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Waking Up from the American Dream: A Marxist Critique of Homeownership and the Accumulation of Capital

Christian Noakes

WAKING UP FROM THE AMERICAN DREAM: A MARXIST CRITIQUE OF HOMEOWNERSHIP AND THE ACCUMULATION OF CAPITAL

by

CHRISTIAN NOAKES

Under the Direction of Daniel Pasciuti, PhD

ABSTRACT

It is often taken for granted that home ownership provides an opportunity for economic mobility and that promoting ownership helps to reduce wealth inequality. These hegemonic assumptions are apparent in the narrative of the American Dream which says that home ownership is a means to spiritual and material enrichment. A pervasive narrative that connects private property to freedom and opportunity and rests on the implicit belief in American exceptionalism. This study counters this fictive by using data from the last major housing crisis. I analyze patterns of housing values to assess whether home ownership is a leveling factor or if it serves to reinforce racial and geographic inequality and contributes to the understanding of how the accumulation of housing-based wealth is contingent on who the owner is and the context of where the property is located. I argue that homeownership intensifies inequality; it does not reduce it. Finally, I consider the role of crises in both maintaining and restructuring capitalism to increase profitability through the creation of new markets.

INDEX WORDS: American dream, Housing crisis, Creative destruction, Housing values, Uneven development, Wealth inequality

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CHRISTIAN NOAKES

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CHRISTIAN NOAKES

Committee Chair: Daniel Pasciuti

Committee: Amy Spring

Deirdre Oakley

Electronic Version Approved:

Office of Graduate Studies

College of Arts and Sciences

Georgia State University

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DEDICATION

This paper is dedicated to my family. Without their support I could not have made it this far.

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LIST OF ABBREVIATIONS

AHS— American Housing Survey

MSA—Metropolitan Statistical Area

1 INTRODUCTION

1.1 The Role of Homeownership in the American Dream Narrative

Popular conceptions of private property and ownership are shaped by ideological forces that lend themselves to the structural stability of capitalism. As a fundamentally bourgeois concept, "[private property] appears as an inner part of the individual, one of his fundamental 'rights', something his freedom is founded on (Lefevbvre 1947, 194)." To possess is seen as a means to self-improvement and self-realization. This is particularly true with regards to home ownership in the U.S. Vale (2007) identifies three interwoven strands of national homeownership ideology: Jeffersonian ideas of property in the foundations of America, the American Dream and mobility through ownership, and patriotism/nationalism. To the latter we can add anti-communism which was intimately linked with the moralizing of ownership and prevailing jingoism in the early 20th century. A key component that set the modern ideology attached to private property apart from its Jeffersonian roots was the preference by both government and private industry toward small-scale homeownership ownership in industrial cities and surrounding suburbs (Vale 2007). Following WWII, a reinvigorated middle class and widespread suburban development spurred a housing boom that cemented homeownership in the center of the American Dream.

The American Dream is a national narrative of equality and exceptionalism—one that claims that economic mobility, and ultimately happiness, are simply a matter of personal perseverance, optimism, and investment. While it has developed over time, it is foundational to the collective conception of freedom, equality, opportunity, and healthy citizenship. This spiritual component is complimented by a materialistic drive of ownership considered the means of attaining the American Dream. Rooted in capitalist values, this national narrative is "the spiritualization of property and consumption, the investment of joy and dignity in consumption and property ownership (Kimmage 2011, 27)." A core assumption within the American Dream is that equality of opportunity provides an avenue for the working class to accumulate wealth and therefore improve their quality of life. In the 1920s home ownership became a central component and has persisted to this day to be one of the primary embodiments of the American Dream (Archer 2014). Due, in part, to the blossoming of the credit industry, a nascent mass-consumer economy, and an increase in housing investment and land speculation the ability to own one's home became synonymous with American ideals of self-creation and moral citizenry. The (single-family) home has since been regarded as the sturdiest of socioeconomic ladders.

However, many of the material or economic benefits of homeownership are assumed prematurely to be an inherent outcome. Given its ideological construction under capitalism and in the U.S. more specifically, there is an unconditional acceptance or "blind necessity (Lefebvre 1947, 194)" that homeownership is an effective means of upward mobility and equality. However, such views lack empirical justification. While assessing the validity of concepts as subjective as the American Dream or freedom can be problematic, there are several ways of measuring the complex relationship between the ownership of property and wealth accumulation on which such amorphous concepts are built.

This study contributes to the understanding of how the accumulation of housing-based wealth is contingent on who the owner is and the context of where the property is located. In more general terms its aim is to shed light on how private property—much like education and occupation—can be used as a means to perpetuate, intensify, and structure social stratification. I argue that homeownership intensifies inequality; it does not reduce it. This is counter to popular beliefs of ownership of private property as an egalitarian means of economic mobility and as an avenue for the most disadvantaged to achieve higher socioeconomic status. By comparing the housing values for black, white, and Asian homeowners in different contexts, I move beyond the assumption of property as a unilateral means to opportunity and social mobility. While homeownership can provide the opportunity to accumulate wealth, promoting access to ownership under resilient structural inequality does not adequately address the disparity in housing value or wealth more generally. If the outcomes of ownership vary significantly by place and race then homeownership can reinforce social stratification. Capturing this variability is central to deconstructing popular assumptions of ownership and addressing persistent inequality.

The volatile nature of the nation's housing industry also complicates matters. In times of crisis, the bottom drops out but some fall further than others. These "boom and bust" cycles may therefore actually reinforce structural inequality. Contrary to the view of crises as failures of the housing system, this study considers how crises provide structural maintenance and the creation of new markets. In this light, the 2008 crisis represents the latest stage of a built-in process that reoccurs in order to maintain capitalism through mutation. By looking at housing values during the last major housing crisis, I hope to better understand patterns of accumulation at the national and regional level and the implications of ownership in the post-crisis housing market.

This research asks the following: How were the housing values of owners from different racial categories impacted during the last major U.S. housing crisis? How were patterns of appreciation and depreciation of housing value affected by location (urbanicity and region)? How did the housing crisis and the Great Recession it spawned change patterns of accumulation? By answering these questions, I plan to address the implications of building wealth through ownership. I also plan to provide greater insight into the role of crises in processes of accumulation and restructuring of housing markets.

1.2 Literature Review

While income inequality remains a serious concern for social scientists and policy makers alike, ethnic and class stratification appears to be even starker when one considers wealth (Oliver and Shapiro 1990, 1995). Wealth serves as a more precise measure of socioeconomic status than income because it considers all assets owned by individuals or families. Home equity accounts for roughly 60 percent of the wealth for the nation’s middle class (Shapiro 2004). This makes questions of access to ownership and accumulation of wealth attributable to ownership vital to understanding and adequately addressing the persistent racial wealth gap in the US.

Patterns of access to home ownership are highly racialized. Sykes (2005) shows that region, age, and income affected both non-married black and white women similarly while the effects of education and labor force participation increased the likelihood of ownership more for white women. Overall, non-married white women were more likely to own their homes compared to their black counterparts. Charles and Hurst (2002) also observe a disparity in ownership which they attribute, in part, to black-white disparities in both applying for and getting mortgage applications accepted. Access to the credit necessary for many to own their homes make banks a central institutions people rely on to build wealth.

However, the long-established public-private partnership of government, private lenders, and real estate created a housing market that codified exclusion of black communities from housing-based accumulation—a core component of the American Dream. Encouraged in part by appraisals and maps from the Home Owners Loan Corporation, lenders excluded communities deemed undesirable—often informed by racial or ethnic makeup—from cycles of reinvestment in a practice known as red-lining (Jackson 1985, Freund 2007). While there were many working-class white communities that received the lowest grade due to their low appraisal value, virtually all black communities (as well as other neighborhoods with ethnic minorities) were “redlined” and thus devalued and stigmatized regardless of class composition or housing conditions (Freund 2007). The Federal Housing Administration (FHA) adopted this practice when appraising neighborhoods with federally backed mortgages. This federal agency also encouraged—and in some cases required—racially restrictive deeds for properties receiving the agency’s mortgage backing (Rothstein 2017). These racial covenants prohibited the sale or occupation of properties to black people and other minorities. Between mortgage lending practices and restrictive covenants, the government, private lenders, and real estate systematically devalued black neighborhoods and prevented black people from moving to areas with better access to credit and rates of value accumulation—thereby excluding those with the least from pursuing the American Dream. While many lenders avoided areas with minority populations, others would offer subprime mortgages with higher interest rates, lower loan-to-value ratios, and shorter terms (Hillier 2003). Such strategies of inclusion likewise impeded the accumulation of value and housing-based wealth in minority communities.

Despite the hegemonic persistence of the assumption that homeownership is a means to the American Dream and social mobility, considering how housing and structures of ownership may perpetuate social inequality is not a particularly novel approach. In fact, Fredrick Engels (1872) took a similar position against the French socialist Pierre-Joseph Proudhon. Proudhon asserted that enabling every individual (or family) to own their home was adequate to address issues of housing disparities. Rejecting this thesis, Engels pointed out that equal access under a system built off of capitalist class relations and the division of town and country only intensifies class inequality. This radical critique of housing has since been supported by several studies that have considered fundamental class and geographic disparities in U.S. housing-based wealth (Denton 2001, Rusk 2001, Flippen 2004, Krivo and Kaufman 2004, Anacker 2010, Hendricks 2015, Raymond, Wang, and Immergluck 2016, Raymond 2018 , Thomas, Moye, Henderson, and Horton 2018).

In the U.S., race is a key factor in patterns of wealth accumulation. Regarding housing value, there are two levels to consider: the effects of being a person of color and the effects of living in neighborhoods where the majority of residents are people of color. This distinction can be difficult in the U.S. due to the persistence of segregation in which Blacks are far more likely than other minority groups to live in isolation from the rest of the population. This hypersegregation has facilitated predatory lending in predominately Black communities (Massey and Denton 1993, Rugh and Massey 2010). As segregation increases, the Black-White racial gap in housing values widens (Thomas, Moye, Henderson, and Horton 2018). Segregation and neighborhood racial composition can also have a significant impact on the housing values of entire neighborhoods (Denton 2001, Rusk 2001, Flippen 2004, Anacker 2010, Raymond et al 2016). Research suggests that current home value decreases for homes in neighborhoods when there is an increase in minority population—especially for black populations. This trend applies to both Whites and Blacks in both suburban and urban contexts (Denton 2001, Flippen 2004, Anacker 2010). However, what Rusk (2001) refers to as the "segregation tax" appears to impact black homeowners more than it does for others—with this tax being particularly steep in the Midwest.

In addition to race, place is integral to patterns of housing value and wealth accumulation. Region of the US (West, Midwest, Northeast, and South) can be particularly consequential for homeowners. Research shows a consistent pattern in which housing values are highest in the West and lowest in the South and Midwest (Flippen 2004, Anacker 2010, Thomas et al. 2018). Living in the South has also been shown to have a significant negative impact on housing equity when compared with non-Southern property (Hendricks 2015). While housing values appear to be significantly higher in the West, this region was also hit particularly hard by the housing crisis (Hall, Crowder, and Spring 2015, Schwartz 2015). The region a property is located in is key to both property value and the potential wealth generated from this value. Given capital flow out of (Jackson 1985) and into (Smith 1979) urban centers, urbanicity can also have a large influence on housing-based wealth. Commute time to and from work has also been shown to be a strong indicator of negative equity (Thomas et al. 2018). One can therefore expect to see depreciation increase further away from major cities and industrial centers. This effect of urbanicity might also vary by region. City properties can have higher values or higher rates of accumulation in the West or Northeast than those in the Midwestern cities like Detroit. Such variations could make owning in urban centers either more or less economically beneficial when compared to surrounding suburban and rural areas.

Given the volatile nature of the speculative housing industry, crises are also a key component of understanding the processes of capital accumulation. The 2007-2009 housing crisis precipitated an international recession that has had serious political, social, and economic implications still felt to this day by many both in the U.S. and abroad. While it would develop into a general financial crisis known as the Great Recession, its roots were in the deregulated and highly speculative housing market, the growth of the high-risk subprime lending industry, and the practice of predatory lending (Schwartz 2015, Immergluck 2011). By giving people loans with higher interest rates, fluctuating interest rates, and other negative terms of agreement, banks could guard against the loss of profits while making these mortgages harder to maintain thereby causing widespread default, foreclosure, and devaluation. Predatory lending refers to the targeting of communities of color, working class communities, and the elderly for these subprime mortgages. These lenders depleted housing equity and crushed many low-income homeowners. $6.7 trillion of housing equity was lost nationally from 2006 to 2011 (Board of Governors of the Federal Reserve System 2013). Working-class neighborhoods saw a significant decline in housing values around foreclosed properties while there was little to no impact on surrounding housing values in more affluent neighborhoods (Schwartz 2015). With the depletion of housing value came the increased concentration of negative equity and foreclosures. Patterns of foreclosures were uneven and varied by market. Central cities saw a disproportionate amount of foreclosures in many areas that were experiencing growth in foreclosures prior to 2007 while stronger markets that experienced more volatility of the housing bubble tended to see foreclosures concentrated in suburban neighborhoods (Immergluck 2011). The impact was also uneven across regions. After the housing bubble popped states in the West and South saw a collapse in the housing market while states in the Midwest were burdened by high unemployment during the Great Recession. States, such as Florida, California, Michigan, and Georgia saw a disproportionate amount of foreclosures (Schwartz 2015).

The crisis subjected both renters and owners to a process of creative destruction—an inherent tendency of capitalism to increase capital to the point of overproduction which destroys markets in periods of depression or crises. By periodically destroying its old markets and spurring widespread social disruption through this process capitalism creates new markets which are necessary to expand toward greater profits (Schumpeter 1947). Creative destruction is fundamental to the maintenance of capitalist economies. According to Marx (1993):

> [T]he highest development of productive power together with the greatest expansion of existing wealth will coincide with depreciation of capital…These contradictions lead to explosions, cataclysms, crises, in which... momentaneous suspension of labor and annihilation of a great portion of capital... violently lead it back to the point where it is enabled [to go on] fully employing its productive powers without committing suicide (750).

In other words, the capitalist tendency to increase profitability creates the conditions for devaluation which in turn renews the ability of increased profit through new markets and other investment opportunities. This contradictory characteristic in which crises serve as structural maintenance creates a "temporal and geographical ebb and flow of investment in the built environment (Harvey 1978 120)." The burdens of crises are not evenly distributed. As such, development and the accumulation of capital following crises become even more uneven—a condition which lends itself to profit. This process provides opportunity for investors while creating a barrier to economic mobility (or stability) for large segments of homeowners. During the Great Recession, following on the tide of foreclosures and drop in housing values, real estate companies were able to buy properties at a significantly reduced price. In cities like Atlanta, investors responded to the foreclosure crisis by buying up property in distressed low-income communities where foreclosures were high and median housing values low (Immergluck and Law 2014a, 2014b). In the social disruption and economic hardship of the recession came opportunity for speculation and investment as well as a boom in Real Estate Owned (REO) properties (Immergluck 2010).

The functional role of crises is, in part, due to their tendency to increase inequality. Hendricks (2015) considered the changing relationship between race, place, and property-based wealth within the context of the previous housing crisis. Using data from 2001 and 2010 US Census Bureau's Survey of Income and Program Participation (SIPP) they found that the housing crisis widened the racial gap in equity. Compared to identical models for homeowners in

2001, racial disparities became highly significant by 2010 and Black and Latino/a respondents saw a steep decline in home equity when compared to whites—implying one's race became more salient an indicator of equity after the housing crisis. They concluded that the impact of the housing crisis was unevenly distributed, thereby causing a "multiplier effect" in which ethnic inequality in housing value and wealth was exacerbated. Thomas et al. (2018) also observed an increase in racial disparities in housing values after the crisis. Their findings suggested that black owners considered to have higher socioeconomic status experienced growth of a larger gap to high SES white owners than lower SES Blacks to low-SES Whites. The intensification of racial segregation following the crisis (Hall et al. 2015) likely played a key role in widening the racial wealth gap in housing values. Such findings are contrary to the often-implicit assumption that the opportunity to accumulate wealth is in itself a means of promoting equality. The intensification of racial disparities during cyclical crises repeats the damage of an inequitable housing system and systematically excludes people from "realizing the American Dream."

Recovery has also been highly uneven. In the southeast, Raymond (2018) found that rates of negative equity post-crisis were significantly higher in predominantly Black zip codes. This pattern persisted when subprime lending was controlled for, which suggests that structural inequality goes deeper than high-risk or predatory lending. While this practice no doubt seriously undermined people's ability to reap any benefits from, and in many cases maintain, ownership—particularly in communities of color and in the West (Hall et al. 2015)—it is only part of the picture. The persistence of inequality penetrates down to the patterns of accumulated housing values upon which equity is built.

Research provides plenty of evidence to suggest that the economic benefits of homeownership are highly contingent on the characteristics of the owner and the neighborhood in which property is situated. However, more is needed to better understand patterns of housing-based wealth. Some studies have focused in on particular areas (Denton 2009, Raymond et al 2016, Raymond 2018), thereby overlooking broader national trends and differences among regions. Other relevant studies are limited to either metropolitan (Rusk 2001) or suburban areas (Anacker 2010) or else they do not consider ubanicity at all (Krivo and Kaufman 2004). Few consider how crises influence patterns of accumulation (Hendricks 2015, Thomas et al 2018). This research contributes to the growing body of work around housing and inequality by considering national and regional trends during the housing crisis. In doing so, I demonstrate how "the post-crisis stage of accumulation inherits a geographical space that is highly differentiated by crisis (Smith 2008 173)." By grounding this analysis in a critique of capitalist hegemony, this study addresses the contradictions between structural housing disparities and the ownership ideology at the heart of the American Dream. It also sheds light on more contemporary conditions of wealth inequality and uneven development which the crisis helped foster.

Hypothesis:

H_1: There are significant racial disparities in patterns of housing values
H_2: There are significant spatial disparities in patterns of housing values
H_3: Spatial disparities are compounded by racial inequality
H_4: Spatial and racial disparities are compounded by crisis

2 DATA AND METHODS

2.1 Data

How do patterns of housing value vary by race and place? How has the recent housing crisis influenced such patterns of accumulation? This analysis uses 2007 and 2009 microdata from the American Housing Survey (AHS). The AHS is a national longitudinal survey conducted by the U.S. Census Bureau biennially. Its purpose is to collect information on housing and demographics that may be used to capture housing trends and needs. Information was compiled for a cross section of the nation's housing. Unlike surveys that follow households (people/families) from year to year, the AHS follows housing units (property), therefore making it ideal to track fluctuations in property values. The 2007 and 2009 data includes 31,565 and 35,119 homeowners respectively. The apparent increase in ownership is reflective of an increase in overall responses. Reported ownership rates actually fall from 32% in 2007 to 31% of respondents in 2009. See Appendix for homeowner demographics by year.

2.1.1 Construct measurement

The primary concept of interest is wealth attributable to housing value. This will allow me to consider how homeownership may affect economic opportunity that is central to the American Dream and bourgeois conceptions of freedom more generally. To test the assumption that homeownership is an effective means of wealth accumulation, I consider how patterns of value are influenced by race and space. The former is limited to the 3 racial categories with the highest frequencies of homeownership: White only (N_{07}=25,650, N_{09}=27,884), Black only (N_{07}3,835, N_{09}=4,450), and Asian only (N_{07}=1,203, N_{09}=1,852). Analysis is limited to these three categories because of small response rates to other categories—many of which combined several categories (i.e. white and black). While there is a separate variable for whether respondents are Hispanic this categorization is somewhat incoherent when comparing housing values for white owners to housing values for other races as the Hispanic category counts Spanish and Latino (the latter also including people of African descent).

With regard to spatial disparities, this study addresses regional and urban variation of housing value. Using the U.S. census regions, I am able to assess the spatial distribution of the housing crisis' burden. The regions are as follows: West, Midwest, Northeast and South. Whether or not a property is located in an urban or rural area, in a central city, or a Metropolitan Statistical Area (MSA) may also impact the ability for owners to reap financial benefits. The AHS provides such a measure of urbanicity and population density. Respondents were categorized as living in (1) the central city of an MSA, (2) inside an urban section of an MSA but not in the central city, (3) inside a rural section of an MSA but not in the central city, (4) outside an MSA in an urban location, or (4) outside an MSA in a rural location. The AHS defines central cities as those with populations of at least 250,000 or at least 100,000 people working within its limits. Smaller cities were also included if they had at least a population of 25,000, jobs for 3 out of 4 residents, and no more than 60% of its residents commuted out of the city for work. Areas were designated as suburbs if they were in a metropolitan area but not in any central city. Urban areas were those consisting of and surrounded by high-density neighborhoods that collectively had a population of at least 50,000 (see the 2007 AHS National Definitions for further details on the distinctions between cities and suburbs and urban and rural areas).

Given their potential influence on wealth, I will control for homeowner age and income. The latter variable is calculated by combining the respondent's wages and salaries. The mean age of homeowners remained constant at 37 years old while the mean income increased from

$23,448 to $25,668 from 2007 to 2009. This is to be expected given the rise of foreclosures in low-income and working-class communities. See *Table 1* for further homeowner demographics in 2007 and 2009.

There are limitations with the following study. Due to limitations of the data, I cannot consider the effects of neighborhood racial composition or segregation on housing values. Given the fact that the housing crisis peaked after 2009, I likely underestimate the severity of the crisis. Likewise, limiting my analysis to owner-occupied property means this study is excludes those that shouldered the most burden—people that lost their homes. However, this also means the findings can contribute to a greater understanding of the severity of minimum impact and, in so doing, reveal some of the all-pervasive contradictions between our current housing system and the American Dream.

Table 1: Descriptive statistics of homeowners

	%(N)		Mean	
	2007	2009	2007	2009
Race				
White only	81.3(25,650)	79.4(27,885)		
Black only	12.1(3,835)	12.7(4,450)		
Asian only	3.8(1,203)	5.3(1,852)		
Region				
Northeast	18.4(5,827)	22.0(7,710)		
Midwest	24.7(7,808)	27.0(9,484)		
South	36.7(1,1572)	33.2(11,652)		
West	20.2(6,364)	17.8(6,268)		
Metropolitan status				
Central city of MSA	21.8(6,893)	22.5(7,914)		
Inside MSA, not in central city (Urban)	33.3(10,508)	40.0(14,036)		
Inside MSA, not in central city (Rural)	16.0(5,056)	16.3(5,716)		
Outside MSA (Urban)	10.9(3,430)	6.1(2,154)		
Outside MSA (Rural)	18.0(5,678)	15.1(5,299)		
Age (years)			37	37
Income ($)			23,448	25,668

2.2 Method

I construct a repeated cross-sectional study to compare housing situations at two points in time. Using Ordinary Least Squares regression, this research assesses the variability of change based on race, place, and other owner characteristics between time one (2007) and time two (2009). OLS regression estimates actual interval/ratio values by creating a line of best fit to minimize residual sum of squares (difference between estimated and observed values). Using this method, I can check for linear relationships between housing value and several predictor variables. Comparing regressions from 2007 and 2009 should help capture the role the housing crisis played in wealth inequality in the US. Each year's samples of homeowners will be obtained through list-wise deletion.

Where dummy variables are used homeowners categorized as "white only" serves as the reference group for black and Asian homeowners. The Northeast serves as a reference group for other regions. For the urbanicity variable, I use suburban (inside MSA, not in central city) urban classification as a reference group to compare with property in the central city, rural suburbs, and outside of an MSA. I will control for the interval-ratio level variables of age and income. Due to its highly skewed distribution, the log of the latter is used to create a more even distribution in order to adhere to the assumption of normality. The following regression equations will be used to predict housing value for homeowners in 2007 ($\hat{Y}_1$) and 2009 ($\hat{Y}_2$):

Eq. 1: $\hat{Y} = \beta_0 + \beta_1(\text{Black only}) + \beta_2(\text{Asian only}) + \beta_3(\text{Midwest}) + \beta_4(\text{South}) + \beta_5(\text{West}) + \beta_6(\text{Central city}) + \beta_7(\text{Rural suburb}) + \beta_8(\text{Outside MSA urban}) + \beta_9(\text{Outside MSA rural}) + \beta_{10}(\text{Age}) + \beta_{11}(\text{Income})$

Eq. 2: $\hat{Y}[\text{race}] = \beta_0 + \beta_1(\text{Midwest}) + \beta_2(\text{South}) + \beta_3(\text{West}) + \beta_4(\text{Central city}) + \beta_5(\text{Rural suburb}) + \beta_6(\text{Outside MSA urban}) + \beta_7(\text{Outside MSA rural}) + \beta_8(\text{Age}) + \beta_9(\text{Income})$

Eq. 3: $\hat{Y}[\text{region}] = \beta_0 + \beta_1(\text{Black only}) + \beta_2(\text{Asian only}) + \beta_3(\text{Central city}) + \beta_4(\text{Rural}$

suburb) + β_5(Outside MSA urban) + β_6(Outside MSA rural) + β_7(Age) + β_8(Income)

To better understand racial and spatial disparities, I use three equations. The first regression (Eq. 1) will provide a broad view of housing value trends. The second regression (Eq. 2) is split by race to assess regional and urban disparities in isolation from the effects of racial inequality. It will also serve to distinguish how different races experience spatial disparities. The final regression (Eq. 3) is split by region to assess racial disparities within regions and to compare the intraregional patterns between regions.

3 RESULTS

3.1 Standard OLS Regression

The crisis caused widespread devaluation. However, the severity of the crisis was highly uneven. Owners in the Northeast tended to have significantly higher housing values than owners in the South and Midwest in both 2007 and 2009 while they tended to have lower housing values than owners in the West from the same time. Owners in urban MSAs likewise saw significantly higher housing values than owners in all other categories of urbanicity in both 2007 and 2009 (H_2). Overall disparities appear to decrease, however, the disparities between the Northeast and the South and between MSA urban and non-MSA urban increase by 2009.

There was a significant disparity between white and black owners in 2009 (H_1). However, evidence of a persistent gap in housing values disappears when geographic variables are introduced. This implies that racial inequality is partially facilitated by geographic disparities. See *Table 2* and *Table 3* for patterns of housing values in 2007 and 2009 respectively

Table 2: 2007 housing values

	Model 1	Model 2	Model 3	Model 4	Model 5
Race					
Black		-3,316.11			-5,802.97
Asian		7,704.60			-1,817.43
Region					
MW			-148,379.09***		-129,097.61***
S			-108,598.24***		-87,046.41***
W			139,254.50***		144,995.50***
Urbanicity					
Central city				-61,485.47***	-60,950.57***
In MSA, outside central city, rural				-70,355.62***	-44,543.16***
Outside MSA, urban				-135,065.15***	-114,021.68***
Outside MSA, rural				-181,207.06***	-144,139.98***
Income	.03	.02	.01	.043	.023
Age	-37.10	-37.28	-50.20	10.17	-13.92
Constant	279,601.26***	279,740.01***	331,089.53***	350,512.42***	375,928.40***
R^2	.000	.000	.109	.043	.136

*** p value< .001

Table 3: 2009 housing values

	Model 1	Model 2	Model 3	Model 4	Model 5
Race					
Black		-117,71.12**			-7,913.84
Asian		-11,122.43			-12,651.98
Region					
MW			-153,823.17***		-120,431.65***
S			-115,460.05***		-95,359.65***
W			54,865.06***		64,042.39***
Urbanicity					
Central city				-41,045.55***	-39,478.36***
In MSA, outside central city, rural				-51,926.45***	-34,870.97***
Outside MSA, urban				-147,446.21***	-126,475.63***
Outside MSA, rural				-128,272.98***	-101,402.25***
Income	-.08	-.08**	-.06	-.07	-.05
Age	158.69	143.40	189.95	181.17	190.78*
Constant	240,262.73***	243,084.41***	304,807.40***	285,902.31***	331,987.86***
R^2	.000	.001	.077	.035	.100

* p value< .05, **p value< .01 *** p value< .001

3.2 OLS Regressions Split by Race

Owners in all three racial categories experienced large gains in the West relative to their Northeastern counterparts. By 2009, this gap shrank dramatically—implying the West was hit harder than the Northeast. Asian homeowners saw the largest decline in relative western returns. Highly significant regional disparities persisted from 2007 to 2009 for owners in each racial category. However, in 2007 Black owners in the Midwest and South experienced the largest disparities with their Northeastern counterparts. By 2009, Asian homeowners in the Midwest and South saw the largest disparities with Northeastern counterparts (see H_3).

The MSA urban- outside MSA urban disparity increased across all racial categories from 2007 to 2009. However, black owners saw the sharpest increase in gap between housing values in urban MSAs and urban property located outside of an MSA (followed by Asian owners). This suggests that racial inequality compounds geographic inequality (see H_3). Asian and white owners also saw significant widening of the Northeast-South gap during the crisis. In both 2007 and 2009, Asian owners experienced the largest disparities between MSA urban and all other categories. In contrast to the pervasive effects of geography, age and income were non-significant for owners in all racial categories. See *Table 3* and *Table 4* a full breakdown of housing value disparities within each racial category.

Table 4: 2007 housing values split by race

	White	Black	Asian
Region			
MW	-127,363.48***	-143,797.99***	-141,201.45***
S	-87,334.51***	-97,843.19***	-72,400.70*
W	149,588.39***	113,189.80***	151,007.20***
Urbanicity			
Central city	-63,720.45***	-45,623.28**	-88,525.19**
In MSA, rural	-44,285.60***	-44,013.44*	-45,042.70***
Outside MSA, urban	-113,199.58***	-112,931.93***	-133,954.44***
Outside MSA, rural	-141,726.37***	-144,677.77***	-208,913.14***
Income	.03	-.17	-.06
Age	-72.43	-541.18	-640.30
Constant	377,965.52***	359,535.28***	417,510.96***
R^2	.136	.132	.167

* p value< .05, **p value< .01, *** p value< .001

Table 5: 2009 housing values split by race

	White	Black	Asian
Region			
MW	-123,337.65***	-99,226.20***	-130,449.53***
S	-98,014.52***	-75,067.86***	-115,264.39***
W	67,713.68***	67,156.57***	13,770.41***
Urbanicity			
Central city	-39,197.84***	-33,773.42**	-48,037.57*
In MSA, rural	-33,870.33***	-33,553.32*	-67,105.54**
Outside MSA, urban	-125,532.37***	-128,654.86***	-148,519.92***
Outside MSA, rural	-101,894.20***	-89,329.29***	-116,934.09***
Income	-.05	-.01	-.07
Age	254.19*	-91.66	-142.60
Constant	330,504.15***	318,542.85***	367,730.66***
R^2	.102	.08	.098

* p value< .05, **p value< .01, *** p value< .001

3.3 OLS Regressions Split by Region

In the West, there was a significant disparity between white and Asian owners by 2009 (H_1). This might be explained, in part, by the prevalence of ethnic enclaves that segregate certain Asian nationalities throughout much of the region. The West had the largest MSA-outside MSA (both urban and rural) disparities. By 2009, it also saw the largest MSA urban disparities across all categories of urbanicity. This implies that patterns of accumulation in the West—the region typically associated with the highest property values—was itself characterized by stark disparities that became more widespread during the crisis (see H_4).

The Northeast also saw an increase and expansion in geographic disparities. What appeared to be mainly an urban-rural disparity in 2007 became a disparity between MSA urban and all other categories. This may be, in part, due to the fact that some white-owned properties in this region that were located in an urban MSA appear to have actually accumulated value between 2007 and 2009. Patterns of accumulation in the South appear to become more even by 2009. However, this is not necessarily a positive change given the fact that the Northeast-South disparity is large in 2007 and becomes even larger by 2009. This suggests that the South was hit hard as a region. In 2007, age and income were non-significant in all region. However, both of these variables became significant in the West by 2009.

Table 6: 2007 housing values split by region

	NE	MW	S	W
Race				
Black	10,129.36	-8,918.28	-282.79	-28,449.33
Asian	-2,523.63	-17,990.90	8,360.65	-5,917.72
Urbanicity				
Central City	-21,522.15	-73,382.82***	-74,408.62***	-61,402.65***
MSA rural	-64,073.15***	-33,322.65***	-32,424.26***	-38,835.22
Outside MSA urban	-48,295.50	-80,927.59***	-83,147.04***	-239,472.97***
Outside MSA rural	-163,689.35***	-93,714.62***	-125,865.05***	-275,934.02***
Income	.122	.002	.043	-.50
Age	331.99	-160.09	-193.01	161.87
R(2)	.028	.043	.033	.052
Constant	351,315.81***	240,417.85***	287,858.38***	457,052.87***

* p value< .05, **p value< .01 *** p value< .001

Table 7: 2009 housing values split by region

	NE	MW	S	W
Race				
Black	-20,445.12	1,721.47	-549.56	-23,295.90
Asian	11,263.21	1,364.30	-11,499.60	-65,746.44*
Urbanicity				
Central City	-42,467.76***	-40,356.57***	-31,559.80***	-43,456.36**
MSA rural	-51,815.40***	-27,901.07***	-13,841.51*	-58,718.18**
Outside MSA urban	-181,177.09***	-95,889.37***	-84,050.75***	-225,676.20***
Outside MSA rural	-157,186.55***	-78,356.73***	-69,483.06***	-173,389.64***
Income	-.033	-.005	-.013	-.293*
Age	-63.08	88.04	76.54	868.84**
R(2)	.030	.035	.019	.038
Constant	352,831.08***	205,795.06***	223,854.38***	394,141.96***

* p value< .05, **p value< .01 *** p value< .001

4 CONCLUSIONS

As indicated in the above regression results for 2007, there were stark disparities in housing-based wealth prior to the crisis. These fundamental inequalities helped shape the crisis by concentrating the most severe losses in central cities and areas outside of MSAs. Homeowners in the Northeast and in urban MSAs tended to be better protected against the worst of the crisis. In contrast, owners in the South and West, as well as owners outside of MSAs, saw their housing values plummet drastically. Black and Asian owners in particular felt the acute geographic disparities. In excluding foreclosures—i.e. the complete loss of ownership—these conservative results reveal highly significant and pervasive structural barriers that exclude many from "realizing the American Dream" through ownership. Due to the uneven distribution of the effects of the crisis, areas with the most depressed values—and highest foreclosure rates—became highly attractive to developers and real estate companies. By investing in markets in the West and South companies have been able to maximize their profits. Investors also converted many foreclosed properties in to rentals thereby creating new rental markets out of the ruins of the crisis.

The modern American Dream asserts that the working class simply needs to invest in homeownership to experience economic mobility and ultimately happiness. As such, this national narrative serves to bolster the belief in American exceptionalism by veiling capitalist class relations in an ownership ideology which asserts the equality of opportunity. This study empirically invalidates the material or economic benefits of homeownership that have been assumed in the American Dream. Instead, I argue the primary function of the U.S. housing system is not to promote economic mobility and equal opportunity but rather to increase profitability. This is done through a cyclical process of crises and the creation of new markets that are made profitable by the effects of the former. This analysis of the 2007-2009 period illustrates one particular instance of crisis of capital accumulation in the built environment and how such crises serve to maintain structural inequalities essential to the U.S. housing system.

Given the fundamentally unequal nature of distribution of housing based-wealth homeownership as it currently stands, is inadequate to address structural wealth inequality more generally. Until capitalist class relations are abolished homeownership is bound to reproduce wealth disparities. Rather than being an inclusive avenue capable of promoting equality, homeownership in the U.S. reinforces wealth disparities. It is therefore essential to consider how the ideologically dominant conception of the American Dream as self-improvement through ownership obscures these structural inequalities for the benefit of a highly mobile upper class.

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