

# Segregation and Residential Location Patterns

## Urban Economics

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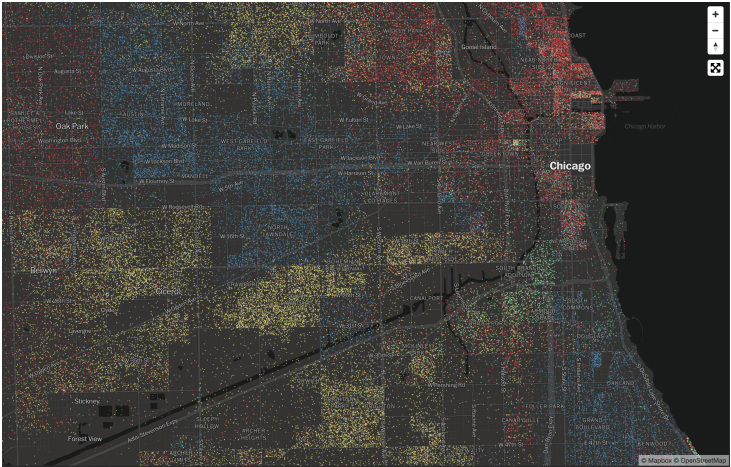
Universidad de los Andes

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# Residential Location Patterns

- ▶ Recent research has shown that the neighborhood where people live has important implications for short-run, long-run and even intergenerational outcomes.
- ▶ Residential choice can be driven by multiple factors:
  - ▶ Neighborhood/Housing/Amenities preferences
  - ▶ Disparities in income
  - ▶ Racial discrimination
  - ▶ Others: Information, Taxes/subsidies, Labor market opportunities, etc...

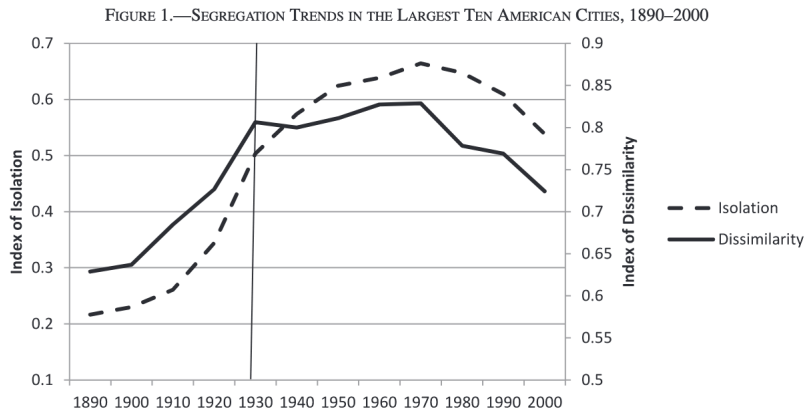
# Residential Location Patterns by Race: Chicago



Source:

<https://www.washingtonpost.com/graphics/2018/national/segregation-us-cities/>

# Dynamics of Segregation



Source: Shertzer and Walsh (2019) Racial Sorting And The Emergence Of Segregation In American Cities

# Tipping And The Dynamics Of Segregation

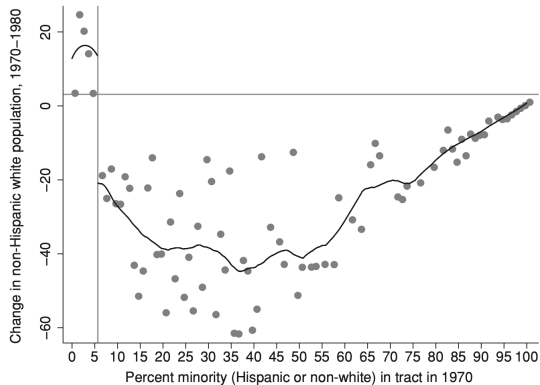


FIGURE I  
Neighborhood Change in Chicago, 1970-1980

Source: Card et al. (2016) Tipping And The Dynamics Of Segregation

# Tipping And The Dynamics Of Segregation

## Model

- ▶ Two groups of buyers:  $g \in w, m$
- ▶ These are willing to pay at least:

$$b^g(n^g, m) \tag{1}$$

- ▶  $\frac{\partial b^w}{\partial n^w}$  and  $\frac{\partial b^m}{\partial n^m}$  weakly negative
- ▶  $\frac{\partial b^w}{\partial m}$  and  $\frac{\partial b^m}{\partial m}$  social interaction effects.
- ▶ Beyond a point ( $m^*$ ) is negative  $\frac{\partial b^w}{\partial m} < 0$  (key assumption)

# Tipping And The Dynamics Of Segregation Model

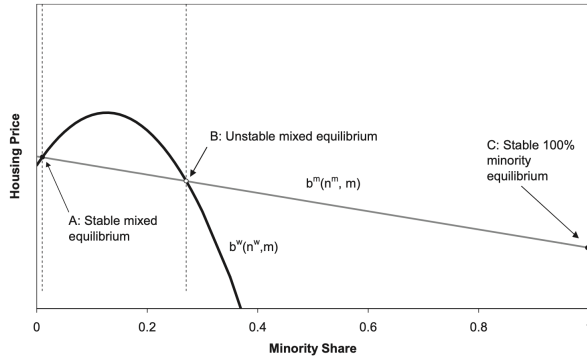
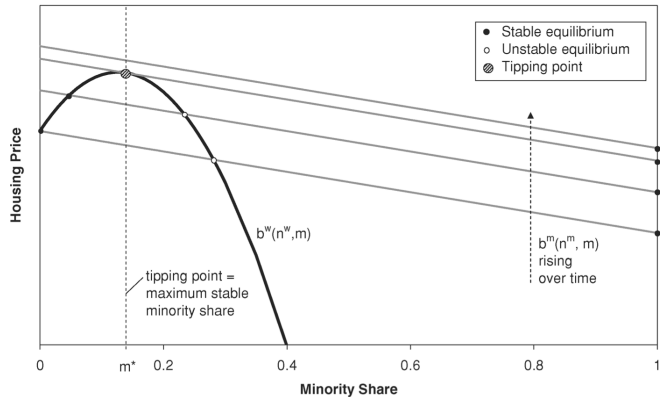


FIGURE II  
Three Equilibria

Source: Card et al. (2016) Tipping And The Dynamics Of Segregation

# Tipping And The Dynamics Of Segregation

## Model



Source: Card et al. (2016) Tipping And The Dynamics Of Segregation



# Tipping And The Dynamics Of Segregation

## Estimation

- Identification of this model is subtle (and perhaps not entirely kosher). The objective is to perform a regression discontinuity analysis at an unknown discontinuity.

# Tipping And The Dynamics Of Segregation

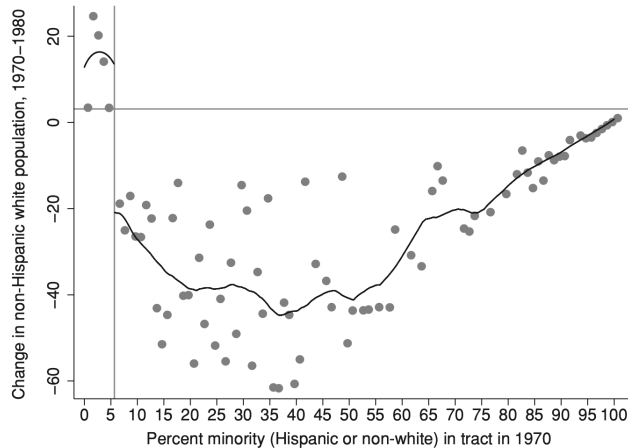


FIGURE I  
Neighborhood Change in Chicago, 1970-1980

Source: Card et al. (2016) Tipping And The Dynamics Of Segregation

# Discrimination

- ▶ The above model omits discrimination
- ▶ “Housing discrimination is the illegal practice of discriminating against buyers or renters of dwellings based on race, color, religion, national origin, sex, family status or disability.”

# Discrimination

## Housing Discrimination is Illegal

*"We are here today because we are tired. We are tired of paying more for less. We are tired of living in rat-infested slums... We are tired of having to pay a median rent of \$97 a month in Lawndale for four rooms while whites living in South Deering pay \$73 a month for five rooms. Now is the time to make real the promises of democracy. Now is the time to open the doors of opportunity to all of God's children."*  
(Dr. King, 1966, Chicago Soldier Field Stadium as part of the Chicago Open Housing Movement)



**Housing discrimination was made illegal under the Fair Housing Act (part of Civil Rights Act of 1968 and 1988 Amendments)**