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Edward J. Bloustein School  
of Planning and Public Policy

# **The Effects of Policy Regimes on Black Family Wealth Building**

by Jermaine Toney



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# **1. Racial Housing Covenants: The Case of a Southern U.S. City**



Toney, Jermaine, James Kelly and Alex Hoffman. “Racial Housing Covenants: The Case of a Southern U.S. City” (October 19, 2023), <https://ssrn.com/abstract=4607196>

# Motivation

## **Restrictions permeate housing covenants across the country between 1890s to 1968**

- Dean (1947), Jones-Correa (2000), Gatson and Woods (2020), Gonda (2015), Brooks and Rose (2013), Brooks (2011)

## **Demographic shifts and responses to race riots are among the most important factors in the national spreading**

- Jones-Correa (2000)

# Motivation

## **Restrictive covenants in Philadelphia, St. Louis, and Kansas City contribute to residential segregation**

- Gordon (2008, 2023), Santucci (2020), Gotham (2000)

## **Historical covenants leave an indelible and lasting mark on contemporary home ownership outcomes in Minneapolis**

- Sood et al. (2019)

## **Subdivisions in New York evolve with a corresponding growth of racially restrictive housing covenants**

- Dean (1947)

# Findings

- We examine 59 property deeds containing racially- or economically- restrictive clauses, which collectively cover over two-fifths (46%) of the total land area in El Paso, Texas, from 1900 to 1950
- Our findings suggest that historical housing covenants serve as instruments of stratification
  - In the restricted clauses of housing covenants,
    - whites and Mexicans are not explicitly identified
    - In contrast, black and Asian minority residents are targeted as restricted groups in the covenants
  - Additionally, covenants contain a stipulated minimum property value or minimum square footage requirement



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## **2. Economic Insecurity in the Family Tree and the Racial Wealth Gap**

Review of Evolutionary Political Economy  
<https://doi.org/10.1007/s43253-022-00076-5>

ORIGINAL PAPER



## Economic insecurity in the family tree and the racial wealth gap

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### Abstract

Much research documents that middle-income households are facing high prevalence of economic insecurity associated with altruistic transfers to relatives in need. The focus of our examination is across and within generations of the same family tree that have grown up in different public policy regimes. Using panel data on U.S. families, we extend the breadth and depth of the work of Chiteji and Hamilton (2002). We find that, compared to their white counterparts, third-generation, middle-income Black families are disproportionately exposed to relatives who face poverty, unemployment, and wealth disparity. Additionally, we find that economic insecurity in the family tree is one of the largest contributors to the Black-White wealth gap.



# Motivation

## **Much research documents the black-white wealth gap**

- Blau and Graham (1990), Sherraden (1991), Conley (1999), Heflin and Pattillio (2002), Altonji and Doraszelski (2005), Olver and Shapiro (2006), Robles et al (2006), Meschede et al (2015), Kijakazi et al (2016)

## **Racial difference in wealth is affected by socioeconomic status of non-nuclear kin**

- Darity, Hamilton, Stewart (2015), Gale and Scholz (1994), Menchik and Jianakopulos (1997), Charles and Hurst (2003), Nam et al (2015), Gittleman and Wolff (2004), Begley (2017), Chiteji (2010), McKernan et al (2014)

# Motivation

## **Economic insecurity issues are prevalent among middle income earners**

- Federal Reserve Board (2016), Survey of Household Economics and Decisionmaking (2019)

## **Poverty in extended kin networks on racial wealth difference**

- Chiteji and Hamilton (2002), Heflin and Pattillo (2002, 2006)



# Our Paper

By horizontally adding cousins, along with siblings, and vertically adding grandparents, along with parents, we extend the breadth and depth of the work of Chiteji and Hamilton (2002).

We focus on multiple generations and generational peers because they are members of the same family tree, yet they have grown up in different public policy regimes.

# Findings

Using Panel Study of Income Dynamics (PSID) data, we find that

- compared to their white counterparts, third-generation, middle-income black families are disproportionately exposed to relatives who face poverty, unemployment, and wealth disparity
- economic insecurity in the family tree is one of the largest contributors to the black-white wealth gap among middle-income earners, even more so than educational attainment
- middle-income black Americans, with substantially less resources than their white peers, do share their wealth among kin that experience economic insecurity



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### **3. Effects of Extended Family Wealth on Income Mobility**



*AEA Papers and Proceedings 2021, 111: 206–210*  
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## Intergenerational Economic Mobility and the Racial Wealth Gap<sup>†</sup>

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The conventional economic wisdom is that individual wealth accumulation is derived from savings out of current incomes. Such wisdom dates back to the *Wealth of Nations* by Smith (1904),<sup>1</sup> where Smith writes that “[p]arsimony [i.e., surplus of income over current consumption] ... is the immediate cause of the increase of [wealth].”<sup>2</sup> However, in this paper we raise the question of whether or not current incomes and economic well-being are linked to the previous generation’s wealth. These links may be direct (intervivo transfers, inheritance) or indirect (social capital, peer effects from family social position).

college education, an unpaid internship in a high-rent city, a new business, a property in a better residential neighborhood, or a job in the family firm (Corak and Piraino 2011). Without wealth transfers, regardless of income, these assets are harder to attain. Another strand of research explores the parent-to-adult-children transmission of household wealth (Chiteji and Hamilton 2002, Charles and Hurst 2003) and the connections of three generations and the building blocks of net wealth through the intergenerational transmission of risky, nonfinancial, and safe asset components (Toney 2020).

Less attention is focused on how the income

# Motivation

## **Conventional economic wisdom for issues related to individual wealth accumulation**

- Schumpeter (1954)
- In *Wealth of Nations*, Smith (1776) writes that “parsimony [i.e. surplus of income over current consumption],...,is the immediate cause of the increase of [wealth].”

# Motivation

## **Parental *income* and child's *income***

- Solon (1992, 1999); Mazumder (2005); Lee and Solon (2009); Corak (2013); Blanden et al (2014)

## **Extended family *wealth* and child's *wealth***

- Chiteji and Stafford (1999); Conley (1999); Chiteji and Hamilton (2002); Charles and Hurst (2003); Chiteji (2010); McKernan et al (2014); Pfeffer and Killewald (2018); Toney and Hamilton (2019); Toney (2019); Darity and Mullen (2020)

## **Parental *wealth* and child's adult *income***

- Fox (2016)



# Motivation

## What are the mechanisms?

- Smooth income during employment gaps (Fox 2016; Shapiro 2017)
- Enrich the next generation through gifts and inheritance (McKernan et al 2014)
- Transfers to extended kin make wealth accumulation less likely (Toney and Hamilton 2019)
- Facilitate transitions to homeownership (Killewald and Bryan 2018)
- Purchase a college education for the next generation (Conley 1999; Conley and Glauber 2008; Johnson 2020)

# Our Paper

We seek to understand the role of extended family wealth for the socio-economic outcomes of the subsequent generations

We hypothesize that extended family wealth plays a sizable role in the economic wellbeing and income mobility of children

Using the family mapping technology within the PSID data, we look at how grandparental and parental wealth influence offspring socio-economic outcomes

# Child's Adult Income at Life Events

	Median	B/W Gap
<b>Formed their Own Household</b>		
Black	\$23,972	0.57
White	\$41,764	
<b>First-time Homeowner</b>		
Black	\$47,549	0.73
White	\$65,100	
<b>Completed College</b>		
Black	\$44,400	0.69
White	\$63,940	

# Child's Adult Income at Life Events

	<b>Median</b>	<b>B/W Gap</b>
<b>Entered First Marriage</b>		
Black	\$56,146	0.82
White	\$68,200	
<b>Had Firstborn Child</b>		
Black	\$46,674	0.57
White	\$81,740	
<b>Turned 40 Years of Age</b>		
Black	\$55,000	0.54
White	\$101,100	

# Parental Transfers and Child's Adult Income

	Median	B/W Gap
<b>Received Post-Secondary Support</b>		
Black	\$66,150	0.61
White	\$107,119	
<b>Did Not Receive Post-Secondary Support</b>		
Black	\$43,100	0.49
White	\$86,310	
<b>Received Home Purchase Support</b>		
Black	\$84,032	0.76
White	\$110,250	
<b>Did Not Receive Home Purchase Support</b>		
Black	\$45,665	0.50
White	\$90,085	