The Racial Wealth Gap and The Legacy of Racially Restrictive Housing Covenants

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Abstract

One of the ways in which Black Americans were prevented from accumulating housing wealth during the 20th century was through the use of racially restrictive covenants. Recent research provides evidence that the current wealth distribution is influenced in part by historical inequalities in opportunities to create wealth. In Philadelphia and other US cities, racial covenants made it difficult for Black Americans to acquire homes, and affected both prices paid and returns to home ownership. Future research will assemble the data necessary to understand the long-run consequences of these barriers on the acquisition and intergenerational transmission of wealth in Philadelphia.

Keywords: Wealth inequality, racial discrimination, housing covenant, barriers to home ownership, intergenerational wealth transfers

JEL Codes: D31, D64, J15, R31

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Chapter 6. The Racial Wealth Gap and the Legacy of Racially Restrictive Housing Covenants

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Homeownership and housing wealth are central to both household stability and upward mobility in many countries, especially the US. The home is a unique asset that provides physical shelter and security, in addition to serving as a means of wealth accumulation (Goodman and Mayer 2018; Carroll and Cohen-Kristiansen 2021). Indeed, for many Americans, housing wealth comprises the largest share of nonfinancial wealth (Bhutta et al. 2020). Because of the importance of housing wealth to both physical and financial security, it is important to understand the role that differences in opportunities to accumulate housing wealth play in the creation and persistence of differences in the racial wealth distribution. Broader wealth disparities are mirrored in housing wealth, with Black households today less likely to own a home than are White households (Dettling et al. 2017). Moreover, Black homeowners have considerably less equity in their homes.

The differences in today's homeownership rates are not a recent phenomenon, nor are they the result of wholly inadvertent circumstances. There has been a large and persistent gap between White and Black homeownership rates in the US since the abolition of slavery (Collins and Margo 2011), and certainly prior to then. In 2015, the homeownership gap stood at about 29 percent (Goodman and Mayer 2018). This gap persists in part because of a long and well-documented history of policies and practices that restricted access to housing markets across the country that had been designated for White occupancy (Jackson 1985; Massey and Denton 1993; Rothstein 2017; Glotzer 2020; Aaronson et al. 2021). To the extent that intergenerational transfers of wealth help explain persistent wealth disparities, the current wealth distribution is influenced in part by these historical inequalities in the opportunities to create wealth, including, but not limited to, opportunities for homeownership (Feiveson and Sabelhaus 2018).

For decades, Black families who wanted to purchase homes in desirable urban and suburban neighborhoods were prevented from doing so, often legally. One of the ways in which Blacks were legally excluded from housing markets during the 20th century was through the use of racially restrictive covenants ('racial covenants'), or clauses in deeds which forbade the sale, lease, or occupancy of property to non-Whites (Rothstein 2017; Santucci 2020). In Philadelphia and many other US cities, racial covenants, zoning ordinances, and other barriers made it difficult for Black Americans to acquire homes, affected the prices they paid for them, and negatively affected their returns to home ownership (Akbar et al. 2020; Santucci 2020; Sood and Ehrman-Solberg 2022; Shertzer et al. 2022).

Our study of racial covenants in Philadelphia has uncovered many significant facts about historical barriers to Black homeownership. The geography of those barriers of the past correlate with adverse economic conditions today. In the future, we will continue to assemble the data necessary to understand the long-run consequences of these barriers on the acquisition and intergenerational transmission of wealth, so as to enable us to measure the persistent magnitude of these effects.

The Current State of Racial Wealth Inequality

While there are many ways to measure financial well-being (e.g., income, indebtedness), wealth stands out as the key summary statistic. It measures the value of the assets a household has accumulated after accounting for its debt and other liabilities. It is a function of a multitude of opportunities and decisions that played out over many generations. Each generation is endowed with the wealth derived from the cumulative effects of previous opportunities, a measure that results from the current social and political forces acting on their choice sets, as well as the legacy of past outcomes. Having wealth can open doors to additional opportunities and, in turn, additional wealth. For families that fall upon hard times, wealth can help them weather the storm without falling into financial ruin. The distribution of wealth also reveals the immense financial disparities that exist between White Americans and the rest of society, especially Black Americans (Hamilton and Darity 2010).

In 2021, American households held almost $142 trillion in wealth (Board of Governors 2022). This was disproportionately held by White Americans. Measures of per capita wealth are highly skewed by the ultra-wealthy, particularly ultra-wealthy White Americans. As a result, wealth holdings are much lower for families in the middle of the distribution (the median family) than the average would suggest. In 2019, the median White family held $188,200 of wealth compared with $24,100 for the median Black family (Bhutta et al. 2020), such that the White to Black wealth ratio was 7.8 to one. At the bottom end of the distribution, about 19 percent of Black families had zero or negative wealth, compared with about 9 percent of White families (Dettling et al. 2017).

Although the focus of our comparison is the disparity in wealth between Black Americans and the majority group, it is important to note that Black families also have significantly less wealth than Hispanic and Asian families, despite a historically higher population share and longer tenure in America. The ratio of median wealth for Whites compared with Hispanics is 5.2 to one, and with Others, a category that, in this case, includes Asians and persons of mixed race, it is 2.5 to one (Bhutta et al. 2020).

One of the primary components of wealth is the net value of owner-occupied housing. According to a 2016 survey, about 73 percent of White families own their homes, with the value of the average home accounting for about 32 percent of total assets (Dettling et al. 2017). After deducting unpaid mortgage balances, the average net housing wealth for a White family was about $216,000. By contrast, just 45 percent of Black families owned a home. The average home value accounted for a slightly larger share of Blacks' total assets (37 percent) than Whites', but the average net housing wealth for a Black family was less than half that of the average White family ($94,400 versus $215,800).

Families transfer wealth across generations by both direct and indirect means.[1] White families are much more likely to have received direct transfers, mainly via inheritances and *inter vivos* transfers (gift), than Black families. Almost 30 percent of White families have ever received an inheritance or gift, compared with about 10 percent of Black families (Bhutta et al. 2020). Moreover, the median inheritance for Whites was almost twice that for Blacks ($195,500 versus $100,000; Bhutta et al. 2020).

The total value of direct wealth transfers is not insignificant; it is estimated at about $350 billion per year, or about as much as total US personal savings (Feiveson and Sabelhaus 2018). Direct transfers of wealth tend to perpetuate existing wealth disparities by concentrating wealth across time in groups that are already well-off (Feiveson and Sabelhaus 2018).

Retirement security. These racial wealth disparities are not only manifest in cross-sectional comparison, they also are apparent over the lifecycle. Thus, from adulthood to retirement, the trajectory of lifetime wealth accumulation for the typical White family is much steeper than that of the typical Black family. According to the 2019 Survey of Consumer Finances, the median young White family (having a survey reference person under the age of 35) starts with about 42 times the wealth of the median young Black family, which starts with almost no wealth ($25,400 versus $600). Both Black and White families accumulate wealth over the working years, but they end up in vastly different positions. The median wealth of an older Black family (reference person over age 55) is slightly more than one-sixth of the wealth held by the median older White family ($53,800 versus $315,000, a ratio of 5.8 to one; Bhutta et al. 2020).

Wealth accumulation over the lifecycle is a critical component of retirement security, and the typical older White family is considerably better off. Yet, some scholars have noted that wealth calculations such as those using the Survey of Consumer Finances do not consider the value of annuitized retirement benefits such as social security and defined benefit programs, that accrue over the lifecycle. Studies of retirement security that include annuitized retirement wealth find that the gap narrows to about 2.1 to one at the median (Hou and Sanzenbacher 2020; Thompson and Volz 2021; Catherine and Sarin forthcoming). Accordingly, social safety programs greatly enhance the retirement security of millions of Americans. At the same time, reliance upon federal social safety net programs as a means of making up for decades of unequal opportunity is misguided if one argued that problems created by the inequities of private markets should be solved through changes to the markets themselves. It also creates an additional layer of risk, in the form of the legislative action required to support the ongoing viability of those programs. For example, absent legislative action, the social security trust funds used to cover deficits between receipts and payouts will be depleted in about a decade (Waggoner 2022; CBO 2022).

Origins of Racial Wealth Inequality

Black Americans can trace their first meaningful wealth building opportunities back to the abolition of slavery and involuntary servitude under the Thirteenth Amendment in 1865.[2] Three years later, the Fourteenth Amendment required that all persons born or naturalized in the US be granted both American citizenship and citizenship in their state of residence. Without the rights associated with citizenship, emancipated Black Americans had little ability to accrue and hold assets, which, at the time would have consisted almost exclusively of farmable land (Derenoncourt et al. 2022). They were also denied access to the education system, so they lacked basic mathematical and reading skills. They were emancipated into a social structure that placed Black workers at the lowest skill and wage levels, such that becoming landowners would have required an immense amount of time and personal sacrifice. Moreover, Black Americans would have had to finance asset purchases, save, and build wealth without equal access to financial institutions (Baradaran 2017).

In addition to granting citizenship to Black Americans, the Fourteenth Amendment offered protections against the ability of individual states to infringe on the rights and privileges granted to US citizens. Section 1 of the amendment forbade states from making or enforcing any law that restricted the privileges or immunities of US citizens; from depriving any person of life, liberty, or property, without due process of law; and from denying any person within its jurisdiction the equal protection of the laws. Protection of life, liberty, or property without due process is also found in the Fifth Amendment, passed in 1791 as part of the original Bill of Rights. Together, the Fifth and Fourteenth Amendments were intended to ensure that government at all levels provide due process to all persons. Legal scholars, including Rothstein (2017), have argued that these two amendments should have prohibited *de jure* residential racial segregation, or segregation by law and public policy. Yet, when deciding court cases that challenged laws appearing to violate the Fourteenth Amendment, courts at all levels and across the country frequently failed to conclude that the rights of Black Americans were violated (Rothstein 2017).

In fact, the rights of Black Americans under the Fourteenth Amendment were quickly abridged by the consequences of political compromise as well as a US Supreme Court decision that used the amendment's privileges or immunities clause to permit state law to overshadow federal rights.[3] In 1873, the Supreme Court had upheld the state of Louisiana and New Orleans' right to regulate the location of slaughterhouses (Kaczorowski 2005). In doing so, the Court not only entrusted states with primary authority over the status and rights of US citizens, but it also paved the way for the widespread adoption of zoning codes and racial covenants that would be used to enforce residential segregation throughout the 20th century (Metzenbaum 1957; Shertzer et al. 2022).

In the summer of 1967, 99 years after the ratification of the Fourteenth Amendment, race riots occurred in 109 cities throughout the country (US News Staff 2017). A presidential commission tasked with investigating the causes of the riots observed that long-standing discrimination and segregation was threatening the future of every American. Of the 12 primary grievances identified by the commission, third on the list was the inadequacy of housing for Black Americans. The committee noted that almost two-thirds of non-White families residing in urban areas lived in substandard housing and blighted neighborhoods (National Advisory Commission 1968). Neighborhood residents lacked the means to afford better housing and were actively prevented from relocating to better urban and suburban neighborhoods by the forces of discrimination.

In the century between the ratification of the Fourteenth Amendment and the publication of the commission's report, the forces of social hierarchy and segregation worked in concert to exclude Black Americans from a wide variety of housing opportunity, resulting in a host of deleterious effects, including the inability to accumulate wealth at anywhere near the rate of White wealth accumulation.[4] In analyzing this era, Derenoncourt et al. (2022) developed a benchmark wealth accumulation model in which Black Americans and White Americans had equal opportunities for wealth accumulation. They found that growth in Black American wealth lagged behind the benchmark in a manner consistent with nearly 100 years of capital and labor market exclusion (Derenoncourt et al. 2022). In spite of these headwinds, the authors concluded that Black Americans made gains in wealth accumulation during the 50 years following the abolition of slavery. Their finding is consistent with an analysis of homeownership rates over the period 1870 to 2007 that found that Black households' homeownership rates grew dramatically after abolition (Collins and Margo 2011).

A variety of new challenges to homeownership for Black Americans arose during the early decades of the 20th century. Suburban expansion accelerated in northern cities, and residential real estate developers responded to changes in White housing preferences and rising labor mobility, which shifted as the northward migration of Blacks continued. Some of the first suburban developers used racial segregation as a means of attracting residents and boosting sales (Glotzer 2020). In fact, racial segregation was a 'best practice' disseminated through developer networks and professional associations, and it was codified in a series of federal housing policies developed during the Great Depression (Glotzer 2020).[5]

In some cities, racial segregation was codified into law. In 1910, Baltimore's segregation ordinance (the West Ordinance, named after the Baltimore councilman who backed the policy) prohibited Whites from moving to a block that was majority Black, and vice versa. The law was rewritten several times over subsequent years, in order to evade potential legal issues. Nonetheless, the spirit of the initial ordinance remained intact. When the West Ordinance was ruled unconstitutional in 1917, the mayor of Baltimore began searching for other ways to implement racial segregation, including forming a committee on segregation and drafting a zoning ordinance that would have a similar effect without explicitly restricting access to certain blocks by race (Glotzer 2020). In creating zoning ordinances, Baltimore and other cities relied upon the experience of New York City, which had passed the nation's first comprehensive zoning ordinance in 1916 (Metzenbaum 1957). Members of the New York Zoning Commission advised other zoning commissions, often working alongside major residential developers (Glotzer 2020; Gordon 1991). By 1925, at least 360 cities had passed zoning ordinances (Baker 1926). In this way, zoning codes throughout the country evolved into a means of maintaining racially homogeneous neighborhoods without explicit reference to race or ethnicity. While their effect may have been blunted by prohibitions against racial zoning, it is possible that the shift away from explicit racial language in zoning ordinances may have enabled implicitly segregationist housing policy to fly under the radar for decades.

Racial Covenants

The prohibition on racially explicit zoning contributed in the private sector to the propagation of racial covenants in property deeds. In contrast to municipal zoning ordinances, developers, landowners, and real estate professionals could use racial covenants to precisely target individuals of certain racial or ethnic groups for exclusion. Racial covenants formalized the unwritten rules of residential segregation. Their use by real estate industry professionals seeking to share 'best practices' lent an air of legitimacy and prudence to discriminatory practices (Weaver 1948; Gordon 2023).

In Philadelphia, racial covenants targeted for exclusion individuals who were not of Caucasian descent (Santucci 2020).[6] Before discussing the results of our work to unearth racial covenants in Philadelphia, it is helpful to understand how racial covenants emerged as a form of deed restriction.

The emergence of racial covenants. Originally intended as a means of regulating land use, deed restrictions were based upon 19th century nuisance laws that were written to address the unsanitary conditions present in many urban areas. The primary causes of unsanitary conditions in residential city sections were the proximity of residences to polluting businesses and the inability of antiquated sewer systems to keep up with population growth and industrial use (Glotzer 2020). Over time, the unhealthy conditions became associated with the Blacks and immigrants suffering their consequences, rather than with the social and structural issues that caused indigent and minority families to live in close proximity to such hazards. Glotzer (2020: 47) notes that 'there is ample evidence that nuisance law was drafted and enforced with race and nationality in mind.' Moreover, in at least one instance, a private-public partnership to extend private sewer lines helped to maintain unsanitary conditions by bypassing Black homes in west and northwest Baltimore, when it would have been straightforward to connect them to the new system (Glotzer 2020).

It was in Baltimore County, in a suburban development named Guilford, that racial restrictions may have first been deployed in a suburban setting.[7] This same property developer had previously marketed its neighborhoods in a way that explicitly played on societal fears that 'diseased' non-Whites were gaining the ability to move into White neighborhoods, urging Whites to move to a 'healthier' suburban alternative (Glotzer 2020).

Throughout the first half of the 20th century, developers' and planners' practice of using racial covenants to exclude Black Americans from areas designated for White occupancy spread from city to city through formal and informal networks, including the National Association of Real Estate Boards ('NAREB'; Gordon 2023). In 1924, NAREB adopted an amendment to its member code of ethics that required brokers to practice racial steering, and in 1927 it worked with the US

Department of Commerce to draft a model racial covenant which then propagated into deeds throughout the country.[8]

Racial covenants and other deed restrictions often remained with a property for decades. This was often achieved in spite of the *rule against perpetuities*, a common-law doctrine that was intended to prohibit property restrictions from remaining in place for more than one generation (Brooks and Rose 2013). Real estate developers devised ways to circumvent the rule against perpetuities, including structuring their purchase agreements in such a way that, if a covenant was ever violated, ownership of the property would revert back to the developer (Brooks and Rose 2013).

From their staggered inception in the late 19th century and for decades thereafter, racial covenants helped bring to bear the weight of the US court system to the enforcement of residential segregation. Racial covenants were enforced in hundreds of cases across at least 17 states (Weaver 1948; Rothstein 2017). They remained enforceable in state courts until 1948, when the Supreme Court held that state courts could not enforce racial covenants to evict Black American homeowners because doing so was in violation of Black Americans' rights under the Fourteenth Amendment (United States Supreme Court 1948).

Notably, the Court did not rule racial covenants illegal in the *Shelley v. Kraemer* decision. Citizens were permitted to continue to privately contract on the basis of race. As a result, covenants lived on as both a private and a public means of coordinating the exclusion of Black Americans from residential areas designated for Whites. Even the Federal Housing Administration (FHA), whose primary function was to encourage banks and other lenders to make more home loans by insuring mortgages, continued to refuse mortgage insurance to racially inclusive housing projects after 1948. In 1949, the US Solicitor General intervened to prevent FHA from using racial covenants as a precondition for mortgage insurance, a policy that went into effect in February of 1950 (Rothstein 2017). While it discontinued that particular practice, the FHA continued to serve the needs of lenders engaged in residential segregation by financing racially exclusive housing developments until 1962, when President Kennedy issued an executive order prohibiting the use of federal funds to support racial discrimination in housing (Rothstein 2017).

It took more than 20 years after *Shelley v. Kraemer* for the book on racial covenants and other forms of *de jure* and *de facto* housing discrimination to close. Title VIII of the Civil Rights Act of 1968, also known as the Fair Housing Act, expanded on previous acts and prohibited discrimination in the sale, rental, and financing of housing based on race, religion, national origin, or other protected class status. In 1972, a federal appeals court finally ruled that covenants violated the Fair Housing Act. Deeds recorded with racial covenants would formally constitute state action in violation of the Fourteenth Amendment (Rothstein 2017).

Philadelphia's racial covenants: 1920-1932. In 2018 we began to investigate the prevalence of racial covenants in 20th century Philadelphia. While there was some evidence suggesting that such covenants were used throughout the city, to our knowledge there had never been an accounting of the locations of racial covenants made publicly available (Weaver 1948; Gottlieb 2015). By analyzing a sample of deeds covering the period 1920 until 1932, we found more than 3,800 properties with racial covenants.[9] As noted by Santucci (2020), this figure represented a lower bound on the true number of covenants placed on properties during this time, since optical character recognition (OCR) quality depends critically on the quality of both the scanned images and the old deed book pages. For every instance in which the OCR software identified a racial covenant, we went back and manually confirmed that one did, in fact, exist.

During the 12-year period from 1920 until 1932, covenants were placed on thousands of properties throughout the city. Figure 1 displays the tract-level concentration of racial covenants using 2010 census tracts. The covenants are concentrated in two broad swaths forming an upside-down L-shape. The horizontal swath runs west to east, starting in Northwest Philadelphia and continuing eastward to the Delaware River, with a southern border that begins at the point at which City Avenue crosses the Schuylkill River to a point due east at the Delaware (A-B line segment). The vertical swath includes most tracts located in West and Southwest Philadelphia, west of the Schuylkill River (approximated by the C-D line segment), and some tracts on the eastern side of the river.

Figure 1 here

The racial covenants in our sample tend to be concentrated in parts of the city that were in the early stages of development, or that abutted neighborhoods with high concentrations of Black residents. Developers who built in areas that bordered mixed-race or majority Black neighborhoods tended to use covenants as an artificial buffer to prevent the expansion of Blacks into undeveloped areas that had been designated for White residents.

While the majority of racial covenants we identified were in the form of deed restrictions on ownership and occupancy, in several instances we found petition covenants, or pacts written into county deed books by groups of like-minded White neighbors. In 1927, homeowners in one Northwest Philadelphia neighborhood entered a petition that prohibited their properties to be transferred to persons not of the Caucasian race. In addition to declaring titles transferred to non-Caucasians to be null and void, the petitioners gave themselves the power to bring suit against each other in court, as well as to evict any non-Caucasian owner or occupier ‘by force of arms’ (Santucci 2020).

We identified two broad areas of the city with very low concentrations of racial covenants. Few covenants were found north of the horizontal swath of covenants, in the Oxford Circle and Rhawnhurst sections of the Northeast and much of the Far Northeast, because much of the area had yet to be developed. One obvious exception is Somerton Gardens, a small development along the northern edge of the city that appears to have been fully covenanted by the developer.

Few covenants were also found south of the A-B line, in the North and Center sections of the city, as well as along the Delaware River from Fishtown to Holmesburg. Much of the housing in these areas had been developed in the latter part of the 19th century, and, by the 1920s, Whites were moving out of these areas into more desirable areas to the north and west, leaving the old housing stock to Black Philadelphians, as well as southern and eastern European immigrants. Residential development, which overwhelmingly consisted of row homes, occurred *around* the old parts of the city (Miller et al. 1983). Approximately 87 percent of all new dwellings constructed in the 1920s were located in city wards whose racial composition was at least 95 percent White.[10]

What little housing stock that was accessible to Black Philadelphians was inadequate, both in terms of size as well as quality. Surveys conducted by the Philadelphia Housing Commission (PHC), a civic organization formed in 1909 to assess the ongoing challenges of housing adequacy in Philadelphia, found that Black American residents suffered from housing shortages and high rents. In a 1914 survey of 1,158 homes occupied by Black Americans, the PHC found an inadequate supply of 4-6 room housing available to Black American families and noted that sanitary conditions in the homes were 'woefully deficient' with almost three-quarters of toilets located in the yard (PHC 1914). Almost 15 percent of the houses had unsanitary defects attributable to the agent or property owner. About 35 percent of families had lodgers living with them, often so the family could rent a larger house or a house closer to work. Despite the unsanitary conditions, more than half of the families were paying more in monthly rent than they would have paid using a home mortgage.

Philadelphia's housing crisis worsened as more southern Blacks migrated northward, and White property developers and city planners used racial covenants and other means to restrict the supply of housing available to Blacks. In a 1923 report, the PHC, now the Philadelphia Housing Association (PHA), noted the task of finding homes for Blacks in Philadelphia was hopeless (Newman 1923). While there were hundreds of vacant small houses throughout the city, none were in so-called 'Negro districts,' areas of the city where Blacks were permitted to live. A campaign to identify vacant houses by contacting real estate agents, reviews by PHA inspectors, and cooperating agencies and churches produced practically no result, nor did a public appeal to owners to take in Black tenants in areas close to Black residential districts whenever White tenants moved out.

Philadelphia in transition. Philadelphia's racial composition changed dramatically over the years. The color lines that White homeowners, property developers, and city planners sought to maintain have long since shifted outward or deteriorated. Many of the neighborhoods with the highest concentrations of racial covenants in the 1920s are now home to majority-Black populations. While the unenforceability of racial covenants played some role in neighborhood transition, it can also be attributed to the increased availability of middle-class housing in newly developing areas. Private homebuilders, including William Levitt, facilitated the outward migration of White Philadelphians by supplying mass-constructed housing to the White middle-class market in northeast Philadelphia and the surrounding suburbs, much of which was unavailable to Blacks (Wolfinger 2007).

Recent research suggests that Black Philadelphians often paid a high price to cross the color line. Examining 10 cities (including Philadelphia) between 1930 to 1940, Akbar et al. (2020) find that Black families renting homes on city blocks that were predominantly White (> 75%) in 1930 paid a 50 percent premium, compared to Whites renting similar homes on blocks that did not experience racial transition. Blacks who purchased homes on newly transitioning blocks paid a premium of about 28 percent, relative to what Whites were paying to live on the same block. That premium was quickly lost, as home prices on blocks that transitioned to majority-Black lost almost 10 percent of their baseline value (excluding the premium). Thus, while the expansion of Black populations out of high-density ghettos may have eased housing pressure and introduced relatively newer housing stock to Black residents, the dynamics of neighborhood transition and the flight of White residents away from transitioning neighborhoods may have been very costly to Black Philadelphians and adversely affected wealth accumulation for many years.

The geography of the barriers of the past correlates with adverse economic conditions today. In Philadelphia, home values are lower and rates of unemployment are higher in neighborhoods with higher concentrations of Black residents. Figure 2 plots the log of median home value by the percentage of census tract residents identifying as Black Non-Hispanic, while Figure 3 plots the unemployment rate by the percentage of census tract residents identifying as Black Non-Hispanic. By both measures, Black Philadelphians are worse off, on average, than their White counterparts.

Figures 2 and 3 here

Future research. While we have identified many significant facts about the historical barriers to Black homeownership in the city of Philadelphia, there is much that we still do not know. In future research, we will expand the racial covenants data set back to 1910 and forward to the end of their use in Philadelphia. A visualization of the existing covenants dataset is available at www.philadelphiafed.org and will be updated as additional covenants are identified.

After completing an accounting of the precise location and dating of racial covenants throughout the 20th century, we will explore the effects of covenants on residential segregation patterns and returns to homeownership in Philadelphia. Prior research, including Akbar et al. (2020), suggests that the dynamics of urban segregation should be examined at the block level or even more narrowly. Therefore, we are constructing a spatially harmonized census block-level dataset from scans of Census tabulations and digitized tables which, upon completion, will extend from 1900 to the present day. We will also augment the block level tabulations with a long and rich set of property transfers compiled monthly by the *Philadelphia Realty Directory and Service* from the 1920s through the 1990s (Hillier 2003).

Conclusion

Today's racial wealth inequality is due in part to historical policies and practices that prevented Black Americans from accessing housing markets throughout the country during much of the 20th century. Recent research into the accumulation and distribution of wealth finds that intergenerational transfers help explain today's racial wealth disparities. Thus, we can be fairly certain that today's wealth distribution is influenced in part by historical inequalities in the opportunities to create wealth, including, but not limited to, homeownership.

In Philadelphia and many other US cities, racial covenants and other barriers made it difficult for Black Americans to acquire homes, increased the prices they paid for them, and depressed their returns to home ownership. The geography of the barriers of the past correlate with adverse economic conditions today. Future research will assemble the data necessary to understand the long-run consequences of these barriers on the acquisition and intergenerational transmission of wealth and will enable us to measure the magnitude of the effects.

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Notes

[1] Indirect wealth transfers come in many forms but may include parental assistance with financing higher education, providing down payment assistance on a first home, or being employed in a family business, none of which are well-captured in consumer finance survey data (Feiveson and Sabelhaus 2018).

[2] An exception was made for involuntary servitude resulting from being convicted of a crime. This exception made possible the practice of convict leasing and the disproportionate imprisonment of Black Americans after the Civil War (Muller 2018). Blackmon (2008) estimates that more than 100,000 Black Americans were imprisoned and sent to plantations, mines, and factories during the period following Reconstruction until World War II.

[3] Federal enforcement of civil rights in southern states had ceased by 1873, and the military withdrawal from South Carolina, Florida, and Louisiana in 1877 further removed the threat of enforcement of civil rights in the south (Kaczorowski 2005).

[4] Black Americans were often prevented from accessing the credit necessary for home purchases. The practice of redlining, in which borrowers are denied access to credit due to the racial composition of their neighborhood, is discussed in Aaronson et al. (2021).

[5] See, for example, the National Housing Act of 1934, which created the Federal Housing Administration, and the Housing Act of 1937, which created the United States Housing Authority.

[6] The term Caucasian is a hollow designation based on a geographic origin that few Americans of European descent actually belonged to but that was meant to draw a distinction between them and former enslaved individuals of African descent (Wilkerson 2020).

[7] The Roland Park Company, a Baltimore-area developer founded by British investors with ties to slavery and colonialism, inserted a racial restriction into their standard nuisance clauses (Glotzer 2020).

[8] See Santucci (2020) for the text of the NAREB model covenant.

[9] The Philadelphia Department of Records generously provided us with more than one million image files. See Santucci (2020) for a complete description of the process used to identify racial covenant in the image files.

[10] Author's calculations based on Philadelphia Housing Association tabulations found at the Urban Archives at Temple University. Calculation excludes new tenement construction.

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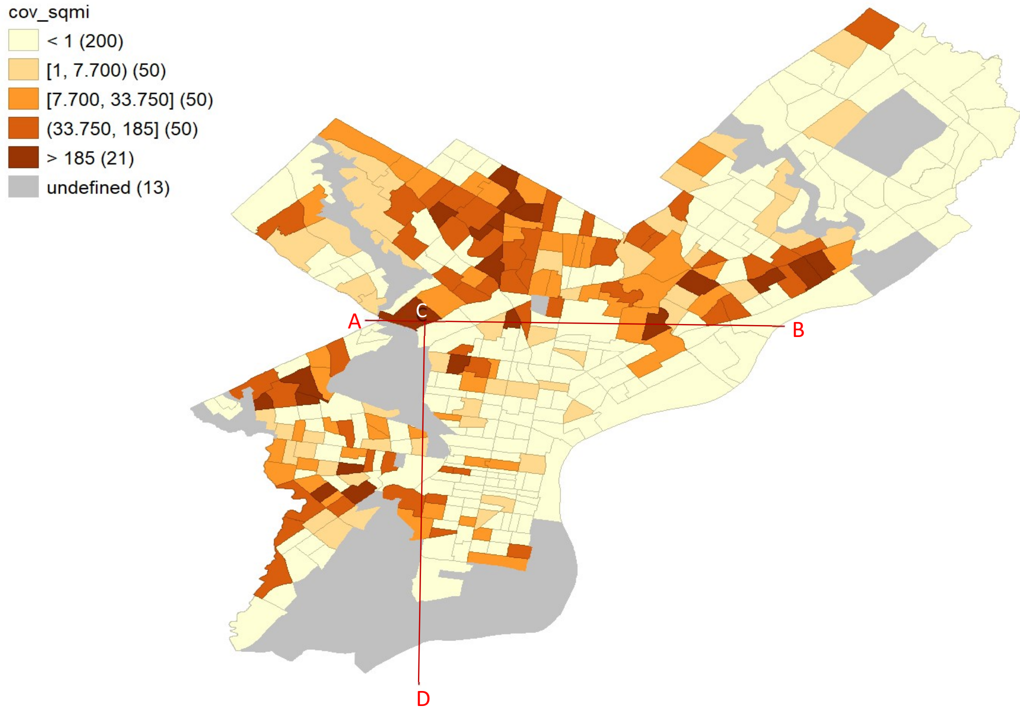
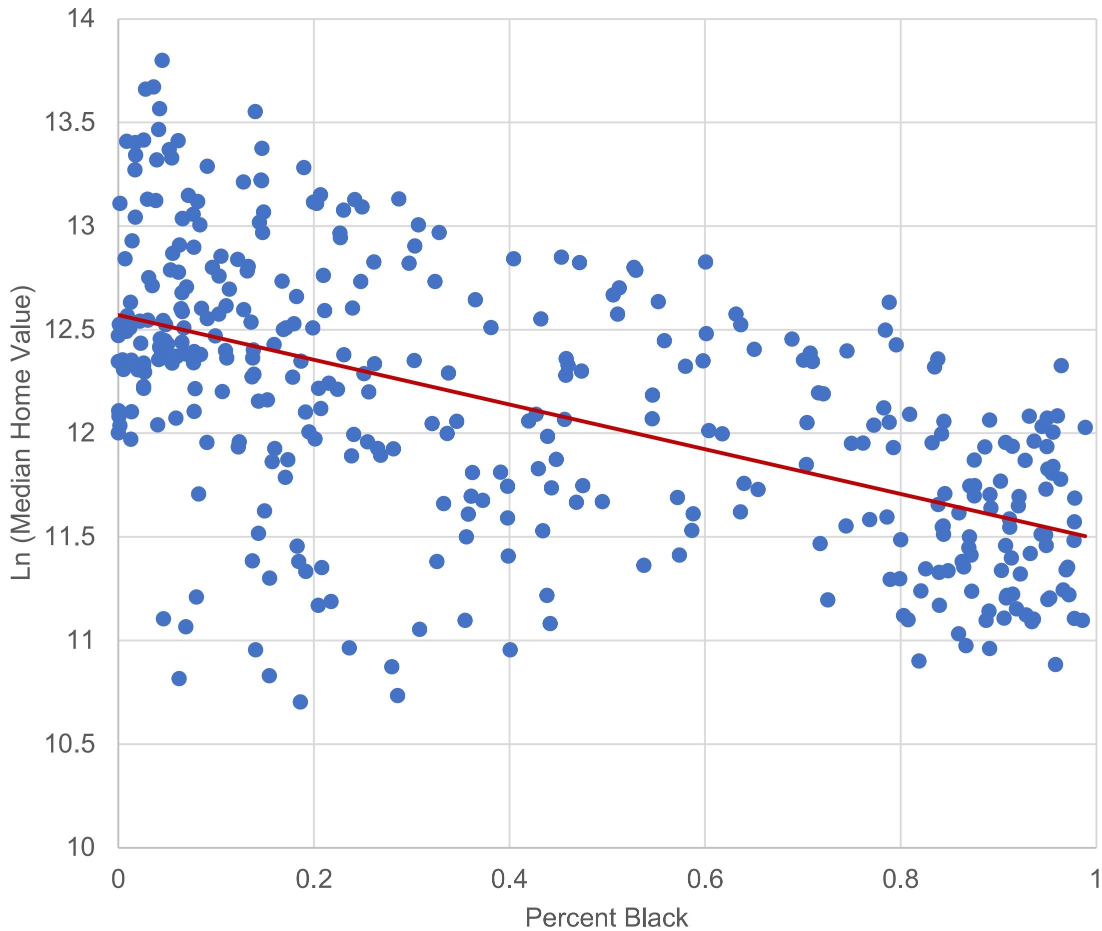
Figure 1. Concentration of racial covenants in Philadelphia



Note: Concentration of racial covenants is calculated as the number of covenants per square mile and is measured at the 2010 census tract level. Gray areas are unpopulated and include airports, parks, and waterways.

Source: Author's calculations and Santucci (2020).

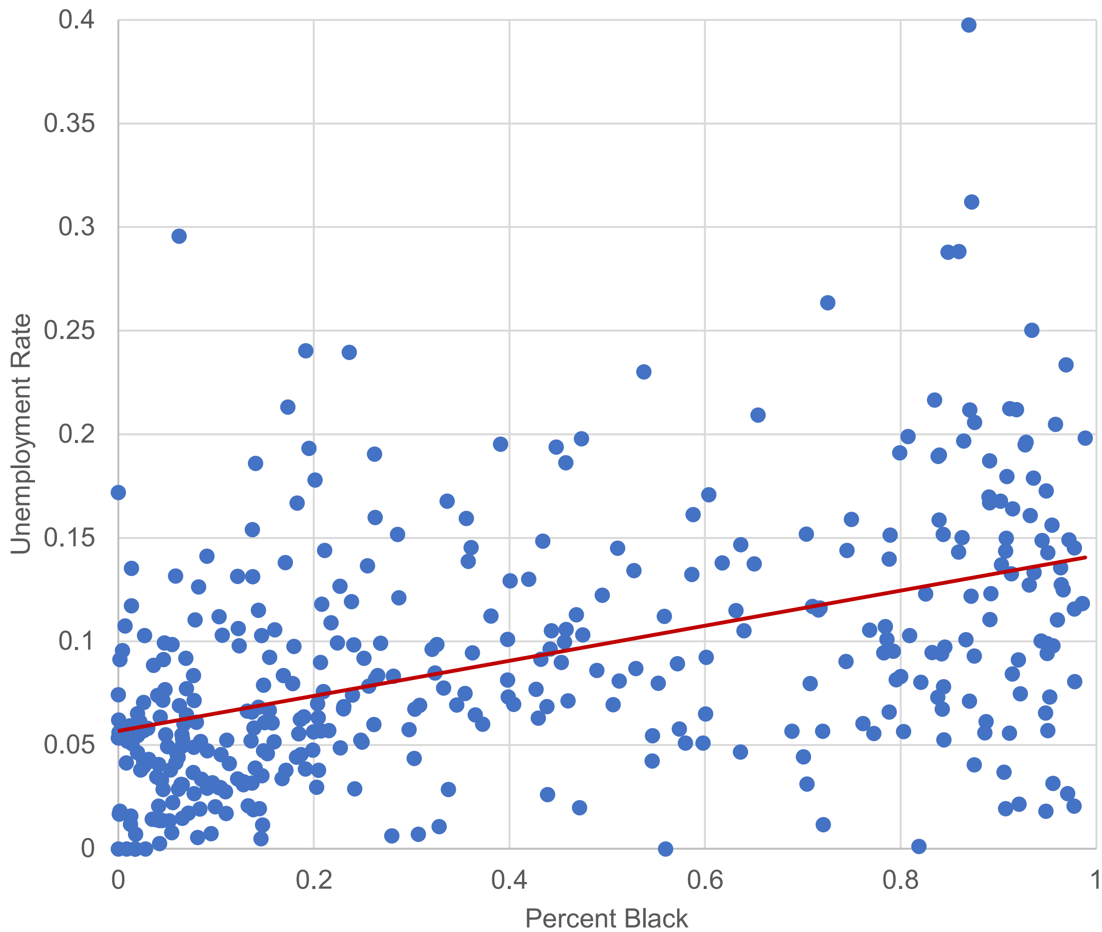
Figure 2. Log of median home value by share of Black residents in Philadelphia



Note: Log of the median home value (y-axis) by share of residents within a census tract who identify as Black, non-Hispanic (x-axis).

Source: Author's calculations using the American Community Survey American 2021 5-year estimates.

Figure 3. Unemployment rate by share of Black residents in Philadelphia



Note: Unemployment rate (y-axis) by share of residents within a census tract who identify as Black, non-Hispanic (x-axis).

Source: Author's calculations using the American Community Survey 2021 5-year estimates.