

Metropolitan Growth, Inequality, and Neighborhood Segregation by Income

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This paper, which investigates the relationship among metropolitan area growth, inequality, and segregation by income across neighborhoods, proposes a simple model based on the notion that rising income inequality creates pressure for residential segregation by income. On the one hand, because different income groups live in different types of homes, the housing stock must change if income resorting across neighborhoods is to take place. In rapidly growing areas, housing markets easily accommodate changing preferences induced by changes in the income distribution. Rising inequality translates into homogenous housing and residential segregation. On the other hand, because housing is durable, slow growth areas experience changes in segregation only if the change in market pressure for segregation is sufficient to overcome retrofitting or construction costs.

Several implications of the model are supported empirically. First, higher levels of income inequality are associated with higher levels of residential segregation by income. Second, inequality (at the top of the distribution) has a bigger effect on segregation in rapidly growing areas than in slowly growing areas. Third, large increases in segregation are coupled with higher than expected housing construction in distressed areas, but not rapidly growing areas. Finally, income segregation levels are persistent, and the persistence is more pronounced in cities with older housing stocks. The model helps to explain the U-shaped relationship between residential segregation by income and metropolitan area growth