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Incarceration and Black–White inequality in Homeownership: A state-level analysis

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ABSTRACT

Rising incarceration rates in the United States, as well as the concentration of incarceration among already marginalized individuals, has led some scholars to suggest that incarceration increases economic inequality among American men. But little is known about the consequences of incarceration for wealth, about incarceration's contribution to Black–White disparities in wealth, or about the broader effects of incarceration on communities. In this article, we use state-level panel data (from 1985 to 2005) to examine the relationship between incarceration rates and the Black–White gap in homeownership, a distinct and important measure of wealth. Results, which are robust to an array of model specifications and robustness checks, show that incarceration rates diminish homeownership rates among Blacks and, in doing so, widen Black–White inequalities in homeownership. Therefore, the findings suggest that the consequences of incarceration extend beyond the offender and may increase inequality in household wealth.

1. Introduction

The increasing scope of the penal system in the United States means that, for some population groups, incarceration has become both a normative and transformative life course event (Alexander, 2012; Pettit and Western, 2004; Western and Pettit, 2010). One of the most noteworthy – and consequential – features of incarceration in the United States is its concentration among already disadvantaged and marginalized populations (Western, 2006; Western and Pettit, 2010). These extreme racial inequalities in incarceration rates have led some to suggest that the U.S. criminal justice system serves as a modern form of legalized discrimination and racial control, especially further marginalizing already disadvantaged Black men (Alexander, 2012). The criminal justice system – and its attendant consequences – perpetuates a racial hierarchy in the United States that has parallels to slavery and Jim Crow segregation (Alexander, 2012).

More than 2.3 million individuals are currently confined in prisons, and an additional 4.8 million are under other forms of correctional supervision such as probation or parole (Glaze, 2011; Maruschak and Bonczar, 2012). This massive scale of the criminal justice system, as well as its unequal distribution across race/ethnic groups, has spurred substantial scholarly and public interest in the consequences of incarceration for the (mostly) men who are imprisoned, their families, and their communities. The economic consequences of incarceration are especially well known, as a large literature documents how incarceration – and the corresponding stigma of a criminal record – makes it difficult to find employment, impedes wage growth, and increases legal debt (e.g., Apel and Sweeten, 2010; Pager, 2003; Western, 2002, 2006). These well-documented

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deleterious economic effects of incarceration, in conjunction with the broad but unequal distribution of incarceration across the population, has lead some scholars to suggest that incarceration increases economic inequalities in American society (Alexander, 2012; Western, 2006).

Despite this large literature on the economic consequences of incarceration, much less is known about how incarceration affects personal wealth, a key and distinct indicator of economic wellbeing that may be especially important in both the short term (i.e., for weathering financial emergencies) and the long term (i.e., for mobility prospects). Additionally, though research has begun to detail how the negative effects of incarceration may extend beyond men experiencing imprisonment to their families (Geller et al., 2011; Schwartz-Soicher et al., 2011) and communities (Clear, 2007), no research examines how incarceration may have negative consequences for wealth or how incarceration could increase group-level inequalities in wealth. The lack of attention to the relationship between incarceration and wealth and the aggregate consequences of any such relationship for inequality is an especially important oversight given the large racial disparities in wealth, especially between Blacks and Whites found in the contemporary United States (Conley, 1999; Oliver and Shapiro, 2006; Sherraden, 1991) and especially in the domain of homeownership (Krivo and Kaufman, 2004; Shapiro et al., 2013).

Homeownership is a foundational aspect of household wealth portfolios in the United States (Bricker et al., 2012; Di, 2005). Home equity accounted for 31% of overall household wealth in 2010 and 67% of household wealth for those in the middle three quintiles of wealth holders (Wolff, 2014). Home ownership and equity also play a central role in explanations of broader Black–White wealth inequality. Home equity makes up a larger share of Black wealth than White wealth (Wolff, 2014). But, as Oliver and Shapiro (2006) have argued, home ownership gaps are also central to understanding broader dynamics of racial wealth inequality. Racial disadvantage is inherent at nearly every step of the homeownership process. Blacks are less likely to own homes than Whites and, among owners, Blacks transition to homeownership later than Whites, in part because of differences in the ability of extended family to provide inter-vivos transfers for down payment assistance (Shapiro et al., 2013). Blacks receive poorer quality mortgages than their White counterparts, manifest in higher fees and costs and a greater likelihood of receiving a subprime loan relative to similarly qualified White applicants (Reskin, 2012). Blacks' neighborhood choice is also constrained by historical and contemporary patterns of racial residential segregation and discrimination with the result that homes owned by Blacks appreciate much less than comparable homes owned by Whites (Oliver and Shapiro, 2006; Reskin, 2012). In sum, home equity is the most important component of family wealth for the vast majority of families but it is a site of profound racial inequality structured by historical and contemporary forms of discrimination and disadvantage. These inequalities in turn shape the intergenerational transmission of advantage (and disadvantage) both through wealth transfer and because homeownership is related to a large number of positive outcomes for families (i.e., Rohe et al., 2002; though see Green, 2013) and communities (i.e., McCabe, 2013).

In this manuscript, we use state-level panel data (from 1985 to 2005) to examine how incarceration rates are associated with homeownership rates among Blacks, homeownership rates among Whites, and the Black–White gap in homeownership, controlling for an array of time-varying state-level characteristics and state- and year-fixed fixed effects. By documenting how asset-depleting consequences of incarceration for men, their partners, and others in their communities may aggregate to group-level inequalities, this analysis contributes to two related – but rarely combined – literatures: the economic consequences of the punitive turn in criminal justice policy in the United States and the determinants of inequalities in household wealth. These findings also contribute to our understanding of how the criminal justice system in the United States can perpetuate racial hierarchies (Alexander, 2012).

1.1. Incarceration and homeownership

Theoretically, there are several pathways by which incarceration might reduce homeownership – either through asset loss, the inability to acquire new assets, or some combination of the two – among those who have been to prison. Incarcerated individuals accumulate legal debt and are often unable to make payments on mortgages, child support, and other debts while incarcerated (Harris et al., 2010). After incarceration, their loss of human capital and stigma makes finding and sustaining employment upon release difficult (Pager, 2003; Western, 2002, 2006). Although we know of no research that has tested this idea, it seems possible that similarly to finding a job, the "mark" of a criminal record would also make it difficult for formerly incarcerated men to qualify for a home loan, over and above any employment-related effects. Post-incarceration residence in disadvantaged neighborhoods (Massoglia et al., 2013), as well as the avoidance of social institutions (Brayne, 2014; Goffman, 2009), may also impede homeownership. Furthermore, there is evidence that romantic partners of the incarcerated experience economic challenges that could further impede a couple's ability to purchase or retain a home (Schwartz-Soicher et al., 2011).

Despite reasons to suspect a relationship between incarceration and homeownership, we are aware of only two studies that consider this relationship. Using data from National Longitudinal Survey of Youth 1979 (NLSY-79), Maroto (2014) finds that ex-offenders are less likely to own homes than the never-incarcerated. Using individual-level data from the Fragile Families and Child Wellbeing Study – a cohort study of mostly unmarried parents, many of whom experience incarceration – and an array of modeling strategies (e.g., lagged dependent variable models, propensity score matching models), Turney and Schneider (2014) consider incarceration's consequences for bank account, vehicle, and homeownership. They find that recently incarcerated men are less likely to have bank accounts or own vehicles than their comparable peers and that women in romantic relationships with these men are less likely to own vehicles and homes.