

Neighborhood Effects

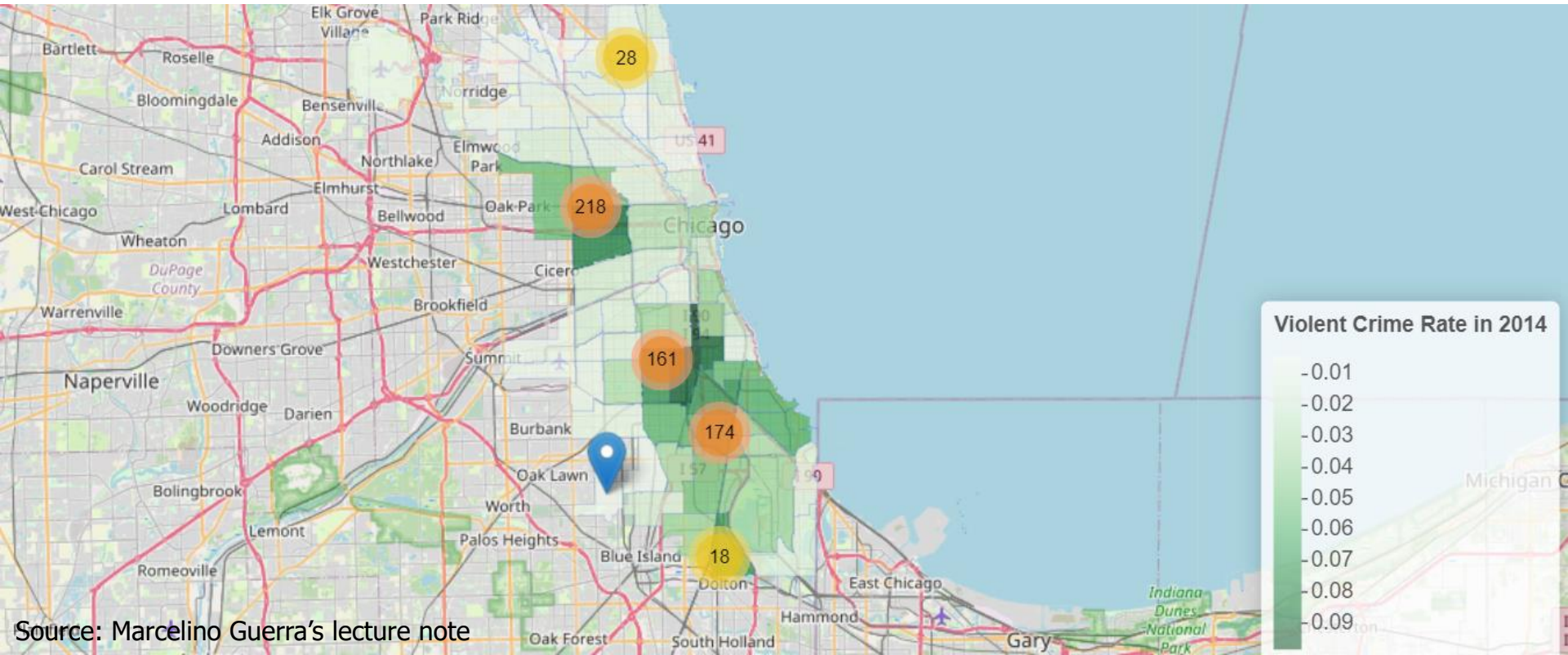
RE420: URBAN AND REGIONAL ECONOMICS

Introduction

- We know that we are largely affected by the people and environment around us
 - Which clothes to buy, whether to drink or study for the midterm, etc.
- Given the power of social interactions, it's worth asking:
 - What are the social and economic impacts of the neighborhoods we live?

Introduction

< Violent Crime Rate in Chicago, IL >



Source: Marcelino Guerra's lecture note

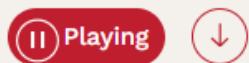
Introduction

CHILDREN'S HEALTH, INCOME INEQUALITY, NEWS

Study: Past housing discrimination affects present childhood asthma risk

In Madison and 6 other US cities, children had a higher asthma risk in neighborhoods hurt by redlining

BY HOPE KIRWAN • SEPTEMBER 26, 2024



“This is an example where a willful lack of investment in neighborhoods in the 1930s led to really poor social conditions, that then led to increased rates of asthma and likely other diseases in children,” Gern said.

Source: <https://www.wpr.org/news/study-housing-discrimination-affects-childhood-asthma-risk>

Introduction

- In exploring this topic, we aim to address the third question raised in the last class regarding segregation:
 1. To what extent are people segregated?
 2. If significant segregation exists, what are the driving factors behind it?
 - 3. What are the social and economic consequences of such segregation?**

Introduction

- In exploring this topic, we aim to address the third question raised in the last class regarding segregation:
 1. To what extent are people segregated?
 2. If significant segregation exists, what are the driving factors behind it?
 - 3. What are the social and economic consequences of such segregation?**
- Segregation is an outcome that becomes a cause!

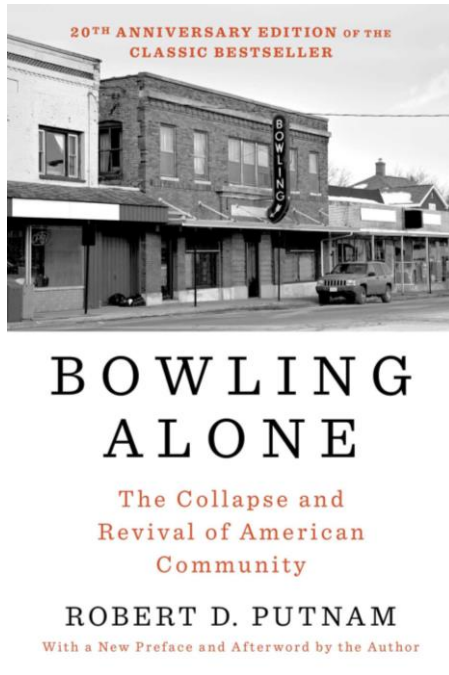
Neighborhood Effects on Social Disorder & Deviance

Neighborhood Effects on Disorder: Social Control Theory

- As shown in the previous map, violence is not randomly distributed over space
- What are the social processes that might explain the variation in crime rates?
- The social control theory associates criminal conduct with ***social bonds*** such as personal attachment to others, believing in wider social values, etc.
 - When those bonds are strong, there is a low probability of engagement in illicit activities

Neighborhood Effects on Disorder: Social Control Theory

- “Bowling Alone” by Robert D. Putnam



- Documents the decline of ***social capital*** in the US since 1950
 - Social capital: connections, social networks and the norms of reciprocity and trustworthiness among individuals
- Strong association of social capital and
 1. Neighborhood safety
 2. Education and children's welfare
 3. Economic prosperity
 4. Health and happiness
 5. Democracy

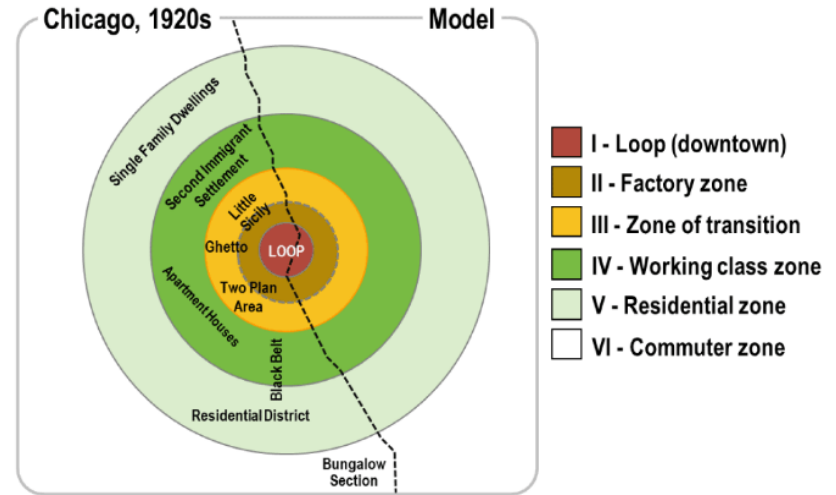
Neighborhood Effects on Disorder: Social Control Theory

Sampson, Raudenbush, and Earls (1997) "Neighborhoods and Violent Crime: A Multilevel Study of Collective Efficacy", *Science*, 277(5328) pp.918-924

- To measure informal social controls, Sampson, Raudenbush, and Earls (1997) interviewed 8,782 residents of Chicago in 343 neighborhoods
 - Residents were asked how likely their neighbors were to intervene in situations like children skipping school, showing disrespect to adults, etc.
 - Respondents were asked how strongly they agreed with statements like "people here can be trusted" and "neighbors are willing to help each other."
 - Then, they created ***collective efficacy*** as a summary measure of each neighborhood's social bonds or social capital
- They found: ***Collective efficacy*** was highly correlated with low rates of violence

Other Theories: Social Disorganization

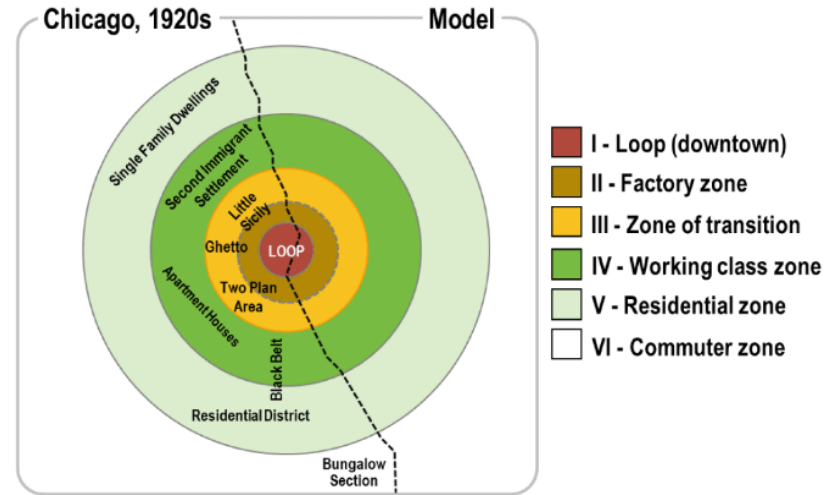
- Consider a city that is divided into concentric circles
- The center concentrates on commercial activities, which grow continuously over time
- With this expansion, part of the population decides to move, and some then residential spots are transformed into offices/factories
- That deterioration of residential zone was called **Social Disorganization**



Source: Marcelino Guerra's lecture note

Other Theories: Social Disorganization

- The deterioration of residential zone (i.e., zone of transition) is characterized by dilapidated buildings, heterogeneous population, and constant inflows of international migrants with low-income/low-education
- There is a strong correlation between delinquency and other community characteristics
 - For instance, a neighborhood with residents frequently moving out has lower interactions between neighbors and lower informal social controls



Source: Marcelino Guerra's lecture note

Other Theories: Social Learning

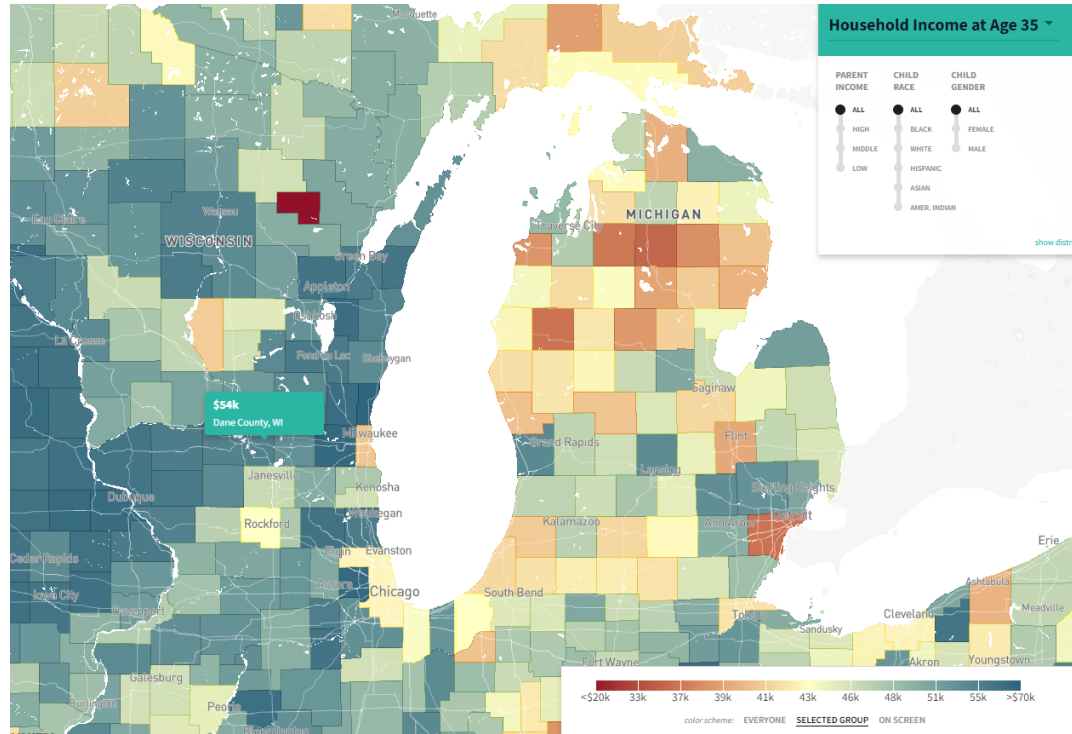
- **Social learning theory** argues that crime is a result of a process of assimilation and socialization that comes from interactions with people in the same social circle
 - E.g., Differential Association by Sutherland (1939): “criminal behavior is something people learn during the communication/interaction with others close to them”

Neighborhood Effects on Individual Outcome

Opportunity Atlas

- **Opportunity Atlas** is a freely available interactive mapping tool that traces the roots of outcomes such as poverty and incarceration back to the neighborhoods in which children grew up
- Anonymized data on 20 million Americans who are now in their mid-thirties
- Map these individuals back to the census tract they grew up
- For each of the 70,000 tracts in America, summarize children's average earnings, incarceration rates, and other outcomes by their parental income level, race, and gender

Opportunity Atlas



<https://www.opportunityatlas.org>

Opportunity Atlas

Chetty, Friedman, Hendren, Jones, Porter (2020) “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility”

Finding 1: Children’s outcomes in adulthood vary sharply across nearby neighborhoods

- Children who grow up a few miles apart in families with comparable incomes have very different life outcomes
- E.g., incarceration rates for Black men who grew up in very low-income families in central Los Angeles
 - 44% of Black men who grew up in Watts were incarcerated on April 1, 2010
 - 6.2% of Black men who grow up in families with similar incomes in central Compton, 2.3 miles south of Watts, were incarcerated on the same day

Opportunity Atlas

Chetty, Friedman, Hendren, Jones, Porter (2020) “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility”

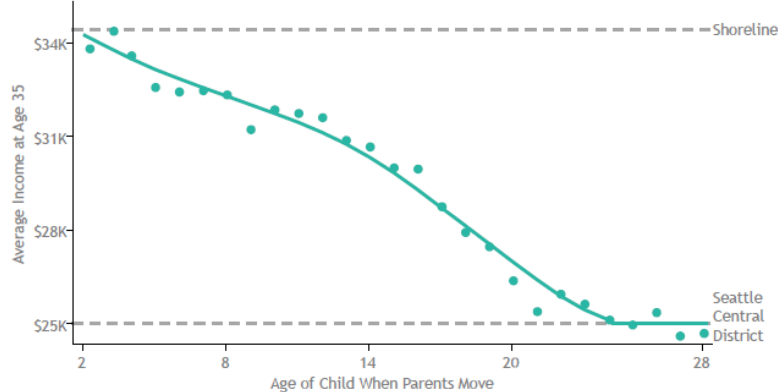
Finding 2: Places that have good outcomes for one racial group do not always have good outcomes for others

- Many think of neighborhoods as either “good” versus “bad” for everyone.
- Outcomes can differ sharply across people who grow up in the same neighborhoods by race and gender

Opportunity Atlas

Chetty, Friedman, Hendren, Jones, Porter (2020) “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility”

Finding 3: Moving to a better neighborhood earlier in childhood can increase a child’s income by several thousand dollars



- Average income (at age 35) of children raised in low-income families who move from the Central District of Seattle, a low-upward mobility area, to Shoreline, a high upward mobility area
- Children who make this move at birth earn \$9,000 more per year than those who move in their 20s.

Opportunity Atlas

Chetty, Friedman, Hendren, Jones, Porter (2020) “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility”

Finding 4: Historical data on children’s outcomes are a useful predictor of children’s prospects for upward mobility today

- Places that produced good outcomes in the past typically tend to produce good outcomes a decade later
- Historical outcome data prove to be much better predictors of outcomes than more recent data on poverty rates or test scores

Opportunity Atlas

Chetty, Friedman, Hendren, Jones, Porter (2020) “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility”

Finding 5: There are areas what they call “Opportunity Bargains,” affordable neighborhoods that produce good outcomes for children

- Oxon Hill (Washington DC)
- North Quincy (Boston)
- Alhambra/San Gabriel (LA)
- Laurel/Dimond (San Francisco)
- Bedford Park (NYC)
- Harper Woods (Detroit)
- Druid Hills/North Druid Hills (Atlanta)
- Oxford Circle/Castor (Philadelphia)
- West Ridge/West Rogers Park (Chicago)
- Alief (Houston)

Experimental Approach: MTO (1994)

Need for a Quasi-Experimental Setting

- Moving to a better neighborhood looks beneficial for improving individuals' socioeconomic status
- However, there are two possibilities:
 1. Neighborhood environments may indeed have influences on individuals, contributing to improved outcomes
 2. Individuals who move to better neighborhoods may already have characteristics or potential to succeed compared to those who remain in disadvantaged areas
- If there is any influence from the second story, then the positive neighborhood effects must be over-estimated

Experimental Approach: MTO (1994)

- **The Moving to Opportunity (MTO) Experiment** was designed to explore the effects of increasing the mobility of households from high-poverty areas
 - 4,600 families located in deeply impoverished neighborhoods
 - Baltimore, Boston, Chicago, Los Angeles, and New York
 - Random assignment of families into three groups
 - *Experimental group*: the housing vouchers could be only be used in census tracts with 1990 poverty rates below 10 percent
 - *Section 8 group*: regular Section 8 housing vouchers that had no additional locational constraints
 - *Control group*: received no assistance through MTO

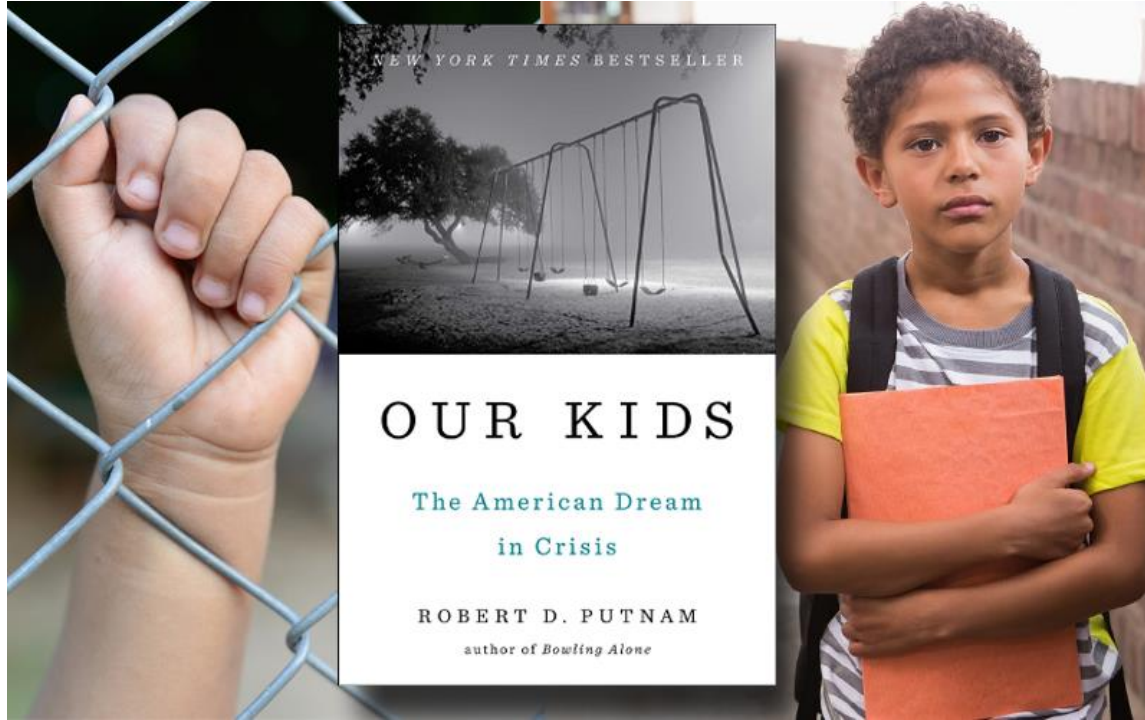
Experimental Approach: MTO (1994)

Chetty, Hendren, Katz, (2016) "The effects of exposure to better neighborhoods on children: New evidence from the MTO experiment" *American Economic Review* 106(4), pp.855-902

- For younger children (below age 13 at random assignment), MTO increases college attendance and earnings, and reduces single parenthood rates in the experimental group
- For older children (13-18 years old at random assignment), MTO has slightly negative impacts on adult earnings and college attendance in the experimental group
 - Perhaps because of disruption effects: moving to a very different environment as an adolescent could disrupt social networks

Video Clip

Robert Putnam, "Our Kids" (6:09)



Key Takeaways

- Understand the effects of neighborhoods on social and individual outcomes
- Understand the mechanisms through which neighborhoods influence socioeconomic outcomes
- (Optional) Readings
 - Putnam, R.D., 2016. Our kids: The American dream in crisis. Simon & Schuster.
 - Putnam, R.D., 2000. Bowling alone: The collapse and revival of American community. Simon & Schuster.
 - Chetty, R., Hendren, N. and Katz, L.F., 2016. The effects of exposure to better neighborhoods on children: New evidence from the moving to opportunity experiment. *American Economic Review*, 106(4), pp.855-902.