

## **What's Happening To The American Dream? Changes In The Transition To Home Ownership 1968-1997**

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In the United States, owning one's own home is a widely shared symbol of social and material success. Surveys routinely show that a large majority of Americans desire to own their own homes. This remarkable consensus on the importance of property ownership reflects both deep cultural values of individualism and self-sufficiency and the critical importance of ownership to economic well-being in the U.S. context.

In keeping with the importance of home ownership to Americans, rates of ownership are higher in the United States than those in most other developed nations. In fact, home ownership is one of the success stories of the immediate post-war period; between 1940 and 1960 home ownership rates increased dramatically (Gyourko & Linneman 1996). Between 1960 and 1995, rates of home ownership were relatively stable. However, several analyses suggest that this flat trend conceals important polarization in home ownership (Myers and Wolch 1995). For example, Gyourko (1998) shows that home ownership rates for blacks and persons with low levels of education declined over this period. He attributes the decline to the joint effects of stagnant real wages and increasing real housing costs.

In this paper I examine changes in home ownership more closely. My analysis extends previous research in two ways. First, I use longitudinal data and focus on the likelihood of making the transition to home ownership. Most prior studies of home ownership trends have examined the percentage of the population that owns in pooled time series. While such analyses are important to assess trends, they are unable to examine the processes surrounding the transition to home ownership and thus the factors that explain changes in ownership rates. Second, unlike most prior

individual level studies of the transition to home ownership, I include the entire population that is at risk of home ownership. Many prior studies have only examined married couples. Others have examined individuals, but only individuals who have left home. These approaches ignore the potential endogeneity between marriage, household formation and housing affordability.

I organize my analysis around three questions. First, has the likelihood of becoming a home owner changed over this time period? Second, to the extent that the likelihood of becoming a home owner has declined, has the decline been more pronounced among persons with lower education and among minorities? Third, to what extent are these changes due to changes in the relative affordability of housing, to family changes in family composition, and to shifts in policy or macroeconomic context? Using data from the 1968-1997 waves of the Panel Study of Income Dynamics merged with data characterizing local housing markets, I estimate a series of discrete time event history models to address these questions.

My preliminary results suggest that the likelihood of making the transition to ownership did indeed decline in the period 1968-1997. The largest decline appears to be concentrated in the early 1980s, a time of high interest rates and housing cost inflation. However, the likelihood of making the transition to ownership did not recover after this shock – except among Blacks. The decline in likelihood of becoming an owner was concentrated among persons with lower levels of education; in fact, college educated persons experienced no decline in the likelihood of buying a home.

## References

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