



## Race and the City



### ARTICLE INFO

#### JEL Classification:

J15  
R20  
R30  
R50

#### Keywords:

Race  
Ethnicity  
Discrimination  
Segregation  
City  
Urban

### ABSTRACT

This paper provides the introduction to the special issue on Race and the City in the Journal of Housing Economics in 2018. The paper surveys relevant topics on racial and ethnic discrimination and residential segregation, and provides a more detailed discussion of the specific papers in the special issue. The paper primarily focuses on the literatures on discrimination in housing, on-line markets and policing. In terms of racial segregation, the paper discusses work related to the pattern of residential segregation and the causes and consequences of segregation.

### 1. Introduction

We write this introduction for the special issue on *Race and the City* on the 50<sup>th</sup> anniversary of the Fair Housing Act, which outlawed discrimination by realtors, landlords and lenders. While the evidence suggests that the prevalence of discrimination has fallen significantly over this half-century (Ross and Turner 2005), there is still much to say about the intersection between race and housing. Black-white segregation has declined (at least since 1980), but it remains high in most cities and extremely high in some of them (Iceland 2004). Moreover, Hispanics and Asians remain just as segregated from whites today as they did in 1980. Families of different races live in very different neighborhoods and have access to different amenities and public service bundles (De la Roca, Ellen, and O'Regan, 2014).

The papers in this volume offer new insight on the links among race, housing and neighborhoods. The papers generally fall into two broad categories: estimates of discrimination and broader documentation of racial differences in outcomes, and examination of segregation patterns and the consequences of segregation.

### 2. Racial Discrimination, Disparities and Attitudes

A long-standing strategy for testing for housing discrimination is to examine racial differences in the price of housing. The logic behind this test is that if discriminatory barriers spatially restrict where minorities can live then those minorities are likely to be crowded into housing submarkets that have above market housing prices. Cutler, Glaeser and Vigdor (1999) examine this premise longitudinally during and following the “Great Migration” of African-Americans to Northern cities. They demonstrate that African-Americans paid substantial housing

price premia in the 1950's and continued to pay more modest premia in the 1970's, but that by the 1990's African-Americans were paying less for housing than whites. Cutler, Glaeser and Vigdor (1999) interpret these findings as evidence that rigid discriminatory barriers had declined substantially and been replaced by what they referred to as a “decentralized racism” where whites were willing to pay a premium in housing prices to avoid living in neighborhoods with larger numbers of African-Americans. Clapp and Ross (2004) consider this question following a more structural approach where changes in employment at the industry level predict changes in metropolitan area racial and ethnic composition. They show that increasing Hispanic populations lead to greater segregation of Hispanics in towns that initially had larger Hispanic populations, but they do not observe higher housing prices in these towns, which would have been consistent with the rigid discriminatory barriers that African-Americans faced through the 1970's.

Kiel and Zabel (1996) argue that failure to find a housing price premia may arise because minorities tend to live in neighborhoods that are lower quality on other measures, such as the age of the housing stock or the poverty rate of the neighborhood. They demonstrate that the empirical price discount that blacks appear to face in the housing market is very sensitive to controls for neighborhood conditions. Two recent studies, Myers (2004) and Bayer, Casey, Ferreira and McMillan (2017) provide evidence that blacks pay more for housing after controlling for neighborhood quality. Notably, Bayer, Casey, Ferreira and McMillan (2017) show that this premium does not depend upon the race of the seller. If minority homebuyers face high search costs due to discrimination in the provision of services, then minority homebuyer bargaining positions can be weakened leading to higher housing prices (Courant, 1978). Under such a model, the race-based price premia would likely be faced by all minority borrowers, regardless of the race

of the seller. All of these papers examine housing prices within neighborhoods; in contrast to the papers described in the previous paragraph, which examine prices across neighborhoods for evidence that minority housing options are restricted to specific neighborhoods. While the rigid barriers of the 1950's appear to be gone today, the more recent papers on housing prices are consistent with minorities facing higher costs of finding housing.

In this volume, [Diagne, Kurban and Schmutz \(2018\)](#) examine racial differences in the success rate among potential home buyers applying to an affordable housing program in Montgomery County Maryland. They document relatively equal success in purchasing a home through the program in the early and later years of the program, but find substantially lower success rates for black homebuyers in the period between 1995 and 2000. The unique feature of this period was that the total volume of applicants to the program and especially the volume of black applicants increased substantially. They identify several potential explanations for these differences including especially strong competition for the housing that was most attractive to black buyers, increased opportunity to discriminate as the supply of buyers in the program increased, or increased incentives to discriminate as the share minority in a development rose. They also examine racial differences in prices and, consistent with the literature, find African Americans pay less for housing when looking across neighborhoods. However, in their data, price differences are close to zero when looking within neighborhoods consistent with blacks appearing to have similar bargaining power or outside opportunities as white program participants when negotiating home prices in the same development. Finally, they examine the sorting of African-Americans based on racial composition of neighborhoods. While they document the standard pattern of sorting across neighborhoods, within neighborhoods and developments they find that the program actually reduces segregation by causing white and minority homebuyers within the program to be more likely to live near each other.

The second major strain of research on housing discrimination has involved the use of trained testers or generated applications to randomize the race of the home buyer or renter relative to the attributes of the buyer/renter. This research is exemplified by the large federally funded Housing Market Practices Survey in 1978 ([Wienk, Reid, Simonson and Eggers 1979](#)), the first nationally representative Housing Discrimination Study in 1989 ([Turner, Struyk and Yinger 1991](#)), and the two follow-up national Housing Discrimination Studies in 2000 ([Turner, Ross, Galster and Yinger 2002](#)) and 2012 ([Turner, Santos, Levy, Wissoker, Aranda, and Pitingolo 2013](#)). These studies trained and sent pairs of testers, one white and one minority, to inquire about for sale or rental housing randomly selected from advertisements. The Housing Market Practices Survey and even the first Housing Discrimination Study documented grossly explicit discriminatory behavior including for example real estate agents driving up to their office seeing the minority tester and then turning their car around and leaving or being told explicitly that the agent did not rent to blacks. During the 1989 study, testers regularly returned from visits to real estate agents or rental agencies visibly upset at their treatment. By the time of the 2000 Housing Discrimination Study, such behavior had largely disappeared from the housing market, and virtually all testers were visibly treated with respect and courtesy. Comparison of the 1989 and 2000 studies showed that housing discrimination in owner-occupied markets had fallen broadly across most measures of treatment for both blacks and Hispanics. Discrimination in rental markets fell substantially for blacks, but in the one major exception to the general findings, the levels of adverse treatment of Hispanics in rental markets remained at relatively high levels and in some cases increased ([Ross and Turner 2005](#)). The HDS 2010 study found that the low levels of discrimination found in 2000 generally persisted, but the higher levels of discrimination against Hispanics in the rental market had fallen to levels similar to the discrimination faced by African-Americans.

Recently, on-line markets have been expanding across a variety of

sectors including housing. The anonymity of on-line markets would appear to reduce the potential for discrimination. For example, [Scott Morton, Zettelmeyer and Silva-Risso \(2003\)](#) find that racial differences in the price of automobiles disappear for on-line sales. On the other hand, to the extent that social media allows more personal interactions and relationships between sellers and buyers and that those interactions seem less visible and face less protection from traditional anti-discrimination laws and policies, discrimination could persist or even be exacerbated by the expanding on-line market place ([Fisman and Luca 2016](#)). Many studies primarily in the U.S. and in Europe have conducted on-line tests in the housing market often finding evidence of discrimination by race or ethnicity based on distinctive names or other markers of identity, e.g. [Ahmed and Hammarstedt \(2008\)](#), [Hanson and Hawley \(2011\)](#), [Baldini and Federici \(2011\)](#), [Andersson, Jakobsson, and Kotsadam \(2012\)](#), [Carlsson and Eriksson \(2014\)](#), [Acolin et al. \(2018\)](#), and [Auspurg, Hinz, Schmid \(2017\)](#). In other markets, [Pope and Sydnor \(2011\)](#) show that race affects the availability and price of credit in one of the early on-line peer-to-peer lending websites, prosper.com. [Doleac and Stein \(2013\)](#) find that black sellers on Ebay receive lower prices for their products, especially in thin markets. [Edelman et al., \(In press\)](#) show that guests with distinctively black names are less likely to be accepted as renters on Airbnb. [Edelman and Luca \(2014\)](#) and in this volume [Kakar, Voelz, Wu and Franco \(2018\)](#) both find lower payments to minority landlords on Airbnb where race and ethnicity is often easily observable after controlling for all observable information on the attractiveness of rental units. [Edelman and Luca \(2014\)](#) find that blacks charge 12 percent less than non-black hosts, and [Kakar et al. \(2018\)](#) find that Asians and Hispanics charge 8-10 percent less than white hosts in San Francisco. [Kakar et al. \(2018\)](#) also examine occupancy rates, but do not find any racial differences along that dimension.

Even as explicit discrimination has declined, fear of hostility continues to shape the residential choices of minority homeseekers and may contribute to the disenfranchisement of significant segments of the African-American population in U.S. cities. The growing attention paid to racial disparities in use of force by police, as evidenced by the "Black Lives Matter" movement, has made racial hostility more salient across the country.

One of the most common ways in which police interact with people is through traffic stops, and research shows that traffic stop rates are higher for African Americans (and in African American neighborhoods). Over the last decade, state and local governments across the country have begun to collect and analyze traffic stop data for racial disparities. The classic problem whenever examining traffic stop data is that we do not have a basis of comparison for assessing the racial composition of police stops because we do not know the composition of motorists on the road whose behavior puts them at risk of a stop. In the past, this problem has been addressed by examining police searches so that the racial composition of stops forms the counterfactual for assessing searches ([Antonovics and Knight 2009](#); [Knowles, Persico and Todd 2001](#); [Dharmapala and Ross 2004](#); [Anwar and Fang 2006](#)). However, traffic stops themselves represent a key margin on which African-Americans are significantly more likely to have direct contact with police officers. To test for racial bias, a few researchers have used a "Veil of Darkness" approach that uses seasonal variation in daylight under the assumption that police cannot observe race prior to a stop when it is dark out. The racial composition of stops just after sunset in the winter or just after the end of daylight savings time therefore forms a counterfactual for daylight stops made at the same time of day when race is observable either in the summer or just before daylight savings time ([Grogger and Ridgeway 2006](#); [Horrace and Rohlin 2016](#)). However, [Kalinowski, Ross and Ross \(2017\)](#) raise concerns and provide evidence that this approach may fail to find discrimination because rational minority motorists will change their driving behavior and be more likely to speed in darkness when they know their race is unobservable to police.

Further, a number of studies have documented substantial racial

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