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Cohort Trends in Housing and Household Formation Since 1990

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Many Americans want to own their own home. Indeed, survey data reveal that the vast majority of individuals under age 45 expect to purchase a home sometime during their lives, despite the drop in household wealth from the recent housing market crash (Belsky 2013). Homeownership confers social and economic benefits, including tax advantages, “forced” savings, and wealth accumulation – assuming prices rise. The rate of home ownership is often used as a barometer to measure the nation’s overall housing health. When compared over time, home ownership can track the achievements of successive cohorts of adults at the same life-stage and indicate the direction of intergenerational mobility - whether up or down.

The conventional home ownership rate, however, can produce misleading conclusions because it is based on households rather than individuals (Yu and Myers 2010). That is, it does not consider those adults who cannot financially establish households on their own, but live with others. Consequently, I analyze “headship” patterns in addition to homeownership when we assess cohorts’ progress in housing – who is able to become established as head of an independent household, at what point in their life cycle, and then potentially become a homeowner. When I analyze the situation in this way, the evidence is overwhelming that recent cohorts face great disadvantages and generational inequalities in home ownership are growing dramatically.

Boosting Home Ownership and Its Collapse

The federal government first intervened to bolster homeownership largely in response to the Great Depression. Those policy initiatives aimed to put people back to work; and innovations in housing finance and mortgage insurance made ownership possible for the middle class. The key pieces of legislation included the Home Owners Loan Act (1933), which established the

Home Owners Loan Corporation (HOLC), and the National Housing Act of 1934, which authorized the Federal Housing Administration (FHA) insurance program.

After World War II, the Servicemen's Readjustment Act of 1944 (the "G.I. bill") guaranteed returning veterans low-interest mortgages as well as tuition and employment benefits. Together these helped families enter the ownership market (Carliner 1998). These initiatives, along with a robust postwar economy and other actions (like the interstate highway system) that spurred suburban growth, boosted the rate of homeownership to almost 62% in 1960 from a twentieth-century low of less than 44% in 1940 (Masnick 2001). Even though many of these initiatives excluded nonwhites (Immergluck 2010; Jackson 1985), the nonwhite homeownership rate rose by almost 15 points between 1940 and 1960, compared to an increase of almost 19 points for whites (Masnick 2001). Perhaps in this instance the strong economy truly did "lift all boats."

After 1960, the growth in homeownership was far slower: the rate for all households reached just over 64% in 1980. The rate settled at a slightly lower level in 1990, due largely to a recession, which kept younger Americans from buying that first house (Myers and Wolch 1995). This period of stagnation was the first time in 50 years that homeownership levels did not rise. In response, the Clinton Administration articulated and implemented a policy to explicitly boost the homeownership rate (Masnick 2001) - the first Presidential initiative directed at boosting homeownership. The new policy enforced extant laws regarding fair housing and fair banking, and strengthened regulations put forth in the 1977 Community Reinvestment Act (CRA) to raise the historically low ownership levels of households long underserved by the conventional mortgage market, i.e., low- and moderate-income and minority households. The resulting surge in low-income homeownership, especially among minority households, helped to raise the

overall homeownership rate to just over 67% in 2000 (cf. Shlay 2006). Although President George W. Bush subsequently voiced the same rhetorical boosterism for homeownership as President Clinton, ironically the Bush Administration's deregulationist stance eventually undermined the potential for sustainable growth in homeownership.

The deregulation of the financial services industry, which began in earnest in the Reagan Administration, helped spawn the growth of subprime lending, and produced two high-risk lending booms (1995-1999 and 2002-2006). The growth in subprime first-lien loans after 2002 and the weakening of underwriting terms in the conventional mortgage markets spurred many households to purchase homes, in the hope that escalating housing prices would continue unabated, and if/when they sold, they would realize an impressive gain in wealth. As a result, the home ownership rate rose after 2000. In the second quarter of 2004 it peaked: 69.2% of households in the U.S. owned their homes. Purchasing a home seemed a good bet: equity in household real estate escalated sharply between 2000 and 2004 (Ellen and Dastrup 2012), which helps to explain how median net wealth in the U.S. grew by about 19% between 2001 and 2007, while median non-home wealth *fell* by 13.5% (Wolff 2010).

The "bubble" in housing prices and the proliferation of risky mortgage products ultimately led to a financial debacle. For the eight quarters after its peak, the home ownership rate fluctuated slightly; through the third quarter of 2006 it remained near its all-time high. Around the same time, in virtually all regions of the country, housing prices began a sustained and sharp drop (though in some places, the decline was less precipitous); and conventional-mortgage delinquencies began to rise. Subprime-mortgage delinquencies had begun to rise approximately one year earlier (Fligstein and Goldstein 2011; Immergluck 2010). The collapse of the housing market triggered the Great Recession. For households and neighborhoods most

affected by the housing market's meltdown, recovery would be long and painful. As fewer households joined the ranks of new homeowners and more households were defaulting, the home ownership rate dropped continuously after the third quarter of 2006. In the first quarter of 2013, the rate bottomed at 65%, the lowest since the third quarter of 1995.

Generations of Home Owners: Comparing Birth Cohorts

Not all population groups felt the same economic shocks that drove down the ownership rate after 2006. Blacks and the less educated fared the worst during the second half of the 2000s. Stage in the life-cycle also matters: older adults, who may have owned their homes for decades, were shielded from the plummeting housing prices, while younger adults, hoping to buy their first home, faced a dismal market (Myers, Painter, Yu, Ho, and Liang 2005). Because trends in the overall home ownership rate mask changes across cohorts in the pattern of life-cycle changes (Myers 1999), a cohort-based analysis is needed to fully understand the implications of recent housing market shifts.

Table 1 identifies the birth cohorts used in the current analysis, their ages in the census years covered in this analysis, and their relative sizes in 2010 (Farley 1996; Hughes and O'Rand 2005; Myers 2005). Cohort effects arise from differences in relative size and from the unique historical context of a cohort during critical stages of the life course. In addition to early life experiences, the opportunities and circumstances that birth cohorts encounter as they embark on adulthood tend to "imprint" themselves on members and shape their subsequent lives. For example, the Baby Boom, the unusually large cohort born between 1946 and 1964, encountered more intense competition for educational resources and labor market standing in early adulthood

than did the smaller War Babies who preceded them (Table 1). At the same time, the macro-economic conditions as the Baby Boomers reached adulthood (e.g., stagnating incomes, rising inequality, high interest rates and housing prices) exacerbated Boomers' plight: they experienced higher odds of poverty and underemployment relative to older, smaller cohorts (Browne 1995; Slack and Jensen 2008).

Year of birth	Cohort	Age in:			Percent of total population in 2010
		1990	2000	2010	
1986-1995	Echo Boom	<=4	5-14	15-24	14.1
1976-1985	Generation Y	5-14	15-24	25-34	13.2
1966-1975	Generation X	15-24	25-34	35-44	13.4
1956-1965	Late Baby Boom	25-34	35-44	45-54	14.5
1946-1955	Early Baby Boom	35-44	45-54	55-64	11.9
1936-1945	War Babies	45-54	55-64	65-74	7.1
1926-1935	Depression Babies	55-64	65-74	75-84	4.2

Note: Cohorts are adapted from Farley (1996), Hughes and O'Rand (2005), and Myers (2005).

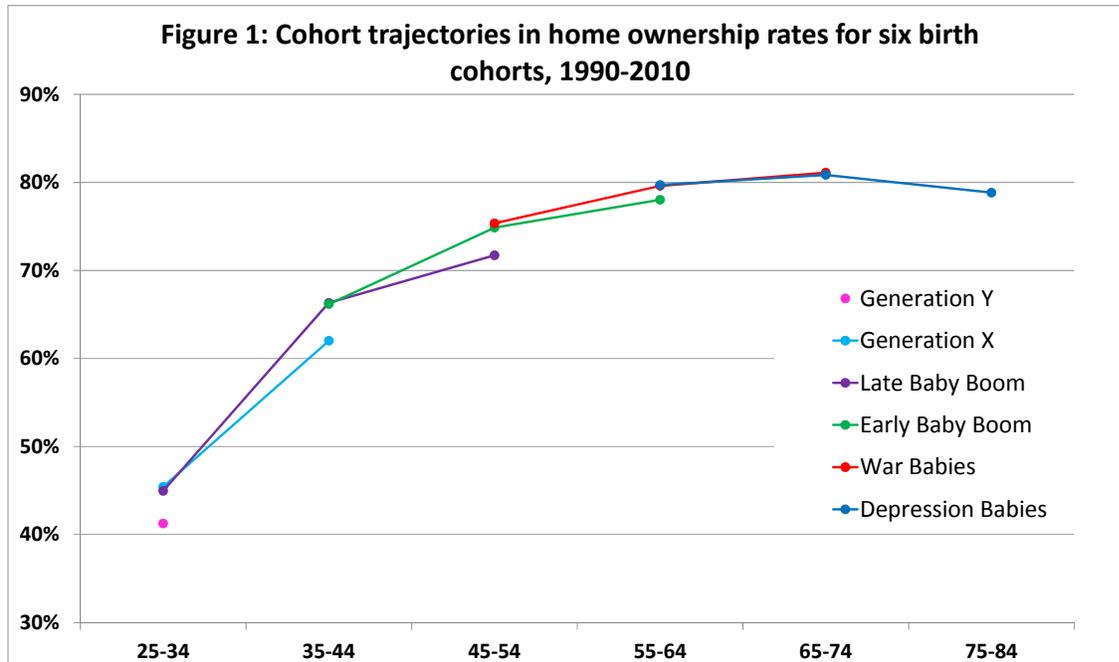
In response, Baby Boomers adjusted their demographic behavior. They delayed or avoided marriage and childbearing – which helped raise their per capita levels of economic well-being above those enjoyed by earlier cohorts (Easterlin, Macdonald, and Macunovich 1990; Easterlin, Schaeffer, and Macunovich 1993). Nevertheless, because this generation came of age in a period of escalating inequality, they have suffered greater disparity in well-being than earlier cohorts, especially those that came of age during the postwar economic expansion when everyone shared in the rising prosperity (Easterlin, Macdonald, and Macunovich 1990; Hughes and O'Rand 2005). Levels of inequality also differ between cohorts of Boomers: the trailing segment (the Late Boomers) experienced a higher level than the earlier segment (the Early Boomers) (Hughes and O'Rand 2005). Indeed, the Boomers show a juxtaposition that highlights the inequality: relatively high odds of poverty and underemployment (Browne 1995; Slack and

Jensen 2008), with greater wealth accumulation (Keister and Deeb-Sossa 2001) relative to older generations.

The Baby Boom generation did not rapidly buy homes. Decennial census data from 1940 to 1980 show the home ownership rate for 25-34 year olds rose for each cohort following the 1905-1914 birth cohort, but the rate for the Early Baby Boom was only slightly higher than that for the War Babies at this age (Chevan 1989). The slim advantage in home ownership enjoyed by the Early Boomers hints at the problems Boomers faced in “launching” (see also Myers 2005) and their fear that they would be the first generation that failed to exceed their parents’ achievements.

The Late Baby Boom generation lagged further in homeownership. At ages 25-34 (in 1990), their ownership rate was substantially below that of the Early Baby Boom at the same ages, 10 years earlier (Myers et al. 2005). By ages 35-44, the Early and Late Boomers had fallen behind the War Babies, with age-specific home ownership rates (in 1990 and 2000, respectively) of 66% and 68%, compared to over 70% for the War Babies (who reached these ages in 1980) (Myers and Wolch 1995). For the Early Baby Boom, this gap arose from slower growth in ownership over the 1980s than the War Babies had experienced during the 1970s. In contrast, while the Late Baby Boom experienced a more rapid acceleration in ownership during the 1990s than the Early Baby Boom had during the 1980s, this rise could not compensate fully for the cohort’s relatively poor start (Myers 2005; Myers et al. 2005). Because of greater social and economic inequality among the Boomer cohorts relative to earlier cohorts, by 2000, the gap in ownership between the Boomers and the War Babies was more extreme among the less educated Boomers (Hughes and O’Rand 2005).

Cohorts following the Baby Boom have experienced even higher odds of poverty (Browne 1995) and underemployment, especially among the less educated (Slack and Jensen 2008), despite their smaller size. Data show a continuing escalation in inequality, as well as the lag effects of other macroeconomic problems (for example, they have been crowded out of entry-level jobs held by Boomers who have yet to progress out of them (Slack and Jensen 2008)).



To what degree are these problems reflected in home ownership? In 2000, Generation X (who reached ages 25-34 in that year) exhibited a slightly higher initial ownership rate (47%) than the Late Baby Boom did in 1990 (44%). Researchers cite two factors: favorable policies and a slowdown in the escalation of housing prices during the 1990s. At last younger households, as well as the Late Baby Boom between ages 25 and 44, could more readily buy homes. (Myers 2005). These findings are replicated in Figure 1, which extends the description of cohort trajectories since 1990 through 2010, using PUMS data for 1990 and 2000, and data from the

American Community Survey (ACS) for 2010 (Ruggles, Alexander, Genadek, Goeken, Schroeder, Sobek, and 2010).

Focusing our attention on the 2000-2010 period, Figure 1 makes clear that the fallout from the housing market crash and the Great Recession affected all cohorts up to and including the Early Baby Boom, although the younger cohorts suffered the most. Specifically, the trajectories for Generation X and the Late Baby Boom (relative to those exhibited by each cohort's older neighbor) are flatter, indicating that the increase in ownership, expected at those stages of the life course, was slower for these cohorts. In addition, Generation Y, the unfortunate cohort that entered adulthood during the worst economic crisis since the Depression, is starting its housing career at a level far below that achieved by both Generation X and the Late Baby Boom (see also Rosenbaum 2012). Although the housing market is now recovering—from its decimation in the late 2000s (Lazo 2013), with low interest rates and prices below their mid-2000s peak (Belsky 2013), it remains to be seen if Generation Y, Generation X, and the Late Baby Boom will see a major recovery in their homeownership rates. Obstacles include the credit constraints from more stringent underwriting standards, and the high levels of student loan debt. Without any policy shifts in both housing finance and student loans, these obstacles will also likely stymie home-buying for the Echo Boom, the cohort following Generation Y, which is currently entering adulthood. When combined with this cohort's relatively large size (Table 1) the dim prospects for a strong initial ownership rate will exert downward pressure on the nation's future overall ownership rate. Additional downward pressure comes from the underperformance among recent cohorts, particularly the Late Baby Boom, the largest of all.

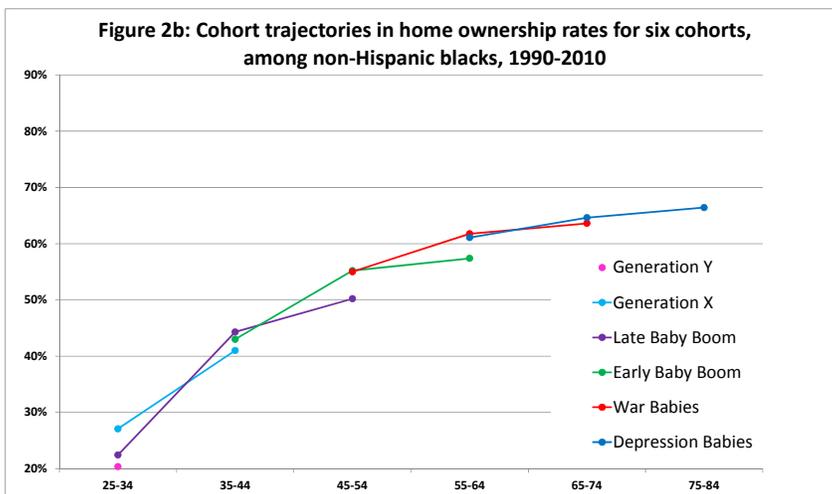
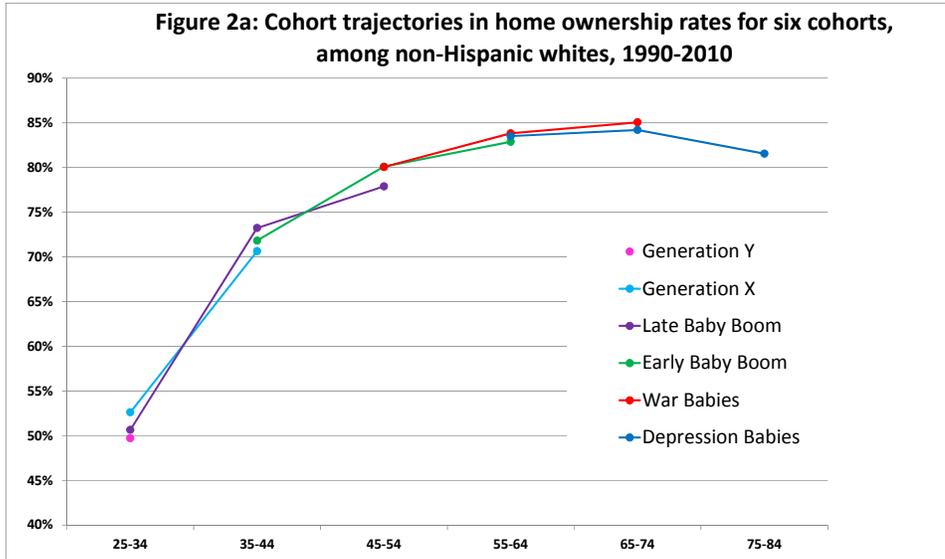
Generation Y's low initial ownership rate and the slower growth since 2000 for Generation X and the Late Baby Boom are not surprising, given the economic misery of the last

decade and the fact that adverse macroeconomic conditions disproportionately affect younger adults. By the same token, the slightly flatter trajectory for the Early Baby Boom is less expected, because adults approaching retirement generally do not begin to buy homes, and because households that have owned homes for a long period – typical for this stage in the life-course – are insulated from market fluctuations (Yu and Myers 2010). Yet the growth in inequality across cohorts, which began in earnest with the Baby Boom, has given rise to increasingly affluent older, often retired, home buyers. These new buyers have “traded up” in housing status; we now see more “post-entry” households (those older than 45) purchasing newly built homes. Indeed, these buyers have sparked the growth of new cohorts of single-family homes that are larger, more luxurious than those built previously (Dwyer 2008).

The Baby Boom and Generation X households that purchase these new luxurious homes later in their lives incur rising levels of housing debt. Prior cohorts, in contrast, saw their housing debt *diminish* over the life course because they generally remained in the same house (Masnick, Di, and Belsky 2006). They even celebrated with mortgage-burning parties. The Early Boomers (along with Late Boomers and members of Generation X), however, have taken on more housing-related debt as they aged. Consequently, they were vulnerable to the collapse of housing prices and the risks of foreclosure. Boomers are bringing fewer resources, less wealth to retirement (Rosnick and Baker 2010).

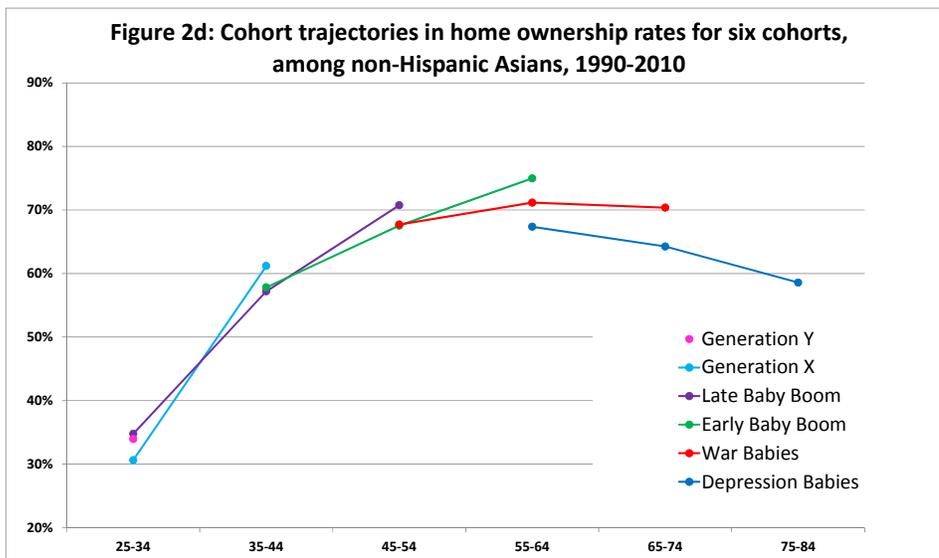
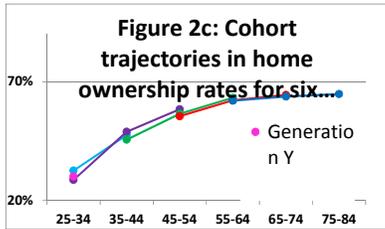
Certain groups, in particular African American households and those headed by persons with the lowest levels of education, suffered more from the housing and economic downturns of the 2000-2010 decade. In contrast, other groups (including Asian households and the most educated households) emerged relatively unscathed (Rosenbaum 2012; see also Yu and Myers 2010). Given these varying experiences, we might expect to see differences in cohort trajectories

across race/ethnicity and educational attainment. Figures 2a through 2d show cohort trajectories in home ownership separately for non-Hispanic white, non-Hispanic black, Hispanic, and non-Hispanic Asian households (hereafter white, black, Hispanic, and Asian households), while Figures 3a and 3b show trajectories for households headed by persons with less than a high school degree and those headed by someone with a college degree or more education.

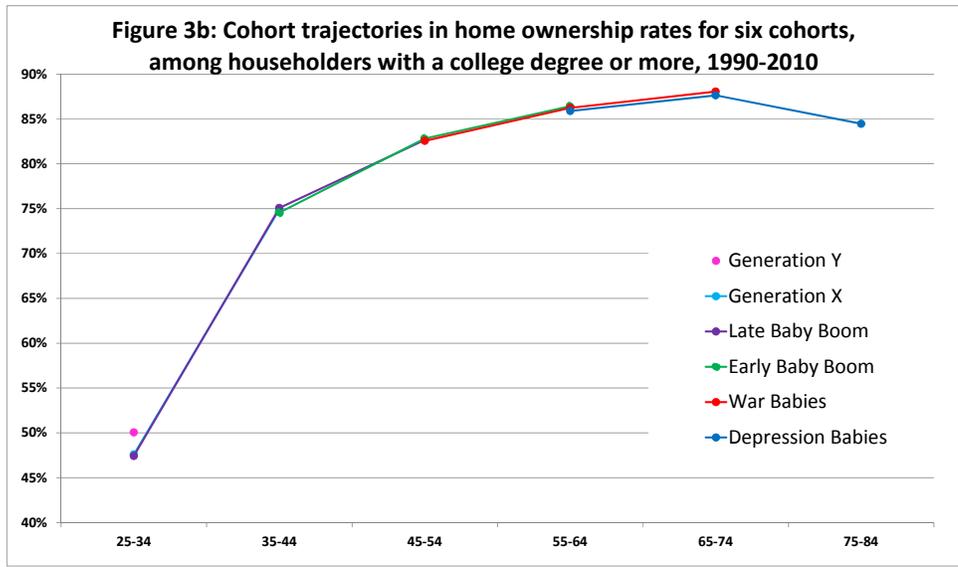
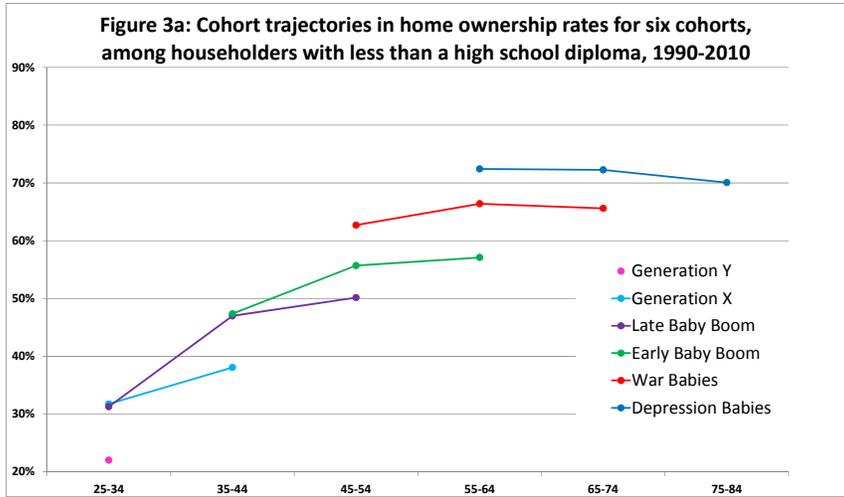


Looking first at cohort trajectories by race/ethnicity, among whites and blacks (Figures 2a and 2b), we see the same basic pattern – slower growth since 2000 - evident among all households, and as a result lower levels in 2010 of home ownership among younger cohorts than their older peers. However, black households felt the adverse effects of the last decade more strongly than white households, and the impact extended even later in the life course, well into retirement ages. In short, a sizable gap emerges between the trajectories of black Early Boomers and War Babies, and those of black War Babies and Depression Babies. This unique pattern for blacks likely reflects the higher rates of foreclosure for elderly blacks than whites (Trawinski 2012). However, part of the difference could stem from unusually steep gains in ownership for older cohorts during the previous decade. For example, black Early Boomers and War Babies saw their ownership rates rise by 28% and 12%, respectively, between 2000 and 2010, while the increases among comparable whites were 11% and just under 5%. Indeed, the upward trajectories in ownership for these older cohorts during the 1990s suggest that many older blacks took advantage of broadening opportunities to purchase homes. Thus, what appears to be relative underperformance among older cohorts during the 2000s reflects the “catch up” behavior during the prior decade.

A completely different pattern emerges for Hispanics and Asians (Figures 2c and 2d). Younger cohorts (apart from Generation Y and Generation X among Hispanics) in 2010 have higher home ownership rates than those achieved at the same ages by their older counterparts. In other words, successive generations are doing *better* than their predecessors. These differences are far larger among Asians, the only racial/ethnic group to emerge from the decade with a higher home ownership rate than when the decade began (Rosenbaum 2012).



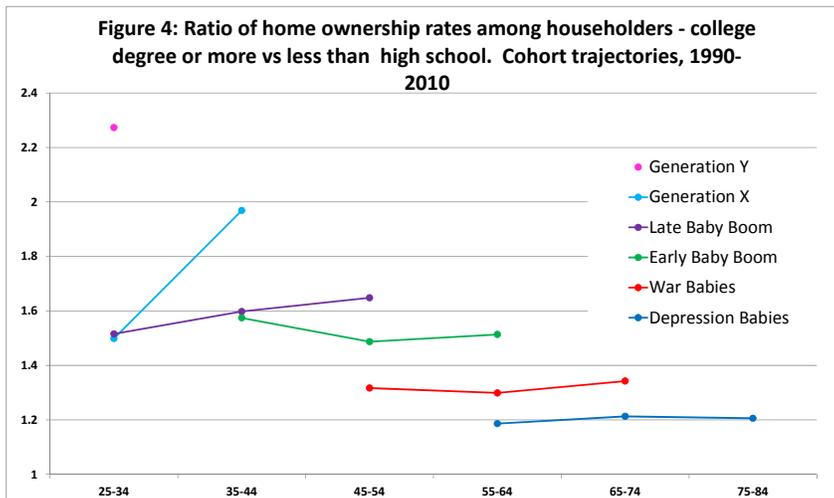
Figures 3a and 3b highlight the devastating effects of the economic turbulence of the 2000-2010 on the ownership experiences of those at the bottom of the educational hierarchy, while barely touching those at the top. Indeed, the trajectories for each successive cohort among the most highly educated are indistinguishable from one another, while the trajectories for the least-educated members of the Late Baby Boom and Generation X are nearly flat, indicating almost no growth over time, and substantially below those of their older counterparts during the



more prosperous 1990s. Notably, the least-educated members of Generation Y achieved an initial home ownership level that is a full 10 points below that exhibited by comparable Generation Xers and Late Boomers at the same age. The credit constraints that are expected to stymie further growth in the overall ownership rate (Belsky 2013) will likely take a disproportionate toll on the home-buying behavior of the least educated in general, and the least educated among younger

adults more specifically. As a result, the least-educated members of Generations X and Y are unlikely to see much growth in ownership over the coming decade, and the initial ownership rate for the least-educated members of the Echo Boom will be even lower.

Education emerges as an axis of inequality (Morris and Western 1999) evident in home ownership (Figure 4). The more educated have always been more likely than the least educated to own their homes, yet the magnitude of this advantage expands with each succeeding cohort. While trajectories in inequality are flat for the Early Baby Boom, the War Babies, and the Depression Babies during 2000-2010, they rise modestly for the Late Baby Boom and far more precipitously for Generation X. Given the unprecedented low levels of ownership for the least educated members of Generation Y, the degree of difference between the two educational attainment groups is highest, with a ratio of just over 2.25.



The preceding analysis demonstrated clearly that younger cohorts disproportionately bore the decline in home ownership since 2000 seen at the aggregate level. The younger cohorts among blacks and less educated persons suffered even more. However, home ownership rates

tell only one part of the story of housing status during the past decade. Because the definition of the home ownership rate (i.e., the number of owner households/ [the sum of owner and renter households]) counts only *households*, it ignores *persons* who do not form independent households (Yu and Haan 2012; Yu and Myers 2010). Changes in the rate of household formation influence the ownership rate, diminishing its usefulness as an indicator of the changes in housing status (Yu and Myers 2010). To gain a better understanding of the full extent of housing status shifts during the past two decades, we must analyze household formation.

The Increasing Failure to Launch

Adults form independent households in response to different prompts: economic status (they can afford to live independently), cultural norms (some encourage multi-generational households, others encourage independent living), and age. “Leaving home” is an integral part of the transition to adulthood (Hogan and Astone 1986; Qian 2012; White 1994).

A key decision in the process of forming a household is the rent versus own quandary. Adults weigh the relative costs of renting versus owning, and the expectations for “forced” savings through rising home values (Belsky 2013; Myers et al. 2005). When broader conditions lower the relative costs of owning, as prevailed during the postwar period and the 1990s, more people will buy – and more owner households will form. Either renter-households will buy, or individuals will establish new, independent owner households. If the number of owner households grows, without parallel growth in renter households, then the numerator of the ownership rate (the number of owner households) will increase more rapidly than the denominator (the sum of owner and renter households), giving rise to increases in the overall ownership rate. If rapid growth in renter households also occurs, growth in the overall ownership rate will be slower or even eliminated, depending on the balance between renter and owner-

headship rates. Recent research shows that a contributing factor to the impressive rise in the ownership rate between 1940 and 1960 was a dramatic rise in the headship rate of men aged 18 and older: new households disproportionately flowed into ownership, and the renter headship rate sharply declined (Fetter 2012). The owner and renter headship rates are population-based rates, with the number of renter (owner) householders in the numerator, and all adults in the denominator. Yu and Myers (2010) argue that most adults who opt not to form independent households, but remain with family and friends (foregone household formation) are people who might otherwise have rented. In short, the impact disproportionately affects the renter headship rate, thus boosting the home ownership rate. As a result, the overall headship rate and the home ownership rate are negatively correlated.

When the home ownership rate is falling, as in the second half of the 2000s, we need to analyze coincident changes in headship to interpret the consequences for overall housing status. For example, the household-based ownership rate could drop if former owners (like those losing their homes through foreclosure) shift into the rental market. The consequent rise in the renter headship rate would leave the overall headship rate either unchanged, yet the continuing independence of households would signal a less serious problem in housing status than that inferred from declining ownership rates. In contrast, if household-based ownership rate fell because fewer adults could establish independent households as either renters or owners, the “nonheadship” or co-residence rate, would rise. Similarly, if independent households were forced to move in with family or friends, as happens with evictions and foreclosures, the “nonheadship” rate would again rise. While the latter scenarios may slow decreases in the household-based ownership rate (because of the wholesale loss of households in the denominator), making a

negative trend somewhat less negative, it reflects a more serious deterioration in overall housing status and household well-being. (cf. Yu and Myers 2010).

Simply, the household-based ownership rate should not be the sole indicator of housing status in the United States. Yu and Myers (2010) show that while the conventional ownership rate rose between 1990 and 2006 for ages 18 and older, the headship rate (i.e., formation of both renter and owner households) fell. The consequent rise in nonheadship (or co-residence with others) helped to boost the ownership rate, but signaled an increasing polarization in housing status (Yu and Myers 2010). While some individuals formed independent owner- households, others withdrew, merging into the households of friends or family members. The rising ownership rate during the period – interpreted as a positive sign for the population and economy – actually masked the coincident deterioration in housing status for a less visible population segment. While some of the people who “doubled up” did so because of economics, the variations in headship rates across race/ethnicity have been interpreted as reflecting cultural differences in preferences for multigenerational living. Accounting for varying proclivities to live independently also reveals smaller racial/ethnic disparities in access to owned housing than is evident in comparisons of the conventional ownership rate (Yu and Myers 2010).

The downward trend in headship at all ages documented by Yu and Myers (2010) implies that successive cohorts were increasingly less likely to establish independent households, especially at the younger ages. This is consistent with shifts in demographic behavior, such as delayed marriage and childbearing, that distinguish the Baby Boom from earlier cohorts (Hughes and O’Rand 2005), and Generation X from the Baby Boom (Martin 2004; Tamborini and Iams 2011). Cohort changes in headship are also consistent with rising levels of inequality from the

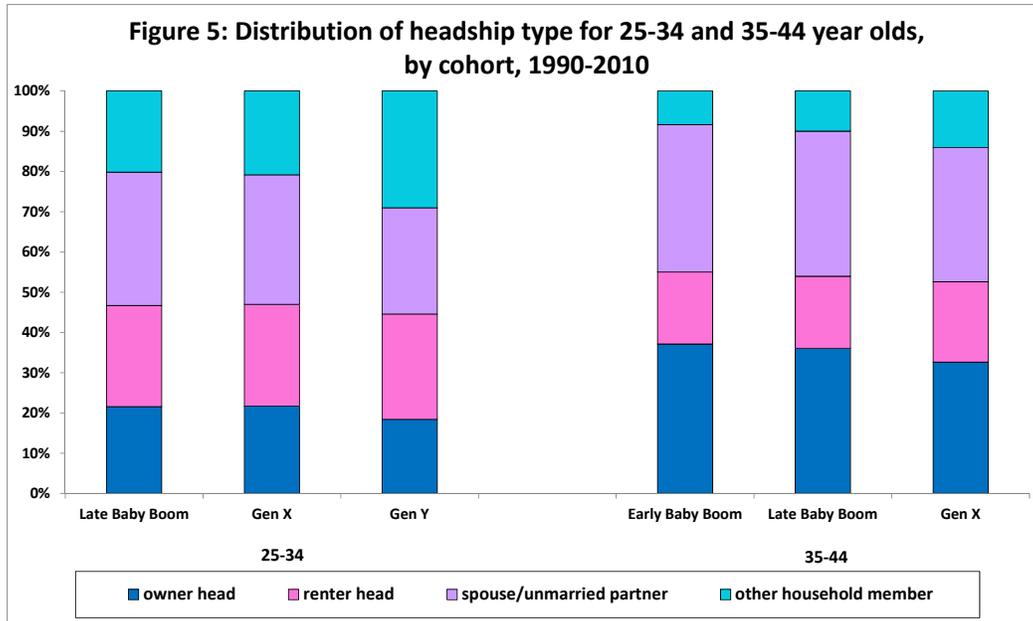
Baby Boom cohorts forward. How these changes contribute to differences in the ownership rate between cohorts remains to be seen.

The standard approach to measuring headship rates separates adults into three categories: owner householder, renter householder, and non-householders (or household members), and calculates three rates: the owner headship rate, the renter headship rate, and the nonheadship rate (with the sum of the owner and renter headship rates providing the overall headship rate) (Yu and Myers 2010). This approach, however, intermingles spouses and unmarried partners of householders with other (adult) household members, and does not distinguish between individuals who may be *co-heads* of independent households from those who are living with others in a potentially more dependent capacity (as when young adults continue to live with their parents). The traditional approach, then, overlooks the decades-long importance of two incomes in the economic stability of many households, especially with respect to home ownership (Myers 1985), and the fact that the decision to form a union is often made jointly with the decision to live independently of others; the latter is reflected in a far lower likelihood that married (versus single) young adults live with their parents (Qian 2012). Moreover, although the “householder” in a couple-headed household can be either partner, men are disproportionately identified in this role, relegating female spouse/partners to the “nonhead” category in standard analyses.

To take account of the likely co-headship of spouses/partners, I use four categories of headship: owner householder, renter householder, spouse/partner of householder, and other household members. This approach maintains comparability with analyses using the traditional approach, yet sheds light on the variation in the proportion of couple-headed, independent households. This is important because households with children experienced some of the largest losses in home ownership during the last decade (Studies 2012). While this approach cannot

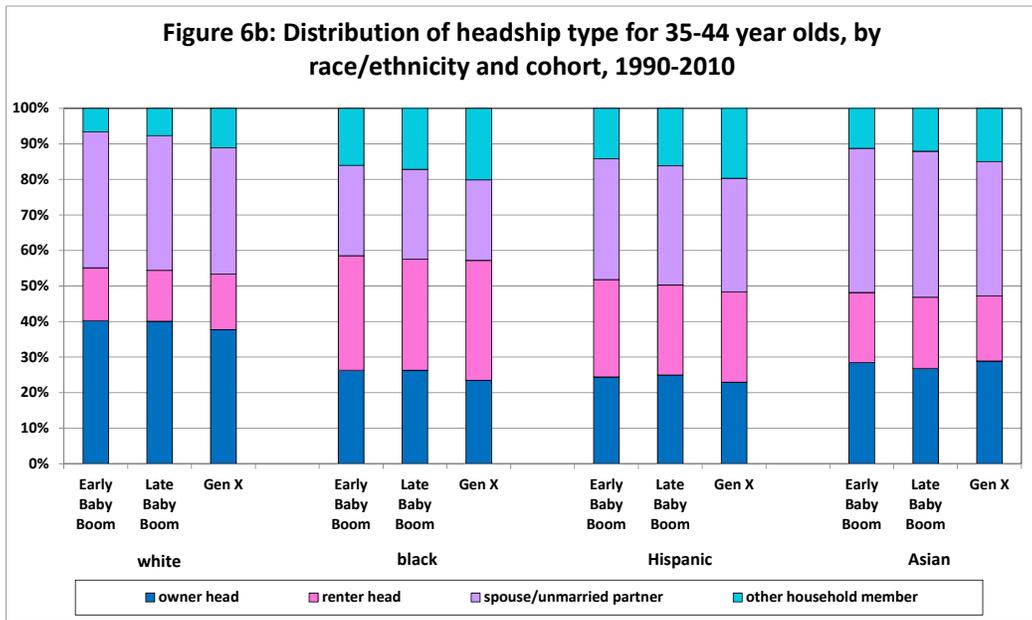
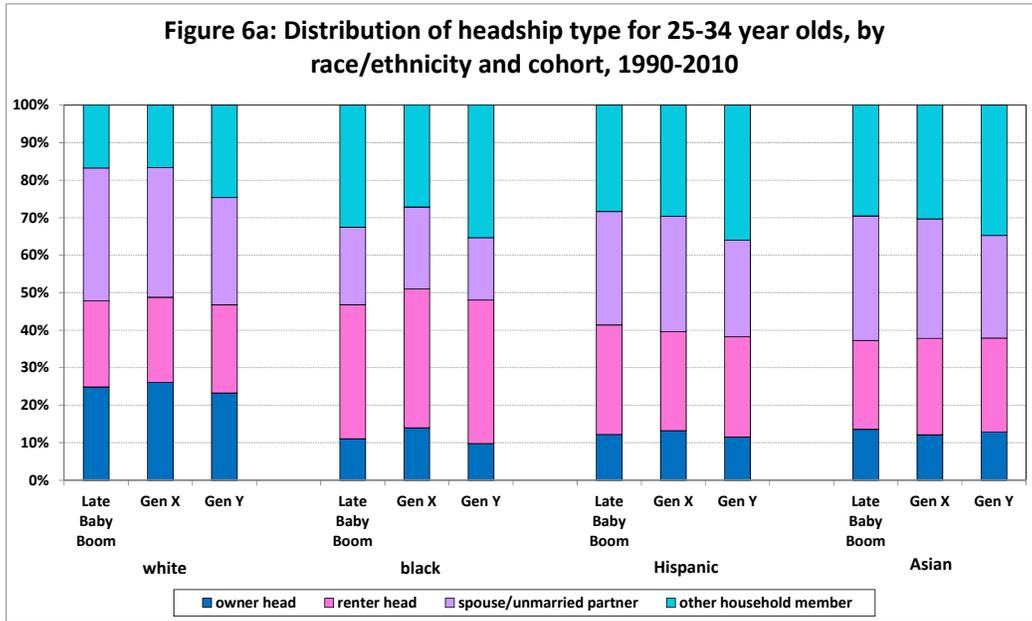
distinguish the degree to which the prevalence of couple-headed households is affected by changes in living arrangements or changes in union formation, the fact that the Great Recession did not accelerate the long-term downward trend in the marriage and divorce rates, nor the rise in the prevalence of cohabitation (Morgan, Cumberworth, and Wimer 2011) suggests that any change observed will result largely from shifts in living arrangements. Disaggregating spouse/partners from other household members also allows shows whether racial/ethnic differences in headship are grounded more in variations in cultural preferences for co-residence or variations in the prevalence of couple-headed households. While most analyses of headship use age as the organizing criterion, examining trends in headship across age groups (e.g., Yu and Myers 2010), I keep age constant (cf. Yu and Haan 2012) and examine differences across cohorts when each reaches the age range in question. I examine the two youngest (25-34 and 35-44) groups because economic factors should be central to their household formation and ownership decisions.

Figure 5 shows the distribution of headship by cohort, for ages 25-34 and 35-44. The left-hand set of bars shows very little difference in the distribution of headship at ages 25-34 for the Late Baby Boom and Generation X, a finding that mirrors the similarity in the ownership rates exhibited by these cohorts (Figure 1). When Generation Y reaches ages 25-34 in 2010, however, it exhibits a far different pattern of headship: its lower overall headship rate stems from lower levels of owner headship. A similar pattern is evident when comparing Generation X to the Late Baby Boom at ages 35-44 (the right-hand bars of Figure 5). Indeed, the fact that the most recent cohorts in both age groups in 2010 did not form independent households at the same rate as their predecessors reflects a more serious inter-cohort deterioration in housing status than differences in the ownership rate would suggest.



The lower headship rates exhibited by Generation Y (at 25-34) and Generation X (at 35-44), relative to preceding cohorts, are accompanied by both lower rates of spouse/partnership and higher rates of co-residence. The former suggests that couple-headed households became a smaller proportion of all independent households, with many merging into households maintained by others. In fact, among co-residents in both age groups, the percentage reporting their relationship to the householder as child-in-law rose across cohorts, from just under 2% (for the Late and Early Baby Booms in 1990) to just over 4% (for Generations X and Y in 2010). While the greater prevalence of co-residence is consistent with the growing likelihood that young adults live with their parents (Qian 2012), the percent of co-residents who report being the child of the householder falls across cohorts. Thus, the inter-cohort increase in doubling up reflects a more complicated set of re-arrangements than simply young adults failing to launch. Friends, children-in-laws, other relatives – all have moved in with other households.

Figures 6a and 6b show the distribution of headship by cohort for each age group, respectively, specific to race/ethnicity, while Figures 7a and 7b show the distributions by



educational attainment. Looking first at headship patterns for racial/ethnic groups, the disproportionately low home ownership rates of black cohorts at both ages (Figures 2a through

2d) stem less from differences in access to owned units (especially relative to Hispanic and Asian cohorts) than from differences in the tendency to form renter households. Because blacks are more likely to form renter-households, blacks in all cohorts have headship rates slightly above those of whites but far higher than those of Hispanics and Asians. Blacks in all cohorts at both ages are also least likely to live as spouse/partners in independent households, reflecting the lower prevalence overall of couple-headed households among all black households. As a result, blacks are more likely than their Hispanic and Asian peers to co-reside in someone else's household, despite the greater tendency for Hispanic and Asian *households* to be doubled up or multigenerational. A headship analysis that did not differentiate spouse/partners from other co-residing adults would miss this finding. Indeed, this finding casts doubt on previous assertions that racial/ethnic variation in the headship rate stems mostly from varying cultural preferences for co-residence. Finally, the striking increase in the likelihood of co-residence, and the diminished chance of being a co-independent spouse/partner, seen for Generation Y and Generation X in 2010 (Figure 5) is evident for all racial/ethnic groups.

Looking at inter-cohort differences, Figure 6a shows that during the 1990s black Generation Xers formed owner and renter households at a higher rate than did black Late Boomers the decade before, thereby reducing the relative tendency of Generation Xers to co-reside with others. The tendency to be the spouse/partner in an independent household was also higher among black Generation Xers than Late Boomers at 25-34. Black Late Boomers, however, did not experience the period in the same way. Black Late Boomers exhibited a headship profile at ages 35-44 in 2010 similar to black Early Boomers' profile 10 years earlier. While the analysis of household-based ownership rates among cohorts implied that black Generation Xers enjoyed broader access to ownership during the 1990s, the headship analysis

reveals that this was part of a wider expansion of opportunity to form independent households in early adulthood. The impressive inter-cohort improvement in headship between the Late Baby Boom and Generation X among blacks stands in stark contrast to the constriction of opportunity to form independent (and especially owner) households faced by Generation Y.

Inter-cohort patterns in headship help to explain the unique patterns of inter-cohort gains in ownership among Asians (Figure 2d). Asians members of Generations Y and X were about as likely to head independent households in 2010 as were their same-aged predecessors in 2000, and only slightly more likely to head owner households. While the relative increase in owner headship contributes to inter-cohort gains in the household-based ownership rate and reflects a truly unique increase in access to owned housing, there are at least two possible interpretations of the coincident increase in the prevalence of co-residence. First, the key may be a growing pool of young Asian adults without the resources to establish independent households – thereby widening the gap in housing status. Second, the key may be inter-cohort differences in the strength of cultural preferences for multigenerational living. Because such differences are unlikely without broader social change, a greater prevalence of the foreign born among co-residents in Generation Y than X, and in Generation X versus the Late Baby Boom (assuming that cultural preferences would be stronger among immigrants) would support the cultural-preferences explanation. While the proportion of 34-45 year old Asian co-residents that consists of native-born persons remains steady from 1990 through 2010 (at around 20-22%), among 25-34 year olds it rises from 25.5% in 1990 to 37.9% in 2010. The evidence, then, supports the thesis that economic need, rather than cultural preferences, underlies inter-cohort change in co-residence. Although more recent Asian cohorts appear to be buying homes than their

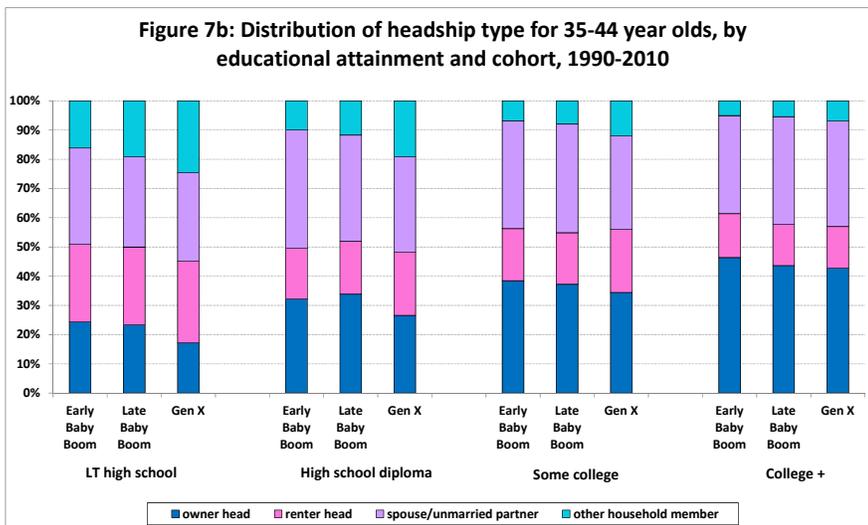
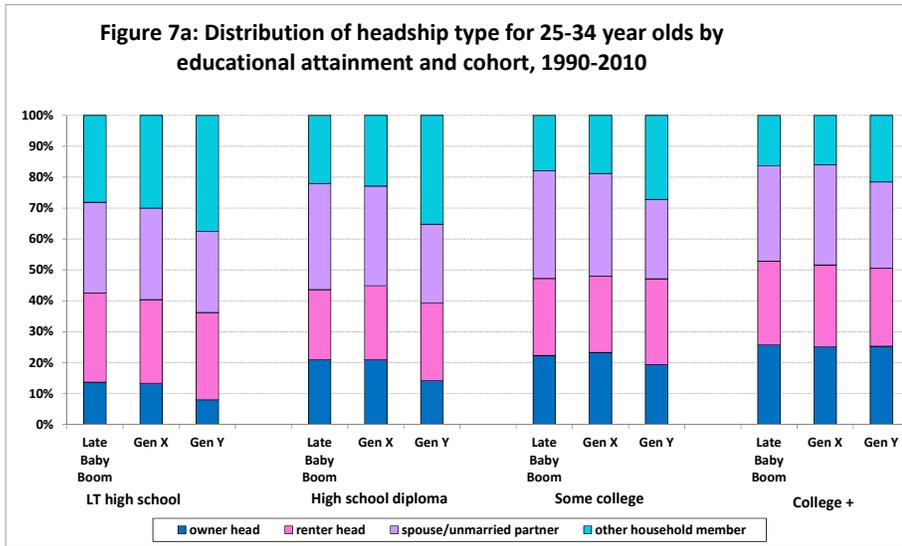
predecessors, the headship analysis reveals instead a pattern of inter-cohort deterioration in housing status.

Inter-cohort patterns of headship also provide insight into the pattern of cohort differences in household-based ownership rates among Hispanics. In Figure 2c we saw that Generation X had the highest ownership rate at 25-34, followed by Generation Y and the Late Baby Boom. Figure 6a shows that Generation X also had the highest rate of owner headship, but that Generation Y's owner headship rate fell below that of the Late Baby Boom. Unlike inter-cohort differences in ownership rates, which suggest that Generation Y enjoyed broader access to owned housing than did the Late Baby Boom among Hispanics, headship rates tell the opposite story. Yet because the overall headship rate falls consistently across cohorts, Generation Y's ownership rate receives an artificial boost over the Late Baby Boom's rate. Moreover, as was the case among Asians, the fact that the percent native-born among 25-34 year old Hispanic co-residents rises from 37.3% to 47.6% between 2000 and 2010, suggests that the large inter-cohort rise in the prevalence of co-residence stems largely from a widening gap between individuals financially able to establish households and those who cannot.

Shifting to patterns of headship across educational attainment groupings, less educated adult heads, regardless of cohort and age, were less likely to own and more likely to rent (Figures 7a and 7 b). However, the latter differential is more muted among 25-34 year olds than among 35-44 year olds, due to life-course differentials in entry into ownership. In addition, the least-educated Generations Yers and Xers were far less likely to head owner households in 2010 relative to their predecessors in 2000. The inter-cohort loss in owner headship among the least educated between 2000 and 2010 at both ages is accompanied by a large increase in the

likelihood of co-residence, underscoring the disproportionate effects of the economic crises on the less educated.

Contrary to the popular, if optimistic, wisdom that the most-educated were spared the fallout of the housing market crash (suggested by Figure 3b), the headship analysis suggests the



converse: the most educated did suffer. Among 25-34 year olds, we see a consistent – albeit small – inter-cohort decline in the headship rate for those with at least a college education. Because the owner headship rate remains fairly steady, the declining headship rate stems from a loss in the renter headship rate. Not surprisingly, that loss in headship is accompanied by a sizable increase in the co-residence rate for Generation Y relative to Generation X, suggesting growing polarization in housing status across the most recent cohorts of the most educated young adults. Conceivably, the rapid increase over time in student loan debt among those under 35 made them reluctant to live independently. Those aged 35-44 also show this pattern of inter-cohort change; but this group shows a loss, across all cohorts, in the owner headship rate. The household-based ownership rate does not reveal the diminishing access to owned housing because it is counterbalanced by the overall decline in headship. Thus, while the absence of change in the ownership rate across cohorts with the most education suggested that those at the top of the educational hierarchy were immune to the economic crises of the last decade, the headship analysis demonstrates a growing degree of housing inequality across cohorts.

In summary, the headship analysis revealed more complex inter-cohort shifts in housing status than did the declining ownership rate across generations. In particular, the headship analysis revealed a growing divide between those young adults with the means to establish and sustain independent living arrangements and those without such resources. The latter must merge into households headed by friends and family. Generational increases in co-residence were greatest for 25-34 year olds, and for nonwhites and the least educated, even among 35-44 year olds. The headship analysis also countered findings based on the conventional ownership rate: even the most highly educated young adults are increasingly likely to co-reside with others, a finding hidden by the absence of changes in the conventional rate.

The Net Effects on Chances of Home Ownership

Successive cohorts exhibit differences in both their ownership rates and their rates of household headship at the same points in the life course, especially among those at the younger ages. At face value, such inter-cohort differences appear to result from the varying economic conditions at these periods, conditions that can affect everyone. However, these differences across cohorts might plausibly arise not from period effects but from cohort effects, which stem from the mixture of early life experiences and exposure to varying social and economic conditions throughout the life course (Yang 2008). In other words, did the overall economic/social climate affect the cohort's housing/household status? Or did the particular circumstances of that cohort? Or was the age of members the crucial factor?

Multivariate analyses can separate the effects of period, cohort, and age. Yet these three variables are perfectly related – referred to as the “identification problem;” hence, standard regression approaches are not feasible. Instead, I use an Age-Period-Cohort-Characteristic (APCC) approach, in which a continuous variable reflecting the characteristics of one of the three (period, or cohort, or age) is used in place of the chosen variable's set of dichotomies (Slack and Jensen 2008).

The multivariate analysis relies on data from the General Social Survey (GSS), from 1985, when a question about home ownership was first asked, to 2010, the most recent wave of data available. The GSS began as an annual survey in 1972, but switched to a biennial format in 1994. In total, 17 years of data are available for the current analysis.

As a time series of a broad set of behaviors, attitudes, and attainments of the U.S. non-institutionalized adult population, the GSS is unparalleled. For the current purposes, though, the main limitations of the GSS arise from the small sample size (around 2,000 each year).

Specifically, each year there are small numbers of persons who self-identify as neither white nor black in the race question (and thus are coded “other”). Since this precludes analyzing Hispanics and Asians in separate models, the analysis is limited to blacks and whites.

Table 2 presents the results of APCC logistic regression models predicting home ownership for household heads ages 25 and older. All results are shown as odds ratios to facilitate interpretation (an odds ratio of less than 1 indicates a negative effect, while an odds

Table 2: Results of APCC logistic regression models predicting home ownership, among household heads, ages 25-84, GSS 1985-2010 (odds ratios)			
	All	Whites	Blacks
Cohort (vs. Late Baby Boom)			
Generation Y	1.075	1.102	0.907
Generation X	1.157 +	1.185 +	1.003
Early Baby Boom	0.929	0.944	0.898
War Babies	0.828 *	0.879	0.723
Depression Babies	0.791 +	0.863	0.684
Poverty rate	0.982	0.965	1.033
Age	1.210 ***	1.225 ***	1.151 ***
Age squared	0.999 ***	0.999 ***	0.999 +
Black	0.421 ***		
Foreign born	0.500 ***	0.448 ***	0.946
Female	0.945	0.915	1.064
Marital status (vs. currently married)			
Previously married	0.227 ***	0.222 ***	0.253 ***
Never married	0.184 ***	0.173 ***	0.245 ***
Education	1.100 ***	1.097 ***	1.127 ***
Region (vs. South)			
Northeast	0.784 ***	0.913	0.392 ***
Midwest	1.079	1.160 *	0.879
West	0.673 ***	0.729 ***	0.459 ***
Nagelkerke R²	0.333	0.302	0.281
N	11,224	9,273	1,951

Note: Analyses are weighted.
 + p<=.10; * p<= .05; ** p<= .01; *** p<=.001.

ratio greater than 1 indicates a positive effect). Cohorts are defined as described in Table 1, and measured with dichotomous variables using the Late Baby Boom as the reference group. Age and age squared are entered as continuous variables. Because I posit that period effects arise

mainly from the shifts in macro-economic conditions, I use the poverty rate¹ to gauge period effects. The remaining predictors tap into aspects of family life cycle and human capital attainment that are well-recognized covariates of home ownership.²

In general, these covariates influence the odds of home ownership as would be expected (Table 2). Specifically, each year of education raises the odds of home ownership, the odds of ownership are lower among foreign-born than native-born householders, and being currently married is associated with higher odds of ownership. These effects are seen in the pooled model and in the models for whites and blacks. In the pooled model, the odds of ownership are lower for blacks than whites, reflecting the lower rates of ownership among blacks.

There is no evidence of a unique period effect on homeownership rates. Despite expectations that adverse economic conditions would be associated with lower odds of ownership (as suggested by the ownership trajectories of cohorts), the annual poverty rate is not significantly associated with the odds of home ownership among GSS householders. There are, however, age effects: the odds of ownership rise with age, and the negative influence of age squared reflects the tendency for home ownership to drop at the older ages. This is normative: older people often downsize from homes to apartments or to assisted living, if not nursing homes.

In the presence of controls for period and age effects (and for the other covariates), we see evidence of a cohort effect, largely in the pooled model. Specifically, relative to the Late Baby Boom, the odds of ownership are significantly lower among the War Babies and the

¹ The annual rate is based on families, and derives from the Current Population Survey (CPS; the time series [accessed on 3/28/13] is available at <http://www.census.gov/hhes/poverty/data/historical/families.html>). I also estimated the models using the unemployment rate and got substantively similar results. Among other indicators for period effects considered was the joblessness rate (discouraged workers) but the time series did not extend back far enough.

² Income is not used because of the extensive missing data on this variable. I assume that education, as an indicator of permanent income and its correlation with actual income, will pick up the effects of income.

Depression Babies, by about 17% and 21%, respectively. In contrast, odds of ownership among members of Generation X are about 16% higher than those for the Late Baby Boom. Among whites, the odds of ownership are higher, by about 19%, for Generation X (relative to the Late Baby Boom), while no cohort effects are evident for blacks.

Taken on their own, these results suggest rising odds of ownership among cohorts up to and including Generation X, which are independent of life-cycle changes in ownership (the age effect) and variations in macro-economic conditions (the period effect), at least when blacks and whites are combined. One interpretation of this cohort effect could be that the Baby Boom and Generation X have larger proportions of groups with low levels of ownership, such as blacks and immigrants, than do older cohorts. However, results based on sequential models (not shown but available upon request) show higher odds for the Late Baby Boom and Generation X when age and age squared are entered into the model along with cohort and period; controlling for race and foreign birth does not produce this pattern.

As an alternative interpretation, it could be that the Baby Boom and later cohorts differ from older cohorts in their post-war socialization: they grew up when home ownership had become an integral, realizable part of American middle-class life, and thus they expected to own homes as adults. Although it has been argued that home ownership is a long-standing norm in US society (Chevan 1989), as a result of Depression-era and postwar policies, the Baby Boom was the first cohort where the middle class grew up in an owned home. The ubiquity of home ownership in television sitcoms during the 1960s and 1970s further imprinted the notion of homeownership as normative.

While it is conceivable that home ownership gained strength as an expectation starting with the Baby Boom, any interpretation of this sort is risky without also investigating whether

cohort effects are uniquely evident in headship rates in a similar way. As a result, I also ran a set of APCC multinomial logistic regression models predicting owner headship, renter headship, and spouseship,³ relative to non-headship, for all white and black adults, 25-44, using the 1985-2010 GSS waves. These models essentially compare the odds of different types of (co-) independent living to the odds of co-residing in someone else’s household, and use the same set of predictors as in the ownership models, apart from marital status.⁴ Results from these models – estimated for all (white and black) adults, and for whites and blacks separately-- are presented in Table 3.

**Table 3: Results of APCC multinomial logistic regression models
predicting headship type, among adults ages 25-44, GSS 1985-2010 (odds ratios)**

Predictor	Whites			Blacks		
	Owner head	Renter head	Spouse	Owner head	Renter head	Spouse
Cohort						
(vs. Late Baby Boom)						
Generation Y	0.452 ***	0.377 ***	0.318 ***	0.427 ***	0.319 ***	0.304 ***
Generation X	0.812 *	0.713 **	0.651 ***	0.753 **	0.616 ***	0.595 ***
Early Baby Boom	1.253 +	1.355 **	1.610 ***	1.175	1.191	1.507 **
War Babies	2.611 **	2.995 ***	4.069 ***	2.858 **	3.048 **	4.194 ***
Poverty rate	0.862 ***	0.848 ***	0.941 +	0.856 **	0.841 ***	0.965
Age	2.034 ***	1.272 **	1.736 ***	2.189 ***	1.300 **	1.827 ***
Age squared	0.991 ***	0.996 **	0.993 ***	0.990 ***	0.996 **	0.992 ***
Black	0.458 ***	1.373 ***	0.314 ***			
Foreign born	0.765 +	1.133	0.716	0.886	1.493 *	1.152
Female	0.534 ***	0.978	8.602 ***	0.442 ***	0.771 **	8.006 ***
Education	1.129 ***	1.048 ***	1.059 ***	1.135 ***	1.070 ***	1.059 ***
Region (vs. South)						
Northeast	0.701 ***	0.830 +	0.764 *	0.772 *	0.816 +	0.823
Midwest	1.045	0.986	1.030	1.065	0.933	1.078
West	0.610 ***	0.959	0.738 **	0.607 ***	0.894	0.753 *
Nagelkerke R ²		0.335			0.338	
N		9,387			7,830	

Note: All outcomes are assessed vs. the category of "other" household member.
Analyses are weighted.
+ p<=.10; * p<= .05; ** p<= .01; *** p<=.001.

Looking first at the influence of the covariates, again we see unsurprising results. First, additional years of education raise the odds of owner headship, renter headship (except among blacks), and spouse/partnership relative to the odds of co-residence with others, illustrating the

³ A second limitation of the GSS with particular consequences for this analysis is that it does not identify unmarried partners of the householder.

⁴ Marital status cannot be used as a predictor since it constitutes one category of the outcome.

importance of education – and thus by extension income -- in facilitating independent living. In the pooled model, black race (versus whites) reduces the odds of owner headship and spouse/partnership, relative to membership in someone else's household, but increases the odds of renter headship. This relationship reflects the lower prevalence of owner-headship and couple households among blacks. In the pooled model, being female (rather than male) is associated with lower odds of owner headship, relative to co-residence, but far higher odds of spouse/partnership. The same results are evident among whites; additionally, being female is related to lower odds of renter headship. In contrast, among blacks, being female raises the odds of renter headship and spouse/partnership, relative to co-residence. Taken together, these findings reflect the greater tendency for men than women to be designated as household heads, especially among whites, but the greater tendency for black women to establish independent renter households.

In contrast to the results for home ownership in Table 2, the poverty rate is negatively and significantly associated with all forms of (co-)independent living, relative to living as a member of someone else's households, in the pooled model. The poverty rate is also negatively related to owner and renter headship among whites, but not to the odds of any type of headship among blacks. Thus, at least for whites, the results suggest that harsh economic conditions suppress the formation of new households, both among owners and renters. This statistically significant period effect is paralleled by a significant age effect, again in the pooled and white models; that is, age raises (and age squared lowers) the odds of owner and renter headship, and of spouse/partnership, relative to co-residence. The absence of similar age effects among blacks, and the associated interpretation that independent living is removed from life-course changes, suggests greater vulnerability of black young adults to shifting living arrangements.

Cohort effects are more numerous and consistent for headship than for home ownership. Among whites and blacks (and all adults), membership in Generation Y, relative to membership in the Late Baby Boom, is associated with lower odds of (co-) independent living arrangements, relative to co-residence. Specifically, among all adults, relative to Late Boomers, Generation Yers are 55% less likely to form owner households, 62% less likely to form renter households, and 68% less likely to be a co-household head, relative to living in someone else's household. For whites and all adults, a similar negative association is evident between membership in Generation X and the odds of headship. For example, among all adults, Generation X experiences odds of owner headship, renter headship, and spouse/partnership (relative to co-residence) that are 19%, 39% and 35% lower than those for Late Boomers. The significantly lower odds of owner headship stand in contrast to the higher odds of ownership among white households from Generation X (Table 2). Yet the lower odds of owner and renter headship help to explain the apparent advantage Generation X holds in the household-based ownership rate: lower rates of household formation artificially boosts Generation X's ownership rate above that of the Late Baby Boom. Similarly, the finding that membership in the War Babies cohort (versus the Late Baby Boom) is positively associated with the odds of owner and renter headship, as well as spouse/partnership, seems at odds with the prior findings of lower household-based ownership rates for this cohort (Table 2). But again, despite the higher odds of owner headship for the War Babies – and the implication that home-ownership was greater for this cohort -- the enhanced odds of renter headship offsets the higher prevalence of owner households. Together they suppress the relative odds of ownership among (all) households in this cohort. In short, the War Babies were more likely to form independent households, whether rental or owned.

Among blacks, only Generation Y experiences significantly different – and lower – odds of headship than co-residence, when compared to the Late Baby Boom. The relative absence of cohort effects on the odds of owner headship suggests little social change in access to owned housing among blacks. Yet the negative association between membership in Generation Y and all forms of headship, relative to co-residence, underscores the disadvantaged starting position as the most recent cohort of blacks enters adulthood.

In summary, the Late Baby Boom marks a break from the household formation behavior of the past. The analysis of cohort effects on headship rates highlights the declining odds of household formation from the Late Baby Boom forward. In response to the rising levels of inequality as their members enter young adulthood, these cohorts are delaying the formation of independent households. The increasing need for alternatives to independent living – whether co-residence with parents or sharing with roommates – early in adulthood has become part of the life course, perhaps more by necessity than choice. Living with parents longer than had been the norm, or merging into someone else’s household, can help the young adult in many ways, especially financially; this was one way the Baby Boomers achieved a higher per capita level of well-being than earlier cohorts (Easterlin, Macdonald, and Macunovich 1990; Easterlin, Schaeffer, and Macunovich 1993). However, because delayed or forgone independent living signals a problem in owning or renting, the consistent declines in headship signal downward mobility in housing status across generations.

Conclusion

This paper assessed changes across cohorts in home ownership and household headship using census and ACS data from 1990-2010. At the descriptive level, losses in the household-

based home ownership rate between 2000 and 2010 were greatest among the most recent cohorts whose position in the life course made them most vulnerable to economic fluctuations. For blacks, the apparent impact of the last decade's economic misery was most serious, and extended farther into the life course than was true for other groups. Even cohorts reaching their retirement years in 2010 did not register ownership rates as high as the next older cohorts achieved 10 years earlier. Yet part of the differences between black cohorts stemmed from the stunning progress achieved in the previous decade when economic conditions were better and policy changes broadened opportunities for home ownership. The policy regime in the 1990s enforced extant laws regarding fair housing and fair banking, and strengthened regulations to raise the ownership levels of low- and moderate-income households. For most of this decade, buyers used conventional mortgages; the subprime industry had not yet taken hold. (Immergluck 2010). During the 2000s, when predatory, subprime lenders made deeper inroads into the lending market, targeting vulnerable households, ownership spiked, then ultimately fell.

In terms of home ownership, most Asians, and to a lesser extent Hispanic, cohorts did better than their next-older counterparts over the 2000s. The analysis of headship explained why. Rather than benefitting from adverse economic conditions (as implied by a rising home ownership rate), headship rates for the youngest cohorts were far lower in 2010 than they were for their next-older peers 10 years earlier. The far higher rates of co-residence among Asian Gen Xers and Yers in 2010 artificially propped up each cohort's ownership rate, but these ownership rates hid a growing gap in housing status.

The headship analysis also identified clear patterns of intergenerational decline in housing status. Specifically, the odds of any kind of (co-)independent living arrangements fell from the War Babies on, when age effects and period effects are held constant. This finding

points to an ever-widening housing-status gap between the generations. This gap may have repercussions when older cohorts want to sell their homes, but find a shortage of younger buyers who can afford them. Of even greater importance, this gap puts into sharp relief the long-standing unmet need for rental housing subsidies and affordable rental housing. While the percentage of renter households paying in excess of 50% of their income for rent has risen steadily since 1960, these percentages are far higher among low-income households (Ellen and Dastrup 2012), who arguably have the most tenuous grasp on independent living arrangements. If affordable rental housing were more plentiful, headship rates would be less likely to plummet and perhaps some of the generational decline in housing status could be ameliorated.

In addition, while the delays in establishing independence grow longer with each succeeding cohort, the re-arranged living arrangements may burden the households taking in friends and family. That is, while the individual who stays at or moves back home may see his/her per capita level of well-being improve as a result of sharing in the household's pool of resources, the other members of the household suffer a loss in per capita well-being. While there may be other benefits to taking in friends or family, when economically stretched households take in additional financially stressed members, the balance between benefits and costs may not be so clear. More important is that fact that the intergenerational rise in co-residence involves only those young adults who are actually housed. As the stock of affordable rental housing diminishes and as demand for low-income rental assistance continues to outstrip supply, some people may end up not in the households of friends or family but homeless. (The census does not count people who have no fixed residence). Thus while the preceding analysis points conclusively to escalating housing inequality across generations, with recent cohorts doing far worse than their parents' cohorts, the extent of the true gap may be hidden.

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