Pockets of Poverty: The Long Term Effects of Redlining

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Summary of the findings

- Racial discrimination policies on credit rationing (redlining) has long term effect on housing prices even after being abandoned for decades
  - “redlined” neighborhoods have 4.8% lower home prices in 1990 relative to adjacent areas
  - Fewer owner-occupied homes and more vacant structures might explain such price difference

Source: Wikipedia page on redlining
Overall impression

• Very important question
• Very careful implemented empirical design
• Amazing data cleaning efforts
Comment 1: the boundary

• How the boundaries were drawn?
  - As mentioned in the paper, the boundaries didn’t follow administrative boundaries
  - As mentioned in the paper, there was no significant differences in terms of observables near the boundaries
  - Different versions of maps?
  - Boundaries must be clearly known to the researchers for RD style designs
  - Precision of the map (measurement errors related to geo-reference? Probably show the avg. no. of observations within 500m/1km, or extend the sample to 1.5km/2km?)
Comment 2: estimated effect

- The estimation is a weighted average effect of the difference in housing prices between
  - A and B
  - A and C
  - A and D
  - B and C
  - B and D
  - C and D
- Separate estimation for each combination? Or categorize into two groups (A,B) and (C,D)?
Comment 3: structure of main results

• Step 1: No effect in the pre-treatment period (1940) – a test of the RD assumption
• Step 2: short run effect before the redlining was banned (using 1960 sample, currently missing in the paper)
• Step 3: long run effect after the redlining was banned (using 1990 data)
Comment 4: mechanism (cont.)

- Currently this part is not very clear to me.
- Purpose of table 5 is not clear
- Endogeneity of subsample categorization

### TABLE 5—CROSS-SECTIONAL EFFECTS ACROSS CITIES

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Above</td>
<td>Below</td>
<td>Above</td>
</tr>
<tr>
<td>$1(dist &lt; 0)$</td>
<td>-0.051***</td>
<td>-0.042**</td>
<td>-0.072***</td>
</tr>
<tr>
<td></td>
<td>(-3.36)</td>
<td>(-2.11)</td>
<td>(-4.28)</td>
</tr>
<tr>
<td>Bandwidth</td>
<td>250</td>
<td>500</td>
<td>1000</td>
</tr>
<tr>
<td>Order Polynomial</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>$N$</td>
<td>28,241</td>
<td>43,674</td>
<td>44,888</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.162</td>
<td>0.191</td>
<td>0.164</td>
</tr>
<tr>
<td>$1(dist &lt; 0)$</td>
<td>-0.023</td>
<td>-0.073***</td>
<td>-0.036**</td>
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<td></td>
<td>(-1.39)</td>
<td>(-4.58)</td>
<td>(-2.04)</td>
</tr>
<tr>
<td>Bandwidth</td>
<td>250</td>
<td>500</td>
<td>1000</td>
</tr>
<tr>
<td>Order Polynomial</td>
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<td>1</td>
<td>2</td>
</tr>
<tr>
<td>$N$</td>
<td>39,253</td>
<td>32,662</td>
<td>61,857</td>
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<tr>
<td>$R^2$</td>
<td>0.191</td>
<td>0.169</td>
<td>0.201</td>
</tr>
</tbody>
</table>
Comment 4: mechanism (cont.)

• **Clear evidence 1**: redlining is associated with higher vacancy rate and higher percentage of renters
  - Suggestion: include vacancy rate and the share of renters in the regression, using housing price in 1990 as “y” to see if the effect disappears

• **Clear evidence 2**: redlining has no long term effect on unit structure and racial composition
  - A bit confused here. Why there is no effect on characteristics of the home buyers?
  - Probably need more information on the profile of home buyers and **renters**
Comment 4: mechanism

- Is redlining still there?
  - “and I should add, we looked at those old redlining maps in Philadelphia and other cities. And we found that there were some neighborhoods that were redlined back in the day that still couldn’t get loans. But then we found something else that I found, frankly, even more disturbing: that there were neighborhoods that were redlined back in the day that now were getting loans, but only to white gentrifying newcomers.”
  (https://www.democracynow.org/2018/2/27/modern_day_redlining_banks_face_probes)
Future directions

• Intergenerational effect
  - If your parents/grandparents could not secure a mortgage to become a home owner in the 1940s, how would that affect your education/income/wealth

• Is there any policies (such as Fair Housing Act) that can help mitigate the negative long term effect of redlining?
Great paper and thank you!