownership rates for blacks in a sample of households living in the 24 largest metropolitan areas in 1971. They found a substantially larger "unexplained" black/white ownership gap than Kain and Quigley found for St. Louis, but found no significant black/white differences in home ownership rates of recent movers once other family characteristics were taken into account. This latter finding suggested to the authors "a reduction in the barriers to home ownership for blacks in terms of segregation and mortgage

market discrimination, but not necessarily an elimination of these problems” (p. 69). Silberman et. al. (1982) revisited the Panel Study of Income Dynamics data used by Roistacker and Goodman, and showed that recent entrants into the housing market (newly formed households) had a much lower "unexplained" variance in the black/white gap, and that this advantage improved between 1974 and 1978. The authors claim that “racial discrimination in the housing market is gradually declining over time, and the households with limited (past) experience in housing markets are more likely to take advantage of the changing environment than those households with human capital acquired in the past” (p. 452).

This early literature underscored that a significant portion of the gap in black and white home ownership rates could not be “explained away” by differences in economic, social or demographic variables, although some of the gap could. Efforts to close the gap would need to address the aspects of the housing market that directly discriminated against blacks, as well as the causes of black/white differences in income, employment, education, family structure, and the like. A distinctly positive note was sounded when it looked like the “unexplained” home ownership gap was disappearing for recent movers and newly formed households.

While recognizing that both recent entrants into the housing market and recent movers might behave differently than longer-term households, these early studies failed to develop a fully articulated cohort perspective on housing progress. Furthermore, while suggesting that part of the country might have different trends from other parts, the early literature failed to specify the reasons why this should be so, and to hypothesize why different decades have exhibited different trends in the black/white home ownership gap.

Beginning in the 1990s, studies of black/white home ownership and overall inequality took a more historical perspective. Within this new research thrust there is a greater focus on cohort differences. There are several reasons for this shift in emphasis. First, the widening of the black/white home ownership gap in the 1980s, along with the general stagnation of the aggregate U.S. home ownership rate, was a significant new development. This stagnation was the result of opposite offsetting trends in the home ownership rates for younger and older cohorts, with declines in home ownership for younger cohorts and increases for older cohorts (see below). It was often commented that the younger generation would be the first in

American history to do less well than their parents, and cohort differences in home ownership progress was often singled out as proof of this proposition (Myers, et. al., 1992, Myers and Wolch, 1995). In addition, more attention was being given to the other basic differences between generations as baby boomers moved up the age pyramid and were replaced by a younger generation that was different not only in size, but also in culture, psyche, and most importantly, in immigrant and ethnic composition. Third, wider availability of census Public Use Micro-Data (PUMS), both in terms of years covered and ease of use, has invited greater detail in analysis of cohorts across time and space.

A “bridge” study between the early and more recent analyses of home ownership trends is that of Long and Caudill (1992). They splice together PUMS data for 1970 and 1980 with CPS data for 1986 in order to examine trends in racial differences in home ownership and housing wealth over an 18-year period. Their findings showed a narrowing of the gap in home ownership between white and black married couples during both the 1970-80 and 1980-86 periods. For married couples living outside of central cities the gap similarly narrowed, with blacks achieving 85 percent of white home ownership. When black and white differences in economic and demographic characteristics were controlled, black home ownership rose to 97 percent of white, effectively closing the gap. They do not focus their attention on the differences between cohorts. When Long and Caudill turned their attention to housing wealth (only available from the 1970 and 1980 PUMS data), however, they found much less convergence between whites and blacks in the suburban/rural sub-sample, and a divergence in the entire sample that included city dwellers. They conclude that the main home ownership consequence of racial discrimination that has not been ameliorated by either economic trends or public policy has been the disadvantage to blacks in accumulating wealth through home equity. To achieve greater parity on wealth accumulation through increased home ownership for blacks requires that home ownership be attained in areas where housing values are stable or appreciating.

Long and Caudill’s conclusions that black married couples have nearly achieved ownership parity with comparable white couples, thereby obviating any need for new or intensified anti-discrimination policies to boost home ownership, appears to have been premature and somewhat misleading. Large black/white generational differences in marriage patterns and single parenthood have pre-selected married couples in such a way as to

marginalize the significance of any conclusions drawn from research on statistically equalized married couple households. However, their conclusions about the effects of discrimination on the accumulation of housing wealth are more on target.

Oliver and Shapiro (1995) have conducted the most far-reaching study of black/white wealth differentials, but only for one point in time using 1987 data from the Survey of Income and Program Participation (SIPP). Home ownership and home equity differentials between blacks and whites are given special attention in their book. Home equity is the largest asset for a majority of American households; indeed, they find that home equity is practically the only asset for lower-blue-collar, upper-blue-collar, and lower-white-collar households. Their summary of the literature on housing discrimination, and on the differences in critical social and economic factors affecting home ownership among blacks and whites is perhaps the best discussion of this topic in print. Housing discrimination has reduced the ability of the parental generation of blacks to accumulate wealth through home equity and potentially pass such wealth on to their children to help get them started in the housing market. Oliver and Shapiro find that not only do blacks accumulate less wealth because of lower home ownership rates, but those who own homes are financially disadvantaged because blacks have more difficulty obtaining standard mortgages, pay higher mortgage interest rates, and gain less in housing appreciation compared to whites. Blacks pay higher interest rates partly because banks have abandoned black neighborhoods, and blacks more often turn to finance companies and others offering higher interest rates. Oliver and Shapiro also suggest that there might be lower sophistication of blacks in selecting variable over fixed rate mortgages and in refinancing when appropriate. Fear of losing their mortgage makes blacks more hesitant to push the refinancing strategy to the limit to take advantage of lower costs when interest rates decline. They document that blacks have less of an ability to “buy down” the mortgage with larger down payments or the payment of up-front “points”. Lack of black parental resources, now frequently called upon when couples and individuals buy their first home, contribute to black’s inability to come up with sufficient up-front money to secure the most favorable mortgage interest rate. Finally, they claim that banks doing business in black neighborhoods often charge a premium for “small” mortgages (mortgages on housing with a low purchase price sometimes common in ghetto situations) because of the greater costs that banks incur in selling small mortgages to the secondary mortgage market.

A recent study by Immergluck (1998) tracking the late 1990s upswing in black home buying in the Chicago area using Home Mortgage Disclosure Act (HMDA) data confirm many of Oliver's and Shapiro's conclusions. This study shows high concentrations of black purchases in neighborhoods where either the majority of homeowners is black, or in integrated neighborhoods that are quickly turning black. Such a pattern of home buying reinforces segregation and exerts downward pressure on wealth accumulation that might be attained through house value appreciation.

Collins and Margo (1999) examine black/white differences in home ownership of male householders between the ages of 20 and 64 (who are not in school) using available census micro-data files from 1900 to 1990. Their tabulation of the racial home ownership gap for this restricted subgroup of households shows a smaller gap in the early 1900s than shown in Figure 3. They also show a significantly smaller gap in both 1980 and 1990 (about 19.5 percent compared to about 24 to 25 percent in the general household population) and a failure of the gap to widen again between 1980 and 1990 as it did for all households. Their findings imply that the decline in white home ownership in the early part of the century was partly driven by trends in household headship and home ownership of other than male-headed (mostly married couple) households defining their sample. Similarly, the lower gap in 1980 and 1990, and failure of the gap to widen in the 1980s in the male-headed household sample indicates that female-headed family and non-family home ownership trends are an important part the trends in the overall black/white home ownership gap.

An important finding from the Collins and Margo analysis concerns how each birth cohort contributed to the trend in the overall gaps in home ownership among whites and blacks. During the early decades of this century, older cohorts had a bigger black/white home ownership gap than younger cohorts. For example, in 1900 cohorts born between 1846 and 1855 had a gap of about 30 percent, while those born between 1861 and 1870 had a gap near 20 percent. This differential between older and younger cohorts persisted until after 1940. In 1960, the first year in the post-WWII period that PUMS tenure data are available⁴, the gap among cohorts under 40 began to exceed the gap among cohorts over 50. This turnabout occurred because the cohorts with the smaller gap in the early decades of the century became

⁴ Tenure data are not available on 1930 and 1950 PUMS files because of loss of some parts of the original census records.

the older cohorts in the later part of the century, and they maintained their more favorable relative positions. The younger cohorts entering the housing market after WWII, however, once again exhibited racial gaps in home ownership of near 30 percent by 1960. The gap for younger cohorts declined to between 21 and 24 percent by 1990, but by then the gap for older cohorts of male householders was in the range of between 16 and 19 percent (Collins and Margo, 1999 – Table 1). The lesson here is that explaining and understanding aggregate home ownership trends among whites and blacks requires that differential cohort behavior be taken into account. Unfortunately, most housing research, especially pre-1990, has failed to include the cohort perspective.

Smith and Welch (1989) earlier looked at PUMS data to examine long-term black/white differences in the economic progress of men. Their sample covers the period from 1940 to 1980. While home ownership was not one of the variables they studied, the thoroughness with which they tracked cohort progress on other social and economic variables, and the implications of their findings for the home ownership trends we seek to understand, justifies its inclusion in this review. Smith and Welch first document the considerable closing of the gap between black and white men's wages between 1940 and 1980. By following cohorts over time, they show that black wages rose more rapidly than white wages within defined educational groups. They also show that younger cohorts have closed the wage gap more than older cohorts within these educational groupings, and that the progress in closing the wage gap in the aggregate was significantly due to the movement of blacks up the educational hierarchy. Most of this educational progress is between cohorts and takes place under the age of 25. However, a significant upgrading of educational status now takes place during the middle adult years as cohorts age.

Smith and Welch conclude that most of the improvement in the black/white wage differential in the first half of the period (1940-1960) was due to relocation of black males from the South to the North (where wages were higher). Further, they conclude that most of the improvement in the ratio in the second half (1960-1980) was due to the restructuring of the Southern economy and improvements in the education that Southern blacks receive. Their findings with respect to the importance of geographic location, migration patterns, education, and attention to cohort membership establish a guide for how we might best understand black/white differences in home ownership trends.

The recent research that has emphasized the post-1980 decline in segregation in certain parts of the country and the rise of a black middle class in the United States (see Cutler et.al., 1999; Kain, forthcoming) has not reconciled these developments with the increase in the black/white home ownership gap between 1980 and 1995. The abrupt decline since the late 1970s in the ratio of black-to-white high school graduates aged 18-to-24 enrolled in college and the stagnation of black/white income ratios over the same time period (Farley, 1996) are certainly trends that are consistent with a widening home ownership gap among the younger generation.

Generational and Educational Differences by Race

The concentration of the home ownership declines among younger cohorts during the 1980s for both blacks and whites is especially significant. Myers and Wolch (1995) demonstrate the generational differences in a tabulation of 1980 and 1990 PUMS data that we reproduce in Table 2. They show that, whatever the underlying causes in these trends, home ownership rates for young adults of all racial/ Hispanic origin groups declined during this period, while home ownership of older cohorts increased. Black declines in percentage terms among 25-34 year old household heads were roughly the magnitude of Hispanic declines, and twice the level of white declines. These results once again confirm that aggregate trends in the home ownership gap need to be examined in terms of the contribution of different cohorts, and suggest that the role of the economy and public policies as they differentially affect the different races must be viewed from a cohort perspective.

Other authors finding the increase in the home ownership gap between 1980 and 1990 noteworthy are Gyourko and Linneman (1996). They followed this paper with another that analyzed PUMS data from the four decennial censuses between 1960 and 1990 (Gyourko and Linneman, 1997). Their research was an attempt to clarify the contribution of different age groups to trends in home ownership and to further examine how home ownership trends by education, family structure, and race interact with age. They conclude that the “absolute and relative decline in ownership for the least educated represents one of the largest asset shifts in the postwar era.” (p.1). They also found that, especially for cohorts in their mid-30s and younger, delayed marriage and childbearing are no longer the impediments to ownership that they once were. Finally, by examining white/ nonwhite predicted home ownership levels

controlling for the usual range of economic and demographic variables, Gyourko and Linneman show a widening of the home ownership gap for the youngest adults during the 1980s.

An alternative format to the tabular or statistical treatment of age-specific home ownership data, such as employed by Gyourko and Linneman, is the graphing of cohort trajectories of home ownership. This technique was first used by Pitkin and Masnick (1980) and nicely summarizes differences in cohort home ownership progress, often revealing patterns obscured by other approaches. Recently, analysts have begun to integrate statistical and graphic presentation of cohort data that preserves the best of both techniques (Myers 1999). Figure 4 presents graphs of cohort trends of non-Hispanic white and black home ownership rates for different age cohorts based on 1980 and 1990 PUMS data. The tail of the arrows represents the home ownership levels at cohort age x in 1980 and the heads of the arrows mark the levels at cohort age $x+10$ in 1990. With this method of presenting home ownership data we can readily see several important aspects of these cohort trends. Whites under age 45 move into home ownership at a much more rapid rate than blacks, but blacks seem to continue their increases in home ownership later in the life cycle. Successively younger cohorts that were over the age of 45 in 1980 are tracking on higher ownership trajectories, while the opposite is true for cohorts under age 45. Finally, the youngest cohorts of blacks seem to have especially lost ground relative to their white counterparts.

How much of the racial differences in home ownership can be accounted for by differences in factors we know to be associated with home ownership, such as education, income, family type, region, urban residence, etc.? This is the question that researchers from Kain and Quigley to Gyourko and Linneman have asked, but a question that can not be answered without a great deal of qualification. None of the studies cited have fully understood that the answer to the question would depend on which cohorts and which decades were being considered. To illustrate this latter point, we can compare the racial and cohort differences in home ownership trajectories in Figure 4 with those in Figure 5 covering a later time period. The data in Figure 5 are from the 1988 and 1998 Current Population Surveys and show that cohorts of blacks younger than age 45-54 in 1998 have experienced accelerated upward ownership trajectories relative to white trends. This is the opposite of what we observed in Figure 4 for the 1980-1990 period.

To give more perspective on how such cohort differences in home ownership attainment by race might be further explained, data for 1988 and 1998 stratified by education are plotted in Figure 6. When cohort trajectories are computed separately by education of household head, it is the black high school and college graduates that have boosted their rates most between 1988 and 1998 (Figures 6c and 6d). Younger cohorts of blacks with less than high school education still appear to be falling further behind in home ownership attainment relative to whites (Figure 6b).⁵ The greater progress of college-educated blacks suggests that the extremely favorable economic conditions characterizing the U.S. economy for the past 8 or 9 years is perhaps as important in explaining the rise in black home ownership as federal policies to boost home ownership among the poor.

Part of the explanation for lower black ownership in all age groups is contained in their higher incidence of female-headed households, who typically have lower home ownership rates. However, large black/ white gaps in ownership across cohorts persist when household type is controlled. The roles of education and household structure in accounting for differences in black/white home ownership differentials are further discussed in Masnick and Di (2000).

Summary and Conclusions

How can we best understand the changing differences between white and black home ownership levels in the United States? First, we must acknowledge that the home ownership gap has been exceedingly durable, with the difference in white and black home ownership rates of between 25 and 30 percentage points for most decades of the 20th century. Next we must recognize that different periods in our history have been either more or less favorable to closing the home ownership gap. We should therefore be cautious about extrapolating any new trend too far into the future. Third, we must understand that the measurement of home ownership inequality is sensitive to geographic location, type of household included in the analysis, and the shifting definition of racial identity. These are not simply “variables” that can be “controlled for” in a statistical sense in the same way we might treat income or

⁵ The exception of those under age 25 seems out of line with other cohort trends, and these data points should be viewed with suspicion. Work by Masnick et. al. (1999) suggests that changes in the methodology of the CPS after 1993 might account for some of sharp increase in black and white ownership rates, especially among younger households.

occupation as variables. These are the differences between white and minority communities that define the very essence of what we are trying to measure. Fourth, even variables such as income, education or occupation can not be statistically equalized for whites and blacks because segregation and racial discrimination have influenced the quality of education and the labor market opportunities that have been available to blacks. The average high school or college diploma for blacks is still not equal to the average for blacks in terms of the knowledge and skills that the diploma is meant to certify, and will not be until classroom infrastructure, quality of curriculum, qualifications of teachers, and student/teacher ratios are similar for black and white students. Similarly, income and occupational mobility have not been equalized in the market place for blacks and whites, and they can not be “equalized” in a statistical equation. Blacks and whites do not operate within the same housing markets, and we can not have housing quality and housing costs truly “controlled for” when accounting for home ownership differences.

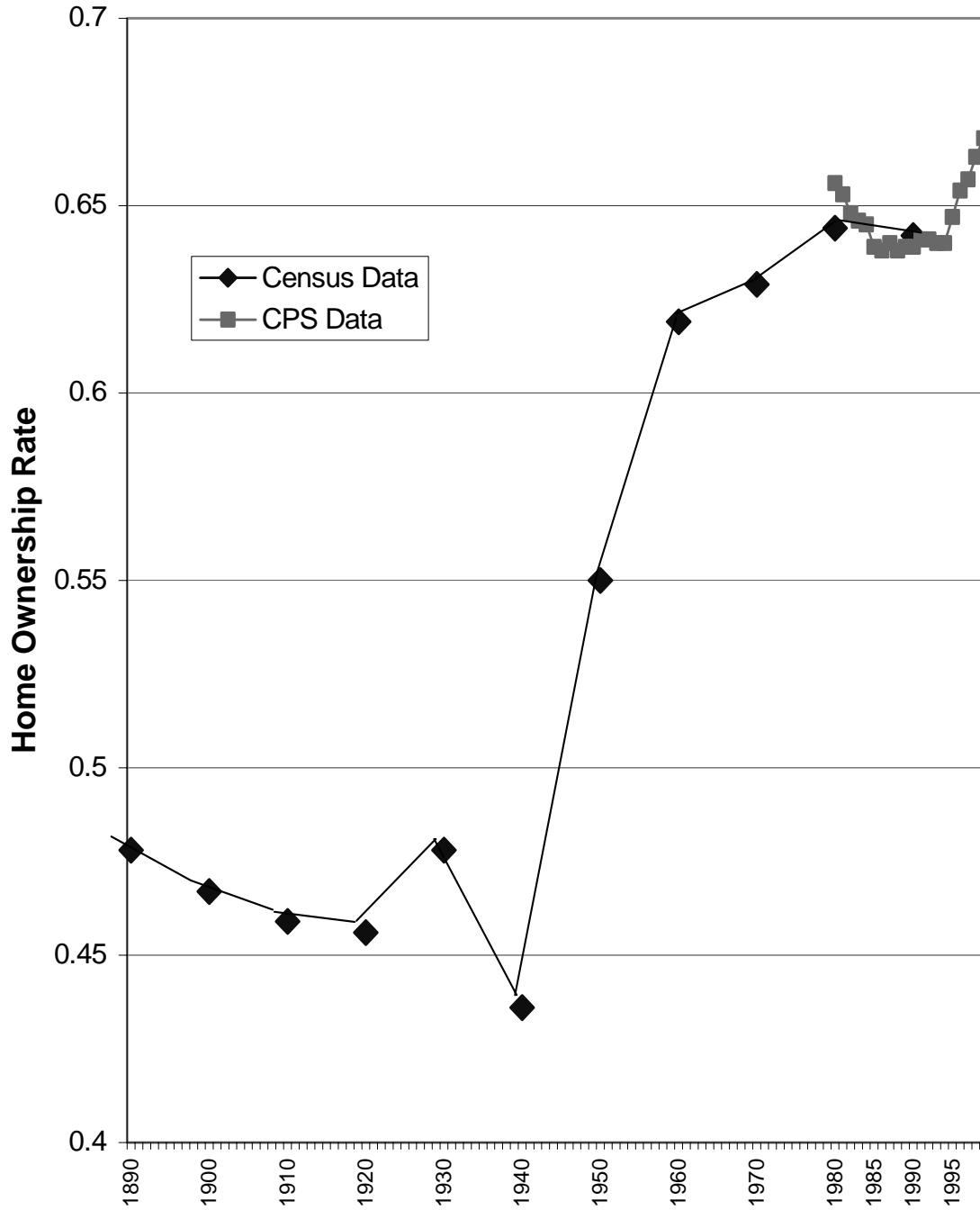
As we observe the broad sweep of history with respect to white and black home ownership differentials in the United States, much has changed and much has remained the same. Sociological, economic, demographic and geographic realities combine with public policy initiatives and programs to determine housing outcomes. Research on this subject has evolved to recognize the importance of adopting a cohort perspective. The cohort perspective recognizes that there is always progress in achieving home ownership over the life cycle for all groups. However, progress for some groups is greater than progress for others. Historical conditions that affect groups differently early in life will establish trajectories of home ownership that endure throughout the life course. The largest influences are manifest when cohorts are just entering the housing market. The success of younger cohorts of blacks in raising their home ownership trajectories in the mid-to-late 1990s should elevate the levels of homeownership they attain later in life.

The evidence that blacks have thus far been unable to tap into housing markets where housing values appreciate significantly over time should give us pause. Not only will home ownership fail to be as potent a mechanism for wealth accumulation within a generation, but a source of funds for downpayments on houses for succeeding generations will not materialize. Growing home equity not only allows people to move up to better housing, but often serves as a cushion to help through financially difficult times, such as during a divorce or temporary

loss of employment. That is, home equity allows people to remain homeowners when financial stress might otherwise propel them to become renters. If we attribute the surge in black home ownership in the 1990s to the favorable economic climate of the times, we can expect the next serious recession to be particularly hard on black home ownership. Housing purchased with low down-payment mortgages located in areas of low appreciation in values will hold little equity either to help facilitate migration to an area where job prospects are better, or to be an anchor to help ride out local economic storms. The ever-lower cohort home ownership trajectories of those with less than high school education compared with the ability of those with a high school degree or greater to raise their level of homeownership above previous cohorts is especially troubling.

Figure 1

United States Home Ownership Trend: 1890-1999



Source: Table 1

Figure 2

**Historical Home Ownership Trends by Race
United States: 1890 to 1999**

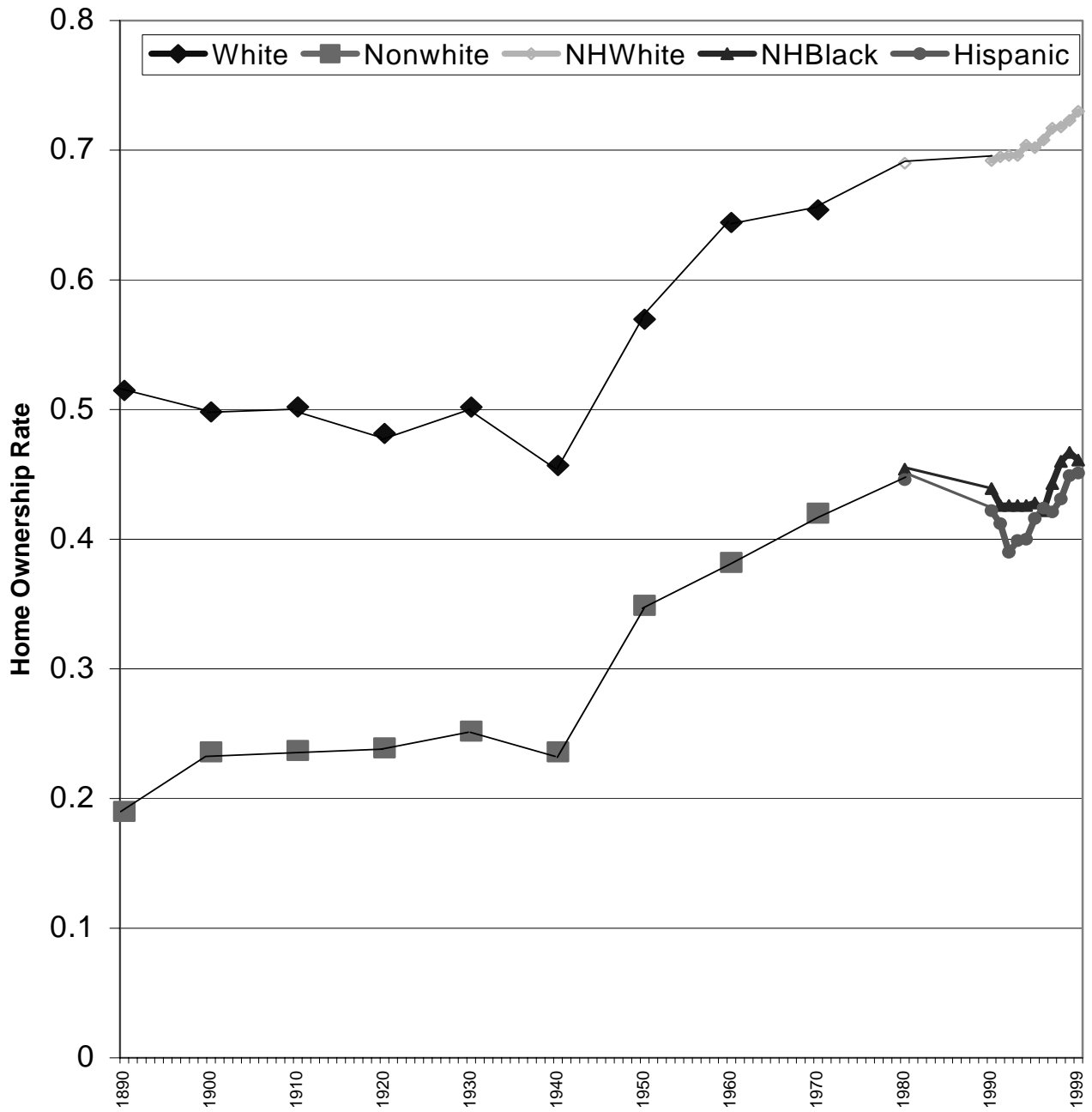


Figure 3

**Historical Home Ownership Trends by Race
Gap Between White and Black Rates
United States: 1890 to 1999**

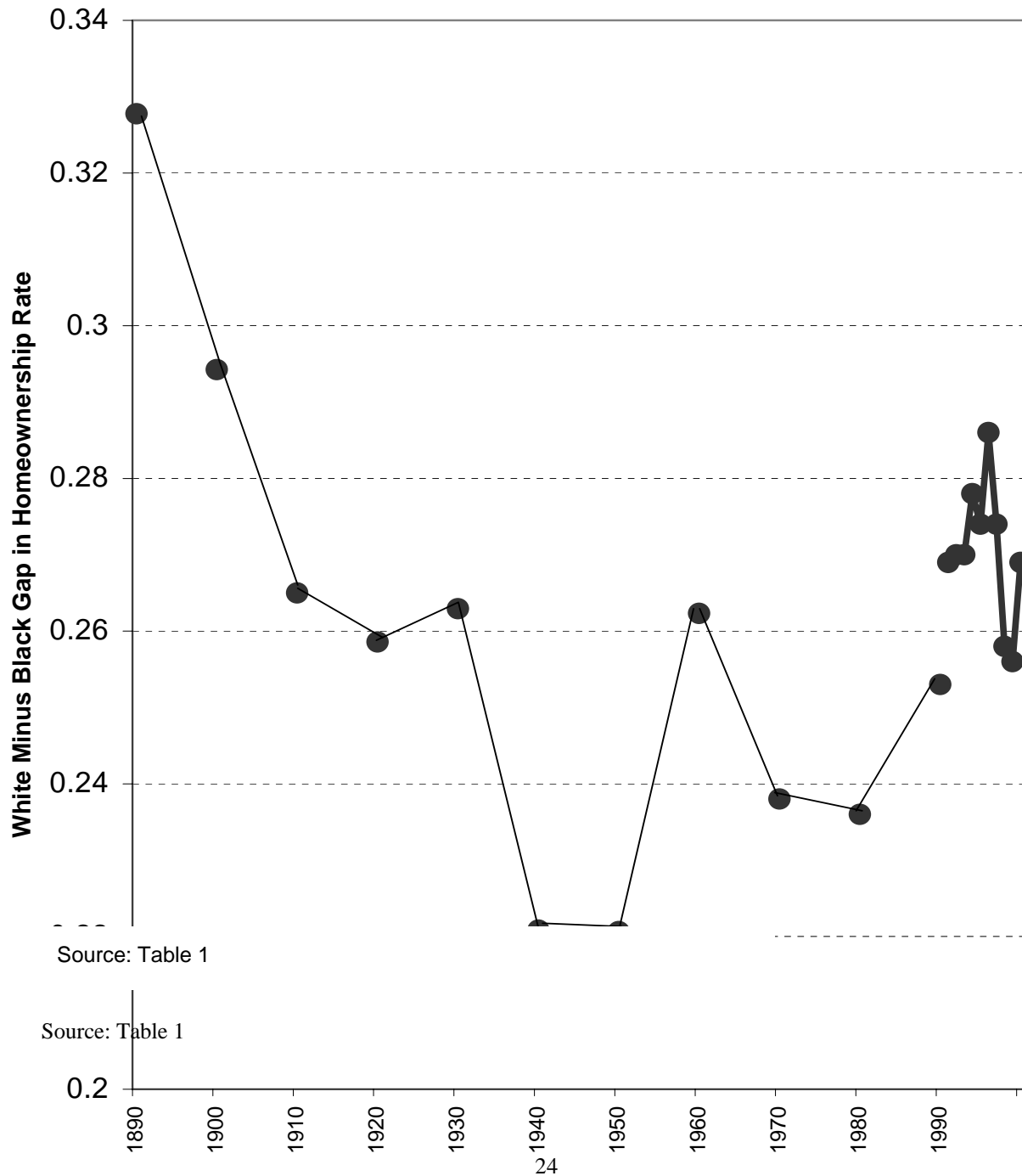
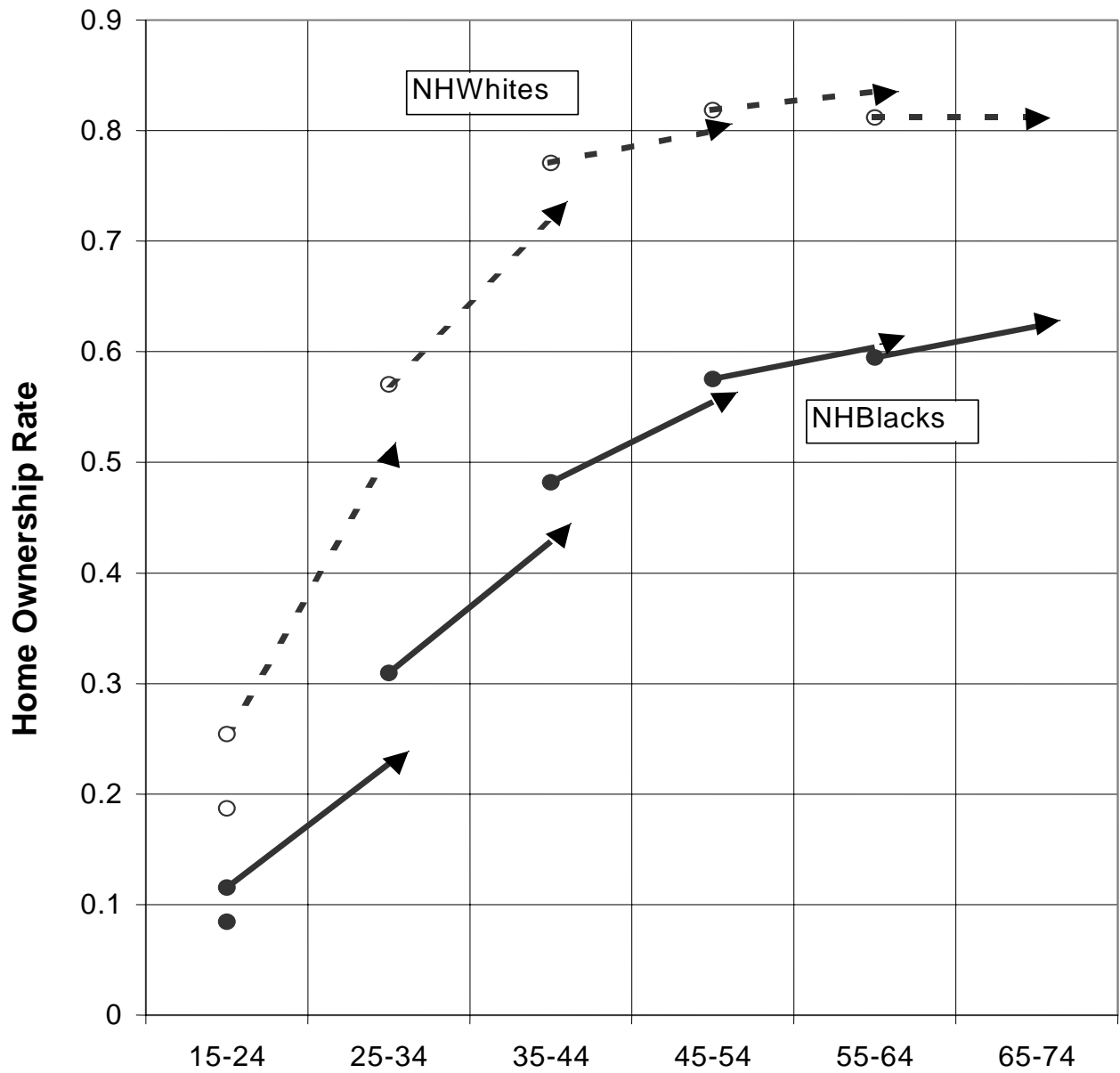


Figure 4

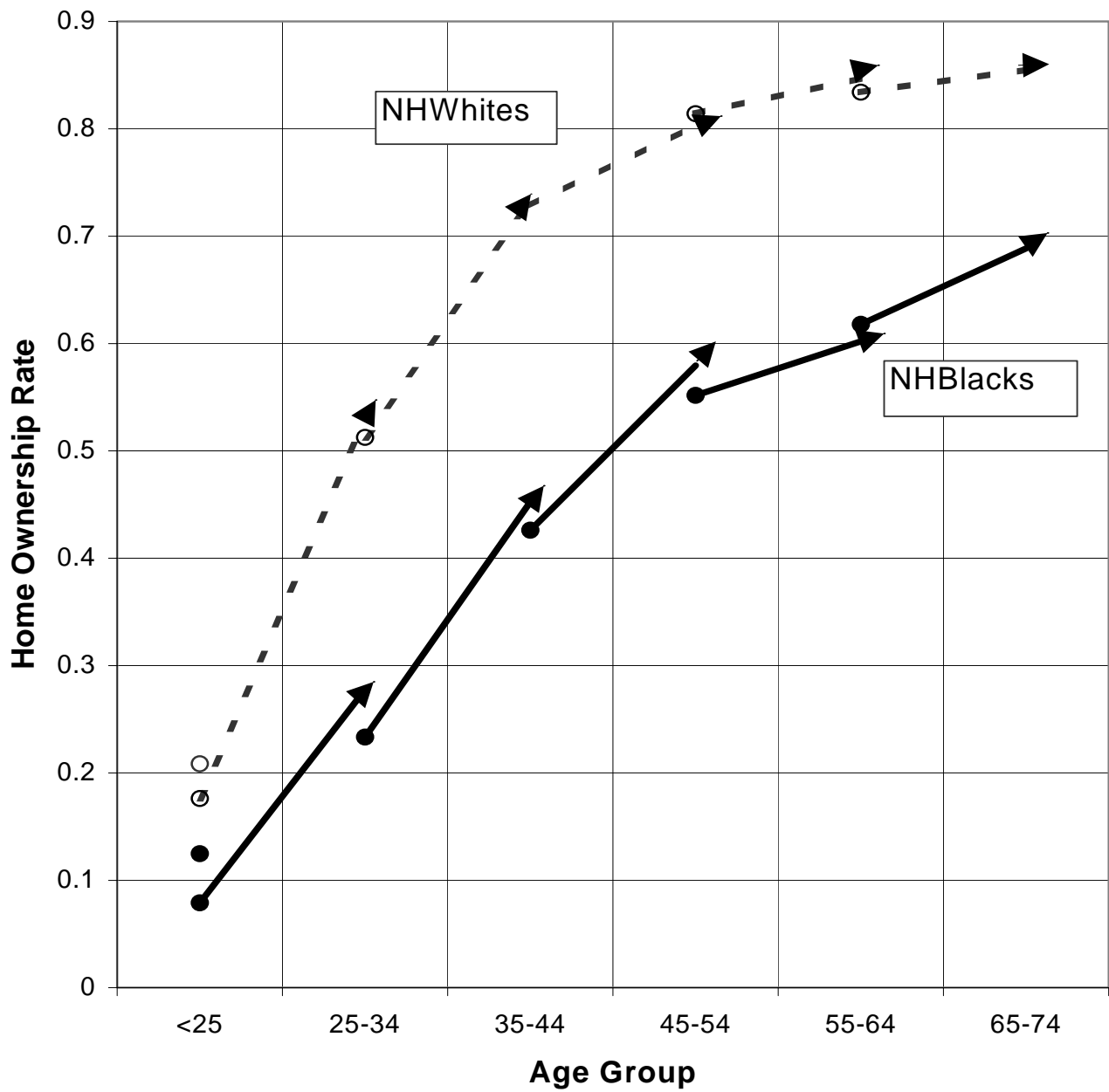
**Cohort Home Ownership Trends: 1980-1990
Non-Hispanic Whites vs. Blacks**



Source: 1980 and 1990 Census Public Use Microdata 1% File

Figure 5

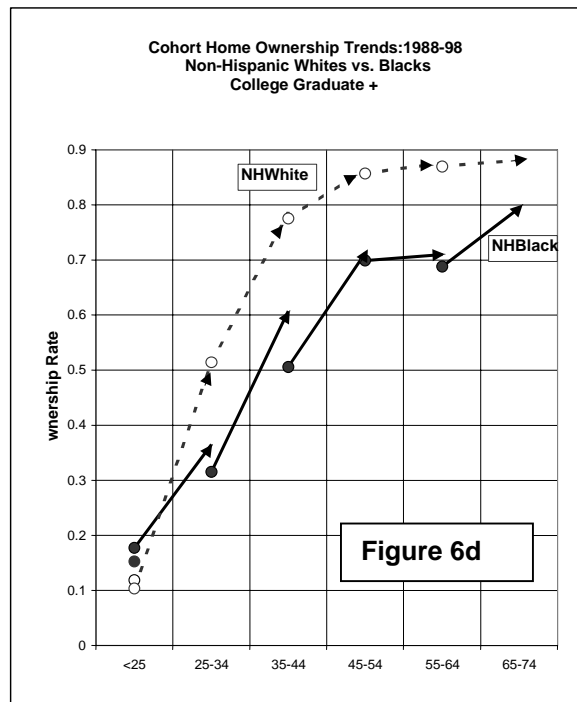
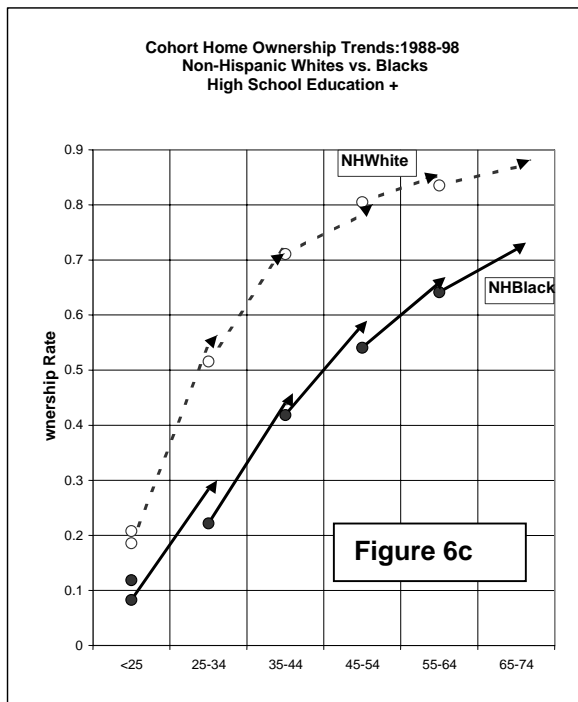
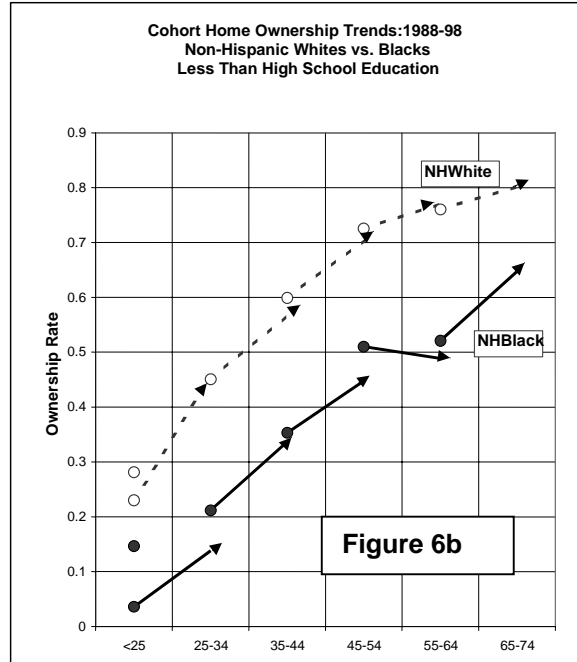
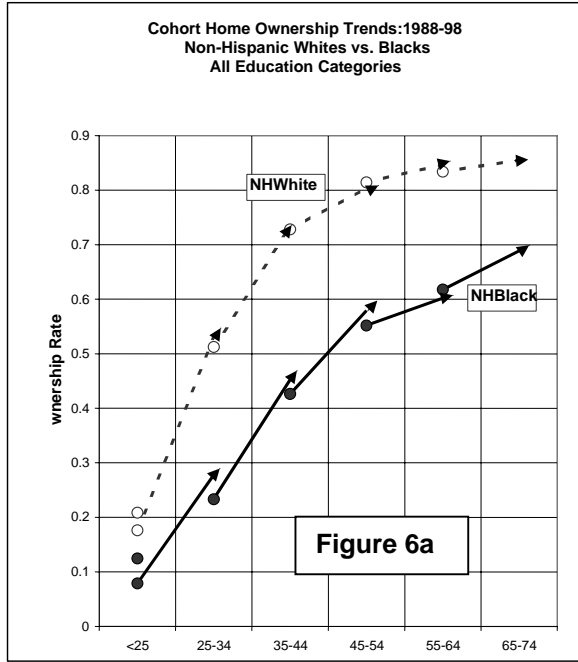
**Cohort Home Ownership Trends: 1988-1998
Non-Hispanic Whites vs. Blacks**



Source: 1988 and 1998 Current Population Survey

Figures 6a-6d

Non-Hispanic White and Black Cohort Home Ownership Trends: 1988-1998 by Education of Householder



Source: 1988 and 1998 Current Population Survey

Table 1**Historical Homeownership Trends by Race****United States: 1890 to 1999**

	Total	White	Nonwhite	NonHispanic... White	Black	Hispanic	Total Minority
Census							
1890	47.8%	51.5%	19.0%				
1900	46.7%	49.8%	23.6%				
1910	45.9%	50.2%	23.7%				
1920	45.6%	48.2%	23.9%				
1930	47.8%	50.2%	25.2%				
1940	43.6%	45.7%	23.6%				
1950	55.0%	57.0%	34.9%				
1960	61.9%	64.4%	38.2%				
1970	63.3%	65.4%	42.0%				
1980	64.4%			69.0%	45.3%	44.1%	45.8%
1990	64.2%			69.1%	43.9%	42.1%	44.5%
Current Population							
1975	64.9%			68.6%	43.7%	43.9%	44.4%
1976	65.1%			68.9%	44.4%	42.7%	44.2%
1977	64.9%			68.7%	44.2%	42.3%	44.2%
1978	65.0%			68.9%	44.7%	42.6%	44.6%
1979	NA			NA	NA	NA	NA
1980	NA			NA	NA	NA	NA
1981	NA			NA	NA	NA	NA
1982	NA			NA	NA	NA	NA
1983	64.9%			69.1%	45.6%	41.2%	45.3%
1984/r	64.5%			69.0%	46.0%	40.1%	44.8%
1985	64.3%			69.0%	44.4%	41.1%	44.1%
1986	63.8%			68.4%	44.8%	40.6%	44.1%
1987	64.0%			68.7%	45.8%	40.6%	44.5%
1988/r	64.0%			69.1%	42.9%	40.6%	43.1%
1989	64.0%			69.3%	42.1%	41.6%	43.0%
1990	64.1%			69.4%	42.6%	41.2%	43.1%
1991	64.0%			69.5%	42.7%	39.0%	42.6%
1992	64.1%			69.6%	42.6%	39.9%	43.1%
1993/r	64.1%			70.2%	42.0%	39.4%	42.4%
1994	64.2%			70.1%	42.8%	41.6%	43.6%
1995	64.7%			70.8%	42.2%	42.4%	43.4%
1996	65.4%			71.6%	44.3%	41.2%	44.2%
1997	65.7%			71.7%	46.0%	43.1%	46.1%
1998	66.2%			72.2%	46.6%	44.9%	47.1%
1999	66.7%			73.0%	46.1%	45.2%	47.0%

Note: Total minority = everyone except non-Hispanic

Table 2

**Home Ownership Attainment by Race and Hispanic Origin
at Selected Ages: 1980 and 1990**

	1980	1990	% Change
Ages 25-34			
Whites, non-Hispanic	57%	52%	-8%
Blacks	30	24	-20
Asians	38	36	-5
Hispanics	35	29	-17
Total	52%	46%	-12%
Ages 65-74			
Whites, non-Hispanic	76%	82%	+8%
Blacks	59	64	+8
Asians	63	66	+5
Hispanics	56	59	+5
Total	74%	80%	+8%

*Source: Myers and Wolch (1995)
Table 6.2*

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