Understanding Racial Segregation: What is Known about the Effect of Housing Discrimination

Stephen L Ross
University of Connecticut
Empirical Facts on Racial Segregation

- High levels of racial segregation cannot be explained by economic factors
- Moderate declines in racial segregation, but mostly due to increased exposure to Hispanics
- Much lower levels of segregation among Hispanics mostly explained by economic factors especially among later generations
Housing Discrimination

• Historically, rigid neighborhood barriers, high housing prices and density, and blockbusting
• Paired testing documents high levels of discrimination in 70’ & 80’s, but shift of black Homeowners in 80’s away from central cities
• HDS 2000: Declines in discrimination against blacks and Hispanics in sales, but segregation did not fall faster in areas with declines
Segregation and Housing Discrimination

- Restricted neighborhood opportunities should increase housing prices, but little evidence of any premia from the 1970’s to Present
- Housing Discrimination did not prevent suburbanization in 80’s and 90’s and recent declines in discrimination have not lead to declines in segregation
Countervailing Views

• Rental market discrimination can be hidden from testers, but white suburbs mostly owner-occupied housing stock

• Evidence of neighborhood steering based on Race, but steering infrequent on visiting units and commentary aimed at whites
Persistent Segregation and Stereotypes

• Negative stereotypes predict willingness to live with blacks, decisions to move into integrated neighborhoods, and housing prices

• Past discrimination caused past segregation creating perceptions that promote segregation today

• Real estate agents reflect and are part of that reality as opposed to creating it
Stereotypes and Today’s Papers

• Are Mixed Neighborhoods Unstable
  – Stable integrated equilibria possible below tipping points that are increasing over time
  – Could be capturing threshold associated with signal of bad neighborhood

• Preferences for Hispanic Neighborhoods
  – Evidence of self-segregation for both whites and Hispanics (price impact depends on composition)
  – Could part of this finding be ethnic information differences based on neighborhood composition
Conclusions

• Past, not current, housing discrimination key to persistent segregation due to stereotypes
• Stable integrated neighborhoods below critical tipping points – This may also be true for Hispanics
• Changes in attitudes and greater information access consistent with higher tipping points
• Information asymmetry important for understanding and possibly mitigating patterns of segregation