

Local Discretion in Low Income Housing Policy: Evidence from France*

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Abstract

Municipal preferences for incumbent residents can clash with central government goals to reduce income segregation. With local discretion, wealthier municipalities often choose not to build low-income housing. This reinforces income clustering by encouraging in-migration of wealthier households from localities that build social housing. I leverage a discontinuity in French policy encouraging construction of social housing, and find that wealthier residents either accept fines for opting-out of construction, or migrate. To quantify the effect of allowing discretion, I develop and estimate a model of residential demand. Allowing any local discretion substantially increases income segregation, but policy mandates lower the welfare of non-social housing residents.

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