



Available online at www.sciencedirect.com

SCIENCE @ DIRECT®

Journal of Urban Economics 56 (2004) 435–457

JOURNAL OF
**Urban
Economics**

www.elsevier.com/locate/jue

Neighborhood income distributions

Yannis M. Ioannides

Department of Economics, Tufts University, Medford, MA 02155, USA

Received 14 April 2003; revised 26 April 2004

Available online 25 September 2004

Abstract

This paper studies purely empirically aspects of the distribution of income within small neighborhoods and contrasts it with the income distribution at higher level of aggregation, such as census tracts and metropolitan areas. It relies on a unique feature of the American Housing Survey, whose 1985, 1989 and 1993 waves provide data for small residential neighborhoods. These consist of a dwelling unit and up to ten of its nearest neighbors. The paper employs several parametric and non-parametric econometric tools to measure income sorting in US residential neighborhoods. It documents the patterns of dependence among neighbors' income and imperfect sorting, with moderate but very significant correlation among incomes of neighbors and of considerable income mixing in US neighborhoods. These results persist even if choice-based sampling and heterogeneity across the sample are accounted for. Neighborhoods associated with a randomly selected renter are more sorted than those associated with an owner even though such owners are more likely to define their neighborhoods.

© 2004 Elsevier Inc. All rights reserved.

JEL classification: D31; C14

Keywords: Income distribution; Neighborhood effects; Neighborhood income distribution; Income sorting; Nonlinear kernel estimation

1. Introduction

Research in economics and sociology has examined income sorting in US residential areas. Sorting has motivated a vast amount of research, especially starting with Tiebout [28],

E-mail address: Yannis.Ioannides@tufts.edu.

0094-1190/\$ – see front matter © 2004 Elsevier Inc. All rights reserved.
doi:10.1016/j.jue.2004.04.006

who sought to explain the endogenous formation of communities in economies where local governments use taxes to provide for public services. Recently, attention has been directed to the role of sorting in the reproduction of economic inequality. Durlauf [6] and Benabou [1] offer theories of community formation jointly with human capital in the presence of social spillovers. Kremer [19] studies individuals' education in relation to their parents' education and to the mean education of residents of census tracts where individuals grew up. He examines implications of his findings for the contribution of residential sorting by education (and, alternatively, by income) to the dispersion of education and income inequality within the population.

The theoretical literature on Tiebout sorting has been able to explain income stratification across communities. It has not, however, provided a natural quantitative benchmark against which to evaluate the extent of stratification. It has, in a sense, predicted, too much stratification. Recent efforts to remedy this include Epple and Platt [8] and Epple and Sieg [9]. Epple and Platt show that if individuals differ with respect to income and to a preference parameter, then the resulting sorting implies that individuals with identical incomes may be found in different communities at equilibrium. This broadly accords with *stylized* facts. Epple and Sieg show that when income and a preference characteristic are assumed to vary across the population, then individuals' sorting across communities satisfies an *ascending bundles property*: communities may be ranked in terms of a function of incomes, housing prices and community-specific public services. Hoyt and Rosenthal [12] follow a different empirical approach and reject the strict implications of Tiebout sorting, namely that all individuals in a particular community would derive the same marginal benefit from local public goods.

Imperfect sorting across communities is consistent with a variety of motives. The extent in which it rests on preferences for public services is important for designing public policy. For example, local communities, state governments and even the US government have staked out positions on the desirability of income (and ethnic) mixing in residential patterns and adopted policies to promote them [26]. It matters for policy whether or not individuals want to be near others with particular characteristics.

This paper is motivated by the fact that very little is known empirically about income distributions at the microscopic level of residential neighborhoods, micro neighborhoods for short. This is important because communities are made up of micro neighborhoods, whose socioeconomic as well as physical characteristics and appeal are essential to determining the character of a community.

The importance of such a micro scale of analysis is highlighted by the work of Thomas Schelling [24,25]. Schelling studies spatial outcomes that are possible when different individuals differ with respect to their preference for the characteristics of their *immediate* neighbors. Schelling's theory aims at explaining how individuals' interactions in their immediate neighborhoods give rise to arguably surprisingly strong community-wide patterns and, more generally, a spatial social structure. Neighbor-to-neighbor interactions can have large-scale consequences, because they can lead to chain reactions. In contrast, Tiebout sorting of individuals into communities rests on preferences with respect to local public goods. Schelling's model provides valuable theoretical underpinnings for the intuitive insight and growing body of evidence that immediate proximity is an important element of the social fabric of US cities. Schelling's models have motivated primarily theoretical

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات