

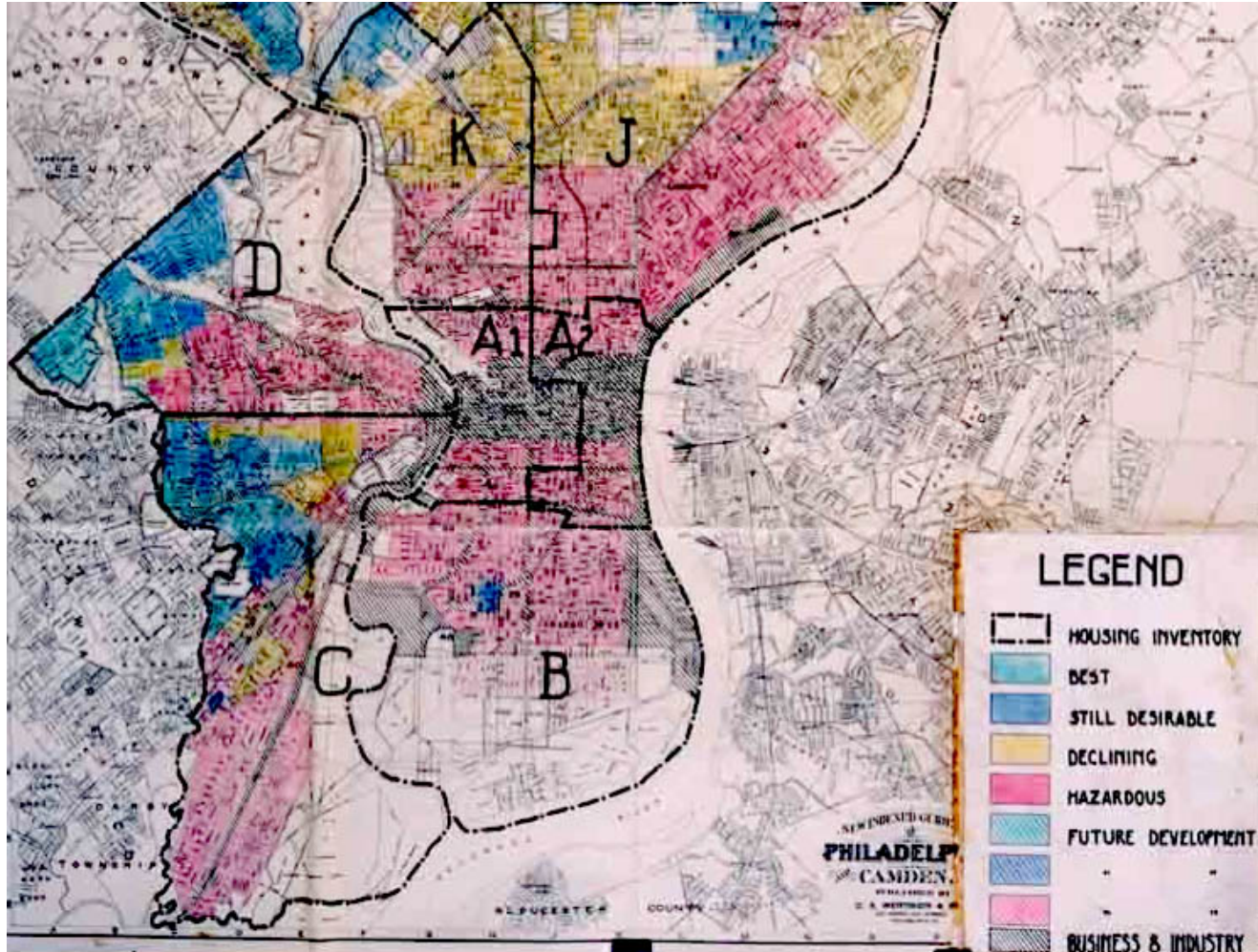
# Pockets of Poverty: The Long Term Effects of Redlining

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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

# 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

Panel A: Median Splits: House Price Growth (1940-1960)						
	(1)		(2)		(3)	
	Above	Below	Above	Below	Above	Below
$\mathbb{1}(dist < 0)$	-0.051*** (-3.36)	-0.042** (-2.11)	-0.072*** (-4.28)	-0.034** (-2.26)	-0.061*** (-4.34)	-0.030** (-2.16)
Bandwidth	250	250	500	500	1000	1000
Order Polynomial	1	1	2	2	3	3
<i>N</i>	28,241	43,674	44,888	68,407	58,342	87,894
<i>R</i> <sup>2</sup>	0.162	0.191	0.164	0.197	0.166	0.205
Panel B: Median Splits: House Price Growth (1960-1990)						
	(1)		(2)		(3)	
	Above	Below	Above	Below	Above	Below
$\mathbb{1}(dist < 0)$	-0.023 (-1.39)	-0.073*** (-4.58)	-0.036** (-2.04)	-0.067*** (-5.05)	-0.027* (-1.96)	-0.064*** (-5.25)
Bandwidth	250	250	500	500	1000	1000
Order Polynomial	1	1	2	2	3	3
<i>N</i>	39,253	32,662	61,857	51,438	80,535	65,701
<i>R</i> <sup>2</sup>	0.191	0.169	0.201	0.172	0.210	0.175

# 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](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!