



Chicago Fed Insights, January 2024

Event Spotlights Difficulties and Value in Achieving Racial Integration in Neighborhoods

By Cindy Ivanac

Experts examined the integration of neighborhoods by race and Hispanic ethnicity—and the challenges that existing housing policies and mindsets pose to achieving it—during a recent Chicago Fed Economic Mobility Project event.

The discussion panel reflected on further racial integration being integral to our body politic—to our ability to collectively solve problems and unlock economic growth. Brookings Metro Senior Fellow Andre Perry said that there is not enough pushback against the forces that are “socializing against the value of inclusion,” and argued that “integration is a good we should strive for despite how hard it is.”

Scholars presented two research papers on racial change in neighborhoods to kick off the November 16 event.

Director of Undergraduate Studies and Associate Professor of Economics at the University of Illinois, Chicago, Marcus Casey shared his and co-authors’ work on the causes of racial changes in neighborhoods, specifically examining how Black and White households behave when they move in on the same block.

Casey said the research, spanning more than a decade’s worth of housing transactions in North Carolina and controlling for changing neighborhood amenities, found that both Black and White homeowners were more likely to move if the different-race neighbor moved in right next door versus two to three doors down.

The researchers also considered price effects of having different-race neighbors move in and found virtually no measurable appreciation or depreciation of home prices depending on the race of the new neighbor. The work did find, however, that the propensity to move after a different-race neighbor moved in was much higher for low-income homeowners.

Chicago Fed Senior Economist Dan Hartley presented his and coauthors’ work looking at how stable communities are in their racial/ethnic composition—and how likely the community is to experience racial change in the future.

Studying metro areas nationwide, the researchers found that a large share of people have a strong preference to live in same-race neighborhoods and that the current racial/ethnic composition of neighborhoods was “not stable.” Hartley explained that “not stable” means neighborhood demographics could be altered with relatively small public policy interventions. A 10% expansion in existing Low-Income Housing Tax Credit apartments, for instance, could influence incumbent residents’ desire to stay when neighbors of a different racial or ethnic group move in, he said.

Another observation Hartley highlighted in the research, as something that deserved further study, is how people’s preferences were influenced by the “anticipated treatment/mistreatment by one’s neighbors.”

The expert panel, moderated by National Public Radio journalist Stacey Vanek Smith, discussed the implications of the research presented and the roots of discrimination in housing policies, from credit scoring biases to single-family zoning laws. Panelists talked about the need to find ways to increase Black homeownership, given that experts agreed that the majority of Black Americans could not qualify to purchase an average home under existing housing policies and underwriting systems. The conversation also touched upon commercial real estate and the even larger degree of Black underrepresentation in that sector given how starkly concentrated wealth is in the top 1%.

Entitled Understanding Neighborhood Racial Change, the event was opened by then-Chicago Fed visiting scholar Samir Mayekar, a former deputy mayor of Chicago. Panelists were Perry; Rachael Woldoff, professor of sociology at West Virginia University; Valerie Wilson, director of the Economic Policy Institute’s Program on Race, Ethnicity, and the Economy; and Ashley Bell, CEO of Ready Life.

To explore further:

Marcus Casey and coauthors' working paper can be found [here](#).

Dan Hartley and coauthors' policy brief can be found [here](#) and the accompanying working paper can be found [here](#).

A transcript and replay of the event can be found [here](#).