

Discussion of  
“Blockbusting and the Challenges Faced by  
Black Families in Building Wealth through  
Housing in the Postwar United States”

by Daniel Hartley and Jonathan Rose

Greg Howard  
University of Illinois

UEA  
2024

# Nice paper!

- ▶ Really important paper
- ▶ Not one, but two, well-designed empirical strategies to understand the effects of blockbusting
- ▶ Main motivation of the paper: effects on wealth-building for black residents
  - ▶ Less house price growth
  - ▶ Initially overpaid for the housing
  - ▶ More likely to run into financial trouble due to the initial overpayment
- ▶ This discussion: neighborhood dynamics, multiple equilibria, and monopoly power

# Economic Lessons from this paper

- ▶ Multiple equilibria
- ▶ Monopoly power

# Economic Lessons from this paper

- ▶ Multiple equilibria
- ▶ Monopoly power
  
- ▶ Blockbusting realtors have monopoly power and they can profit off of switching equilibria. It is profit-maximizing for them to use their monopoly power to influence white homeowners' beliefs to shift equilibria quickly, so that they can have the most possible market power to profit off of the black migrants.

# Multiple equilibria

- ▶ Cities in the 1950s and 1960s had a big influx of black migrants
- ▶ They have to live somewhere
- ▶ Presumably, the long-run steady-state would feature neighborhood sorting due to racism—with or without blockbusting
- ▶ The question in this paper: how quickly do we get there? what are the distributional consequences of the transition?

# Dynamics

- ▶ Our models traditionally can feature rapid change if agents are forward looking and subject to random taste shocks
  - ▶ For someone on the fence about moving, they better do it now because next period they might not get such a favorable shock—even if they're perfectly happy with the current neighborhood composition
- ▶ This paper offers an alternative explanation: agents move now because house prices will fall as the neighborhood changes, so staying is a bad investment
  - ▶ Why haven't house prices already fallen?
  - ▶ Monopolists are willing to share rents with the white homeowners in order to enhance the monopolist's market power

# Monopolists

- ▶ Paper documents a very large premium for real estate agents selling to black people
- ▶ Direct evidence of monopoly power of the realtors in selling to black people
- ▶ Narrative evidence also consistent
- ▶ Monopolists can enhance this monopoly power by...
  - ▶ Making it clear which neighborhoods black people will want to/be allowed to live in
  - ▶ Owning a large fraction of homes in those neighborhoods
- ▶ Blockbusting accomplishes both of these things
  - ▶ Fear-mongering is a coordinating device—effectively chooses an equilibrium and makes it public knowledge—monopoly allows them to choose amongst possible equilibria
  - ▶ Fear-mongering drives down house prices, but monopolist is willing to overpay to enhance their market power
  - ▶ Future decline in house prices is because monopolist will stop being willing to pay markup—accelerates the neighborhood change

# Welfare

- ▶ Who wins and loses?
- ▶ The obvious counterfactual is competitive markets
  - ▶ Neighborhood change is more gradual
  - ▶ House price drop is more abrupt
- ▶ Monopolists obviously win
- ▶ Black migrants lose in terms of house prices
- ▶ White homeowners are able to sell for higher prices
- ▶ People with preferences for racial homophily win because neighborhood transition is faster



# Traditional (mostly small) comments for the authors

- ▶ Matching tracts over decades seems like a source of bias if the control groups are next to treatment groups, and the tract boundaries occasionally change such that the control is contaminated by treatment and vice versa. Can you do anything to quantify this?
- ▶ The identification assumption is that conditional on the propensity scores and sample selection, that control group neighborhoods are a good counterfactual for the treated neighborhoods. The worry is that if there are just some neighborhoods that black people were more likely to move into, then you're conflating the effect of blockbusting with the effect of just having black people move into a neighborhood, because the blockbusting is going to be more concentrated in those neighborhoods to begin with. So we need to be confident that the control and treated neighborhoods were ex ante equally likely to have an influx of black residents. What makes me worried is that a big chunk of what determines the propensity score is the distance to nearest black tract. In reality, the spatial proximity of other black people is a multidimensional object that is certainly correlated to this number, but I would suspect it is not sufficiently summarized by it. I'd be much more reassured if you threw the kitchen sink of things like proximity-weighted black share of nearby neighborhoods, and the distance to the five closest black neighborhoods, and how many sides of the neighborhood are black, and so on...
- ▶ Related to the previous comment, I'm thinking about Davis, Easton, and Thies (2024) and their various simulations of where neighborhood change is likely—they use some sort of market access measure in their utility function, but that has some free parameters, so it'd be good to use something really flexible here.
- ▶ I didn't understand the Pollman (2020) critique without looking it up. So it might be worth a few more sentences giving the intuition.
- ▶ I was confused why the higher prices that the blockbusters sold to the incoming black residents didn't lead to an increase in prices in the aggregate analysis in the first part of the paper. If you have an explanation or even speculation, I think that would help reconcile the two sections.
- ▶ Some of the figures are not intelligible if you print them in black and white.

# Conclusion

- ▶ Great paper!
- ▶ Really thought provoking