

*RACIAL DISCRIMINATION IN HOME OWNERSHIP: A REEVALUATION
OF THE PREFERENCE HYPOTHESIS*

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ABSTRACT

Research on racial discrimination in mortgage lending has proposed three alternative hypotheses for the disparate home-ownership rates between blacks and whites. Although one hypothesis, "differences in 'taste' for ownership", for the most part, has not been tested and has only been assumed to be false, critics suggest that this hypothesis is true and home ownership preferences actually vary by race. The present study tested the difference in taste hypothesis for a sample of nonowners. Two hundred twenty nonowners were selected for interviews in Memphis, Tennessee using a stratified cluster sample. The interview schedule included items aimed at ascertaining home-ownership preferences. As hypothesized, blacks and whites do not differ in "tastes" for home ownership. However, factors affecting home-ownership preferences vary across racial categories when separate black-white preference structures are evaluated.

INTRODUCTION

Kain and Quigley (1972) in one of the seminal papers concerning racial discrimination in home ownership have presented three broad categories of alternative hypotheses as possible explanations for disparate home-ownership rates between blacks and whites. They are:

- (1) differences in 'tastes' for ownership;
- (2) differences in household assets and wealth positions of black and white families;
- and (3) racial discrimination in the housing market (Kain and Quigley 1972:279).

They subsequently rejected the asset and wealth hypothesis based upon their empirical findings and offered housing market discrimination as the most plausible explanation for ownership rate differences. In effect, every study addressing the question of whether and why there are racial differences in ownership patterns must in one way or another encounter the same basic three hypotheses (Benston and Horsky, 1979; Roistacher, 1974; Schafer, 1979; Schnore, 1976). Although the assets and wealth hypothesis is generally rejected and the discrimination hypothesis generally accepted, the difference in taste for ownership hypothesis is almost always implicitly assumed to be false.

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Critics (e.g. those speaking in opposition to the U.S. Senate passage of the Home Mortgage Disclosure Act) of this line of research find fault with the conclusion that the existence of continued racial disparities must be due to discrimination when control is for black-white differences in social and economic status. Instead, they argue that differences might just as well be due to racial dissimilarities in home-ownership preferences. That is, preference to own a home could conceivably be less for blacks than it is for whites.

While there is no *a priori* reason to think there are enough cultural differences between blacks and whites to create a differential in home ownership preferences, the hypothesis can nevertheless be tested. Currently, there are few "direct" tests of this hypothesis. Kain and Quigley (1972) claimed that some of the independent measures included in their regression equations are determinants of tastes for housing, though no specific question was asked with respect to home owning preferences. Morris and Winter (1978) assert that ownership of a single-family house is a preference shared by all cultural groups. Hanna and Lindamood (1979), while finding a significant difference in the proportion of blacks and whites who own homes, asked a direct question in a sample of households and reported that ownership preferences are virtually the same for blacks and whites. Specifically, 84 percent of the whites and 80 percent of the blacks in their sample preferred to own their own home (1979). They concluded that differences in housing conditions (ownership included) are due to differences in resources, family composition and past and present discrimination.

The present study is aimed at testing the differences-in-preferences hypothesis using the direct question approach, and, therefore, should be seen as a replication of Hanna and Lindamood (1979). Our definition of home-ownership preferences is a combination of Morris and Winter's (1978) preference and aspiration terms because we do not differentiate between present and future desires. By focusing only on renters, this study differs from Hanna and Lindamood (1979). In addition, it ascertains along which dimensions (e.g. resource, family composition) home-ownership preferences vary. Identification of these dimensions is a necessary step in understanding the nature of housing preferences.

DATA AND METHODS

The data were generated from a survey of owner and renter occupied housing units in Memphis, Tennessee. The survey was conducted from November, 1980 to March, 1981. The respondents were selected using a stratified cluster sampling technique that takes into account the relatively small sampling fraction and the high degree of housing segregation existing in the city. Initially, the sampling frame was identified as the residential addresses listed in a 1980 city directory. Because this directory is organized by zip code areas, census tracts within the city limits were assigned to the appropriate zip code areas. The zip code areas were then stratified by population size and percent black by aggregating tract level characteristics from the 1970 Census of Population. Finally, a random sample of addresses was drawn proportionate to the population size of each stratum. The resulting sample includes 572 completed interviews with the head of the household or the spouse of the head--2.4

percent of housing units shown in the preliminary 1980 Census of Population figures for the city. 1970 census tract characteristics were used because 1980 data were not yet available when the survey was conducted. The 572 completed interviews represent 92 percent of the original 624 interviews attempted.

Of the completed interviews, 38.5 percent (220) were with renters while 61.5 percent (352) were with home owners. Comparisons of summary characteristics of this data set with known population characteristics show it to be a fairly good representation of the Memphis population.

As previously indicated, only the stated preferences of nonowners were considered. Two considerations went into this decision. First, most home owners state a preference to own. Consequently, the variable, preference to own, among home owners displays virtually no variance. Second, while most home owners state a preference to own, there is no convenient way to assess the extent to which this stated preference is confounded by their current status, i.e. home owner. Because current status could influence preference (Morris and Winter, 1976; Winter and Morris, 1982) and because it is well-established that whites are more likely to own than are blacks, the inclusion of the preferences of home owners could inflate this statistic in favor of whites. Hence, for purposes of this paper only the 220 interviews with renters were analyzed.

The survey instrument included items directed at ascertaining home-ownership preferences as well as social and demographic information (e.g. age, sex, marital status). Specific to the research question posed here is the item: How much do you want to own your own home? The response alternatives for this question included (1) very much, (2) somewhat, (3) very little, and (4) not at all. Due to disproportionately few responses to alternatives two and three, the four response alternatives were dichotomized by combining one with two and three with four. The split on the dependent variable is 0.78 and 0.22, within the accepted range for retaining a linear relationship (Goodman, 1976). Response alternatives two and three only comprise 24.3 percent of all the cases. It is this question upon which the present paper is based. The general hypothesis being examined here is that there is no significant difference in the proportion of blacks versus whites that prefer to own homes. Further, it is hypothesized that if differences in home-ownership preferences among individuals exist, these differences are related to family composition variables.

We have relied on Hanna and Lindamood's (1979) work on housing preferences of blacks and whites both for general guidance in the type of model to be considered and for direction in identifying the independent factors that could explain differences in home-ownership preferences. Hanna and Lindamood (1979) presented a model from Morris and Winter (1978) viewing race, resources and family composition as affecting stated preferences. Following Hanna and Lindamood's (1979) model, race was dichotomized into black and white. The resource variables included were education and occupational prestige of the head (Hodge et al., 1964) and family income. The family composition variables included age of respondent, marital status, and number of dependent children at home.

If blacks have lower home-ownership preferences than whites (Hanna and Lindamood show that they do not), then demand for ownership by blacks is reduced. If this is not the case, it can be reasoned that ownership demand is not artificially lowered for blacks because they are less likely to want to own their own homes. If a black-white difference in preferences is not found, it becomes important to identify the factors that affect the preference structures of blacks and whites.

FINDINGS

Table 1 presents the means of some of the basic socio-economic characteristics of black and white households. There are significant differences between the mean levels for blacks and whites for all variables except age of respondent, proportion married, and proportion preferring to own their own homes. In effect, it appears that there is no difference in the proportion of blacks and whites who prefer to own their own homes. As compared to whites, blacks report a significantly greater number of persons in the household, and relatedly, a significantly greater number of dependent children. Additionally, blacks report significantly fewer years of formal education, lower level occupations resulting in significantly lower occupational prestige scores, and significantly lower family incomes.

Table 1. Socio-economic Characteristics of White and Black Households and t-tests of Differences (N=220)

Independent Variables	Means		
	Whites	Blacks	t
Proportion preferring to own	.73	.76	.64
Age of respondent	41.56	42.42	.33
Proportion married	.43	.33	-1.44
Number of dependent children	.32	1.08	4.35*
Occupational prestige of head	38.94	33.31	-3.45*
Education (in Years) of head	11.87	9.26	-4.26*
Family income	15701.12	7956.37	-6.51*
N	84	136	

*p<.001

Table 2 presents the dependent variable, homownership preference (1=yes; 0=no), dichotomized and regressed on the independent variables: (1) race, (2) age of respondent, (3) marital status (1=married; 0=not married), (4) number of dependent children at home, (5) occupational prestige of head, (6) education of head, and (7) family income. This model presents most of the independent variables used by Hanna and Lindamood (1979). As hypothesized, race has no significant effect on home-ownership preferences. In effect, the regression analysis corroborates the earlier t-test presented in Table 1 comparing the proportion of blacks and whites preferring to own. The inclusion of resources and family composition

variables does not alter this finding. Specifically, blacks and whites do not differ in home-ownership preferences even after controlling for resources and family composition. Rather, the data suggest that blacks and whites prefer to own homes in approximately equal proportions (i.e. 73% for whites; 76% for blacks). In contrast, family composition variables, i.e. marital status and age, significantly affect ownership preference. While marital status exhibits a positive influence on preference to own, age exhibits a negative influence.

Given the significant difference in black-white structure as seen in Table 1, it is somewhat surprising that only two variables, the two which are not significantly different in Table 1, would emerge as important determinants of home-ownership preference. Conceivably, these structural differences serve to mask the influence of these variables when blacks and whites are combined in a single analysis. To ascertain whether that occurs, separate structural analyses were run for blacks and whites.

Table 2. Regression with Ownership Preference as the Dependent Variable (1=prefer; 0=not prefer)

Independent Variables	Standardized Coefficient
Race (1=white; 0=black)	-.002
Age of respondent	-.365*
Marital status (1=married; 0=not married)	.197*
Number of dependent children at home	.008
Occupational prestige of head	.006
Education of head	.004
Family income	-.124
Constant	.978
F	7.060
R ²	.189

*p<.01

As can be seen in Table 3, there are substantial black-white ownership-preference structural differences. Specifically, the black preference structure is significantly influenced by family composition (marital status and number of dependent children) and resource (education) variables. The white preference structure, on the other hand, is influenced by only one variable, age. Further, while the effects of the three variables in the equation for blacks are positive, the effect of the one variable in the equation for whites is negative. The remaining two variables, family income and occupational prestige of household head, are not significant in either preference structure.

Table 3. Regressions for Black and White Preference Structures

Independent Variables	Standardized Coefficients	
	Blacks	Whites
Age of respondent	-.198	-.459**
Marital status	.209*	.208
Number of dependent children at home	.160*	-.160
Occupational prestige of head	-.005	.173
Education of head	.245*	-.141
Family income	-.005	-.152
Constant	.701	1.210
F	5.920	4.690
R ²	.216	.268
n	136	84

*p<.05 **p<.01

DISCUSSION

Past research concerning racial discrimination in the home lending market has posed three alternative hypotheses for the disparate home-ownership rates between blacks and whites. Although one of these three hypotheses has been "difference in 'taste' for ownership", for the most part, the falseness of this hypothesis has been only assumed. That is, research addressing discrimination in home ownership has progressed with the assumption that preference to own is the same for blacks and whites. In contrast, critics have argued that home-ownership preferences probably vary among racial groups. Specifically, critics have suggested that the desire for home ownership is less for blacks than for whites. Contrary to that line of reasoning, Morris and Winter (1976) assert that home ownership is a preference shared by all cultural groups, based on similar preferences findings for a sample of blue- and white-collar workers. Their findings were corroborated by Hanna and Lindamood (1979) who also found that blacks and whites prefer home ownership in equal proportions. The findings of this research substantiate both of those studies. There seems to be little if any support for the hypothesis that blacks and whites differ in tastes for home ownership. However, home-ownership preferences vary by marital status and age. Marital status, as a significant positive influence on home-ownership preference, is consistent with what can be viewed as an implied group of preferences in American society. That is, the preference to own a house is a natural companion to the preference to marry. The significant negative influence of age, although unexpected, seems reasonable given a sample of nonowners. In effect, these data suggest that among nonowners, the preference to own decreases with age.

In addition, we have further specified the preference model by constructing separate black and white preference equations. These equations demonstrate considerable black-white differences. That is, while home-ownership preference across racial groups does not vary, the variables contributing to this preference differ. In particular,

blacks' preference to own is significantly and positively influenced by marriage, dependent children, and years of education, while whites' preference structure is significantly and negatively influenced only by age. The equation presented in Table 2 masks the racial differences in these preferences structures, suggesting that further work in this area must examine the racial groups separately as well as combine blacks and whites in one analysis.

In sum, we have found support for Kain and Quigley's (1972) rejection of the tastes hypothesis in a somewhat different setting than did Hanna and Lindamood (1979) and for a sample of nonowners. This reaffirmed rejection is important especially in light of the continued belief that racial differences in home ownership can be explained by differences in preferences. Though dimensions along which preferences vary have been identified and discussed, further specification in areas outside the South is needed.

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