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# Blockbusting and the Challenges Faced by Black Families in Building Wealth through Housing in the Postwar United States

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## Abstract

We study the impacts of blockbusting, i.e. large-scale racial turnover of urban neighborhoods orchestrated by realty professionals using aggressive and discriminatory practices. In large U.S. cities, we compare neighborhoods subjected to blockbusting to other similar neighborhoods mostly in the 1950s-1960s. We find that blockbusting caused substantially lower house values in 1980 and 1990. To understand the mechanisms, we analyze property-level data in one neighborhood of Baltimore, Maryland. We find that new residents that purchased their properties through blockbusters were charged higher prices and had higher foreclosure rates than new residents that purchased directly from existing property owners.

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## Introduction

In the late 1940s and 1950s, the confluence of segregated housing, low construction rates of housing for Black residents, and in-migration of additional Black residents during the Great Migration resulted in an urgent demand for additional and better-quality housing for Black residents in many cities. The result was the widespread practice of blockbusting, in which real estate professionals orchestrated the rapid racial turnover of urban neighborhoods. Blockbusters stirred up panic to cause the egress of existing White residents based on their racial prejudices and financial fears and exploited the vulnerabilities of incoming Black residents, who faced few housing options and uneven access to credit. Overall, blockbusting is an infamous episode of discrimination in the history of US housing and mortgage finance markets. It became less prevalent after it was outlawed nationally as part of the Fair Housing Act of 1968.<sup>1</sup>

Journalists and scholars have written about the aggressive and discriminatory practices employed by blockbusters in many cities in the 1950s and 1960s.<sup>2</sup> In this paper, we complement those works by empirically assessing the financial impact of these predatory practices on the new Black homeowners. We conduct this analysis at two geographic levels. First, we analyze a cross-section of neighborhoods, in 35 large American cities, that we identify as having been the sites of blockbusting from historical sources. Second, we analyze individual property transactions in one neighborhood in Baltimore, Maryland, known as Edmondson Village, the site of one of the most notorious instances of blockbusting in American history (Orser 1994).

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<sup>1</sup> The Fair Housing Act prohibits “For profit, to induce or attempt to induce any person to sell or rent any dwelling by representations regarding the entry or prospective entry into the neighborhood of a person or persons of a particular race, color, religion, sex, handicap, familial status, or national origin.”

The code of federal regulations, § 100.85 Blockbusting, prohibits “(1) Engaging, for profit, in conduct (including uninvited solicitations for listings) which conveys to a person that a neighborhood is undergoing or is about to undergo a change in the race, color, religion, sex, handicap, familial status, or national origin of persons residing in it, in order to encourage the person to offer a dwelling for sale or rental. (2) Encouraging, for profit, any person to sell or rent a dwelling through assertions that the entry or prospective entry of persons of a particular race, color, religion, sex, familial status, or national origin, or with handicaps, can or will result in undesirable consequences for the project, neighborhood or community, such as a lowering of property values, an increase in criminal or antisocial behavior, or a decline in the quality of schools or other services or facilities.”

<sup>2</sup> Taylor (2019, pp. 48-50) provides an overview of blockbusting. Many historical accounts detail blockbusting practices in specific cities. Baltimore is discussed by Orser (1994); Chicago by Seligman (2005), Satter (2010), and Marchiel (2022); Cleveland by Michney (2017); Kansas City by Gotham (2002); Detroit by Sugrue (2005); Queens, NY by Rothman (1980); and Buffalo by Goldman (2010) and Kraus (2000). This is not an exhaustive list of all blockbusting episodes across the US, just some of the most well-known ones. Legal scholars have also written about blockbusting and the law, including Mehlhorn (1998), Moskovitz (1977), and Glassberg (1972).

In our analysis of urban neighborhoods, we identify several hundred census tracts that were the sites of blockbusting across 35 cities. We empirically find that blockbusting tended to occur in neighborhoods adjoining existing Black population centers, as Black residents looked for new housing opportunities nearby. To estimate the causal impact of blockbusting, we compare tracts that experienced blockbusting to neighboring ones that did not but shared ex-ante characteristics that predict blockbusting. Econometrically, we use a propensity score weighting technique, weighting the control tracts as a function of their propensity for being subjected to blockbusting. We find that these two groups of neighborhoods were on similar trends prior to the 1950s, after which housing values became substantially lower in neighborhoods subjected to blockbusting relative to the contiguous areas. The effect on housing values peaked in magnitude in 1980 at about -13 percent. We show that these results are robust to a variety of alternative assumptions and empirical specifications.

To understand the mechanisms behind the effect of blockbusting on housing values, we conduct a second exercise using property-level data in one neighborhood in Baltimore, Maryland: Edmondson Village, the site of some of the most notorious blockbusting activity in American history. During the 1950s and 1960s, nearly every one of the 20,000 residents of this neighborhood moved out, while the Black population climbed from virtually zero to 96 percent. We digitize real estate transactions in Edmondson Village from 1954 to 1976.<sup>3</sup> We find that blockbuster middlemen sold properties at a 55 percent markup on average, which community groups at the time called “the Black tax” (Activists Inc 1971). Those who bought properties via blockbusters experienced a 17 percent foreclosure rate, compared to 2 percent among those who bought directly from prior residents. Other new residents acquired their properties via risky installment contracts, the focus of many historical accounts of blockbusting given the predatory nature of many such contracts, and we also find a high rate of dispossession among such households. Overall, the Edmondson Village data combined with the census tract analysis suggest that blockbusting led to significant downward pressure on house prices because blockbusters left new residents with severe financial burdens.

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<sup>3</sup> These data contributions are preceded by similar work by a group of community activists known as Activists Inc. in Baltimore during the late 1960s and 1970s. Using a large team of volunteers, they used contemporary computers to assemble a data set of thousands of real estate transactions in Baltimore. A summary of their findings is reported in US Congress (1971), pp. 321-347. We have been able to locate a copy of one of the three reports they produced (Activists, Inc 1971), but not the other two or the underlying data. In addition, George, Hendley, Macnamara, Perez, and Vaca-Loyola (2019) analyze data on installment contracts in Chicago.

These results directly bear on the history of wealth building by Black families in the postwar period. Scholars in this literature tend to emphasize that, through housing market and housing finance discrimination, Black families were excluded from key wealth building opportunities. This paper provides a window into the moment when some Black families entered into homeownership for the first time. At that moment, blockbusters extracted wealth and left new homeowners with onerous if not predatory financial obligations. In addition, these results help elucidate the role of blockbusters in expediting the racial tipping of neighborhoods, as explored by Card, Mas, and Rothstein (2008) and Ouazad (2015).

## **Part 1: Census tract analysis**

### *Data*

We consulted a large variety of sources—historical and modern news articles, books, and scholarly works—to identify urban neighborhoods within the 60 largest cities in the United States as of 1950 that experienced blockbusting in the 1950s, 1960s, or 1970s. (Though blockbusting was illegal nationally after 1968, we nevertheless find reports of a limited number of cases afterwards. Blockbusting was also illegal in certain municipalities before 1968.)

The online appendix details the sources and methods we use to create this dataset. We identify neighborhoods where blockbusting occurred by evaluating whether narrative sources indicate that there was a substantial amount of activity by real estate investors who actively promoted racial panic among existing residents and who bought and resold houses to Black residents on a large scale. As Smithsimon (2022) notes, racial turnover alone is not sufficient for an episode to be considered blockbusting, nor is an attempt to foster integrated housing the same as blockbusting. We also do not require any particular outcome to be associated with the episode, as not all blockbusting necessarily resulted in a wholesale population turnover.

We expect that our data collection methods underestimate the extent of blockbusting somewhat, given the inherent limitations in trying to find accounts, contemporary or later, of every blockbusting episode. Some instances of blockbusting may not have been recorded, or may have only been recorded in relatively obscure sources. However, if an episode of blockbusting was reported then we assume it almost certainly occurred. This will likely result in a type of measurement error known as one-sided misclassification. The error may be systematic,

in that we are more likely to miss the less impactful episodes of blockbusting. Even though we did not condition on impact in identifying episodes, journalists and scholars may have been less likely to report less impactful episodes. One sided misclassification means that our estimates may be viewed as a lower bound of the effects of blockbusting, because the control group may include areas where blockbusting occurred and had some effect. We loosely quantify the possible effects of one-sided misclassification in a robustness exercise.

Overall, we find narrative evidence of blockbusting in 45 of the 60 largest cities in 1950.<sup>4</sup> In our analysis, we exclude ten of these cities; five because we could not identify a specific neighborhood in which the blockbusting occurred; one in which the reference to blockbusting described an event prior to the 1950s; and four because they had not yet been tracted in the 1950 Decennial Census or because we were unable to obtain 1950 Census tract data for them, as tract-level data is needed for our analysis.<sup>5</sup> Therefore our final sample of cities contains 35 cities.<sup>6</sup>

We match the neighborhoods identified by narrative sources to census tracts using a few methods. We consult geographic markers provided by the historic sources, as well as modern shapefiles provided by each city delineating neighborhood boundaries as drawn today. To follow these census tracts over time, we form a panel based on 1950 tract boundaries. For each decennial census year from 1940 to 1990 excluding 1950, we create a tract relationship file measuring overlap of tracts in each of those years with each 1950 tract. Using these relationship files, we reweight the Census variables from each of the subsequent years to obtain estimated tabulations for the 1950 tract equivalents.

In our final sample, we identify neighborhoods covering 681 census tracts in 35 large cities that were the sites of blockbusting and that have tract data. Table 1 lists these cities. The final column shows that in some instances there were neighborhoods for which we were not able

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<sup>4</sup> The 15 cities for which we did not find evidence of blockbusting are Akron, Birmingham, Fort Worth, Jacksonville, Jersey City, New Orleans, Providence, Salt Lake City, San Antonio, San Diego, Seattle, Saint Paul, Syracuse, Tulsa, and Worcester. Note that because we treat Saint Paul and Minneapolis as one city, Saint Paul's tracts remain as potential comparison areas.

<sup>5</sup> The five cities in which we identified blockbusting as occurring, but in which we could not identify specific neighborhoods where that activity occurred, are Dallas, Dayton, Des Moines, and Nashville, and Wichita. Miami is excluded because the reference to blockbusting is regarding the 1940s. Grand Rapids and Youngstown had not yet been tracted. Los Angeles and Newark were tracted in 1940, but tract level data for Los Angeles were only partially available in 1950 and were unavailable for Newark in 1950.

<sup>6</sup> These 35 cities are Atlanta, Baltimore, Boston, Buffalo, Chicago, Cincinnati, Cleveland, Columbus, Denver, Detroit, Washington D.C., Flint, Hartford, Houston, Indianapolis, Kansas City, Long Beach, Louisville, Memphis, Milwaukee, Minneapolis/Saint Paul, New Haven, New York, Norfolk, Oakland, Oklahoma City, Omaha, Philadelphia, Pittsburgh, Portland, Richmond, Rochester, San Francisco, St. Louis, and Toledo.

to determine the decade in which blockbusting occurred. Our main results assume that blockbusting occurred in the 1960s (the modal blockbusting decade) in these neighborhoods. We also present a robustness check that assumes that blockbusting occurred in the 1950s in these neighborhoods.

Table 1: Blockbusting tracts by city and decade

City	1950	1960	1970	No Decade Available
Atlanta	-	8	-	-
Baltimore	8	1	-	3
Boston	-	32	4	-
Buffalo	27	-	-	-
Chicago	65	32	-	28
Cincinnati	14	2	-	8
Cleveland	22	-	-	-
Columbus	4	-	-	-
Denver	3	-	-	2
Detroit	3	3	-	4
Flint	3	2	-	-
Hartford	-	1	-	-
Houston	5	-	-	4
Indianapolis	8	-	-	-
Kansas City	-	26	-	2
Long Beach	-	7	-	-
Louisville	5	3	-	16
Memphis	-	3	-	-

Milwaukee	-	-	4	-
Minneapolis	-	9	-	-
New Haven	2	-	-	-
New York	16	167	-	-
Norfolk	-	6	-	-
Oakland	-	7	-	-
Oklahoma City	-	2	-	-
Omaha	19	-	-	-
Philadelphia	-	7	14	7
Pittsburgh	-	-	7	-
Portland	18	-	-	-
Richmond	7	-	-	-
Rochester	-	13	-	-
St. Louis	-	3	-	2
San Francisco	-	6	-	-
Toledo	-	-	6	-
Washington DC	1	-	-	-

The blockbusting census tracts that we identify account for about 10 percent of all census tracts that did not have a majority Black population in 1950 in these cities and their surrounding metropolitan areas.<sup>7</sup> This figure may be either an overestimate or an underestimate of the extent of blockbusting. It could be an overestimate if blockbusting only occurred in some of the tracts that comprised a neighborhood where we have found evidence of blockbusting. On the other hand, the 10 percent figure could be an underestimate of the extent of blockbusting if the historical record available to us does not comprehensively account for all such episodes or if episodes occurred tracted cities in the same metropolitan area but outside of the 35 primary cities.

As an example, in Baltimore, we identify blockbusting in 12 census tracts out of 139 (9 percent) in the city that did not have a majority Black population in 1950. This includes the two tracts that comprised Edmondson Village (analyzed in detail in the second part of this paper), as well as tracts in some nearby neighborhoods known as Forest Park, Ashburton, Liberty Heights, Walbrook, and Windsor Hills, and some in other parts of the city such as Montebello, Northwood, and Ellwood Park. We performed one consistency check of whether we are capturing every neighborhood with blockbusting in Baltimore, enabled by deed and mortgage records that we explore in more detail in the second part of this paper. In those data, after 1965

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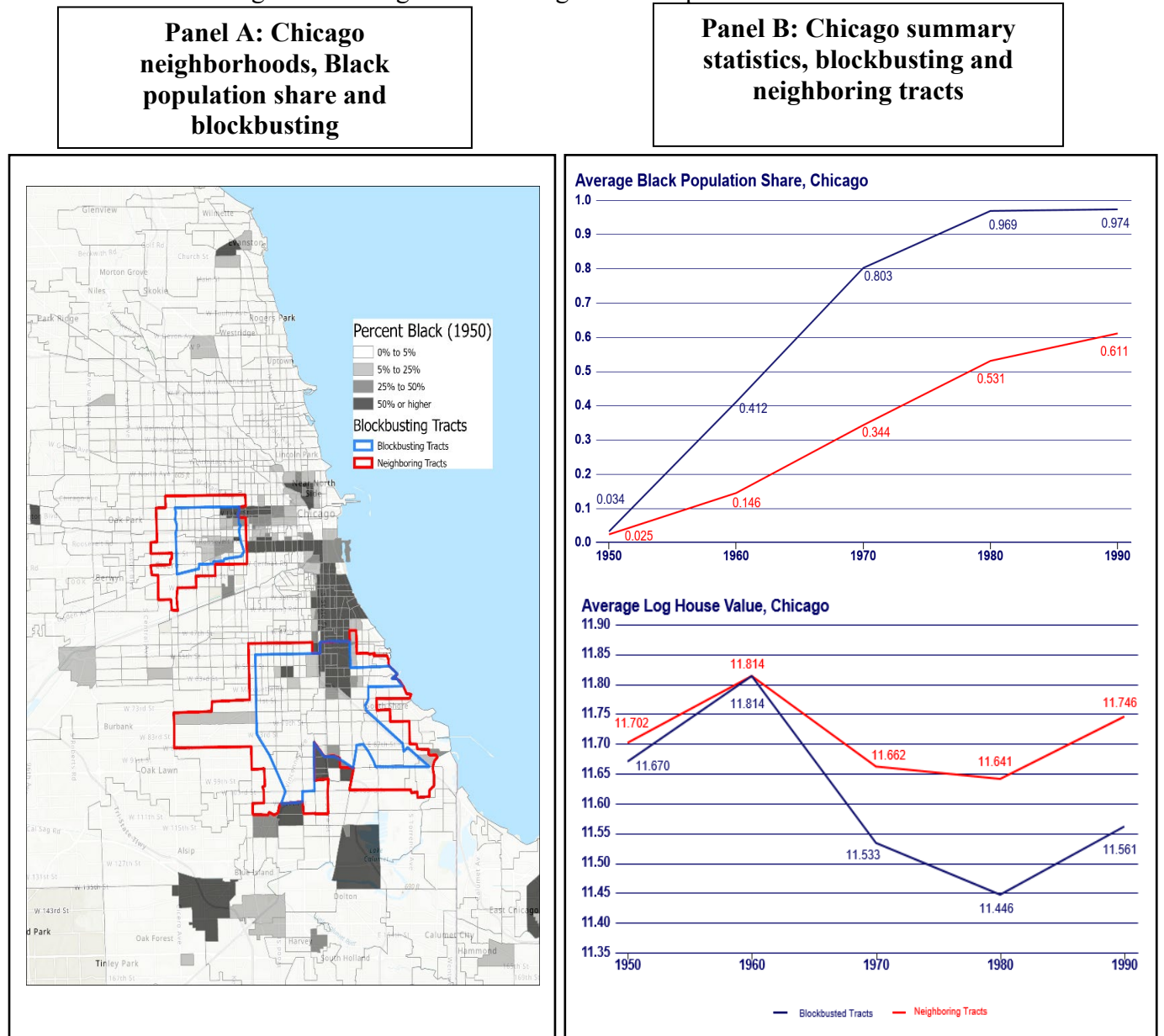
<sup>7</sup> We include other cities that were tracted in 1950 and in the same metropolitan area as our 35 blockbusting cities as potential control areas.



we are able to identify the use of installment contracts—a notorious form of lending commonly used by blockbusters that contrasts with a conventional mortgage because the blockbuster held title to the house until an entire stream of installment payments were made. We find that the geographic pattern of installment contract usage overlaps very closely with the neighborhoods where blockbusting occurred as identified from narrative sources.

As another example, in Chicago, we identified blockbusting in 144 of 805 (18 percent) census tracts that did not have a majority Black population in 1950. This large share of tracts is consistent with many historical discussions of widespread blockbusting in Chicago, including infamous episodes in neighborhoods such as Lawndale and Englewood. Figure 1 Panel A shows a map of the 1950 boundary census tracts for Chicago. The tracts are shaded in gray according to their Black population share in 1950. The blockbusting tracts are outlined in blue, and the neighboring (adjacent) tracts are outlined in red. The map shows two contiguous areas of blockbusting activity, one on the west side and the other on the south side. Panel B shows how the Black population share and average inflation-adjusted log home values evolved from 1950 through 1990 in the blockbusting tracts and in the neighboring tracts. In Chicago, the blockbusting tracts rise from about a 3.4 percent Black population share in 1950 to about a 97 percent Black population share in 1980. The neighboring tracts rise from a 2.5 percent Black population share in 1950 to a 53 percent Black population share in 1980. While both sets of tracts see initial increases in inflation-adjusted home values from 1950 to 1960, the blockbusting tracts see a much sharper decline in home values from 1960 to 1980, losing roughly 37 log points versus only about 17 log points in the neighboring tracts.

Figure 1: Chicago blockbusting and descriptive statistics



*Summary Statistics*

Table 2 displays characteristics of the census tracts in our samples in 1950 (Panels A and B) and the changes in some of those characteristics from 1940 to 1950 (Panel C). We limit the sample to tracts that did not have a majority Black population in 1950 (since, essentially by

definition, blockbusting could not have occurred in areas that were already majority Black). The sample in Panel C contains 3 fewer cities, which had not been tracted in 1940.

Table 2 Panel A: Descriptive statistics in 1950

VARIABLES (1950)	Full Sample				Restricted Sample (Blockbusting & Neighboring Tracts) (Unweighted)				Restricted Sample (Blockbusting & Neighboring Tracts) (Weighted)	
	Mean	SD	Difference*	P-Value	Mean	SD	Difference*	P-Value	Difference*	P-Value
Log Rent	6.216	0.326	-0.003	0.820	6.216	0.302	-0.005	0.756	0.009	0.643
Log House Value	11.62	0.391	-0.054	0.001	11.58	0.355	-0.024	0.219	0.006	0.774
Share Black	0.033	0.082	0.014	0.000	0.040	0.090	0.012	0.016	0.001	0.923
Home Ownership Rate	0.485	0.244	-0.020	0.040	0.485	0.240	-0.036	0.006	-0.005	0.729
Vacancy Rate	0.026	0.049	-0.006	0.001	0.022	0.031	-0.004	0.016	0.000	0.974
Population Density (thousand people per square mile)	21.50	22.84	4.977	0.000	22.73	22.44	6.553	0.000	0.621	0.660
Distance from Nearest Majority Black Tract (miles)	2.975	2.675	-1.524	0.000	1.845	1.615	-0.478	0.000	-0.053	0.624
Distance from Nearest Highway (miles)	1.049	1.010	0.089	0.029	1.100	0.823	0.059	0.191	0.008	0.875
Share of Area HOLC Rated "A"	0.027	0.122	-0.007	0.147	0.030	0.133	-0.020	0.007	0.001	0.879
Share of Area HOLC Rated "B"	0.135	0.276	0.011	0.308	0.142	0.276	0.008	0.613	0.001	0.939
Share of Area HOLC Rated "C"	0.348	0.383	0.016	0.315	0.358	0.373	0.009	0.671	0.005	0.811
Share of Area HOLC Rated "D"	0.203	0.334	0.070	0.000	0.219	0.340	0.095	0.000	0.003	0.880
Northern European Population Share	0.041	0.033	-0.001	0.394	0.037	0.029	0.005	0.002	0.000	0.785
Eastern European Population Share	0.047	0.058	0.007	0.003	0.048	0.064	0.011	0.002	0.001	0.856
Southern European Population Share	0.027	0.041	0.000	0.774	0.024	0.036	0.004	0.030	0.001	0.812
Other Foreign-Born Population Share	0.018	0.020	-0.003	0.000	0.015	0.015	0.000	0.999	0.000	0.621
Observations	6,566				1,345				1,345	
Cities	35				35				35	

Table 2 (continued) Panel B: Additional descriptive statistics in 1950

VARIABLES (1950)	Full Sample				Restricted Sample (Blockbusting & Neighboring Tracts) (Unweighted)				Restricted Sample (Blockbusting & Neighboring Tracts) (Weighted)	
	Mean	SD	Difference*	P-Value	Mean	SD	Difference*	P-Value	Difference*	P-Value
Distance from Nearest Public Housing Building built before 1970 (miles)	3.182	6.449	-1.090	0.000	2.673	6.156	-0.949	0.005	-0.106	0.796
Number of Public Housing Buildings built before 1970 within a Quarter-Mile	0.135	0.984	0.093	0.020	0.170	1.120	0.098	0.108	-0.046	0.423
Number of Public Housing Buildings built before 1970 within a Half-Mile	0.591	2.966	0.399	0.001	0.779	3.798	0.343	0.098	-0.090	0.656
Number of Public Housing Buildings built before 1970 within a Mile	2.391	8.413	0.869	0.011	3.057	10.37	0.231	0.684	0.673	0.269
Share of Area covered by Urban Renewal Project	0.046	0.183	0.027	0.000	0.066	0.214	0.010	0.391	0.022	0.182
Observations	6,566				1,345				1,345	
Cities	35				35				35	

\*Mean value for blockbusting tracts – mean value for non-blockbusting tracts

Table 2 (continued) Panel C: Descriptive statistics for changes from 1940 to 1950

VARIABLES (Change 1940 - 1950)	Full Sample				Restricted Sample (Blockbusting & Neighboring Tracts) (Unweighted)				Restricted Sample (Blockbusting & Neighboring Tracts) (Weighted)	
	Mean	SD	Difference*	P-Value	Mean	SD	Difference*	P-Value	Difference*	P-Value
Log Rent	-0.263	0.219	-0.012	0.276	-0.271	0.241	-0.005	0.777	-0.019	0.392
Log House Value	0.431	0.324	-0.011	0.518	0.415	0.343	0.013	0.591	-0.021	0.501
Share Black	0.015	0.058	0.011	0.000	0.019	0.062	0.012	0.003	0.001	0.768
Home Ownership Rate	0.097	0.093	0.003	0.492	0.100	0.093	0.000	0.979	-0.004	0.566
Vacancy Rate	-0.018	0.034	-0.002	0.241	-0.021	0.032	0.003	0.234	-0.004	0.087
Population Density (thousand people per square mile)	25.38	24.58	2.993	0.005	24.98	22.49	6.428	0.000	0.583	0.707
Cities	32*				32				32	

Note: Log Rent and Log House Values adjusted for inflation  
 \*Mean value for blockbusting tracts – mean value for non-blockbusting tracts  
 \*\*3 cities are lost (compared to 1950 sample) due to differences in tracted areas and urban expansion between 1940 and 1950

The left panel of Table 2 displays the mean and standard deviation of key characteristics for the full set of non-majority Black population tracts as well as the difference in means between the tracts where blockbusting occurred and the other tracts in the sample. We also report the p-value from a statistical test of the difference in means. The middle panel displays the same statistics but limits the sample to only tracts where blockbusting occurred and tracts that are adjacent to those tracts. Finally, the right panel uses the same sample as the middle panel, but we reweight the sample using inverse probability weights designed to make the blockbusting and neighboring tracts more comparable in terms of their 1950 characteristics. We describe the estimation of the weights in the next section.

In the full sample (left panel) the difference in means tests in Panel A show that the blockbusting tracts had roughly 5 percent lower home values, a 1.4 percentage point higher Black population share, a 2 percentage point lower homeownership rate, a 0.6 percentage point lower vacancy rate, roughly 5,000 more residents per square mile, were 1.5 miles closer to the nearest majority Black tract, were 0.09 miles farther from the nearest interstate highway, were 7 percentage points more likely to be located in a neighborhood that received a “D” grade in Homeowner Loan Corporation residential security maps that were created in the mid-to-late 1930s, had a 0.7 percentage point higher Eastern European share of the foreign born population, and had a 0.3 percentage point lower non-European share of the foreign born population.<sup>8</sup> Panel B shows that blockbusting tracts were closer to public housing (a large share of which was built during the 1950-1970 period), and had 2.7 percentage points of land area covered by urban renewal projects (also largely constructed during the 1950-1970 period).<sup>9</sup> Panel C shows statistically significant differences in the changes in Black population share and population density from 1940 to 1950, with the blockbusting tracts increasing in Black population share by 1.1 percentage points more and increasing in population density by about 3,000 residents per square mile more than the non-blockbusting tracts.

The fact that blockbusting tracts tended to be near tracts with a majority Black population share in 1950 is consistent with historical sources which emphasize that population movement of Black residents tended to happen especially in border areas around existing Black neighborhoods. On an intuitive level, it is easier to imagine population expansion to adjoining neighborhoods rather than distant ones. For example, a report on Chicago housing conditions in 1959 stated that the only places that the city’s Black residents were able to find additional housing was at the periphery of existing Black neighborhoods, “through the purchase of adjacent

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<sup>8</sup> Three cities in our sample (Minneapolis, Portland, and Rochester) did not have any Census tracts with a Black population share above 50% in 1950. For these cities, we use the distance to the nearest Census tract with a Black population share above 35%. We calculate the share of the area of each of the 1950 Census tracts in our sample that fall in neighborhoods that were assigned grades of A, B, C, and D on the Homeowners Loan Corporation residential security maps created in the 1930s. We obtained shape files of the georeferenced maps from the Mapping Inequality website from the University of Richmond’s Digital Scholarship Lab (Nelson et. al. 2021).

<sup>9</sup> We calculate public housing location and numbers of units using HUD’s database ([link](#)). The HUD database contains records of public housing buildings that existed on the day that we accessed it in October 2021. To focus on the period of interest we have dropped buildings that were constructed in 1970 or later. We find similar results if we do not drop these buildings. We calculate the share of the area of each of the 1950 Census tracts in our sample that fall within urban renewal project areas. We obtained shapefiles of georeferenced urban renewal project maps from the Renewing Inequality website from the University of Richmond’s Digital Scholarship Lab (Digital Scholarship Lab 2019).

white homes and the transition of the block or neighborhood” from White to Black residents. These border neighborhoods were also the most common sites of racial violence in the 1950s (US Commission on Civil Rights 1959a, p. 434).<sup>10</sup>

The tracts that are adjacent to blockbusting tracts (middle panel) appear to be a slightly better comparison group, with fewer statistically significant differences in 1950 characteristics and 1940-1950 trends. However, the blockbusting and comparison samples look most comparable once the inverse probability weights have been applied (right panel). As we describe in the next section, the weights are estimated using 1950 characteristics but not 1940 to 1950 trends. For this reason, the weights should be expected to make the differences in means in 1950 in the upper panel close to zero. It is reassuring that they also make the differences in means of the trends from 1940 to 1950 shown in the lower panel close to zero.

The restricted sample tracts including blockbusting and adjacent tracts have 1950 characteristics that are quite similar to the full sample. Unsurprisingly, the restricted sample tracts are closer on average to the nearest majority Black population tract at 1.8 miles rather than about 3 miles for the full sample. The population density is also higher in the restricted sample around 22.7 thousand residents per square mile compared to 21.5 thousand residents per square mile in the full sample. Interestingly, these tracts have a slightly lower vacancy rate than the full sample.

#### *Characteristics of tracts that were subjected to blockbusting*

Next, we investigate how the economic and demographic characteristics of Census tracts in 1950 correlate with blockbusting occurring in the tract over the next two or three decades. We use predictions from these estimates to form inverse probability weights to help balance the sample. Table 3 presents estimates of a probit model where the dependent variable is an indicator of whether the Census tract experienced blockbusting and the explanatory variables are the set of 1950 Census tract characteristics presented in Table 2 Panel A.<sup>11</sup> Specifically, we estimate

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<sup>10</sup> This pattern is consistent with the method of maintaining racial segregation that the Chicago Real Estate Board espoused in 1917, which we quote in footnote 4.

<sup>11</sup> We do not include the characteristics included in Table 2 Panel B, to avoid controlling for endogenous regressors since a large share of public housing and urban renewal projects were put in place in the 1950-1970 period. We do not control for the 1940-1950 trends in Table 2 Panel C to preserve as many cities as possible in our sample. Reassuringly, the rightmost column of Table 2 Panels B and C reveal no statistically significant differences in means even for these characteristics that were not included in the propensity score model.

$$(1) \quad 1\{Blockbusting\}_{i,c,t} = \beta x_{i,c,1950} + \alpha_c + \epsilon_{i,c,t}$$

where  $1\{Blockbusting\}_{i,c,t}$  is an indicator of whether blockbusting had occurred in tract  $i$ , in city  $c$ , by year  $t$ ,  $\alpha_c$  is a city fixed effect,  $x_{i,c,1950}$  are the characteristics of the tract in 1950,  $\beta$  is a vector of coefficients to estimate, and  $\epsilon_{i,c,t}$  is an error term. The first column presents results using the full sample of Census tracts and the second column presents results for the restricted sample where the comparison group is limited to tracts that are adjacent to blockbusting tracts. In the first column, the coefficient of -0.282 on distance from the nearest majority Black tract implies that tracts one mile farther away from a majority Black tract are roughly 28 percentage points less likely to experience blockbusting, signaling a connection between proximity to a majority Black neighborhood and the likelihood of experiencing blockbusting. In the second column, there are several coefficients of note. The coefficient on distance to the nearest majority Black tract is lower in magnitude implying that the decrease in the probability of blockbusting is likely non-linear, falling more slowly with distance to the nearest majority Black tract in the restricted sample than in the full sample. In addition to proximity to a majority Black tract, the Black population share of the tract shows a significant connection to the likelihood of blockbusting occurring in the neighborhood. According to the results in column 2, a 10 percentage point increase in the Black population share is associated with roughly a 10 percentage point increase (marginally statistically significant) in the likelihood of blockbusting occurring. Several other coefficients show statistically significant correlations with subsequent blockbusting. Higher home ownership rates, higher shares of the tract receiving an HOLC grade of B or D, and higher shares of Eastern European foreign-born residents are associated with a higher likelihood of blockbusting. This result suggests that even among communities with higher immigrant population shares, blockbusters may have more heavily targeted neighborhoods with large numbers of Eastern European immigrants. Higher rents also show a marginally significant association with blockbusting.

Table 3: Predicting neighborhoods that experienced blockbusting from 1950 characteristics

VARIABLES (1950)	Full Sample	Restricted Sample (Unweighted)
Distance from Majority Black tract (miles)	-0.282*** (0.103)	-0.156*** (0.0564)
Share Black	0.625 (0.498)	0.907* (0.486)
Home Ownership Rate	0.649*** (0.237)	0.614** (0.290)
Log Rent	0.709* (0.364)	0.665* (0.347)
Log House Value	-0.387** (0.193)	-0.291 (0.202)
Vacancy Rate	-0.947 (0.950)	-1.183 (0.730)
Population Density (thousands of people per square mile)	0.002 (0.002)	0.005 (0.003)
Distance from Nearest Highway (miles)	0.129 (0.138)	0.062 (0.073)
Share of Area HOLC Rated "A"	-0.201 (0.357)	-0.515 (0.432)
Share of Area HOLC Rated "B"	0.414*** (0.153)	0.519** (0.206)
Share of Area HOLC Rated "C"	0.188 (0.149)	0.072 (0.166)
Share of Area HOLC Rated "D"	0.361* (0.211)	0.520** (0.240)
Northern European Population Share	0.913 (2.229)	3.555 (2.987)
Eastern European Population Share	1.274 (0.820)	1.609** (0.649)
Southern European Population Share	0.805 (0.955)	1.873 (1.756)
Other Foreign-Born Population Share	-6.044 (4.488)	-2.578 (6.029)
Constant	-1.124 (1.987)	-1.378 (1.689)
Observations	6,566	1,345
Cities	35	35
R-Squared	0.179	0.092
Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1		
<i>Note: Log Rent and Log House Value adjusted for inflation</i>		

### Empirical Approach

Our basic empirical strategy is to run cross-sectional regressions in each decade from 1960 through 1990 to trace out the effects of blockbusting on a set of outcome variables. We estimate the following specification

$$(2) \quad y_{i,c,t} = \gamma 1\{Blockbusting\}_{i,c,t} + \delta x_{i,c,1950} + \alpha_c + \epsilon_{i,c,t}$$



where  $y_{i,c,t}$  represents the outcomes Black population share, population density, vacancy rate, log rent, log house value, and owner occupancy rate. The other variables are as defined in Equation (1). In particular,  $1\{Blockbusting\}_{i,c,t}$  is an indicator for whether blockbusting has occurred in tract  $i$  in any decade before year  $t$ .

### *Results*

We focus on outcomes in 1960, 1970, 1980, and 1990 and how they differed systematically across census tracts. Here, we examine a number of different outcome measures, including the Black population share, population density, average rents, average home values, home ownership rates, and vacancy rates.<sup>12</sup>

Figures 2 through 7 plot the coefficients from three different sets of estimates: unweighted estimates from the full sample (blue line), unweighted estimates from the restricted sample (orange line), and inverse probability weighted estimates from the restricted sample (red line). The figures show 95% confidence intervals for the latter estimates (red bars). These specifications are also presented in Panels A, B, and C of Tables 4 and 5.

Figure 2 plots our estimates of the effect of blockbusting on the Black population share over time. The estimates using the full sample attribute about a 20 percentage point increase in the Black population share to blockbusting by 1960 which rises to about 40 percentage points by 1980 and remains just below 40 percentage points through 1990. The full sample uses all of the non-majority Black census tracts in the neighborhoods where we did not find narrative evidence of blockbusting as a comparison group for the blockbusting neighborhoods. One potential concern is that we may be comparing blockbusting tracts to distant tracts in other parts of the city that were on different trajectories. The restricted sample mitigates this concern by using only tracts that are adjacent to the blockbusting neighborhoods. The restricted sample shows a smaller effect of blockbusting on the Black population share. These effects are quite similar whether the restricted sample is weighted using inverse probability weights (red line) or not

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<sup>12</sup> We get quite similar results when we switch to a two-way fixed effects panel regression specification using our data in a panel format that includes decennial Census data from 1940 through 1990. In these specifications we use year effects and either metro fixed effects or tract fixed effects. Either specification yields similar results to the cross-sectional regression results presented in this section. Furthermore, the coefficients on the interaction on an indicator for 1940 and an indicator for whether blockbusting ever occurred in the tract is always economically small and statistically indistinguishable from zero (confirming the lack of pre-trends shown in the difference in mean tests shown in Table 2 Panel C).

(orange line). Both estimates show that blockbusting is associated with an increase in the Black population share of about 7 or 11 percentage points in 1960 which rises to 19 percentage points by 1980 and then falls slightly to about 17 percentage points in 1990.

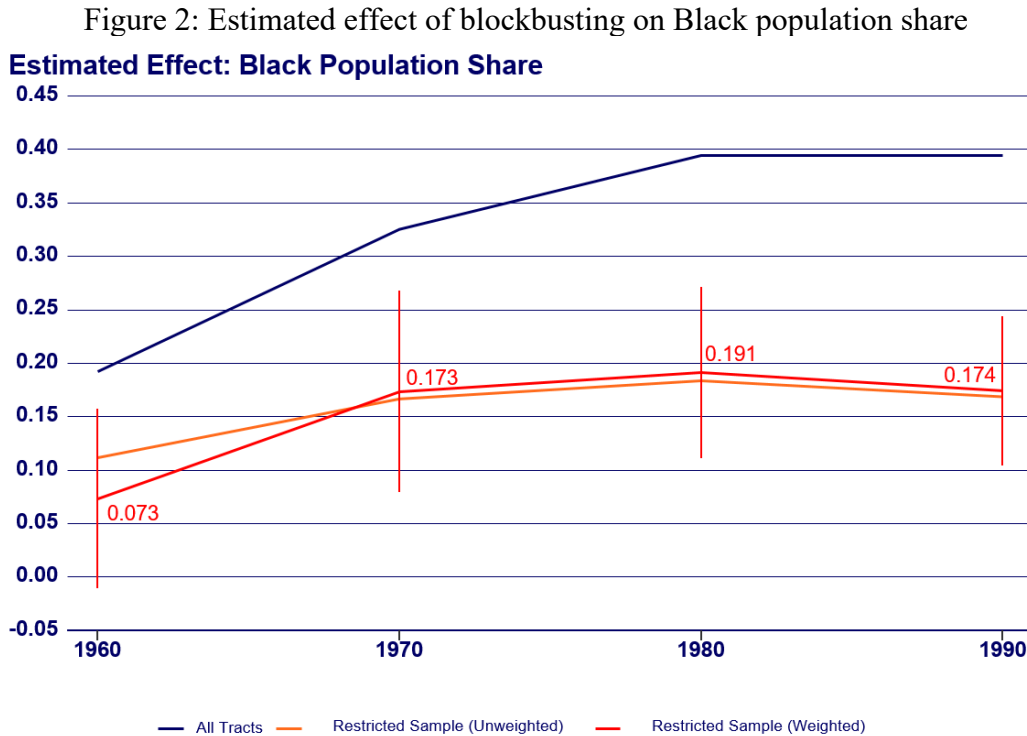
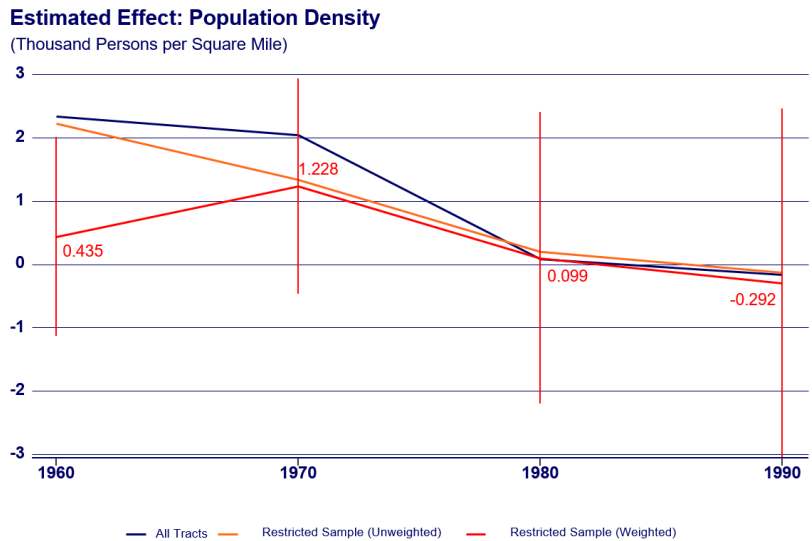


Figure 3 plots our estimates of the effect of blockbusting on population density. Our preferred specification, the weighted version of the restricted sample, shows that blockbusting increased population density by about 1.2 thousand people per square mile in 1970 (though not statistically different from zero). This effect falls back to roughly zero by 1980 and falls a bit further (though remains statistically indistinguishable from zero) in 1990.

Figure 3: Estimated effect of blockbusting on population density



We show our estimates of the effect of blockbusting on the vacancy rate of housing units in Figure 4. The figure reveals an increase in the vacancy rate of about 1.3 percentage points by 1990 when estimated with the full sample (blue line). However, when we estimate the effects of blockbusting on the vacancy rate using the restricted sample, we find a much smaller 0.6 (weighted) or 0.4 (un-weighted) percentage points which is not statistically different from zero.

Figure 4: Estimated effect of blockbusting on vacancy rate

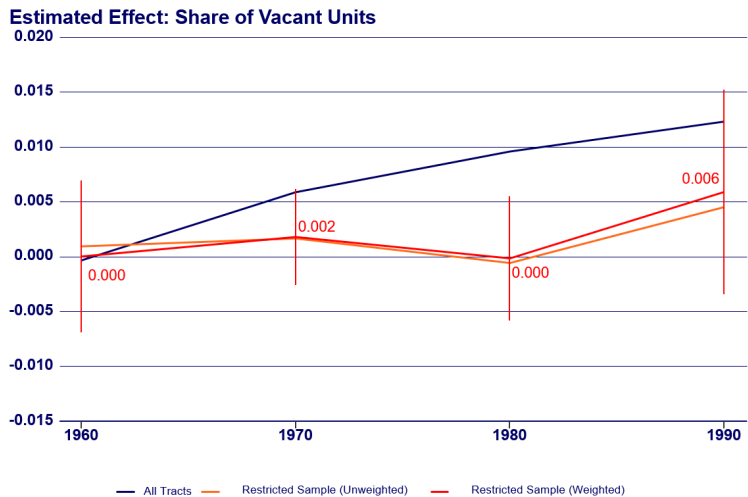
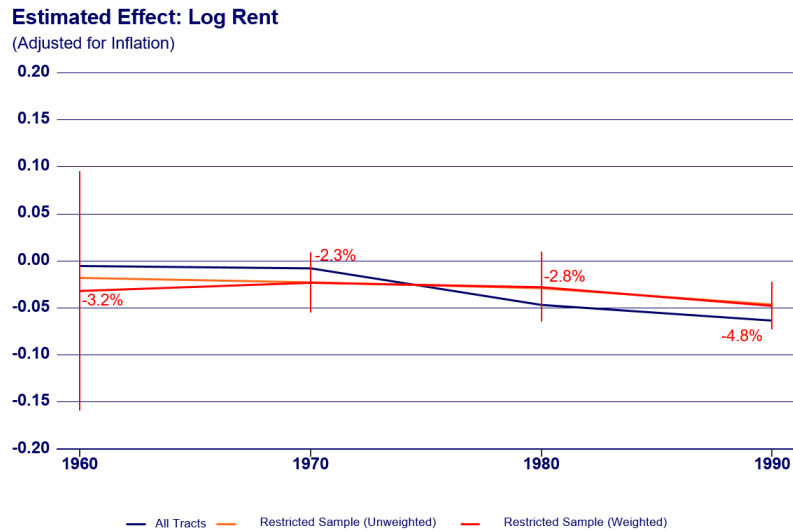


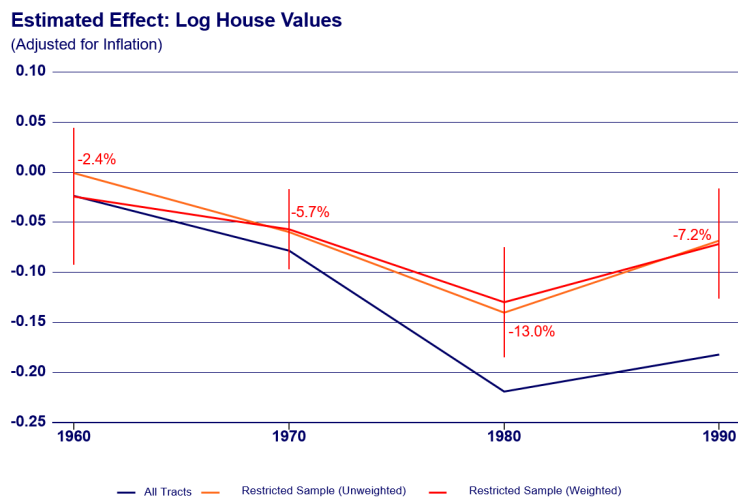
Figure 5 shows the effect of blockbusting on average rents. Our preferred estimate shows a slight decrease in rents in 1960 of one percent, though not statistically significant. This effect increases in magnitude to -4.8 percent by 1990.

Figure 5: Estimated effect of blockbusting on rents



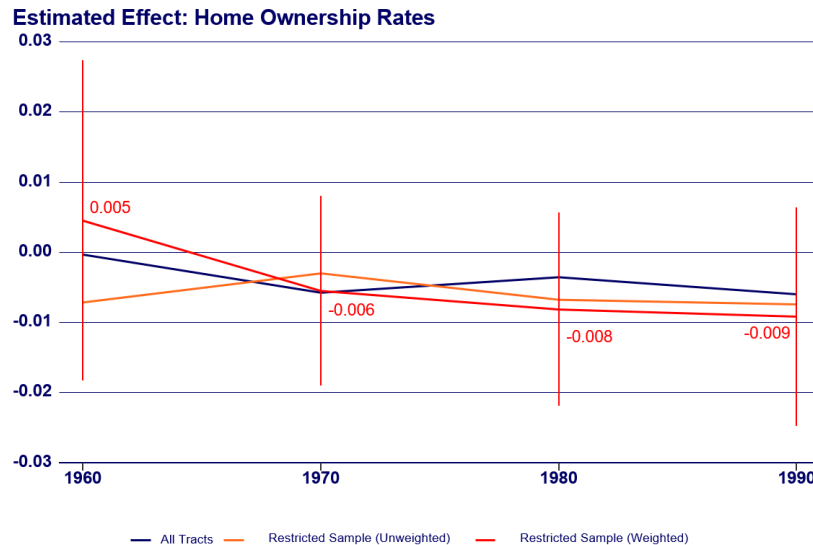
The effect of blockbusting on home values (Figure 6) shows a more dramatic decline than for rents, although with a bit of a rebound in 1990. Blockbusting is associated with a 2.4 percent drop in home values in 1960. This effect increases to a statistically significant -13 percent by 1980 as the population density falls back to its pre-blockbusting level. The effect of blockbusting decreases in magnitude to about 7 percent by 1990.

Figure 6: Estimated effect of blockbusting on house values



Finally, blockbusting has no statistically discernable impact on the home ownership rate (Figure 7), but the point estimates of our preferred specification indicate that roughly a 1 percentage point drop in the home ownership rate can be attributed to blockbusting by 1990.

Figure 7: Estimated effect of blockbusting on home ownership rates



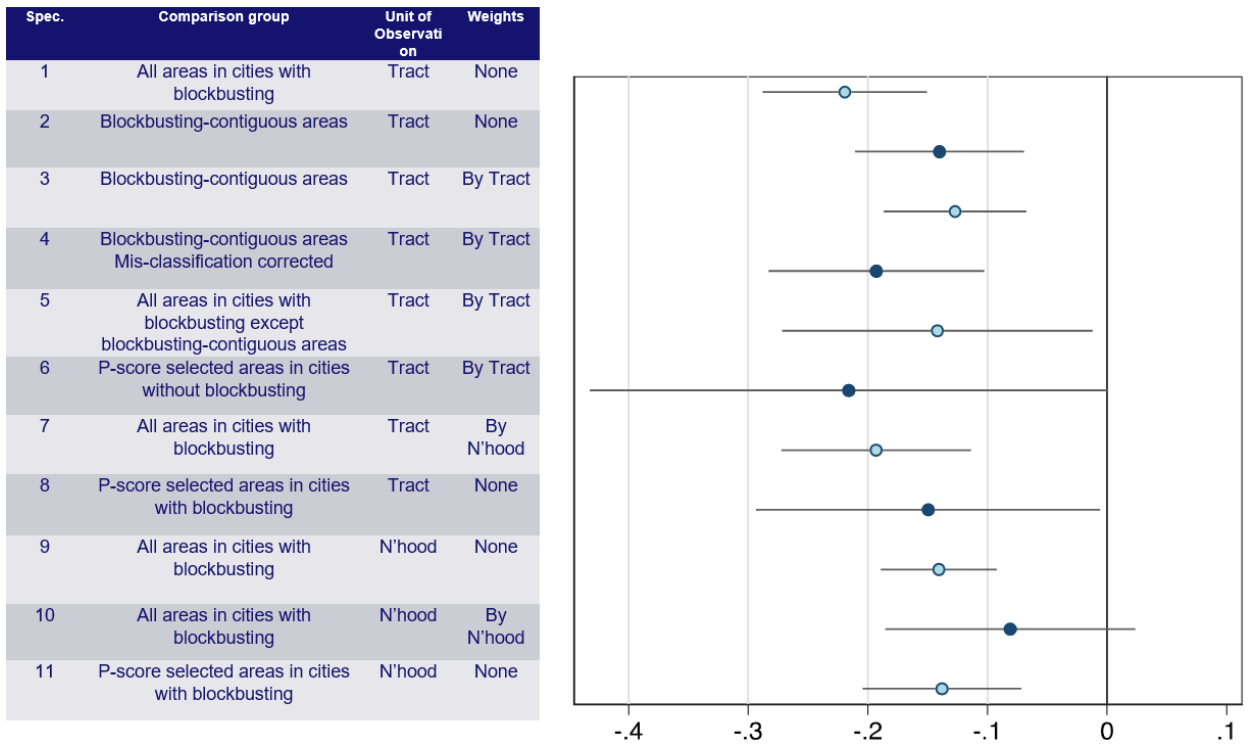
Overall, blockbusting led to a higher Black population share, an initial increase in population density that faded over time, and lower housing values and lower rents in 1980 and 1990. These results are consistent with the idea that housing values eventually came under pressure in blockbusting neighborhoods, given the impact of foreclosures and possibly depreciation due to homeowners being unable to afford maintenance on their properties.

Appendix Tables 1 and 2 present these results in table form.

### *Robustness*

In this subsection we show that our main results are robust to altering a number of assumptions, comparison groups, and the level of aggregation. Each alternative estimate in this section is displayed in Figure 8, which focuses on the effect of blockbusting on housing values in 1980. The first three specifications in Figure 8 refer to the three specifications shown in the previous section, and the remainder are robustness checks.

Figure 8: Robustness checks: estimated effect of blockbusting on 1980 log housing values under different specifications



Our first robustness exercise examines the possible effects of bias due to one-sided misclassification on our estimates. One sided misclassification arises due to the fact that we are measuring the occurrence of blockbusting from narrative sources. When we find a written record of blockbusting having occurred in a neighborhood, we can be fairly sure that it did occur. However, in neighborhoods where we do not find an account of blockbusting, there is some chance that it still may have occurred. Aigner (1973) shows that if we know the error rate then an unbiased estimate can of the effect of blockbusting can be found by dividing the OLS estimates by one minus the error rate. While we do not have information regarding the true error rate, we try a type of bounding exercise. If we assume that all neighboring tracts where the Black population share grew by more than 50 percentage points from 1950 to 1980 actually experienced blockbusting, then our error rate would be 35.5 percent. Specification 4 of Figure 8 shows the results, which are  $1/(1-.355) = 1.55$  times larger in magnitude than specification 3. The standard errors are also 1.55 times larger.

Our second robustness exercise is motivated by a potential concern that neighboring tracts without blockbusting may be contaminated by spillover effects from the blockbusting tracts. We take two approaches to assessing this concern. In specification 5 in Figure 8, we estimate the effects of blockbusting on our full sample of comparison tracts *excluding* the blockbusting adjacent tracts. We find a similar magnitude and confidence interval as our preferred estimate (specification 3). In specification 6, we form a comparison group of Census tracts from eight cities where we did not find evidence of blockbusting. To do so, we use the estimates from the full sample probit (shown in Table 3) to predict the propensity of blockbusting occurring in tracts in the non-blockbusting cities.<sup>13</sup> We form a comparison group using all tracts with a blockbusting propensity above 0.1.<sup>14</sup> Using these comparison tracts from cities without evidence of blockbusting, we find a larger magnitude point estimate, roughly -0.22, with a large standard error.

Our third robustness exercise is motivated by the concern raised in Pollmann (2020) that when estimating the effects of a spatial treatment, comparison groups formed by drawing rings around the treated units may yield biased estimates. The idea is that if the placement of the treatment in space is plausibly exogenous conditional on characteristics of the treated place, then a good comparison would be another shape like the treatment group with similar characteristics. Pollmann's solution is search for sets of spatial units that border each other with similar characteristics using a neural net approach adapted from digital image processing.

In our application, a convenient way of implementing Pollman's ideas it to use the natural grouping of spatial units (Census tracts) that are near each other in neighborhoods, especially since our measure of treatment (blockbusting) is at the neighborhood-level. We start by estimating the propensity of neighborhoods to experience blockbusting by running a probit using the means and standard deviations of the same 1950 tract characteristics that we use in our tract-level propensity score estimation. In specification 7, we use inverse probability weighting on all possible control neighborhoods and find a slightly more negative estimate. In specification 8, we use a set of nearest-neighbor comparison neighborhoods with the closest

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<sup>13</sup> Excluding Saint Paul (which we combine with Minneapolis), we find no evidence of blockbusting in 14 of the 60 largest cities in 1950. Six of these cities were not tracted in 1950 (Jacksonville, Salt Lake City, San Antonio, Tulsa, Worcester), leaving us with eight.

<sup>14</sup> The comparison group contains the following cities (and number of tracts): Akron (30), Birmingham (14), Fort Worth (24), New Orleans (35), Providence (1), San Diego (1), Seattle (9), and Syracuse (9).

propensity scores, and find a very similar point estimate to specification 3 but a larger standard error.

The standard errors in specifications 7 and 8 have not been corrected for sampling error due to estimation of the neighborhood-level propensity score. This motivates specifications 8, 9 and 10, in which we take population-weighted means of the outcome variables to collapse the data to the neighborhood-level and present standard errors that account for the sampling error of estimating the neighborhood-level propensity scores. We estimate the results using unweighted controls (specification 9), weighted controls (specification 10), and nearest-neighbor controls (specification 11).

Overall, the similarity of results in these robustness checks lend confidence that our preferred estimates using the weighted blockbusting adjacent tracts are not suffering from bias due to spillover effects from the blockbusting tracts or bias due to the ring-based empirical design.

## **Part 2: Edmondson Village**

In this section, we turn from tract-level data across major American cities to data on individual transactions of properties in one neighborhood of one city: Edmondson Village in Baltimore, Maryland. Our goal for this analysis is to elucidate what mechanisms drive the result, from the tract-level analysis, that property values decreased in neighborhoods with blockbusting activity.

### *Background*

Edmondson Village is a neighborhood on the western side of Baltimore, developed largely in the 1920s and 1940s as brick rowhouses, the predominant historic Baltimore building style. Edmondson Village is somewhat geographically isolated, with a large park to the north, a stream to the east, and a cemetery to the southwest. This geographic isolation was a feature that proponents of segregation once stressed as helpful in preventing gradual population changes if a neighboring community were to expand. In a study of Baltimore made in the late 1930s by a federal agency, Edmondson Village was rated a “B”—the second highest rating out of four—and



was noted to be a “fairly new residential section of homogeneous development” inhabited by residents with white collar jobs and not by Black or foreign-born people.<sup>15</sup>

Despite the neighborhood’s geographic isolation, blockbusters found a toehold in the southeast corner around the middle of the 1950s. That corner was the closest to the core urban neighborhoods where most Black families lived, to the east. Blockbuster activity proceeded roughly northwest into the rest of the neighborhood over the course of the next decade. As a result, the racial composition of the neighborhood changed to an exceptional degree in the 1950s and 1960s. In 1950, Edmondson village had vanishingly few non-white residents, less than 1 percent according to census data on the two tracts that comprised the neighborhood. By 1970, the population was 96 percent non-white. Altogether, therefore, more than 19,000 of the roughly 20,000 residents of this neighborhood in 1950 must have left — a truly spectacular degree of population turnover. By the time of the 1968 Fair Housing Act, the racial transition in Edmondson Village had been completed. Blockbusters that operated in Edmondson Village before 1968 did so at a time when their activities were not yet illegal under federal law.

One of the most well-known realty companies operating in Edmondson Village was owned by Morris Goldseker. Figure 9 shows an advertisement from 1959 in which Goldseker poses a racially charged question: “Changing Neighborhood?” A group of community activists estimated that Goldseker’s network of shell companies had purchased at some point over 1,700 properties across Baltimore. Starting in 1969, these activists sued Goldseker’s company, accusing it of over-charging the Black buyers, using shell companies to effectively create monopoly power, and violating new federal laws. The case was eventually dismissed in 1972 when the defendants ran out of funds to proceed.

Figure 9: Advertisement by a Baltimore realty company described by contemporaries as engaging in blockbusting

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<sup>15</sup> This study was made by the Home Owners’ Loan Corporation (HOLC). The HOLC’s maps should be thought of as capturing the way that contemporaries thought about urban housing markets.



Baltimore Sun, 1959-01-02, p. 30

### *Data*

To measure the scope and timing of blockbuster activity in Edmondson village, we digitize all transactions and financing instruments covering a set of properties within Edmondson Village from 1954 to 1976. These data come from the Baltimore City land records. We have digitized the transactions on 2,817 properties in the core of the neighborhood.

The scope of blockbuster activity was very large. We find that about two-thirds of these properties were acquired by realty companies at some point from 1954 to 1976. These properties are colored red in the map in Figure 10. We assume that most of these realty companies were acting as blockbusters, given the well-known presence of blockbusters operating in Edmondson Village at this time and the low likelihood that any other firm would purchase a property amidst such large-scale racial turnover while not participating in that activity. In addition, we note that many of the realty companies in the data are listed in Orser (1994) as known or suspected blockbusters. In many instances, the large scale of a given realty company's activity is highly indicative of blockbusting; for example, one firm alone purchased about 180 of the properties in Edmondson Village. That said, since blockbusters used networks of shell companies to prevent potential sellers from being able to recognize the scale of their activities, many of the approximately 300 realty companies we identify may have been affiliated with one another.

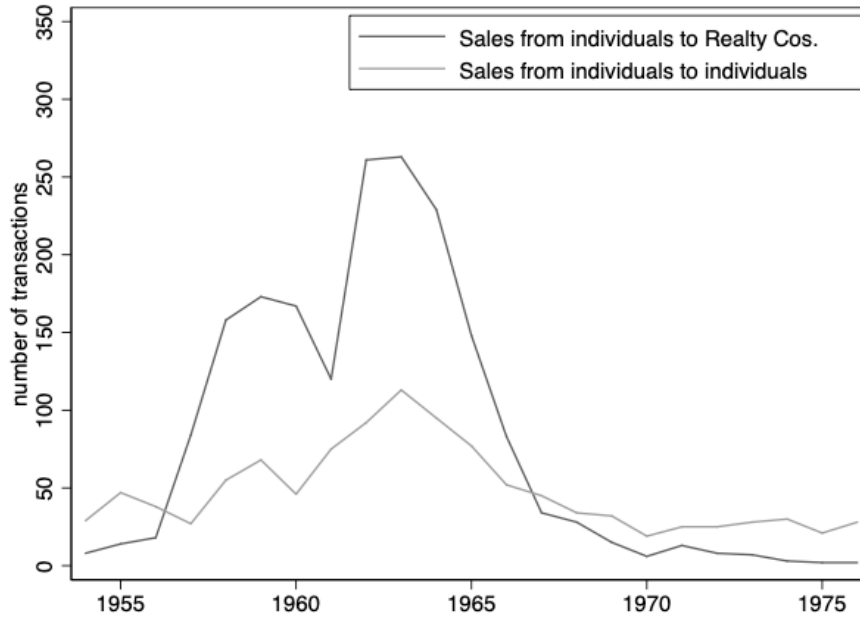
Figure 10: Map of realty company activity in Edmondson Village



Notes: Red-shaded properties were sold to realty companies (blockbusters), blue-shaded properties were sold directly to individuals, and gray-shaded properties were never sold during the period under study. White shaded property include properties not digitized as well as some nonresidential properties such as schools, churches, and small alley garage lots. Green areas are parks and cemeteries.

The timing of blockbuster activity was fairly compressed. Blockbusters were intensely active in Edmondson Village for about one decade, from the mid-1950s to the mid-1960s. A [video](#) of the timing of realty company activity is available in an accompanying publication (Bennett, Hartley, and Rose 2022). This temporal pattern is also shown in Figure 11. Purchases by realty companies peaked around 1963-1965 and declined steeply in the late 1960s.

Figure 11: Volume of sales by owners of properties in Edmondson Village



Of the remaining properties in Edmondson Village that were not sold to realty companies from 1954 to 1976, most were sold from one individual to another, and a small amount were never transacted, as broken down in Table 6. If a property was sold exactly once between individuals, it is safe to assume that this sale involved a racial transition, given that the Black population of this neighborhood went from less than 1 percent in 1950 to 96 percent in 1970.

Figure 11 shows the timing of such sales, which largely tracks the timing of realty company activity. If a property was sold multiple times between individuals, it is very difficult to know which sale commenced the ownership of a property by a Black family. The race of property owners is not given in property records and we do not know of a feasible way of acquiring that information.

Table 6: Classification of ownership changes in Edmondson Village from 1954 to 1976

Type of ownership change	Number	Percent
Individual → Realty Co → Individual	1147	41%
Individual → Realty Co	693	25%
Individual → Individual, once	577	20%
Individual → Individual, multiple times	231	8%
No transactions	169	6%
Total	2817	100%

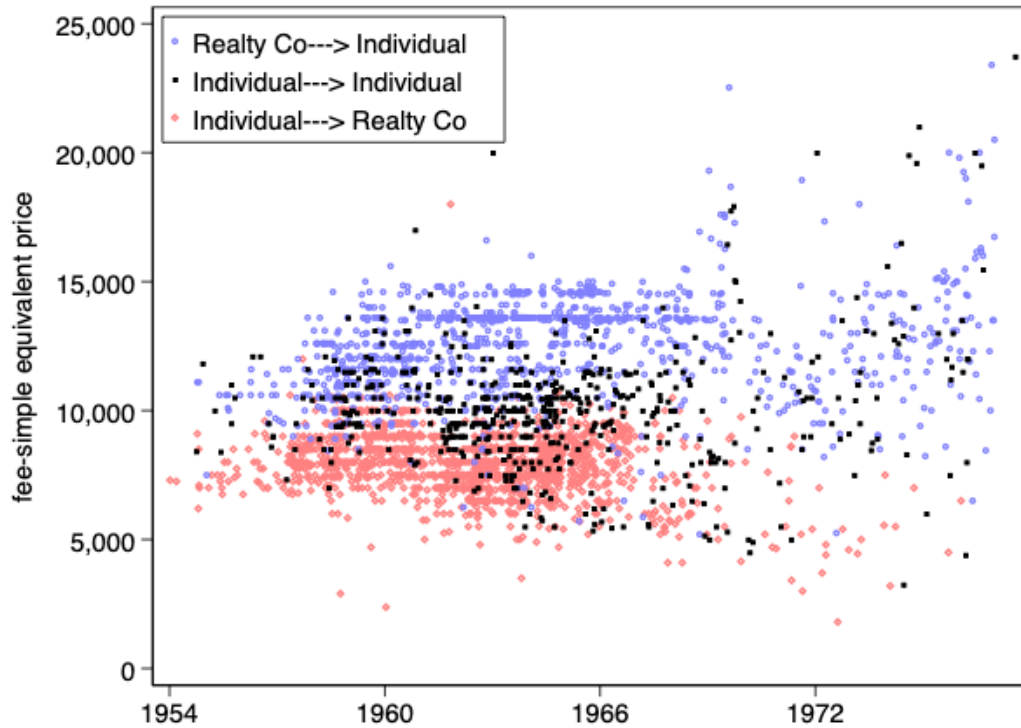
### *Sources of downward pressure on housing prices*

We identify a few sources of likely downward pressure on housing prices in Edmondson Village, consistent with the findings from the tract-level analysis in the previous section.

### *High prices*

Blockbusters sold properties for high prices. While such sales may have temporarily lifted house values as measured by transaction prices, in the longer run, the high prices likely put financial burdens on new homeowners, leading to distressed sales or foreclosures and downward price pressure. Figure 12 shows the prices paid by realty companies to purchase properties (red dots) and the far higher prices at which they sold those properties (blue dots). This gap persists from the mid-1950s until the mid-1960s, at which point the supply of unsold properties in Edmondson Village was largely depleted and prices were no longer so tightly controlled. Until that point, this figure shows that blockbusters had an iron grip on this neighborhood's housing market, controlling the flow of sales.

Figure 12: Transaction Prices in Edmondson Village

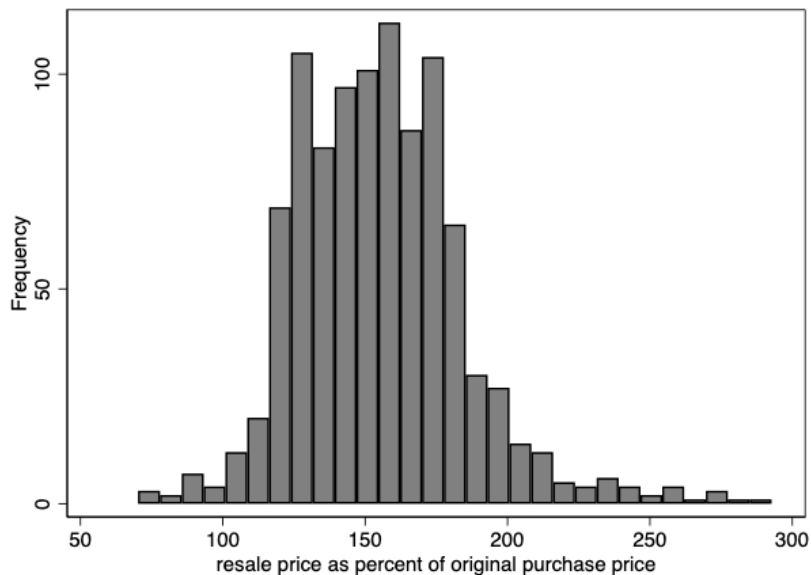


Sales between individuals include only properties that were transacted exactly once from 1954 to 1976, in an attempt to identify transactions that involved a racial transition.

In contrast, prices paid in transactions between individuals (and not involving realty companies) were much lower, shown in black squares in Figure 12. (These individual-to-individual transactions include only properties sold exactly once between individuals during the sample period, to limit to transactions in which a White resident presumably sold to a new Black resident.) Prices on these transactions usually lie roughly halfway between the sale and resale prices associated with blockbuster activity. The graph suggests that both seller and buyer gained from avoiding dealing with the blockbuster, as the seller generally received a higher price than they would have from a blockbuster, and the buyer a lower price. This raises the question of why so many others, especially on the sell-side, dealt with blockbusters. The answers suggested by Orser's (1994) study, among others, is a combination of racial prejudice, panic, and other blockbuster sales tactics.

Overall, among properties acquired and then sold by blockbusters, the average markup from purchase to resale in the data is 55 percent; the distribution of these markups is shown in Figure 13. A community activist group in Baltimore named this “The Black Tax,” the price paid by Black families to access better quality housing.<sup>16</sup>

Figure 13: Distribution of markups between realty companies’ sale and re-sale prices in Edmondson Village



### *Foreclosures*

Foreclosure rates were extremely elevated in Edmondson Village, likely contributing to downward price pressure. To understand the scale of foreclosures, first it is necessary to review the financing used by buyers to acquire properties in Edmondson Village. Buyers turned to both

<sup>16</sup> Here we have converted all prices into fee-simple equivalent prices. This is to account for ground rents, a financing mechanism peculiar to Baltimore (and some other limited parts of the US, including Pennsylvania and Hawaii, and some foreign countries as well). To this day, many Baltimore properties are owned subject to perpetual ground rents, requiring relatively small annual payments to the owner of the stream of ground rents. Ownership without such ground rents is known as fee-simple ownership, while ownership with ground rents is known as a leasehold estate. One way to think about these ground rents is as a financing mechanism, an infinite duration loan requiring only interest payments. Indeed, by state law these ground rents can be redeemed any time at a 6 percent capitalization rate, so that a \$60 ground rent could be extinguished with a payment of \$1000. In the data, about two-thirds of the original owners had no ground rent, but realty companies added ground rents to nearly every property they sold. For example, suppose a property was sold to a realty company for \$10,000 with no ground rent, and then resold for \$14,000 with an annual ground rent of \$60. The fee-simple equivalent price for the latter transaction would be \$15,000. Converting all prices to fee-simple equivalents allows for apples-to-apples comparisons of purchase prices, capitalizing the ground rent as part of the purchase price.

mortgage financing and installment contracts. We consider mortgage financing first and return later to installment contracts.

Foreclosure rates were exceptionally high on mortgages taken out after purchasing a property through a blockbuster. Table 7 shows particularly elevated rates of foreclosure on mortgages insured by the FHA or VA, of 23-27 percent. In contrast, foreclosure rates on mortgages taken out by new residents after buying from an individual (rather than a realty company) were far lower, around 1-3 percent.

Table 7: Foreclosure Rates by Financing Sources

Type of mortgage	Bought from Realty Co		Bought from Individual	
	Percent of purchases	10-year foreclosure rate	Percent of purchases	10-year foreclosure rate
VA	22%	23%	21%	1%
FHA	3%	27%	40%	3%
Conventional	75%	14%	39%	1%
Total	100%	17%	100%	2%

Note: sample restricted to properties bought before December 31, 1966, so that a 10-year foreclosure rate can be calculated.

The particularly high rates of foreclosure—and any associated downward price pressure—on FHA-insured and VA-insured mortgages may stem from a couple of factors. First, the FHA and VA allowed very high loan-to-value (LTV) ratios. Indeed, the LTVs of FHA and VA loans average 97 percent in the data, compared to 77 percent on conventional first mortgages (though higher leverage was possible through junior mortgages). If borrowers could not command the same re-sale prices that blockbusters commanded, they may have had trouble selling their properties to clear debts. Second, activists and Baltimore newspapers describe some fraudulent underwriting practices, particularly involving the VA. Fraud appears to have been a serious problem in early VA-insured loans arranged by blockbusters in Baltimore, and one possible source of elevated foreclosure rates. For example, in 1961, two realty company leaders were sentenced to two months each in federal prison for defrauding the VA. In league with a loan officer at a large Baltimore lender, these blockbusters encouraged buyers to make false



statements about their income and debts and fabricated fictitious credit histories. The loan officer apparently was known for never denying a loan.<sup>17</sup> As a result of this fraud and its discovery, the volume of VA loans to buyers working with realty companies dropped precipitously in 1961.

The large amount of FHA- and VA-insured loans is somewhat surprising, since the FHA and VA are generally considered to have extended little insurance to Black borrowers before the late 1960s. FHA and VA insurance were highly desirable in this period because they required lenders to provide low interest rates and allowed very high LTVs. Edmondson Village evidently was not redlined by these programs, perhaps because it was outside of the core urban neighborhoods and was initially White-populated, even though it was filled with rowhouses that FHA underwriting guidelines generally discouraged. Overall, the participation of the FHA and VA in the racial turnover of these neighborhoods seems consistent with the account told by Kenneth Jackson (1985), though this account begins in 1966:

“In 1966 FHA drastically shifted its policies with a view toward making much more mortgage insurance available for inner-city neighborhoods. Ironically, the primary effect of the change was to make it easier for white families to finance their escape from areas experiencing racial change. At the same time, the relaxed credit standards for black applicants meant that home improvement companies could buy properties at low cost, make cosmetic improvements, and sell the renovated home at inflated prices approved by FHA. Many of the minority purchasers could not afford the cost of maintenance and FHA had to repossess thousands of homes. The final result was to increase the speed with which areas went through racial transformation and to victimize those it was designed to help. The only people to benefit were contractors and white, middle-class homeowners who were assisted in escaping from a distress position.” (pp. 214-215).

### *Installment contracts*

Installment contracts are an infamous practice in blockbusting episodes of the 1950s and 1960s. They are a particularly risky form of financing as they provide none of the statutory or common law protections afforded to mortgage borrowers. Installment contract buyers are essentially renters until they have paid off the entire debt, and thus can be evicted for missing a

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<sup>17</sup> Baltimore Sun, April 15, 1961, “Realty firm officials get terms, fines,” p. 32.

single payment. Moreover, upon eviction, such buyers lose all cumulated principal payments. As a result, previous scholars and activists have noted and castigated blockbusters for their use of installment contracts, which appear to have been a key tool in exploiting new Black homeowners without access to other forms of financing. Many activists charged blockbusters with misleading potential buyers, not conveying the risks associated with installment contracts, or leading buyers to believe they had mortgage loans.

Installment contracts are generally unobservable in property records because they do not involve the actual transfer of property deeds until all installments have been made, at which point it is the deed that can be observed rather than the prior installment contract. Therefore, activists and scholars have struggled somewhat to understand exactly how widespread their use was.

Baltimore, however, in mid-1965 instituted a new city-level transfer tax, mandating that installment contracts be subjected to that tax, requiring them to be recorded. Some blockbusters appear to have only reluctantly paid them; many recorded instruments bear the words “paid under protest” penciled in at the top of the page. Though these recordings come in the late stages of the racial transition of Edmondson Village, they still provide a helpful window into the use of installment contracts.

To gauge how widespread the use of installment contracts was, it is useful to focus on the period from mid-1965 to the end of 1966, before the volume of sales to realty companies fell off substantially. In this period, the data suggests that about 55 percent of 156 properties acquired by realty companies were subsequently sold via installment contracts. Most of these installment contracts were recorded fairly quickly after the acquisition, within a few months if not immediately. It is somewhat speculative to extrapolate backwards from these data, but the high level in this window generally suggests that the practice was quite common.

The foreclosure rate on installment contracts was quite elevated. 13 percent of these buyers involuntarily lost possession of their houses and, in the process, also lost the cumulative sum of principal payments they had made. Several of these dispossessions took place years after the initial contracts were struck, suggesting that the buyers lost very substantial amounts of cumulated principal payments. Otherwise, 35 percent of buyers eventually acquired their deeds, often by paying off the balance of the installment contract with a mortgage loan. Buyers could exercise this option at any time, and some did so right away (within 90 days) but others took years, with an average of about 4 years across all buyers. Lastly, 57 percent of installment

contracts were still outstanding in 1976, 10-11 years after the agreements were struck. These buyers fastidiously made weekly payments for years but never exercised the option to pay off the remaining balance through mortgage finance, a choice that's difficult to rationalize unless they faced severe limitations in access to conventional mortgage finance.

## **Discussion**

In this section, we discuss the place of blockbusting in the broader history of housing and public policy in the 1950s and 1960s.

Our first topic is blockbusting's place in the broader subject of racial transitions in postwar urban neighborhoods. Many urban neighborhoods experienced racial turnover in the postwar period, but not all experienced blockbusting. We have proposed that the exact location of blockbusting had elements of randomness, at least on a local level comparing contiguous census tracts. But more broadly, we suggest that blockbusting may have been the result of policies and practices codified by local real estate market participants and their professional organizations. Therefore, while blockbusting is certainly not the only way Black people could have gained or did gain access to housing, blockbusting was promoted by structural factors. The Chicago Real Estate Board, for example, recommended in 1917 that realtors only sell or rent homes to Black households on blocks that were adjacent to existing Black neighborhoods. Helper (1969) describes that the policy of realtors in Chicago as of 1958 was still to only sell properties to Black families in an adjacent block to an existing, Black-populated block, and only when that existing block was fully inhabited by Black people. Hirsch (1983) suggests that realtors' degree of actual compliance with this policy varied, some waiting until 50 percent of a border area was Black, while "others utilized successively lower percentages." Alternatively, a "five family" rule was described in 1959 by a member of Chicago's real estate board for Black realtors (US Commission on Civil Rights, 1959b, p. 741). Helper (1969) also reports results of interviews of real estate brokers from 1958 showing that brokers are hesitant to sell to Black households until 2 or 3 units on the block are occupied by Black people (pages 41-42). Altogether, it is an open question whether realtors in other cities had similar policies, but we suggest that such policies were likely to result from widespread beliefs that the entrance of Black

families into a neighborhood would lead to lower property values, which drove or reinforced an inter-related suite of segregationist policies (Laurenti, 1961; Akbar et. al., 2022).<sup>18</sup>

Our next topic is how blockbusting interacted with other developments in urban neighborhoods that had disparate impacts on Black residents. A question that might arise is whether the effects that we attribute to blockbusting might be driven instead by “White flight” due to public school desegregation. There is a literature that links the departure of White families from central cities to the suburbs to school desegregation that occurred after the Supreme Court found segregated schools to be unconstitutional in their ruling in *Brown vs. Board of Education of Topeka* (347 US 483) in 1954.<sup>19</sup> Baum-Snow and Lutz (2011) point out that while many smaller school districts desegregated in the 1960s, large school districts located in central cities were slower to desegregate. In this regard, the timing of school desegregation in the large cities in our sample is likely to be in the 1970s rather than in the 1950s and 1960s when we observe the bulk of the blockbusting activity. Furthermore, our empirical strategy of comparing blockbusting neighborhoods to adjacent neighborhoods in the same city means that the effect of school desegregation is likely to impact both blockbusting and comparison neighborhoods similarly.

Another potential concern is that our results could be driven by disamenities due to the interstate highway systems that were built in the 1950s and 1960s. Brinkman and Lin (2022) estimate large welfare costs of interstate disamenities for residents living near the new highways. However, Table 2 Panel A provides evidence that the neighborhoods that experienced blockbusting were, on average, just as close to the nearest interstate as the adjacent control neighborhoods. In fact, the blockbusting tracts are slightly farther from the nearest interstate, though the differences in distance are not statistically significant.<sup>20</sup>

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<sup>18</sup> Akbar et. al. (2022) document rising rents followed by declining property value on city blocks that changed from White residential occupancy to Black residential occupancy from 1930 to 1940. They interpret the declining home values as consistent with the expectation of declining rents in the long-run, which is consistent with what we find in the 1960s through the 1980s, though we do not find an initial increase in rents.

<sup>19</sup> See Logan, Zhang, and Oakley (2017) and Baum-Snow and Lutz (2011) and the literature which they cite.

<sup>20</sup> We construct distance to the nearest interstate using ESRI’s data on the present-day location of interstates (available here: <https://hub.arcgis.com/maps/esri::usa-freeway-system/about>). However, the results are similar and also not statistically different for blockbusting and adjacent neighborhoods if we use the distance to the nearest planned interstate from the 1955 “Yellow Book” plan for 50 U.S. cities. Neither planned nor constructed interstates are statistically closer to blockbusting neighborhoods than adjacent neighborhoods. We use the log of the distance to the nearest constructed interstate in Table 2 since two of our sample cities (Norfolk, VA and New Haven, CT) are missing from the Yellow Book data.

Table 2 Panel B provides evidence on the relationship between blockbusting and two other mid-century public policies: the construction of large-scale public housing developments in the 1950s and 1960s and urban renewal projects from the mid-1950s through the mid-1970s. Both policies stemmed from the Housing Act of 1949. Since these policies were concurrent with our outcomes of interest, we consider them as endogenous regressors and thus do not include them when estimating the propensity score or include them as controls in OLS estimates. Even so, Table 2 Panel B reveals that while blockbusting tracts are closer to public housing and overlap more with urban renewal projects in the full sample (left panel), these differences are much smaller and less often statistically significant in the unweighted restricted sample (middle panel), and not at all statistically significant in the inverse probability weighted restricted sample (right panel). These findings show that concurrent public housing construction and urban renewal may have had important interactions with blockbusting, but that our inverse probability weighting approach is adequately controlling for these interactions using tract characteristics from 1950 or earlier.

Finally, how much did blockbusting contribute to the racial wealth gap? Our preferred estimate from the tract-level analysis is that blockbusting caused home values to drop by 14% from 1950 to 1980. To get a sense of the return on an investment in a newly constructed neighborhood where FHA mortgages were easier to obtain, we calculate mean home values in Census tracts where half or more of the housing units in 1960 had been built over the past 20 years. These newly constructed (likely suburban) neighborhoods fared much better; their property values appreciated from a mean of \$150,000 to \$180,000, a 20% return. Our rough estimate of the contribution of blockbusting to the racial wealth gap is to compare our estimate of -14% to this +20% return on investment for White households buying in new construction areas using FHA mortgages. However, these estimates do not take differential costs of financing into account. George et. al. (2019) analyzed contract sales in Chicago and found that after taking markups into account and higher financing costs compared to an FHA mortgage that Black households were paying on average an extra \$72,000 on a mean home valued at roughly \$120,000 (in 2019 dollars). In addition to differences in financing costs, it is important to note that our property level analysis shows that blockbusting is associated with high rates of foreclosure, and our back of the envelope exercise also does not take into account further losses due to foreclosure.

## Conclusion

Many scholars have described the aggressive, predatory, and discriminatory practices of blockbusters, often in monographs that have focused on single cities. In this paper, we have sought to complement these deep narratives by gathering new data to understand the impact of blockbusting on housing values. Our analysis of census tracts across major US cities suggests that areas with blockbusting had significantly lower relative housing values by 1980. Using data from one neighborhood in Baltimore, we suggest that the downward pressure on housing prices came from the onerous financial positions in which blockbusters left new Black residents. Significantly marked up sales prices likely contributed to highly elevated foreclosure rates among those who dealt with blockbusters. The results, therefore, depict the challenges faced by new Black homeowners in building wealth through housing at the moment many likely became homeowners for the first time.

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Appendix Table 1: Effects of Blockbusting on racial shares, population density, and vacancy rates

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Share Black (1960)	Share Black (1970)	Share Black (1980)	Share Black (1990)	Population Density (1960)	Population Density (1970)	Population Density (1980)	Population Density (1990)	Vacancy Rate (1960)	Vacancy Rate (1970)	Vacancy Rate (1980)	Vacancy Rate (1990)
<b>Panel A: Full Sample</b>												
Blockbusting Indicator	0.192*** (0.049)	0.325*** (0.077)	0.394*** (0.073)	0.394*** (0.068)	2.332** (1.176)	2.038*** (0.729)	0.0823 (0.678)	-0.165 (1.346)	0.000 (0.002)	0.006** (0.002)	0.010* (0.005)	0.012*** (0.004)
Observations	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566
Cities	35	35	35	35	35	35	35	35	35	35	35	35
R-squared	0.497	0.431	0.423	0.336	0.660	0.611	0.554	0.571	0.309	0.481	0.461	0.507
<b>Panel B: Restricted Sample (Unweighted)</b>												
Blockbusting Indicator	0.112*** (0.032)	0.167*** (0.050)	0.184*** (0.041)	0.169*** (0.035)	2.223** (0.963)	1.334 (0.857)	0.196 (1.012)	-0.134 (1.312)	0.001 (0.001)	0.002 (0.002)	-0.001 (0.003)	0.005 (0.004)
Observations	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345
Cities	35	35	35	35	35	35	35	35	35	35	35	35
R-Squared	0.504	0.498	0.540	0.566	0.782	0.747	0.611	0.645	0.452	0.550	0.522	0.566
<b>Panel C: Restricted Sample (Weighted)</b>												
Blockbusting Indicator	0.073* (0.042)	0.173*** (0.047)	0.191*** (0.040)	0.174*** (0.035)	0.435 (0.785)	1.228 (0.849)	0.099 (1.151)	-0.292 (1.373)	0.000 (0.003)	0.002 (0.002)	0.000 (0.003)	0.006 (0.005)
Observations	937	1,291	1,345	1,345	937	1,291	1,345	1,345	937	1,291	1,345	1,345
Cities	18	32	35	35	18	32	35	35	18	32	35	35
<i>Note: Regression controls for full set of 1950 variables (distance from majority Black tract, Black population share, home ownership rate, log rent, log house value, vacancy rate, population density, distance from nearest highway, HOLC map ratings, Northern European population share, Eastern European population share, Southern European population share, other foreign-born population share)</i>												



Appendix Table 2: Effects of Blockbusting on housing outcomes

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Log Average Rent (1960)	Log Average Rent (1970)	Log Average Rent (1980)	Log Average Rent (1990)	Log Average House Value (1960)	Log Average House Value (1970)	Log Average House Value (1980)	Log Average House Value (1990)	Home Ownership Rate (1960)	Home Ownership Rate (1970)	Home Ownership Rate (1980)	Home Ownership Rate (1990)
<b>Panel A: Full Sample</b>												
Blockbusting Indicator	-0.006 (0.044)	-0.008 (0.019)	-0.047 (0.032)	-0.063** (0.031)	-0.024 (0.025)	-0.078*** (0.027)	-0.219*** (0.035)	-0.182** (0.088)	0.000 (0.006)	-0.006 (0.009)	-0.004 (0.007)	-0.006 (0.009)
Observations	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566
Cities	35	35	35	35	35	35	35	35	35	35	35	35
R-squared	0.498	0.506	0.395	0.609	0.625	0.468	0.473	0.781	0.866	0.817	0.766	0.732
<b>Panel B: Restricted Sample (Unweighted)</b>												
Blockbusting Indicator	-0.018 (0.032)	-0.023 (0.015)	-0.029 (0.020)	-0.047*** (0.012)	-0.001 (0.024)	-0.060*** (0.020)	-0.140*** (0.036)	-0.068*** (0.026)	-0.007 (0.005)	-0.003 (0.007)	-0.007 (0.007)	-0.007 (0.008)
Observations	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345	1,345
Cities	35	35	35	35	35	35	35	35	35	35	35	35
R-Squared	0.777	0.629	0.544	0.767	0.661	0.448	0.473	0.834	0.915	0.862	0.821	0.797
<b>Panel C: Restricted Sample (Weighted)</b>												
Blockbusting Indicator	-0.032 (0.064)	-0.023 (0.016)	-0.028 (0.019)	-0.048*** (0.013)	-0.024 (0.034)	-0.057*** (0.020)	-0.130*** (0.031)	-0.072*** (0.028)	0.005 (0.011)	-0.006 (0.007)	-0.008 (0.007)	-0.009 (0.008)
Observations	937	1,291	1,345	1,345	937	1,291	1,345	1,345	937	1,291	1,345	1,345
Cities	18	32	35	35	18	32	35	35	18	32	35	35

Note: Log House Values and Log Rent adjusted for inflation

Note: Regression controls for full set of 1950 variables (distance from majority Black tract, Black population share, home ownership rate, log rent, log house value, vacancy rate, population density, distance from nearest highway, HOLC map ratings, Northern European population share, Eastern European population share, Southern European population share, and other foreign-born population share)