Comments: “SEPARATE AND UNEQUAL: RACE AND THE GEOGRAPHY OF THE AMERICAN HOUSING MARKET” BY BAYER, CHARLES, & PARK

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Major Takeaway: slow income convergence due to racial sorting into low amenity neighborhoods

• De facto geographic segregation persists among Black and white households with equivalent income levels, with income growth marked by slow racial economic convergence across the US
  – Observed in every major MSA and across income brackets

• **Racial Sorting:** Cumulative individual decisions without the explicit intention of discrimination lead to the collective outcome of segregation at the community level

• As a result, minorities tend to live in neighborhoods with fewer amenities and that are more susceptible to decline

• This self-selective yet disparate racial community sorting yields negative impacts on intergenerational mobility through feedback loops that directly implicate segregation, that is, the separate and unequal by race geography of the American housing market.
Black/white income and homeownership gaps—HO gap at highest since 1890

Figure 1: Black/White Income Ratios, 1870-2014

The percentage of white people who own homes relative to black people is at its highest rate since 1890.


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Implications of Geography in Racial Sorting

• Race is a key indicator of access to community resources, regardless of income
  – Wealthy Black households (income > $75,000) more commonly reside in communities with greater poverty and fewer resources than their poor white counterparts (income < $40,000)

• The authors use median neighborhood income as a proxy for available community resources (Reardon et al. 2015)
  – Result: The income “threshold” for Black households is significantly greater than white households to live in the same quality community

• While this finding holds for all major MSAs, the authors document significant heterogeneity within particular metropolitan regions
  – Highest levels of resource inequality in the North and Midwest, lowest in the South
Explaining Why—Decentralized racial sorting

• Decentralized racial sorting mechanism is consistent with these striking unequal outcomes

• At the neighborhood level, majority Black communities almost always trail their white counterparts with regard to public amenities
  – Creates an explicit tradeoff between households’ racial preferences and income/resource preferences in the self-sorting process.

• In essence, wealthy Black household must typically choose to reside either
  
  (1) as a minority in high-income, resource rich neighborhoods
  
  or (2) with Black neighbors in lower-income, resource poor neighborhoods

• It is not just cost of living in high amenity communities it is the bundling with Black share that yields segregation.
Explaining Why- 4 possible mechanisms

• **Racial sorting**: occurs throughout the income spectrum, at the lower income segment, white households demonstrate a higher willingness-to-pay to access neighborhoods with similar racial composition, and therefore higher income/resource levels and housing prices. But geographical heterogeneity, why?

• **Housing discrimination**: plays an additional and compounding role in exacerbating neighborhood segregation and its disparate impacts on income levels and resource availability. Sociology lit (Steil and Charles, 2021, Fair Housing, ed. Reina et al.) shows white discrimination easing, Saiz and Wachter (2018) show white aversion to minority neighborhoods almost entirely explained by amenities.

• **Wealth**: asserts does not play a role since wealth is explained by earnings and hence, earnings or income is an extension of the racial sorting hypothesis. But earnings explained wealth includes education, therefore circular.

• **Homeownership**: nor constrained access to homeownership, not likely on high end.
Constraints may matter

• “An obvious first-order explanation for this is that an individual’s race is strongly correlated with socioeconomic status (SES), and poorer households can only afford lower quality neighborhoods. This paper conjectures that another explanation may be as important.” Racial Sorting and Neighborhood Quality by Patrick Bayer and Robert McMillan, http://www.nber.org/papers/w11813

• If so, differential access to mortgage markets may matter. Not arguing for “predatory inclusion” as described in “Race for Profits” by Keenga-Yamahtta Taylor. To contrary, systemic crises aftermath risk pricing impedes access compared to stable system w/o leverage cycles.
Minority-White Homeownership Gap: Large and Rising Again

Homeownership Gap in Q2 2021:
- Black-white: 30%
- Slight decrease measured at beginning of pandemic but growing again
- Black-white gap had decreased to 26% in 1999 but grown post-Great Recession to 32% in 2019


Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, Q1 1994-Q2 2021
Consequences

• The resource-level implications of self-sorting segregation create a positive feedback loop with repercussions on intergenerational mobility and the overall rate of racial economic convergence in society
  – Schools, infrastructure, and other public amenities

• The mechanisms identified by the authors explain a key part of the slow rate of economic convergence observed between Black and white households
  – Insight into further research and policy implications for both patent and latent forms of discrimination and disparity of resources/outcomes

• Need for additional research, importance of this research.
Thank You

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