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College of Business Professor Presents Paper on Discrimination in Municipal Borrowing at Brookings Institute Conference

Matthew Wynter, a research professor in the Stony Brook University College of Business, presented his paper, "[Black Tax: Evidence of Racial Discrimination in Municipal Borrowing Costs](#)," at the Brookings Institute 2022 Municipal Finance Conference, held online July 18-20.

The paper, co-authored with Ashleigh Eldemire Poindexter of the University of Tennessee and Kimberly Luchtenberg of American University, shows that municipalities with higher proportions of Black residents pay higher borrowing costs to issue rated bonds compared to other cities and counties that issue within the same state and year. These higher costs are unexplained by credit risk, more pronounced in states with higher levels of racial resentment, and robust to state-tax incentives to hold municipal bonds.

In time-series tests using political election periods during which racial resentment has been shown to intensify, the research finds that the differences in borrowing costs also increase. Collectively, the findings illustrate that racial bias can increase borrowing costs, especially where racial resentment is severe.

The Brookings conference is considered the best municipal finance conference in the field, is highly selective, and attended by academics, policy makers, and market participants.

Wynter also had another paper on minority and low-income homeownership accepted by the Review of Corporate Finance Studies. "Does homeownership reduce wealth disparities for low-income and minority households?" uses restricted data from the U.S. Department of Housing and Urban Development's (HUD) Housing Choice Voucher (HCV) program to study the wealth effects of homeownership for low-income households.

The paper looks at whether becoming a homeowner effects the wealth of low-income White and minority households differently. HUD's HCV program provides low-income households with housing assistance for rental and mortgage payments. To identify whether homeownership affects wealth, the paper compares a household's wealth as a renter to its own wealth of as homeowner, and uses variation in the wealth outcomes amongst households to measure the effect of homeownership on racial disparities in wealth. In using this differences-in-differences approach, the research controls for the many unobservable and confounding differences within households that are likely to affect wealth accumulation, while also allowing wealth outcomes to vary by race.

Using this empirical approach, the paper establishes that low-income households that receive assistance in owning a home experience increased wealth relative to their tenure as renters. However, these wealth gains are not present among low-income minority households. The findings provide evidence that homeownership is a driver of wealth formation for low-income households and that homeownership does not inherently reduce racial disparities in wealth.

Wynter conducts research that focuses on behavioral and international finance. His research has been presented at finance and economics conferences around the world, including the Brookings Institution, the American Economic Association, and the China International Conference in Finance. His research has been published in the Review of Corporate Finance Studies, World Economy, and the Journal of Management, Policy, and Practice.

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