



# A silver lining to white flight? White suburbanization and African-American homeownership, 1940–1980



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## ABSTRACT

Between 1940 and 1980, the homeownership rate among metropolitan African-American households increased by 27 percentage points. Nearly three-quarters of this increase occurred in central cities. We show that rising black homeownership in central cities was facilitated by the movement of white households to the suburban ring, which reduced the price of urban housing units conducive to owner-occupancy. Our OLS and IV estimates imply that 26 percent of the national increase in black homeownership over the period is explained by white suburbanization.

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## 1. Introduction

In 1940, 19 percent of African-American households living in metropolitan areas were homeowners. By 1980, the metropolitan black owner-occupancy rate had risen to 46 percent, an increase of 27 percentage points (see Table 1). The dramatic expansion in black owner-occupancy between 1940 and 1980 was not part of a secular trend; indeed, the black home ownership rate changed very little from 1900 to 1940, and was virtually unaltered between 1980 and 2010 (Collins and Margo, 2011).

Of course, as Table 1 demonstrates, metropolitan white households also increased their owner-occupancy rate substantially between 1940 and 1980. Among whites, this increase was associated with a substantial geographic shift from central cities to the suburbs. The suburban housing stock was (and is) predominately composed of single-family dwellings, the housing structure type most conducive to owner-occupancy during the period (and today). As a result, owner-occupancy rates for suburban households, white or black, were always higher than those of central city dwellers throughout the period.<sup>1</sup> A shift-share analysis using the

figures in Table 1 establishes that 59 percent of the overall increase in white owner-occupancy in metropolitan areas between 1940 and 1980 can be explained by the rising share of white households living in the suburban ring.<sup>2</sup> In contrast, the geographic shift to the suburbs can explain only seven percent of the overall rise in black homeownership between 1940 and 1980 and none whatsoever from 1940 to 1960. Rather, for black households, the primary proximate cause of the postwar rise in metropolitan homeownership was a substantial increase in rates of owner-occupancy within central cities.<sup>3</sup>

We argue that postwar white suburbanization and rising black homeownership in central cities were not independent phenomena but that the former – white suburbanization – was a causal factor in the latter – rising black owner-occupancy. In particular, we document that the rise in black owner-occupancy in central cities was

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<sup>1</sup> In 1960, 79 percent of suburban housing units were detached, single-family dwellings. Over 80 percent of single-family dwellings were owner-occupied in that year, compared with fewer than 20 percent of multi-family dwellings (see Table 2 for more detail on the relationship between structure and tenancy type). In recent decades occupancy rates in multi-family dwellings have risen because of the spread of condominium ownership. There were essentially no condominiums in the United States prior to 1960 and the ownership form had only begun to diffuse by the 1970s (Lasner, 2012).

<sup>2</sup> In a shift-share analysis, the direct effect for whites of the shift to the suburbs is equal to the owner-occupancy rate of whites living in the suburban ring in 1940 (0.522, see Table 1) multiplied by the increase in percent suburban between 1940 and 1940 (0.355). The product is 0.171, which accounts for 59 percent of the overall increase in white owner-occupancy ( $= 0.171/0.288 \times 100$  percent).

<sup>3</sup> For blacks, the effect of the increase in owner-occupancy rates in the central city in the shift-share analysis is the share living in central cities in 1980 (0.724) multiplied by the change in black owner-occupancy rate in central cities between 1940 and 1980 (0.271). The product is 0.196, which accounts for 73 percent of the overall rise in black metropolitan owner-occupancy ( $= 0.196/0.270 \times 100$  percent). If the same calculation is performed for the 1940 to 1960 period, the product is 0.146, which accounts for 80 percent of the overall rise in the black metropolitan owner-occupancy. Beginning in the 1970s, African-Americans started to suburbanize, a trend that accelerated after 1980. As Table 1 shows, the overall rate of black owner-occupancy was approximately constant between 1980 and 2010 but within central cities or the suburbs, owner-occupancy was lower in 2010 than in 1980. The constancy of the overall rate can be attributed entirely, therefore, to black suburbanization after 1980.

**Table 1**

Race, residential location, and owner-occupancy, 1940–1980.

	Metro population, Share in suburbs		Metro Black, Share owner-occupier			Metro White, Share owner-occupier		
	White	Black	Total	City	Suburbs	Total	City	Suburbs
1940	0.355	0.194	0.192	0.150	0.349	0.414	0.347	0.522
1960	0.515	0.190	0.374	0.330	0.468	0.661	0.543	0.767
1980	0.682	0.276	0.462	0.421	0.572	0.702	0.561	0.770
2000	0.738	0.382	0.479	0.423	0.570	0.742	0.589	0.796
2010	0.742	0.466	0.457	0.384	0.541	0.720	0.563	0.774

Notes: Authors' computations from IPUMS. Samples include all metropolitan households whose place of residence (city or suburb) was reported.

not uniform across the country but increased faster, on average, in metropolitan areas that experienced greater white outflows to the suburbs. The positive relationship between rising black ownership and white suburbanization is highly robust and persists when instrumenting for white suburbanization with the construction of the interstate highways, suggesting that the relationship is causal.

We propose that white suburbanization contributed causally to the growth in black owner-occupancy through the economic functioning of the postwar urban housing market. In 1940, before mass suburbanization, African-American city dwellers faced relatively high housing prices and rents due to informal barriers that prevented blacks from settling in white neighborhoods, thereby restricting black housing supply (Kain and Quigley, 1972; King and Mieszkowski, 1973; Cutler et al., 1999). As whites began leaving central cities the user costs of owner-occupancy faced by African Americans relative to renting decreased and black households responded by increasing their level of homeownership. The effect was particularly strong in those central cities that featured a substantial pre-existing stock of detached, single family dwellings occupied by white homeowners prior to postwar white suburbanization.<sup>4</sup>

A large literature has attributed historical and contemporary racial disparities in home ownership to racial differences in “permanent” income and access to mortgage finance and to housing market discrimination (see, for example; Gyourko et al., 1999; Deng et al., 2003; Gabriel and Rosenthal, 2005; Haurin et al., 2007). Changes in each of these factors likely contributed to the rise in black homeownership in the mid-twentieth century. Labor economists, for example, have documented substantial gains in African-American real incomes and educational attainment between 1940 and 1980 (Smith and Welch 1989; Donohue and Heckman 1991), attributes that are positively related to owner-occupancy. A vast expansion in mortgage finance took place between 1940 and 1980, some of which reached African-American households, despite “redlining” and other discriminatory practices of the era (Collins and Margo 2011; Fetter, 2013). Fair housing legislation aimed at eliminating housing market discrimination was passed at the federal level in 1968, and similar laws preceded the federal act in some states and cities. However, none of these factors plausibly account for the strong geographic relationship we observe at the metropolitan area level between black central city homeownership and white suburbanization.<sup>5</sup>

<sup>4</sup> It is usually more efficient (that is, user costs are lower) when the owner of a detached, single-family dwelling is also the occupier (Henderson and Ioannides, 1983; Glaeser and Shapiro, 2003). We discuss this relationship in more detail in Section 2.

<sup>5</sup> There are three reasons why these conventional explanations for the racial gap in home ownership cannot explain the observed relationship between white suburbanization and black owner-occupancy. First, we show that this relationship holds even after controlling for median income at the city level or for household income in a sample of black households in central cities. Second, both the postwar expansion of mortgage finance and the federal fair housing laws occurred throughout the nation, not in select metropolitan areas with above-average levels of white suburbanization. Finally, we observe the suburbanization effect prior to 1970, before the federal fair housing law could have had much impact. Similar laws passed at the state and local level prior to 1968 are also thought to have been largely ineffective; see Collins (2004).

Our findings are based on a new panel dataset of household counts that we construct for 98 metropolitan areas from 1940 to 1980 by race, location (central city or suburb), and ownership status that corrects for changes over time in central city boundaries. Our baseline OLS estimate implies that every 1000 white departures from the typical central city generated 87 black owner-occupiers.

The OLS estimate may be biased away from zero – that is, may be too large in absolute value – in the presence of reverse causality, say because rising black incomes encouraged black households to buy units in white neighborhoods, thereby prompting “white flight” to the suburbs (Card et al., 2008; Boustan, 2010). Conversely, the OLS estimate may be biased towards zero, for example, because of measurement error. We address endogeneity by instrumenting for the number of white households in the central city with features of the Interstate Highway System. New road construction encouraged white households to move to the suburbs by reducing the cost of commuting from bedroom communities to downtown firms. We use Baum-Snow's (2007) detailed dataset on highway construction to compute the predicted number of completed highway rays passing within one mile of each central city by decade. Our IV estimate of the effect of white departures on black homeownership is slightly larger but not significantly different from our OLS estimate, suggesting that any endogeneity bias is small. Using the IV coefficient we find that, nationwide, 26 percent of the increase in black owner-occupancy in central cities between 1940 and 1980 can be attributed to white suburbanization.

We provide further evidence consistent with our housing market story by documenting heterogeneity in the relationship between white suburbanization and black ownership across cities. We find that the estimated treatment effect depends positively on the initial stock of single-family dwellings conducive to owner-occupancy in the central city. Furthermore, we show that the national estimates are driven by cities that were losing white population to the suburbs over this period, cities that, for historical reasons, attracted relatively large numbers of black residents. Some suburbanization, especially in the South and West, did not lead to population loss in the city center but instead was a byproduct of general regional growth; in these growing cities, the housing market effect we have in mind is not present.

Aside from its contribution to our understanding of racial owner-occupancy gap, our paper also contributes to a large literature in economics and sociology on the effects of residential segregation on African-American outcomes. Cutler and Glaeser (1997) argue that, theoretically, neighborhood segregation can be either beneficial or harmful to minority groups. Much of the prior literature has found evidence of the latter; blacks living in more segregated metropolitan areas have suffered from low earnings and educational attainment, at least since 1970 (Massey and Denton, 1993; Cutler et al., 1999; Collins and Margo, 2000; Ananat, 2011). Our paper demonstrates that white suburbanization, a major source of segregation between city and suburb during the period of analysis, may have had a “silver lining” in that it facilitated black owner-occupancy in an era when broader opportunities for black wealth accumulation were limited. Homeownership contributes to wealth accumulation at the household level (Green and White, 1997; Turn-

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