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An Inquiry into the Economics and Ethics of Residential Integration

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Submitted in fulfillment of the requirements for the degree of PhD

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Abstract:

This thesis is an inquiry into the economics and ethics of residential integration. Efforts to integrate otherwise segregated black and white households in the United States over the last 40 years has been met with legitimate skepticism. Primarily, there is an absence of evidence as it relates to whether neighborhoods cause disadvantage (neighborhood effects) in addition to a lack of evidence related to whether “mixing” actually produces adequate social benefits for those being moved or for society as a whole. I intend to move the conversation forward by presenting two additional considerations. First, in the economic paradigm, it is useful to explore the issue of segregation through what has been described as adverse impacts occurring in the wake of a market failure (“subprime financial crisis”). Second, there are ethical considerations relevant to the integration discussion that offer new norms by which to engage and advance our approach to residential integration and endeavors to mix. This thesis makes a contribution to knowledge by explicating these two points and ultimately providing a more morally capacious evaluative framework by which to appraise this complex social issue.

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My deepest gratitude is for family. My mother and father have been in my corner from the start, and it is with an extraordinary sense of pride that I come to the end of this project for their sake. Their encouragement nearly a decade ago to pursue graduate work at this level has never ceased—nor has their support. They continue to be a perpetual source of healthy identity, strength, and motivation. Thanks to Hubert and Sarah for their stimulating conversations and interest in my thesis work—reflections that no doubt assisted me in materializing some of my thoughts into writing. Finally, special thanks to my wife—I’m afraid I could never reciprocate her support and sacrifice. In addition to creating the necessary space for me to work—she has been the sounding board for all of the nuances of spatial arrangements. It is to her that I dedicate this work.

Special thanks to you all. Because you are—I am.
Declaration of Work

I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Signature_____________________________________

Printed Name__________________________________
Chapter 1: Introduction

Divided We Stand

America is segregated. More specifically, it is residentially segregated. The word “segregation” has referred to both racial and socio-economic segmentation between various sectors of society and, most often, the separation of black and white society.\(^1\) This term has a controversial history in American public discourse. Within our nation’s relatively short history, the residue of the Civil War, Jim Crow Laws, and the post-civil rights era will not soon be forgotten.\(^2\) However, my usage of the term “segregation” is in a post-civil rights context, where segregation is not perpetuated by existing laws, but rather by social and economic forces. By adding the adjective “residential,” I am referring to segregation in US housing arrangements understood in spatial terms.\(^3\) The US Census Bureau describes “residential segregation” as “the distribution of different groups across units within a larger area.”\(^4\) Here we are concerned not with the diversity of housing type, but with the diversity of citizens inhabiting homes within a given neighborhood. The conceptual opposite, then, of residential segregation is residential “integration.”\(^5\) The existing literature that addresses residential integration, or “mixing,” is often used in varying contexts—most often contexts of income or race. For the purposes of this thesis, I have chosen

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\(^1\) In this thesis, I will use the term “minority” to refer to African-American individuals or households (unless otherwise noted). Further, when I use the term “White”—I am referring to non-Hispanic Whites, as defined by the US Census. Residential segregation can also refer to patterns of housing segmentation that include dimensions such as race and income in addition to age or ethnicity (See Iceland and Wilkes, 2006). However, as I will make clear, this study specifically engages housing segmentation based upon race and, more specifically, the racial categories of black and white.

\(^2\) Jim Crow Laws, enacted in the post-Civil War reconstruction period, were laws that separated blacks and whites through various public institutions. This included busing, schools, restrooms and drinking fountains. This naturally fed into non-public institutions, such as restaurants and other shopping establishments.

\(^3\) The “space” I refer to is, in essence, neighborhood space. This will be defined more clearly in Chapter 3 of the thesis.


\(^5\) Integration, in a racial context, has been defined in many ways. While I will provide a specific definition of an integrated or “mixed” community in Chapter 3, in a general sense it is best to understand integration as the absence of segregation.
to use the terms *segregation* and *integration* in a racially-based context and, more specifically, the racial categories of black and white.  

The statistical measure most often referenced in the analysis of residential segregation is the dissimilarity index, which represents the degree to which blacks and whites are evenly spread among neighborhoods in a city. This index, described as the most widely used measure of residential segregation, ranges from 0 (complete integration) to 1 (complete segregation). According to Massey and Denton (1993), scores above 60 represent high levels of segregation, and scores below 30 represent low levels of segregation. In the United States, measurements of dissimilarity began to occur as early as the post-Civil War reconstruction period. Dissimilarity ranges of 38 to 59 are on record circa 1910, with a massive increase in dissimilarity in the range of 81 to 89 in 1940. In 1968, US President Lyndon Johnson created a committee to address the violence that was erupting through rioting in the nation’s distinctly African-American ghettos. Among other conclusions, the committee reported that the US was “moving toward two societies, one black, one white—separate and unequal.”

After World War II, structural patterns of segregation began to emerge that would not only increase the trend of segregation, but ensure that this segmented living structure would become a blueprint for the future of US residential housing. For example, conceived out of the US depression in the 1930s, the FHA (Federal Housing Administration) provided loan guarantees as an insurance mechanism to open up credit flow in the lending markets. Traditionally, lenders required down payments for homes that were a significant proportion of the property’s price, prohibiting the greater portion of the home buying market from homeownership opportunities. However, while the FHA’s guarantee created a new paradigm for the otherwise insular segment of US homeowner’s, this assistance was not for everyone. Indeed, FHA manuals were very clear that their offer of insurance did not extend to neighborhoods with a non-white presence. This

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6 Although I specifically focus on race, the implications for income and race are often interchangeable. In other words, segregated African American neighborhoods are often income segregated neighborhoods, etc.


8 Census Bureau, 2011.

9 Ibid., page 20.

10 Ibid., page 21.

11 Ibid., pp. 3-4.

offered clear mobility advantages to white families who benefited from the FHA’s services, and with the help of burgeoning roads and highways, the modern suburban community was created, sequestering opportunistic white households from otherwise limited, city-bound African American households. With such egregious structural discrimination, it comes as no surprise that in the 1970s, the pattern of a black core surrounded by a white ring defined the city to suburb relationship in the US. By early 1990s, nearly one quarter of all US African Americans could be found in 10 US metropolitan areas. This trend has not changed. Although the US African American community grew by nearly 10 million individuals between 1980 and the year 2000, a 27% increase in population, at the turn of the century 86.5% of African Americans still lived in metropolitan areas.

In the year 2000, the average white person in America lived in a neighborhood that was 80% white and only 7% black. Nearly 40 years after Martin Luther King’s “I have a dream” speech on the steps of the Lincoln Memorial, America still stands as a nation divided, inciting the late law professor John Calmore to write: “King's hope for racial integration has died its hardest death in the area of housing.” Such figures have led Massey and Denton to conclude in their landmark study of US segregation that African Americans are “unambiguously among the nation’s most spatially isolated and geographically secluded people, suffering extreme segregation across multiple dimensions simultaneously.”

One of the major issues related to segregation data is not simply where households are segregated from, but where they are segregated to—a theme this thesis will attempt to explore more deeply. Researchers have found that low-income minority segregated families are more

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13 Massey and Denton, 1993, p. 67
17 Calmore, 1993, p. 1496
18 Massey and Denton, 1993, p. 77
likely to live in areas with dilapidated living structures and lower housing returns. Williams and Collins (2001) find that residential segregation of whites and blacks effects educational and employment opportunities, and thus creates a sizeable disparity in health outcomes among white and black citizens. Indeed, the educational gap between whites and blacks has been described as a “massive inequality” to which “segregation contributes in primary and secondary schools.” In addition to the adverse economic, cultural, and political effects that social isolation has on African Americans, research cites segregation as a major predictor of homicide and robbery rates within isolated black communities. Income, jobs, education, and safety—fundamental features to secure stability in an advanced democracy—are disproportionately secured by white households relative to black households in a racially segregated nation. Thus Massey and Denton conclude: “Segregation […] is the key factor responsible for the creation and perpetuation of communities characterized by persistent and spatially concentrated poverty.”

Addressing US Residential Segregation

As Hartman and Squires (2010) write, “segregation remains a dominant reality in virtually all U.S. cities and their surrounding areas.” Moreover, there is a clear dissonance between current segregation statistics and the often cited US mantras of “Liberty and Justice for All” and “United We Stand.” Should either of these phrases really be housed under the shelter of US ideology while housing arrangements remain highly segmented in reality? This question has not gone unnoticed by legislators who have responded with efforts to integrate communities by attaching

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23 Massey and Denton, 1993, p. 118
economic disincentive to segregation in addition to the creative use of policy tools. 

Describing the underlying motivation for this policy, Sociologist John Logan writes: “Neighborhood integration has remained a goal of public policy and popular opinion because it is seen as proof of the American ideal of equal opportunity.” Over the past 40 years, we can identify four major overtures toward the integration of black and white housing: The Gatreaux dispersal program, the Moving to Opportunity dispersal project (MTO), the HOPE VI Initiative, and the Mount Laurel land usage legislation.

Support for residential integration rests on two primary assumptions, both emanating from the idea that segregation has “grave costs” and that integration can ameliorate the effects of segregation. The first assumption is the belief that low-income minorities are exposed to social ills as a function of their segregation. In other words, if segregated black families are disadvantaged—we are assuming that where they live is a source of that disadvantage. The second assumption is that households would fare better if they were dispersed, or integrated, within better neighborhoods that reflect a greater diversity of race and income. Despite a consistent imperative of “moving toward the goal of integrated living” that exists among a host of social scientists, there is a range of evidence in support of, and against, these aforementioned assumptions. This stalemate has led to what can be described as “integration exhaustion”—or the perpetual questioning of the value of integration.

If programs that aim to integrate black and white residential households are criticized for lack of effectiveness—it is appropriate to ask: “Lack of effectiveness in what?” There are two primary modes of evaluation when it comes to assessing the effectiveness of residential integration. In

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25 An example of this would be Fair Housing Act signed in 1985 which included the facilitation of forcing communities to provide a “fair share” of affordable housing for low to moderate income families—families that were otherwise prohibited from the community through exclusionary zoning tactics.

26 Logan, 2001, p. 1

27 Extensive detail of each of these programs, in addition to their effectiveness, will be covered in Chapter 2 of the thesis.


29 Criticism of these assumptions originate from a wide variety of scholars, planners, politicians, etc. However, these assumptions find their most cogent expression (in critical format) from the work of Paul Cheshire of LSE. Thus, I later refer to the argument against these assumptions as the Cheshirian Position.

30 Contrastingly, skeptics doubt that place doesn’t necessarily cause disadvantage—it simply reflects disadvantaged households.

31 Hartman and Squires, 2010, p. 7

32 This term is used in the opening of Hartman and Squires compilation of voices in “The Integration Debate”, 2010. The various voices throughout the book speak in favor of, and against, efforts to integrate and flesh out the nuances of this complex social discussion. See Hartman, Chester W., and Gregory D. Squires (2010).
general terms, these can be described as considerations in overall welfare (a net increase in welfare for dispersed households and no reduction in welfare for households of the receiving neighborhoods) and considerations in cost-effectiveness (ensuring resources, such as tax-payer dollars, are utilized in a cost-efficient way). In this thesis, I shall refer to the usage of these two general standards as the Evaluative Integration Framework. More specifically, I define this framework as considerations in economic efficacy and the maximization of utility in an aggregate social context. In the “integration debate,” as it has been described, this has been the primary paradigm for assessing the effectiveness of residential integration programs. We may appropriately understand the Evaluative Integration Framework as an economic paradigm, as it gives primary consideration to efficiency and cost-effectiveness.

I submit, however, that there are other economic arguments to be made. Among other things, one could say that the current status of segregated residential living patterns is a failure of the US ideal of “fair housing.” Urban scholar George Galster provides a helpful definition of fair housing: “the opportunity to live in an environment where one’s life chances are not unduly constrained.” Galster describes what he calls “adverse impacts” or the “the implementation of a policy or practice that—though evenhandedly applied to all races—nevertheless results in disproportionately negative consequences for the minority and cannot be justified on grounds of business necessity.” Here, I utilize this term as it relates to consequences occurring within a given space (i.e., a neighborhood) as opposed to consequences experienced by an individual or household. If one could identify the presence of adverse impacts experienced by a residentially

33 Hartman and Squires 2010 collection of scholarly voices related to integration is titled “The Integration Debate.”
35 Galster, 1999, p. 124
36 Ibid. It is important to point out here that Galster’s original usage of this term applies to individuals (as opposed to the spatial context I use it in). However, this is not to suggest that its usage is inappropriate. Galster himself utilizes the concept of adverse impacts in a spatial context in Galster, G., R. Mincy, and M. Tobin. “The Disparate Racial Neighborhood Impacts of Metropolitan Economic Restructuring.” Urban Affairs Review 32.6 (1997): 797-824. Print.
segregated black community, this would be consistent with the first assumption mentioned above: being exposed to social disadvantage as a function of where one lives. Adverse impacts provide an important perspective to the integration debate. First, the benefits and drawbacks of residential integration are most often assessed post hoc, or after integration has occurred. While this is an important question (What are the advantages of integration?), there is an equally important question related to the risks of inertia (What are the disadvantages of segregation?). Second, we may appropriately look for adverse impacts occurring in the wake of a market failure. If segregated communities experience adverse impacts from a market breakdown, and those impacts are concentrated within a particular area, this will likely have a magnified effect on the community, creating a unique link between space and disadvantage.

Exploring the value of residential integration through the lens of adverse impacts is, I submit, a valuable alternative economic vantage point. However, this thesis makes an additional contribution by shifting the paradigm to consider the ethics of residential integration. Economic considerations germane to the discussion naturally produce an economic evaluative standard, but this paradigm does not comprehensively capture all considerations in the residential integration discussion. There are important ethical considerations inherent in this discussion which necessitates an ethically-driven evaluative standard as well. Moreover, as I shall argue, presenting an issue with economic and ethical implications solely under the language of the former will potentially bracket-out considerations of the latter. Ultimately, I aim to suggest that taken together, exploring residential integration through an economic and ethical lens is, I submit, a more comprehensive approach to this complex social issue.

**Thesis Aims and Contribution**

With this background in mind, there are two primary aims related to this thesis. First, my intention is to explore the *economics* of residential integration. More specifically, my contribution will be to explore segregation and the possibility of integration in the wake of a systematic market failure. The “subprime financial crisis,” one of the strongest systematic market failures in US history, provides a unique vantage point by which to evaluate the notion of further, the market would be considered less efficient if it does not reflect additional externalities accompanying adverse impacts.
adverse impacts on minority segregated communities relative to white segregated communities. I specifically engage in a study of Cuyahoga County, Ohio, in the United States—a metropolitan area that is considered to be highly segregated and was subject to significant disparate impacts from the subprime financial crisis. My exploration of the economic paradigm will specifically answer the following research questions:

(1) How did segregated communities (both homogeneous white and black) fare in the wake of the subprime crisis and its accompanying “adverse impacts?” Did segregation and “place” play a role in helping or harming social welfare for racially isolated households?

(2) In light of the crisis, are there visible or presumed economic advantages that could be associated with residential mixing that may suggest a protective mechanism for otherwise vulnerable and segregated households? Further, are these advantages considered socially efficient, where society benefits as a whole?

After answering and considering these questions through empirical analysis, I pause to ask: What conclusions can we appropriately reach regarding residential integration? What is my contribution to this discussion?

Second, my aim is to flesh out the normative considerations, or the ethics relative to the residential integration discussion. Further, I provide the necessary justification for this argument through a modified Rawlsian framework. After this, I will consider the implications of this framework, and in particular, the spatial implications.

In the concluding chapter, I will bring together my conclusions from exploring the economic paradigm and the ethical paradigm so as to summarize what can reasonably be concluded from this study and to explore the spatial implications and the future of residential integration. This

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38 As of the 2000 Census, the metropolitan area of Cleveland-Lorain-Elyria, Ohio, which reflects the same general area as Cuyahoga County, Ohio, had a dissimilarity index of 79.7. This was ranked 9th on a list of 318 metropolitan areas for highest dissimilarity index in the United States. See "CensusScope -- Segregation: Dissimilarity Indices." CensusScope: Census 2000 Data, Charts, Maps, and Rankings. Web. 14 June 2010. http://www.censusscope.org/us/rank_dissimilarity_white_black.html. Regarding the subprime financial crisis in Cuyahoga County—over 10,000 homes were foreclosed upon during and after the crisis in Cleveland (major city within Cuyahoga County). See "Local Response to Crisis Could Be Model for Others | Think." Case Western Reserve University - One of the Nation's Top Universities and the Best College in Ohio. Case Western Reserve University, 2011. Web. 13 June 2011. <http://www.case.edu/think/breakingnews/mortgagecrisis.html>.

39 A “Rawlsian” framework is based upon the late political philosopher John Rawls. His work will be detailed in Chapter 4 of the thesis.
thesis makes a contribution to knowledge by explicating a specific normative element in the residential integration debate and re-envisioning the conclusions and implications of residential integration through the economic and ethical paradigms. When compiled, these paradigms provide a distinct and innovative perspective by which to engage this issue.

Structure of the Thesis

We may appropriately start this exploration with the following two premises: America is residentially segregated and efforts to integrate over the last 40 years have provided little evidence to substantiate the funding and resources for neighborhood mixing programs. Chapter 2 of the thesis will comprehensively cover the existing literature relative to segregation and neighborhood mixing as a policy tool. More specifically, the chapter explores four major integration initiatives over the last 40 years—their origin, application, and subsequent outcomes—both positive and negative. Yet while it is important to research the outcomes of integration, it is equally important to research the outcomes of segregation—assuming that low-income segregated communities remain inert. Attention is specifically given to segregated communities and how they fare in the wake of a market failure (specifically, the subprime financial crisis). Thus, the chapter ends by describing the subprime financial crisis and its disproportionate impact upon segregated white and black households. The multitude of factors leading to the crisis, in addition to its aftermath, makes it consistent with Galster’s definition of adverse impacts providing a unique viewpoint by which to assess the greater discussion of residential integration.

In Chapter 3, I undertake my own empirical study to explore the risks of allowing racially segregated households to remain isolated. I suggest that the analysis is consistent with the assertion that segregation plays a role in harming the social welfare of minority isolated households in the wake of a market crisis. I attempt to explicate the link between a neighborhood’s spatial context (i.e., a segregated black neighborhood) and disadvantage emanating from adverse impacts. Furthermore, my research seeks to answer whether there may be visible or presumed economic advantages associated with the dispersal of low-income minority segregated households (i.e., mixing with other white or diverse communities). Chapter 3 ends by describing the methodological limitations of integration research (including my own
study) and the contribution such limitations make to the ambiguity associated with this contentious issue. While there are problems from within the framework being utilized to appraise integration outcomes—there are also problems with the framework itself. In other words, viewing residential integration solely through the lens of the economic paradigm risks missing other important elements germane to the subject—elements of an ethical nature.

Therefore, in Chapter 4, I introduce the “normative argument” and its relevance in residential social arrangements. Ethical references to integration are often packaged in the language of justice. This may provide the most natural entry-point for an ethical appraisal of residential integration, since issues related to segregation are often expressed as issues of justice or racial justice. This paradigm, as I shall argue, is different in nature than the economic paradigm we find in the Evaluative Integration Framework. The latter framework operates from more of a utility model, where the maximization of welfare and social benefits for all involved parties is the primary measure by which to gauge the effectiveness of residential integration. I begin with John Rawls whose work offers the seminal expression of liberal justice in our contemporary age. Further, the Rawlsian approach to justice is best understood as a response to otherwise consequentialist approaches to social and economic arrangements in society. However, after pointing out intractable problems with the Rawlsian model, I offer what I submit to be a more supportive architecture to buttress the normative argument. I submit that my modified, or “refurbished,” Rawlsian framework supports the normative argument for residential integration as a just and ethical social arrangement worth endeavoring toward.

I end the thesis by reflecting upon both the economic paradigm and the ethical paradigm. Taken together, we can conclude a distinction between “mix” and “mixing.” Furthermore, I suggest that an ethical paradigm is not only helpful, but is necessary, to cover the gap between these two understandings in the residential integration discussion.

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40 I hesitate, here, to use the expression utilitarianism for various reasons to be spelled out more clearly later in the thesis. In short, utilitarianism can be expressed in myriad ways—not simply the common expression of the sum maximization of happiness and minimization of pain we see in Jeremy Bentham’s work. Further, there is a distinct utilitarian response to the charge that utilitarianism fails to capture all relevant considerations (ethical considerations included) in its model—that is, one should simply include those considerations in the initial utility function that is sought to be maximized. Nevertheless, this does not diminish the value of an ethical paradigm and its distinctiveness from utility models such as the Evaluative Integration Framework. These issues will be considered more thoughtfully in Chapter 4.

41 The Evaluative Integration Framework would fall under this category.
Chapter 2: Literature Review and Response

This thesis is an inquiry into the economics and ethics of residential integration. In order to explicate the value of my research and its contribution, it is important to survey the literature relating to the relevant areas of study. For the purposes of this thesis, these areas include community mixing\(^ {42}\) and residential integration, as well as the subprime financial crisis.\(^ {43}\) It is important to point out that there is a wide range of information for each of these areas, and it is not within the realm of this study to present an exhaustive account for each topic. Nonetheless, this review is comprehensive insofar as it provides a solid knowledge base of the work that has been done in each of these relevant areas.

The following section will be structured as follows. In Part I, I begin with a comprehensive description of the history of residential integration (“mixed communities”) in the United States including relevant research findings and recommendations. In Part II, I complement this review with a short, yet insightful, survey of four major integration movements that have taken place in the US over the last 40 years. These efforts embody the complex discussion that has gravitated around the issue of residential integration over the years, particularly the criticism that integration policy lacks the substantive evidence to validate its existence as a policy initiative. In Part III, I explicate the evaluative criterion that has been utilized, based upon a survey of the literature, to support or dismiss residential integration ideology. Next, in Part IV, I seek to move the conversation forward by borrowing from George Galster’s idea of “adverse impacts” where evenhandedly applied policies unevenly subject low-income minorities to unintended adverse consequences. I argue that Galster’s presentation of this idea as an important aspect of “fair housing” naturally leads us to consider the consequences of neighborhood inertia, where no integration takes place and low-income minorities are subject to greater risks, vulnerabilities, and market consequences as a function of their segregation. “Adverse impacts” provides a unique vantage point by which to alternatively appraise housing integration outcomes relative to the

\(^{42}\) When referring to “mixing”—I use this term interchangeably with residential integration efforts—i.e., integrating otherwise segregated groups across space (neighborhoods, etc.). The term “mixing” often refers to engineered income mix or racial mix or both.

\(^{43}\) While there is no literature specifically related to the ethics of residential integration—Chapter 4 will review some of the relevant literature in regards to my own construction of an ethical framework, particularly as it relates to justice.
work that has been done. Here, I incorporate the recent subprime financial crisis as a contemporary lens by which to account for “adverse impacts” as it relates to neighborhood integration/segregation discussions. Thus, before empirically studying this phenomenon, I conclude this chapter by providing a detailed description of the crisis, its origin and impact, and subsequent implications in Parts V and VI.

PART I: Mixed Communities

The term “mixed-community,” in a residential integration context, has been used interchangeably between both income and ethnic/racial mixing. While this study is specifically addressing residential segregation and integration in a racial context (white and black), it is valuable to explore mixed-community efforts from both an income and racial standpoint. Often, the policy implications for race and income are interchangeable.44 In a study examining the interplay between race and class, Iceland and Wilkes (2006) cite the Spatial Assimilation Theory, which asserts that differences in socioeconomic status and acculturation across racial and ethnic groups, together, help shape patterns of segregation.”45 Their research confirms that levels of segregation among African American households vary by their socio-economic status (SES).46 Thus, often times, neighborhoods segregated by income are also segregated by race, and vice-versa.47

The landscape for mixed community literature is deep and wide. Thus, this section aims to deal with specific aspects of mixed-communities in a residential segregation context. First, my aim is

44 In my empirical study, I specifically operationalize “segregation” in a racial context, although direct implications for income are unavoidable.
46 Ibid., page 268. The authors point out that while socioeconomic differences are associated with patterns of segregation—the effect is much stronger for Asian and Hispanic groups than for African-Americans. In other words, as SES increases for these groups, they are more likely to integrate than the African-American community.
47 One point of departure from these two notions of “mix,” however, would be the difference in mix between white poor and black poor. Research reveals that white poor are more likely to live in a mixed-income area as opposed to the black poor, who tend to live in areas of concentrated poverty and racial homogeneity. See Dreier, Peter, and David Moberg. "Moving From the 'Hood: The Mixed Success of Integrating Suburbia | The American Prospect.” Home | The American Prospect. 1 Dec. 1995. Web. 16 June 2010. <http://www.prospect.org/cs/articles?article=moving_from_the_hood>.
to draw on the existing research relevant to residential integration efforts. While I am specifically looking at residential segregation in a US context, it is valuable to survey the transatlantic work done in this area, particularly as the findings have been very similar. My hope is that an explication of the voices and research related to mixing will highlight the present conflict in the advancement of residential integration. In particular, this survey of work will emphasize the critique of policy efforts towards integration being principle- or “faith-based.” Specific attention will be given to Paul Cheshire, Professor Emeritus of Economic Geography at the London School of Economics. Cheshire’s critique of integration policy is one of the more lucid articulations of residential integration skepticism. After this, I will specifically review four residential integration efforts in the United States over the last 50 years: the Gautreaux mobility plan, the Moving to Opportunity residential dispersal effort, and the HOPE VI Panel Study. Related to this, I will also explore the Mount Laurel exclusionary zoning legislation, as this was a principle foundation for “fair share” housing legislation in the US. Exploring the nature of these integration efforts, their outcomes, and what knowledge has been gained as a result of them will be of particular value. Reviewing the voices relevant to the topic of residential integration will help to highlight my contribution to the argument.

Residential Mixing: An Unsupported Intuition?

As authors Dreier and Moberg (1995) suggest, integration policy once accommodated bipartisan support as a means to address US poverty and segregation. They summarize the issue well:

As politicians and policy analysts revisited the thorny problems of urban poverty in recent years, they seemed to be arriving at a rare consensus: Poor people are hurt by their concentration in large, inner-city neighborhoods that further social isolation and racial segregation. In this view, it would be better to disperse poor people and minorities, putting them in closer proximity to jobs, decent suburban schools, and safe communities.

This idea of helping individuals, rather than funneling aid to localities, came to be known as helping "people, not places."\textsuperscript{49}

This, in essence, is at the heart of the integration idea. The idea, in short, is that segregation is the cause of myriad social ills and integration is a key remedy to this problem. Residential segregation is a staple of the social and economic landscape in the US, and the suggestion that the segregation of low-income minorities has exacerbated poverty and reduced overall life chances remains a widely-held view.\textsuperscript{50} Thus, there is a natural assumption that dispersing poor minorities from low-income, highly-segregated metropolitan areas will improve their life chances and enhance their overall welfare and wellbeing. Briggs (2005) states the issue of integration in terms of access to opportunity: “the real priority is creating access for all, regardless of race and class, to communities of opportunity—whether neighborhoods or entire municipalities—with good schools, public services, and economic prospects.”\textsuperscript{51}

This intuition, however logical it may seem, has not been unequivocally demonstrated through empirical study. In other words, the question of whether or not individuals who are segregated, racially and economically, will have better life chances and greater hope of upward mobility if they are desegregated has not been clearly answered.\textsuperscript{52} Unfortunately, we cannot look to the market to answer this question for us, because social interactions tend to move in the direction of categorization and homogeneity, as some researchers have suggested.\textsuperscript{53} For example, “White flight” from the city to the suburb reflects a preference for racial homogeneity on the part of whites. Kirp et al. (1997) write:

When these families left behind the cities, with their crime, decaying infrastructure, poor public schools, congestion, and pollution, they were voting with their feet, opting not only for a modern house with more space and amenities than they had ever known but also for an entirely new way of living. The new towns were a tangible representation of deep changes in attitudes about raising families, the relationship between work and

\textsuperscript{49} Ibid.
\textsuperscript{50} Massey and Denton, 1993, p. 146
\textsuperscript{51} Briggs, 2005, p. 8
\textsuperscript{52} It has been argued that the lack of a definitive answer is an answer itself indicating that residential integration policy cannot be supported and defended.
leisure, the importance of like-mindedness among one's neighbors, and, indeed, the very idea of community.\textsuperscript{54}

However, it would be a mistake to simply attribute the status quo of residential segregation to mere market forces. Black-white dissimilarity indices still remain highly uneven when controlling for differing levels of income.\textsuperscript{55} In other words, income alone is a poor explanatory device for why people are segregated.\textsuperscript{56} Further, African American preferences for integration are historically much higher than whites. Massey and Denton’s (1993) research suggests that the vast majority of African Americans express strong support for integration. On surveys, when asked about whether they favor ‘desegregation, strict segregation, or something in-between’ they have answered ‘desegregation’ in large numbers.\textsuperscript{57} Based upon this data, attributing residential segregation to mere market preference would miss a much larger phenomenon at work. While market interactions may widen the gap between races, residential segregation has also been explained as a function of policy choices—a gap that “has been brought about and maintained by rules of a game that operates as a subtle apartheid.”\textsuperscript{58} Cashin (2004) points to four “crucial public policy choices” made over the last half-century that helped contribute to a racially-divided landscape.\textsuperscript{59} These include a system of autonomy for local government, FHA loan insurance for single-family homes in majority white neighborhoods, highways that cut through black neighborhoods creating walls that spatially defined the “black sides of town” and, finally, federal government policies that displaced black housing arrangements in the name of progress and the

\textsuperscript{55} Massey and Denton, 1993, p. 85
\textsuperscript{56} This has been referred to as the “place stratification” theory. The theory, according to Charles (2003) “emphasizes the persistence of prejudice and discrimination—key aspects of intergroup relations—that act to constrain the residential mobility options of disadvantaged groups, including supraindividual, institutional-level forces” (Page 170). The findings of Iceland and Wilkes (2006) for African-American living patterns relative to whites was consistent with this theory. See Charles, Camille Z. "The Dynamics of Racial Residential Segregation." \textit{Annual Review of Sociology} 29 (2003): 167-207. Print. (Page 170)
\textsuperscript{58} Kirp et al., 1997, p. 9
elimination of blight. This last policy choice, contends Cashin, “created the modern phenomenon of concentrated black poverty.”

Political or market forces aside, there exists a widely held assumption that segregation in itself creates consequences for those inhabiting the segmented area. In fact, it has been described as the definitive source responsible for the perpetuation of black poverty in the US. In addition to segregation demonstrating a deleterious effect on housing values for black segregated areas, it has been positively associated with increased unemployment, poorer educational results, and neighborhood crime. Further, Collins and Williams (2001) link segregation to low socio-economic status (SES) and in turn show the strong association between SES and racial differences in health. In addition to the catalogue of social ills associated to residential segregation, outcomes for blacks are substantially worse, both in absolute terms and relative to whites, in racially segregated cities. Beyond the suggestion that social maladies occur as a function of segregation, Galster et al. (1999) cites other motivations for addressing concentrated low-income minority segregation. This includes the stigmatization that may accompany segregation and lead to the withdrawal of private and public capital.

Yet the problem has not gone unaddressed. Political efforts toward integration have been attempted in numerous forms for several decades. From a policy standpoint, there are three primary strategies to help engender residential integration among otherwise segregated black and white households. These have been described as dilution, diversity, and dispersal. Dilution is the attempt to reduce the significance of social rented housing within an existing neighborhood or locality. This may be done by the sale of rented homes to tenants, or by the development of

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60 Ibid., 2004, pp. 102-103
61 Ibid., page 9.
62 Flippen, 2004, p. 1524
65 Cutler and Glaeser, 1997, p. 828
67 Kearns and Mason, 2007, p. 664
homes for market sale (community revitalization; “gentrification”). Diversity aims to ensure that all new housing developments or new communities have a reasonable proportion of social rented homes included within them. Dispersal initiatives offer an alternative approach to dilution. This strategy consists of using a variety of policy instruments to relocate residents in deprived areas to non-poverty neighborhoods. One of the leading examples of a dispersal strategy is the Moving to Opportunity Project in the U.S. This last policy effort, dispersal, seems to be the tool of choice in the United States for residential integration. Rowland Atkinson (2005) has suggested that the area effects understood as being related to concentrated poverty have contributed to dispersal policies in the US. He writes:

The US studies and experiments associated with mobility take as their starting point a growing body of evidence that has measured the role of concentrated poverty in exacerbating the problems of labour-market reconnection, educational achievement, health impacts and public services. These ‘area effects’ suggest that areas of concentrated poverty have an additional impact on their residents that is in addition to that provided by the condition of individual or household deprivation.

The idea of dispersal, then, is to “deconcentrate” poverty by dispersing the poor throughout a metropolitan region by providing them with rental vouchers for use in privately owned housing. Dispersal has been contrasted with dilution or diversity in that dispersal moves low-income minorities to more affluent neighborhoods, where dilution and diversity create situations where affluent or more advantaged members of society cohabitate areas with poor minorities.

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68 One example would be the "fair share" formula from Mt. Laurel legislation, where the New Jersey Supreme Court forced local municipalities to zone their communities in such a way that did not exclude lower-income households, and moreover, provided a formula to include a certain percentage of housing units to accommodate low-income households. This court outcome—referred to as the “Mt. Laurel doctrine”—has become a seminal case for land usage reform and spatial integration in the United States.


71 Galster & Tatian (1999) write: “Housing subsidy programs, it has been argued, should be structured to give low-income households more spatial options than they have had before” (p. 880). This came in the form of Section 8 housing vouchers. New legislation in the 1990s allowed recipients of Section 8 vouchers to utilize their subsidies in areas outside of the jurisdiction of the issuing local housing authority. However, this legislation has been met with hostility. Private market landlords have the right to reject Section 8 vouchers, and often Section 8 holders find themselves re-segregated into racially homogeneous neighborhoods. The research of Kingsley et al. (2003) reveals
Despite the government’s use of these various integration measures, to classify such policy as being informed by empirically verified research evidence would be a mistake. The results of such initiatives, and thus the substance of the overall enterprise of mixing households, have been called into question. Initial reactions to social segregation are to “behave and apply policies as if it were a fact that the separation of different types of people and households into distinct and segregated neighbourhoods generated specific social costs, additional to those generated by inequality itself.”72 This intuition has been a guidepost when it comes to integration policies: “A common guiding principle appears to be that concentrations of lower-income, disproportionately ethnic minority households need to be replaced by mixed residential environments that will provide superior social opportunities for the disadvantaged group.”73 Ultimately, it is claimed, the enterprise of mixing communities rests on the belief that mixing is good and offers utility for those inhabiting the same space, particularly the disadvantaged. Hardman and Ioannides (2003) write:

The value of neighborhood interactions has attracted policymakers’ attention and led to policy initiatives intended to take advantage of positive externalities associated with mixing households of different income levels in neighborhoods. Yet we know surprisingly little about the degree of economic mixing or segregation within US neighborhoods, certainly much less than we know about racial segregation.74

Schwartz and Tajbakhsh (1997) advise that while housing policy that encourages mix is a recent trend, the effectiveness of such policy remains questionable until a more robust understanding of social benefits, costs, and preconditions can be sufficiently answered. Until then, they write, advocacy of mixed-housing will be based “largely on faith.”75

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72 Cheshire, 2007, p. 3
75 Schwartz and Tajbakhsh, 1997, p. 81
This last point is important, as there appears to be considerable disdain for policy that is simply
guided by principle-based intuition, i.e., “faith.” Kearns and Mason (2007) argue that mixing
communities on principle as a policy initiative is “too crude a mantra” given the difficulty in
weighing benefits and disadvantages for those involved. In other words, while it is possible to
 tease out isolated measures of advantage and disadvantage as an outcome to mixing, policy
efforts toward integrated neighborhoods must deliberately account for which mechanisms of
neighborhood effects are involved. In particular, there is ambiguity around causation, degree,
and the appropriate composition formula as it relates to engineering residential mixing.
Unfortunately, programs often do not specify what mix is appropriate, but rather they are
conceived and sustained based upon the belief that mixing is good.

Perhaps no one has accused mixed-community policy of being belief or principle-based in nature
more explicitly and in a more pejorative fashion than Paul Cheshire. In his scholarly address on
the subject, Cheshire refers to the practice of mixing as a “faith-based displacement activity.”
In his introduction, Cheshire writes: “But careful examination of the evidence suggests that such
[mixing] policies are more a matter of faith than anything else.” Ultimately, Cheshire reduces
the idea to a simple argument about whether there is a benefit for poor people to live alongside
rich people. In his report to the Joseph Rowntree Foundation, Cheshire calls this argument a
“belief” more than a fact, as “there is scant clear-cut evidence that making communities more
mixed make the life chances of the poor any better.”

He concedes that poor people live in areas of deprivation and that these less than desirable
environments are disadvantageous for the poor: “living in the most deprived neighbourhoods is
by definition not a life-enhancing experience.” However, he cites the key issue as resting in the
direction of causation. In other words, Cheshire challenges the implicit notion that poor
neighborhoods cause lower incomes, poor health, and the exacerbation of poverty. Rather, he

76 Kearns and Mason, 2007, p. 688
77 Andersson et al., 2007, p. 656
78 Indeed, this was the title of his paper presented at the 54th Annual North American Meetings of the Regional
79 Ibid., page 3.
80 Cheshire, Paul. “Are Mixed Communities the Answer to Segregation and Poverty? | Joseph Rowntree
(Referenced hereafter as “Cheshire, 2007b”). <http://www.jrf.org.uk/publications/are-mixed-communities-answer-
segregation-and-poverty>. (Page xi)
81 Ibid., page 34.
suggests that neighborhoods may simply reflect disadvantage and poverty. This argument has an extensive history in the greater residential integration discussion. The lynchpin of the argument is based upon the presence of what has been called “neighborhood effects.” For clarity, I borrow from Oakes (2004) in defining neighborhood effects: “[It is] the independent causal effect of a neighbourhood (i.e., residential community) on any number of health and/or social outcomes.”

In the social science literature, neighborhood effects are measured under social and economic contexts. Sociological models often contain research related to identifying contagion effects and peer-to-peer or peer-to-group influences. Economic models focus less on a neighborhood’s influence on personal behavior and more on its influence of their socio-economic outcomes. Further, neighborhood effects can be understood as endogenous or exogenous, and can be measured as a positive or negative effect.

In the housing discussion, a “neighborhood effect” would amount to identifying a causal relationship between neighborhood and the outcomes of individuals inhabiting the neighborhood. There is little doubt that low-income, minority segregated neighborhoods are highly associated with a wide range of disadvantage. This, however, is far different from the suggestion that neighborhoods cause the disadvantage often visible in segregated neighborhoods.

Cheshire’s second major argument is that policy ‘acts of faith’ where legislative programs engineer race or class integration through various tools (dispersal, dilution, etc.) have not unequivocally demonstrated that benefits are associated with mix. Consequently, he concludes that spending time and resources toward integration policy before understanding neighborhood effects of homogeneous and heterogeneous communities is, by definition, an act of faith and, more or less, a waste of money and resources. In contrast, he cites income inequality as the root issue at stake when discussing improving life chances of the poor—not place. Cheshire writes:

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84 Most often, neighborhood effects are explored from a negative effects standpoint—i.e., the negative effect an area may have on its inhabitants. For example, Briggs (2005) writes that drugs, AIDS, and stress in segregated minority communities “reinforce the links among place of residence, physical and mental health, and life prospects” (Briggs, 2005, p. 7).
85 Cheshire, 2007b, p. 34
However, we do know that the rich can always outbid the poor for nicer neighbourhoods because the desirable attributes of these neighbourhoods are fully reflected in the prices of houses within them. To the extent that this is true, social segregation in cities must largely reflect economic inequality rather than cause it. Forcing neighbourhoods to be mixed in social and economic terms is, therefore, mainly treating the symptoms of inequality, not the causes.\textsuperscript{86}

This challenge to integration—what I shall hereafter refer to as the “Cheshirian position”\textsuperscript{87}—is a generalized representation of the wide range of skeptical voices relating to residential integration programs and their effectiveness. Thus, we might characterize the Cheshirian position as follows:

(1) The fact that neighborhoods are deprived does not suggest that neighborhoods cause deprivation—it may simply reflect it. There is no evidence to disprove the latter.

(2) There is little evidence to demonstrate that residential integration actually benefits those being dispersed or the neighborhoods that receive them. The lack of evidence in relation to neighborhood effects in addition to other reasons for skepticism that residential integration works suggest that integration programs are not substantiated by the costs involved.\textsuperscript{88}

Perhaps a more succinct way of stating the issue is as follows: Based upon the evidence, or lack thereof, we cannot assert that “place” is the cause of social disadvantage (argument #1). However, even if we could make that assertion, it is unclear whether residential integration is the appropriate solution to the problem (argument #2). Before considering US integration overtures over the last 40 years, it is helpful to take a closer look at some of the research supporting the two aforementioned arguments.

\textsuperscript{86} Ibid.
\textsuperscript{87} I will use this term (“Cheshirian position”) throughout the remainder of the thesis to refer to Cheshire’s two aforementioned arguments. While the “Cheshirian position” offers a helpful summary of integration effectiveness as it relates to empirical evidence, it is important to make a distinction between two types of relevant empirical studies. Some studies focus on effects within metropolitan areas based upon metro-wide segregation where others more specifically focus upon effects within the neighborhood (“neighborhood effects”).
\textsuperscript{88} This argument primarily takes on the form of whether the programs actually work. Naturally, if the program cannot said to be a success, then it is not “cost effective.”
Argument #1—the Presence of Neighborhood Effects

As mentioned, policy aimed toward mixing otherwise race or class segregated households is “founded on the belief that neighbourhoods have a strong and independent effect upon the well-being and life-chances of individuals.” Such a belief presumes the presence of “neighborhood effects.” There is little question that many low-income, minority segregated neighborhoods are deprived, and that there are disadvantages associated with this. Residential segregation often confines minorities within a metropolitan area to older, more dilapidated homes with lower appreciation rates accompanied by lower-tier public services and school systems. Bramley and Karley (2007) find that concentrated poverty aggravates poor educational performance. This point is further emphasized by Quercia and Galster (2000): “Moreover, the neighborhood has broader social importance inasmuch as it is the crucible in which behaviors such as the propensity to participate in the labor market, engage in illegal activities, bear children as teens out of wedlock, drop out of secondary school, and use illegal drugs are encouraged or discouraged.”

Thus, arguments for spatial integration can be presented based upon a contagion phenomenon, stemming from the belief that healthy social behaviors (or social problems for that matter) are believed to be “contagious” and, thus, close proximity and healthy interaction can improve the life chances of neighborhood inhabitants. Vartanian, Walker, and Buck (2007) refer to this effect as a part of their “Theory of Neighborhood Advantage” where “the greater the resources and other advantages of good neighborhoods during childhood, including exposure to positive role models and institutional resources, the better the adult outcomes.”

90 Flippen, 2004, p. 1528
93 See Vartanian et al., 2007, p. 835. The other side of this theory is the “Epidemic Theory of Neighborhoods” which “suggests that when conditions reach a certain level of disadvantage, the negative effects become highly contagious” (p. 835).
according to their research, play a significant role in the formation of one’s “cognitive landscape”, i.e., their perception of general life opportunities.\footnote{Ibid.} While the literature is extensive regarding the associated disadvantages of segregated, low-income neighborhoods—there is a distinction between a high correlation among segregated, deprived neighborhoods and constrained life chances and the assertion that neighborhoods cause such constraints. Furthermore, proving the latter is a challenging empirical task: “Indeed, although large in volume, much of the literature quantifying neighbourhood effects can be challenged on methodological grounds.”\footnote{Blasius et al., 2007, p. 627}

In trying to understand neighborhood effects, Sociologist Stephen Steinberg provides a helpful distinction between the “fact” of concentrated poverty and the “theory” of concentrated poverty. The concentration of poverty is a well-documented fact: there exists a very high concentration of impoverished households from a spatial standpoint. However, the “theory” of concentrated poverty, contends Steinberg, holds far less collective agreement. He articulates this theory as an unsubstantiated belief that spatially concentrated poverty “takes on causal significance of its own, leading to the familiar litany pathologies: drug use, violent crime, high school dropout rates/poor school performance, out-of-wedlock childbirth, low labor force participation, and ‘oppositional culture.’”\footnote{Steinberg, Stephen. “The Myth of Concentrated Poverty.” \textit{The Integration Debate: Competing Futures for American Cities.} Ed. Chester W. Hartman and Gregory D. Squires. New York: Routledge, 2010. 213-27. Print. (pp. 217-218)} In addition to criticizing this theory as being “deeply flawed” due to its sheer speculation, Steinberg argues that integration efforts may very well harm low-income minorities in a far greater measure than the social benefits they may reap.\footnote{Ibid., page 218.}

Similarly, Cheshire states three key questions as it relates to determining neighborhood effects:\footnote{Cheshire, 2007, p. 1}

1. Do rich households concentrate in rich and expensive neighbourhoods because they can afford to buy into the amenities and superior public goods such neighbourhoods give access to?

2. Do poor households equally concentrate in deprived and unattractive neighbourhood because their incomes do not allow them to buy into better neighbourhoods?
3. Or, does living in a poor neighbourhood cause people’s incomes to be lower, so the poor—and particularly their children—tend to become even poorer?

Cheshire holds that the direction of causation in the first and second key question has been persuasively evidenced. He concludes that “social segregation is a manifestation of voluntary sorting, conditioned by income.” Cheshire concludes: “If neighbourhood choice is conditioned by income, poor neighbourhoods exist because there are poor people and we live in an unequal society; and, as is explained [...] we may be collectively and individually better off, living in neighbourhoods with other similar households, whether rich or poor.” Thus, Cheshire asserts that segregation is symptomatic of market sorting and income inequality. Further, the implication is that poor neighborhoods do not cause low income (although they are closely associated). Bolster et al. (2007) write: “Nevertheless the results support the idea that the main sources of low incomes are to be found in earnings, employment and demographics, not in neighbourhood characteristics.”

Thus, Cheshire, in addition to many others, asserts that there is still much to be learned about the advantages and costs that neighborhoods impose on their inhabitants. It should be pointed out, however, that the belief that neighborhood deprivation and the disadvantages of its inhabitants is correlational, not causal, has not gone unchallenged. However, even if there was a widespread consensus related to the presence of neighborhood effects, the implications for policy to legislate mix remains unclear. This is the second argument in the Cheshirian position.

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99 Ibid. He continues: “If this is the direction of causation, the equity problem is not with the places in which people live but with the distribution of incomes. Unless there is clear evidence of reverse causation, the case for mixed communities cannot be evidence-based.”

100 Ibid., page 5


102 In 2007, the journal Housing Studies ran a special issue related to the identification of neighborhood effects (Volume 22, Issue 5). Recognizing the precarious methodological nature of teasing out such effects, the contributions involved new and innovative techniques to enhance the knowledge base in this otherwise contentious area. In their introductory article, Blasius et al. summarize some of the key findings of the contributors. These include: 1) Support for non-trivial neighborhood effects on a wide variety of outcomes for individuals; 2) Relationships between economic and social-psychological outcomes involve neighborhood characteristics; 3) The influence of neighborhood and school attributes, and 4) Neighborhood effects are found to be contingent on an individual’s gender, race/ethnicity, and the degree to which one’s life is spent in a particular neighborhood. See Blasius et al., 2007, p. 630.
Supposing there was scholarly consensus relative to the presence of neighborhood effects—would this, in turn, suggest integration efforts are the solution? A major part of this problem relates to what researchers point out as being a common mistake in logic: ‘causation in’ is not necessarily ‘causation out.’ In other words, even if a causal mechanism is identified—its opposite will not necessarily resolve the issue. Wolff and De-Shalit (2010) write: “To use a well-known example, if someone is run over by a steam roller, then the cure is not to have the steam roller reverse back over them.” For our purposes, we might state that even if neighborhoods cause a certain degree of disadvantage for its inhabitants, there is reason for pause at the suggestion that de-concentrating disadvantaged households is the necessary solution. Indeed, a great portion of research bears out this latter claim.

Among other challenges, defining mix is a problem in itself. Blasius et al. (2007)—after making a sufficient case for mixing policy based upon equity (i.e., improving the plight of the disadvantaged)—write that the optimal mix of advantaged and disadvantaged households must be defined differently for various national and community contexts. Further, while it is not necessarily difficult to measure an increase in segregation—it is more difficult to measure an increase in ‘mix.’ Such measurements, therefore, have often been avoided. Andersson et al. (2007) write: “However, such [programs for integration] seldom make clear what mix is desirable and appropriate, only that mix is good. Therefore, clarifying what mix matters is seen here as an important task for social science research.” In working to define the degree of mix that “matters”—Andersson et al., after explicating several policy initiatives both in the US and abroad to engender social mixing, write:

What typically has been left implicit in this set of policy initiatives is what aspect of neighbourhood mix is deemed crucial for expanding opportunities. Is the domain of mix: socio-economic? National origin or ethnicity? Housing type and tenure? Within a domain, is it the percentage of a certain ‘disadvantaged’ group or the percentage of

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104 Blasius et al., 2007. p. 630
105 Andersson et al., 2007, p. 656
‘advantaged’ groups that is more important? Or is it the balance of these two groups? Or is it diversity per se across all groups comprising a specific domain that is crucial?  

In addition to defining the proper “mix” that should comprise a particular neighborhood or community, another problem with residential mixing efforts is that neighborhood effects lead to differing results that can equally point towards support or suspicion, depending upon one’s criteria. Loretta Lees documents this well in studying the effects of gentrification, or urban revitalization, in low-income areas. In this context, gentrification aims to improve the conditions of a low-income area to attract middle-income households, a strategy that Lees finds questionable. Even though the evidence is scant that this initiative will actually produce positive results, government policy still advocates it. Lees writes: “…despite fierce academic debate about whether or not gentrification leads to displacement, segregation and social polarisation, it is increasingly promoted in policy circles on the assumption that it will lead to more socially mixed, less segregated, more livable and sustainable communities.” However, Lees finds that gentrification often results in social segregation and polarization, which leads her to speak to the faith-based nature of supporting such diversity initiatives: “Social mix policies rely on a common set of beliefs about the benefits of mixed communities, with little evidence to support them and a growing evidence base that contradicts the precepts embedded in social mix policies that should make policy-makers sit up and take note.”

Similar to Lees, Kearns and Mason (2007) conclude that the government’s objectives of “sustainability” and “social inclusion” could not be fully supported through housing diversification within an area. They argue that mixed communities are not “founded upon knowledge of which neighbourhood processes operate in what circumstances, nor on how the

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106 Ibid., page 638
108 Ibid., page 2449
109 Ibid., page 2463
positive gains to some people and communities are weighed against the disbenefits that mixed communities may bring to others.”

Furthermore, while de-concentration of race and/or poverty has been, and continues to be, a popular method of creating spatial integration, dispersal methods often leave the existing neighborhood in worse condition than before, due to the methodological flaw\(^{111}\) of (re)moving the more advantageous and resourceful members from the community. Atkinson (2009) writes:

> The US studies barely consider the impacts of these policy vehicles on the neighbourhoods that recipients exit. In other words, if those with relatively greater existing opportunities and advantageous personal characteristics move out, is there a reinforcing or further residualising effect on the neighbourhoods that they leave behind with even greater concentrations of disadvantage?\(^{112}\)

Although low-income and high-minority concentrated communities may be lacking in adequate public resources, they may also display strength in local social capital within their own communities. While this should not be justification for allowing the existence of segregated low-income communities, areas with high social capital can better support one another, share resources, and provide job insights. Dispersal efforts, where low-income families are placed within a middle- to higher-income neighborhood have shown outcomes that reveal the dispersed families are less likely to engage the social resources around them thus resulting in lower social capital. Also, dispersal candidates have been found to be less likely to talk to their new neighbors about jobs. Thus, from this perspective, dispersal efforts may not necessarily be effective in promoting social ties that provide for wider opportunities.\(^{113}\)

This brings up an important and unavoidable question: if there is an absence of measurable benefits as it relates to integration, is there a detectable presence of benefits related to segregation? In other words, are there benefits associated with segregated, homogenous areas—even if they are poor? One can naturally assume that benefits exist for higher-income white

\(^{110}\) Kearns and Mason, 2007, p. 688

\(^{111}\) This is Atkinson’s term. It is a “flaw” in the sense that the selection process for those worthy of vouchers will choose, and thus displace, those “that were already likely to do better than the wider group of residents in pre-existing areas of black and poor neighbourhoods” (See Atkinson, 2005, p. 20).

\(^{112}\) Ibid., page 26.

\(^{113}\) Ibid., page 22.
segregated areas. However, do benefits exist for homogeneous low-income minority areas?

Cheshire presents the term “specialized neighbourhoods” which simply accounts for areas of income and ethnic/racial segregation. Economically speaking, however, Cheshire outlines the benefits of such segregation, beginning with labor market benefits. Bayer et al. (2005) studying Boston in the US finds that people living in a particular census block are more likely to work in that census block. They conclude that neighborhood social interactions between people similar to each other are a significant factor in the operation of urban labor markets and how individuals in those markets actually find jobs. Moreover, Cheshire speaks to the labor benefits of specialized neighborhoods through networking of similar individuals. For example, in a hypothetical Polish neighborhood in Chicago, relational networks might be stronger among those of a Polish background and thus provide a more robust support system than a diverse economy. Such “agglomeration economies,” contends Cheshire, are buttressed by larger cities because they can support a greater range of specialized neighborhoods—neighborhoods Cheshire refers to as being a “fertile source of effective job matching.”

In addition to labor market advantages, Cheshire contends that consumption benefits exist by living in segregated neighborhoods. This argument, although more intricate, presents the idea that consumption is a function of relative wealth and not simply absolute wealth. As Hardman and Ioannides (2004) point out, neighbor’s incomes and other characteristics are market-driven outcomes of individual choices for the majority of US households. They cite urban economic models predicting that incomes in market driven neighborhoods will be homogeneous. Thus, working from this idea, Cheshire writes:

Specialised neighbourhoods provide direct consumption benefits both because they increase the range of choice for people with respect to the types of neighbourhood in which to live; and people and families of similar incomes, tastes or points in life cycle tend to consume similar goods and services and require similar amenities.

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115 Ibid., page 15  
116 These models include the Tiebout model and the Monocentric City model. See Hardman, Anna, and Yannis M. Ioannides, 2003, p. 370  
117 Cheshire, 2007, p. 16
Thus, homogeneity of race and income may provide less anxiety for individuals relative to those living near to them and with whom they associate (i.e., they don’t have to “keep up” with the lifestyles of more affluent neighbors around them). Cheshire cites Luttmer’s work in this area and the “powerful” reinforcing effect this has on skepticism of mixing policy. Thus, households trying to maintain a standard of living similar to their neighbors with higher levels of income compensate by working more and spending less time with their family. This, as Cheshire puts it, “causes them to feel themselves to be worse off and have lower reported welfare.”

Finally, while integration efforts seek to address the problem of concentrated poverty, another potential problem remains related to concentrated dispersal. John Goering’s early work on racial tipping in neighborhoods stands as a sobering reminder that there exists a market threshold for white-migration once the proportion of non-whites “exceeds the tolerance for interracial living.” The canonical model for this is the one proposed by Economist Thomas Schelling, which suggests that under “white flight” the first members to leave a mixed-neighborhood are those with the strongest preference for racial homogeneity, eventually followed by those with a weaker preference. This, according to Schelling, eventually leads to a segregated equilibrium.

While this theory has been empirically disputed, the Schelling model is a reminder of the implicit notion that racial preferences differ from person to person, and that such a preference will have an effect on neighborhood composition as desire for racial homogeneity, whether implicit or explicit, will inevitably be reflected in housing markets.

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118 Because Luttmer’s results apply to both rich and poor households, Cheshire makes the declaration that welfare would be enhanced for all “if we had neighbourhoods more segregated on the basis of income rather than less segregated.” (Page 18, italics mine)
119 Ibid.
120 Ibid., page 17
123 In addition to empirical evidence being offered to demonstrate this (See Easterly 2009), Goering writes: “There are, in fact, very few data with which to definitively answer the question of whether neighbors tip.” Goering, 1978, p. 69.
124 However, later in the thesis I question whether the market would properly sort a preference for mix. In other words, if low-income black households and higher-income white households preferred to live in a mixed neighborhood—would the market properly reflect the desire for this arrangement? I argue that it would not.
This second argument of the Cheshirian position casts doubt upon the enterprise of social mixing—even if one were to concede the presence of neighborhood effects. Ultimately, when these two arguments are given full consideration, Cheshire concludes that efforts to mix are not cost effective, given the time, money, and resources involved in engineering social mix. He writes:

> It is perfectly possible that any neighborhood effect—if it exists—is comparatively small and that the cost of policies to address it effectively is so great compared to the costs of other policies to improve the welfare of poor people that attempting to achieve ‘mixed neighbourhoods’ is simply not cost effective.\(^{125}\)

**Spatial Equality and White Condescension—Defining Spatial Equality Apart From Residential Integration**

Even outside the canopy of the Cheshirian position, there are reasons for pause or skepticism as it relates to neighborhood integration. More specifically, this form of skepticism comes from within the African American community. John Calmore, an African American and former law professor, has called into question mainstream efforts toward social and racial integration as a means of equality. Citing a lack of integrity in this approach, he criticized “spatial equality” as a euphemism for “white ethnocentrism.” He writes: “Spatial equality does not presume that benefits automatically are associated with integration, and it does not denigrate black capacity. It sees ‘nonsegregation’ as an alternative to integration.”\(^{126}\) Quoting Robert Forman, he goes on to write: “Nonsegregation implies both the right of people to remain indefinitely where they are, even if in ghetto areas, and the elimination of restrictions on moving into other areas...Only white ethnocentrism could lead to the belief that all blacks would want to live in predominantly white areas.”\(^{127}\)

On the surface, Calmore’s criticism of racial pretense in residential integration seems to contradict the African-American preferences for integration as spelled out by Massey and

\(^{125}\) Cheshire, 2007, p. 18
\(^{126}\) Calmore, 1993, p. 1498
\(^{127}\) Ibid.
Denton (1993). In contrast, Calmore’s sentiments mirror a growing trend in what has been described as the “self-segregation hypothesis.” This hypothesis, while conceding that housing discrimination in the past strongly contributed to residential segmentation, asserts that current levels of segregation reflect the preference of African Americans to live together.\(^{128}\) However, after assessing multiple studies related to African American preference for neighborhood composition, Robert DeFina concludes: “The evidence provided suggests that self-segregation, especially for positive reasons, helps little in understanding racial housing segregation.”\(^{129}\) Keels et al. (2005) in researching the Gautreaux dispersal program in Chicago, found that preference for racial composition in a neighborhood was consistent with previous research that indicated black preference to reside in mixed-race neighborhoods.\(^{130}\) Further, they found that the limited cases of re-segregation that occurred were not economically related. Rather, the participants who initially moved to predominantly white, higher-income neighborhoods subsequently relocated to neighborhoods that were less white but still affluent.\(^{131}\)

However, such conclusions do not dismiss the validity of Calmore’s claims as it relates to spatial segmentation. Calmore was concerned that integration efforts would threaten the “blackness” of lower-income African Americans who, according to him, often “value black community attachment and affiliation at the expense of integration.”\(^{132}\) This suggests that the idea of “spatial equality” does not necessarily lead to the solution of integration, and vice-versa.

Calmore’s implicit point is an important one: black preference for living together cannot be divorced from the social consequences that often accompany segregation, or spatial inequality. Such consequences may not be as evident for homogeneous white communities that have higher median income levels and a greater abundance of local resources and amenities at their disposal.

\(^{128}\) DeFina, 2007, p. 2
\(^{129}\) Ibid., page 9. Among other data, DeFina draws on the work of two major studies to reach this conclusion: the “show card experiment” and the “ideal neighborhood design approach.” Both were hypothetical exercises that attempted to measure African American preference for the composition of the community they live within, assuming their primary residence was an “attractive, affordable home that they like.”
\(^{130}\) This included both ends of the spectrum, as Gautreaux families were placed in neighborhoods averaging anywhere from 4% African-American households to 95%. Regardless of placement, the authors found that Gautreaux families preferred racially balanced neighborhoods. See Keels, Micere, Greg J. Duncan, Stefanie Deluca, Ruby Mendenhall, and James Rosenbaum. "Fifteen Years Later: Can Residential Mobility Programs Provide a Long-Term Escape from Neighborhood Segregation, Crime, and Poverty?" *Demography* 42.1 (2005): 51-73. Print. (Page 70)
\(^{131}\) Ibid.
\(^{132}\) Ibid., pp. 1505-1506
For example, the Mount Laurel exclusionary zoning case in New Jersey (detail forthcoming) involved low-income blacks vigorously working to share space with the otherwise homogeneous white communities contiguous to their neighborhoods. Thus, two issues existed: an issue of spatial equality and an issue of integration. Calmore’s work suggests that the latter has been inappropriately confused with the former. This is evident in his sentiment that spatial equality should be a “moderating force to the pursuit of integration at all costs.” Indeed, Cashin (2004)—in describing five primary influences that contribute to the residential separation of black and white households in America—lists “integration exhaustion” for African Americans. She writes:

African Americans are increasingly reluctant to move into neighborhoods without a significant black presence. They prefer places that are recognized as being welcoming to blacks and seem less willing than in the past to be integration pioneers and move into neighborhoods that might be hostile to their presence.

Thus, Cashin and Calmore remind us that federally facilitated dispersal programs packaged as “spatial equality” are not necessarily equal distributions of spatial opportunity. This is articulated well by Imbroscio (2004) who presents a case for the liberty of “choice” in the context of place, i.e., neighborhood or community. Choosing where one wants to live is a fundamental human freedom, and remains a positive human right for all human beings, contends Imbroscio. However, he recognizes that both political and market forces prevent against integration, and he opts for what Gordon Clark has called “community integrity.” Integrity, in contrast to the goal of integration, upholds the right to travel or stay put as a tenet of the US constitution and as the “fabric of American life.” Imbroscio (2008) contrasts “right to place”—or RTP—with traditional dispersal notions that merely involve giving housing residents “the ability to exit their current neighborhoods (and enter others).” Similar to Calmore, Imbroscio presents an idea more true to the definition of spatial equality: “Real freedom of residential choice should be conceived of as dyadic, expanding both the exit/entry opportunities...

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133 Calmore, 1993, p. 1517
134 Cashin, 2004, p. 9
135 Imbroscio, David L. "Can We Grant a Right to Place?" Politics and Society 32 (2004): 575-609. Print. (Page 577)
136 Clark as cited by Imbroscio, 2004, p. 595
137 Dimond as cited by Imbroscio, 2004, p. 578
for the urban poor as well as possibilities to stay put; it should, consequently, be constituted by policy efforts to facilitate mobility as well as efforts to make inner cities more livable.”¹³⁹ These important points provide the sobering reminder that efforts to socially integrate often come at the expense of cultural and ethnic identity, thus complicating the already muddled subject of *how* to socially integrate communities, in addition to the importance of appropriately acknowledging and pursuing “spatial equality.”

**PART II: US Dispersal Efforts**

As mentioned, within the US, we can find several policies directed toward racial and socio-economic deconcentration over the last 40 years as a means to mix communities with the intended outcome of increasing or enhancing life chances of low-income minorities. In surveying the myriad housing dispersal programs in the United States, Goetz (2003) provides a useful table where forms of housing assistance are distinguished between “Tenant-Based Approaches” and “Unit-Based Approaches.”¹⁴⁰ This section aims to review two tenant-based approaches that are technically classified as mobility programs (Gautreaux Program; Moving to Opportunity) and two unit-based approaches (HOPE VI; Fair Share Housing).¹⁴¹ As discussed earlier, the tenant based dispersal programs have had mixed results, leading to conclusions such as Galster and Zobel (1998), who state that evidence from dispersal has been “thin and contradictory.”¹⁴² However, these programs continue to generate discussion to this day.¹⁴³

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¹³⁹ Ibid., page 123. This, Imbroscio contends, achieves one of the original policy goals in housing from the 1949 housing act: to provide housing for Americans in a suitable living environment” (Page 123).


¹⁴¹ In addition to Goetz’s distinction, these policy thrusts differ in their focus on how they address segregation (desegregation; integration) as well as their target group (race; class). For example, Gautreaux specifically aimed to address racial desegregation while MTO and HOPE VI were considered class-based integration initiatives. Mount Laurel language accommodates both race and class. Scale differed as well: HOPE VI represented what might be understood as a national policy, where Gautreaux specifically addressed Chicago neighborhoods, Mount Laurel specifically addressed New Jersey municipalities, and MTO addressed five designated metropolitan areas.

¹⁴² As quoted by Atkinson, 2005, p. 19

¹⁴³ Further, these programs, or their residue, are still in existence. Moving to Opportunity and Gautreaux continue to engender empirical research and discussion. Further, HOPE VI funding and fair-share agreements are examples of federal policy in contemporary land and housing usage.
The purpose of exploring these efforts and their results is to highlight the nuances of the efforts made to residentially integrate otherwise segregated white and black households, and reflect upon the larger discussion regarding residential social arrangements in the United States. All four dispersal efforts reflect a degree of effectiveness related to residential mixing. However, we also find evidence consistent with the arguments articulated in the Cheshirian position (highlighted above), casting a shadow of skepticism on the validity of these programs.

The Gautreaux Program

In 1966, a series of class action lawsuits were filed against the Chicago Housing Authority (CHA) in the US and the Department of Housing and Urban Development (HUD) where it was alleged that the housing authorities deliberately segregated low-income African-Americans through tenant and site selection. As a result of the lawsuit, a new program named after plaintiff Dorothy Gautreaux was created in 1976 that offered vouchers and rent subsidies allowing for eligible families to move to desegregated areas throughout the region. The program was run by a local nonprofit organization, where staff worked with local landlords and families to ultimately facilitate moving the eligible family to a desegregated community. Thus, the Gautreaux Program, as it came to be known, was one of the first major US dispersal efforts.

James Rosenbaum, whose extensive study of the Gautreaux program stands as a definitive research resource, describes the unique benefit Gautreaux offers to researchers and policymakers alike: “Because of its design, the Gautreaux program presents an unusual opportunity to test the effect of helping low-income people move to better labor markets, better schools, and better neighborhoods.” In other words, relatively little is known about black families who break residential barriers into white suburbs; that is to say, it can only be theorized whether those

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145 Eligible candidates were dispersed throughout the region, but housing counselors were deliberate about making sure that the concentration of black families per neighborhood was not too high, as this might create a tipping point and thus “white flight.” As a result, writes Rosenbaum, “the program has low visibility and low impact on receiving communities.” Rosenbaum, James E. "Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux Program." Housing Policy Debate 6.1 (1995): 231-69. Print. (page 234)

146 Ibid., page 233
families themselves are exceptional people or whether the suburb acts as a force to assist them with jobs, education, and social ties (i.e., positive ‘neighborhood effects’). Thus, Gautreaux participants, as Rosembaum puts it, “circumvent the ordinary barriers to living in the suburbs, not by their jobs, personal finances, or values, but by getting into the program.”

This setup, in addition to participants being assigned to random suburban locations, creates a “quasi-experimental design.”

In 1998, 22 years after the program was enacted, the Gautreaux Program had placed 7,100 families with over half of those moving to affluent suburbs where the majority of the households were white owned. Rosenbaum (1995) has conducted three studies of the program and examined the outcomes. The first study dealt with adult employment (“Can low-income blacks get jobs in the suburbs?”), and the second (1982) and third (1989) study interviewed school-aged children (ages 8-18) and followed up with them 7 years later as adolescents and young adults. Rosenbaum found that after moving, eligible participants relocating to the suburbs were more than 25 percent more likely to have a job than those who moved to the city. Although there was not a statistically significant difference in wages between suburban and city movers, Rosenbaum concludes from his study that employment rates of suburban movers surpassed those of city movers, particularly for those without prior employment. Regarding the school aged children study, while there was difficulty in transitioning from the city to the suburbs for the suburban movers, the 1982 study found that suburban movers had grades and overall school performance commensurate with their classmates. Further, suburban movers had smaller classes, higher satisfaction with teachers and courses, and a better overall attitude about school.

147 Ibid.
148 The term “quasi-experimental” is used because research data from the program is not coming from a random sample. Participants are put onto a waiting list, and if they are called upon they are offered units as they become available. Thus, while clients ultimately have the option to turn that unit down, very few do as they will be recycled back into the waiting list if they should choose to turn down a unit in their initial offer (See pp. 234-235).
150 Rosenbaum, 1995, p. 235
151 Ibid., page 237. The Gautreaux program had families that moved to white middle-class suburbs (“suburban movers”) as well as families that moved to low-income black city neighborhoods (“city movers”). Thus, Rosembaum states, the city movers provide a good comparison group to the suburban movers as a means to tease out neighborhood effects because both groups met the same selection criteria (page 235).
152 Ibid., page 239.
153 Based upon the judgment of their mothers.
than city movers did.\textsuperscript{154} The follow up study in 1989 showed promising results associated with the suburban movers.\textsuperscript{155} These results included lower dropout rates than city movers, higher grades,\textsuperscript{156} and higher college enrollment for suburban movers, particularly for four-year colleges.\textsuperscript{157} Finally, Rosenbaum found that social interaction was just as high among suburban movers as city movers, with suburban movers being accepted by their peers and feeling as though they “fit in.”\textsuperscript{158}

Also comparing suburban and city movers, Keels et al. (2005) provides evidence that the Gautreaux program produced “large and persistent improvements in neighborhood quality.” They found that two-thirds of families who initially moved to the suburbs continued to live there 6 to 22 years after their initial moves.\textsuperscript{159} These results elicited new attention towards the program and mobility efforts in general to address urban poverty. Goetz (2003) notes that the Gautreaux program “convinced many that mobility programs that integrate landlord recruitment, tenant counseling, and placement services could begin to overcome patterns of residential segregation and improve the lives of poor families.”\textsuperscript{160}

Despite the promising nature of these results and his conclusion that Gautreaux provides a clear example of a program that helps families escape areas of concentrated poverty and improves educational, economic, and labor prospects, Rosenbaum warns that the Gautreaux housing mobility program is not a nationwide panacea for concentrated poverty. He is very clear that this program was specifically designed for Chicago, one of the most racially segregated metropolitan areas in the United States at that time, and cautioned against utilizing the same program in a different area as this may have different effects.\textsuperscript{161} Where Rosenbaum exercises caution when reviewing Gautreaux outcomes, Jeff Crump (2003) displays greater skepticism in attempts of

\textsuperscript{154} Ibid., page 240.
\textsuperscript{155} The average age for the children interviewed at this time was 18. For both studies in 1982 and 1989, one child was interviewed from each family from a sample of 114 families.
\textsuperscript{156} Technically, the grade average (C+) was the same for both suburban and city movers. However, Rosenbaum contends that higher educational expectations and classroom curriculum implies a higher achievement level among suburban movers (Page 243).
\textsuperscript{157} Ibid., pp. 243-244.
\textsuperscript{158} Ibid., page 248.
\textsuperscript{160} Goetz, 2003, p. 7
\textsuperscript{161} Ibid., page 254.
generalizability due to “significant flaws in the research design.” Crump criticizes the self-selection process, the survey sample (only those who found suburban housing participated in post-move surveys), and the fact that a majority of the participants were not actually former housing residents, but were eligible for vouchers nonetheless. Further, Crump notes that the evidence for higher employment among the suburban movers is flawed because employment opportunities decreased in the city.

Equally critical, Imbroscio (2008) uses the term DC (“Dispersal Consensus”) as a pejorative description of dispersal advocates who cling to the principle and logic of poverty deconcentration, but have failed to pay attention to its “messy reality.” This reality, writes Imbroscio, involves a lack of “freedom of choice” for voucher residents, imputed interests on behalf of the poor (directing the poor to where they will live), and repressive counseling. Freedom of choice, according to Imbroscio, is at worst a remarkably restricted choice and at best a misrepresentation of market freedom. Citing the Gautreaux program, he writes: “But the context in which these decisions were made—such as, most notably, while facing a difficult life in neglected, crime-ridden neighborhoods with substandard housing—is left out of the picture.” Second, he criticizes the Gautreaux results as suggesting that all low-income minorities desire to move from inner-cities, citing numerous studies that suggest that African Americans prefer to stay near the inner-city. Thus dispersal to suburban communities implies, according to Imbroscio, an imputed desire of what is “best” for the urban poor, which may or may not be an accurate representation of their interest. Finally, Imbroscio suggests that given the high costs of counseling programs related to dispersal, such programs can divert scarce resources away from the voucher program, which would reduce eligible families being served and would further create restricted choice for eligible families.

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163 This, contends Crump, leaves out 80% of the participants who were not successful in finding housing, leading him to conclude that the results garnered from the suburban movers are “inflated” (Page 182).
164 Ibid.
165 Ibid.
166 This term is attributed to Goetz (2003). See Imbroscio, 2008, p. 114
167 Ibid., page 115
168 Ibid., page 117
169 Ibid., pages 118-120
In summary, there is widespread consensus that Gautreaux a) provides an example of a “natural experiment” with positive outcomes, although some of the conclusions drawn are inflated and b) the generalizability of Gautreaux is severely flawed due to limitations of self-selection and heavy screening, a high number of participants who were not current public housing residents, and the fact that nearly 80% of the families that came through the program never moved, suggesting that the families that did move were more determined and motivated.\textsuperscript{170}

Thus, while Gautreaux is not necessarily a random sample, its design has produced interesting results and insights into suburban effects relative to city movers, with positive effects being associated with suburban movers both in life chances and upgraded neighborhood tenure. However, the flaws in the overall research design leads Imbroscio and a host of others to dismiss the Gautreaux mobility program as nothing more than “oversold evidence.”\textsuperscript{171}

**Moving to Opportunity (MTO)**

Planners were inspired by preliminary results from the Gautreaux program, and this evidence informed expectations for Moving to Opportunity.\textsuperscript{172} Thus, the Moving to Opportunity (MTO) program was created in the early 1990s as a longitudinal effort combining “tenant-based rental assistance with housing counseling to help very low-income families move from poverty-stricken urban areas to low-poverty neighborhoods.”\textsuperscript{173} The intent of MTO was to overcome some of the shortcomings of Gautreaux by using the poverty rate of the receiving neighborhood rather than its racial composition as the dispersal criterion.\textsuperscript{174} Families living in poverty-stricken areas were eligible to receive counseling and apply for assistance to move to a low-poverty neighborhood.\textsuperscript{175} The goal of this program was to “develop more effective mobility strategies
for recipients of tenant-based housing assistance in metropolitan areas throughout the nation.”176

In his assessment of residential integration outcomes, Paul Cheshire specifically chose to analyze the MTO project and its results because it is “equally the best source of evidence for identifying any beneficial effects of constructing mixed neighborhoods.”177

The MTO experimental model, which took place in five major metropolitan areas,178 consisted of three distinct groups: the MTO treatment group (experimental group), the Section 8 comparison group, and the control group.179 The treatment group, in addition to receiving counseling assistance, was provided with housing vouchers that allowed them to move to areas of low-poverty. The section 8 group was also given vouchers for moving, but they had no restrictions on where they could move (i.e., they could move to an area of high-poverty if they chose) and they did not receive counseling. Finally, the control group, who continued to live in public-based housing without counseling, was drawn into the experiment for comparison purposes.180

This experiment generated several positive outcomes in its initial phase. Such outcomes for relocated households included better schools and school performance, a safer perception of the neighborhood accompanied by a greater sense of general well-being, and a slight decline in juvenile crime behavior. Short-run impacts revealed improvements in mental and physical health for the experimental group, in addition to an enhanced sense of safety and reduced likelihood of victimization or injury.181 Perhaps one of the more comprehensive reviews of long-term effects comes from Briggs, Popkin, and Goering in their 2010 book which assessed the MTO experiment and its outcomes.182 The “initial achievement,” and perhaps one of the more positive outcomes of the MTO project, was that many MTO families were removed from dangerous high-crime, high-poverty environments.183 Consistent with other studies, relocation through MTO meant moving to security.184 The authors write: “On this front [safety], MTO has

176 Cheshire, 2007, Pages 8-12
177 Ibid., page 12
178 These cities included: Baltimore, Boston, Chicago, Los Angeles, and New York.
179 Section 8 is an existing housing voucher program run by the department of Housing and Urban Development (HUD). This is a program for low-income families to receive federally subsidized public housing.
182 Briggs et al., 2010
183 Ibid., page 85
184 Ibid., page 107
been enormously successful, with the main caveat being that many families struggled to stay out of high-risk neighborhoods after initially escaping them.”  

Unfortunately, studies of long term effects reveal that safety and an enhanced sense of wellbeing were the limited positive outcomes evidenced in this program. Although Goering and Feins offered the conclusion that early research of MTO’s effects on families “demonstrates that beneficial, statistically significant changes have occurred in families’ lives within two to four years of their participation in MTO,” long-term evaluations are ambiguous at best. Gautreaux, it is concluded, was a “limited guide” insofar as being the driving model for the Moving to Opportunity dispersal project. Where Gautreaux showed positive advantages for the suburban group over the city group for educational results as well as gains in the labor market, MTO suffered in its attempt to replicate these results. In fact, it was found that school choice was based upon a limited set of factors, and often children were relegated to lower quality, less effective school districts. Regarding labor, the expectation of employment gains centered on the mechanisms of “space, networks, and norms.” However, spatial mismatch and isolated social networks due to a lack of cross-network integration with neighbors and short tenure in integrated communities prohibited the realization of gains in the labor market as a function of location. Further, while girls and mothers experienced reductions in stress and anxiety as well as a reduction in “risky behavior”—adolescent boys did not experience a decrease in sexual pressures and related risks, but they did experience more hostility from local teens in their new low-poverty neighborhoods. Further, adolescent boys were more likely to smoke, be arrested for property crimes, and showed no difference than their control group counterparts as it related to incidences of violent crime. Thus, a survey of the range of positive and negative outcomes

185 Ibid., pp. 107-108
186 Goering and Feins, 2003, p. 383
187 Briggs et al., 2010, p. 65
188 Ibid., page 189-190.
189 Where low-income minorities and their housing are spatially isolated from job locations—thus hampering the practicality of commuting to work and overall job opportunities.
190 The authors write: “85 percent of the program population spent no time in an integrated (less than 30 percent minority), low-poverty census tract.” (Page 202)
191 Ibid., page 108.
192 Ibid., page 93. Regarding these findings for adolescent boys, the authors write: “These findings have been highly controversial, leading some to pronounce MTO a failure—or even a threat to receiving neighborhoods” (Page 93).
qualifies the conclusion reached by Briggs et al. (2010): “MTO was a relocation-only intervention.”

MTO’s inability to reproduce gains observed in Gautreaux can also be attributed to research limitations. Indeed, Goering and Feins (2003) observe that there were significant research limitations to the MTO project. In the same vein as Cheshire, the authors conclude that while positive evidence for the experiment is available, little is known about why and how such changes occurred. Popkin et al. (2000) point out that MTO participants suffer from the same self-selection bias problem encountered in Gautreaux, where families volunteered for the “experiment” and therefore may differ in unknown ways from the rest of the public housing population. Further, where Gautreaux was criticized for drawing evidence from the program participants that moved, as approximately 80% of them did not, MTO only had approximately half of its families find a unit in what was considered a low-poverty area. Thus, similar to Gautreaux criticisms, positive findings may only reflect the results of “motivated families.” It was also found that the MTO program participants had no significant increase in wages earned relative to their jobs in public housing, a similar finding to Gautreaux participants. When these issues are accounted for, the generalizability of positive MTO outcomes is minimized.

HOPE VI

Where the Gautreaux and Moving to Opportunity programs specifically dealt with the dispersal of low-income minorities, the HOPE VI initiative was a hybrid approach to residential integration in that it combined dispersal practices with the renovation of low-income public housing to create residential mixed-income and mixed-race housing environments. The program

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193 Ibid., page 108.
194 Goering et al., 2003, p. 32
195 Popkin et al., 2000, p. 930
196 Imbascio, 2008, p. 120
197 Originally, 4,610 families were selected to participate, and approximately 829 were able to find housing in the suburbs. However, only 50% of the suburban group actually found shelter in the suburbs due to a general shortage of low-income suburban housing and landlord reluctance to house former public housing tenants. See Crump, 2003, p. 183
198 Popkin et al., 2000, p. 931
199 Crump, 2003, p. 183
was launched in 1992 and facilitated by the Department of Housing and Urban Development (HUD) with the following stated objectives:

1) Improve the living environment for residents of severely distressed public housing through the demolition, rehabilitation, reconfiguration, and replacement of obsolete projects.
2) To revitalize sites on which such public housing projects are located and contribute to the improvement of the surrounding neighborhood.
3) To provide housing that will avoid or decrease the concentration of very low-income families.
4) To build sustainable communities.

The HOPE VI program was developed as a result of recommendations from the National Commission on Severely Distressed Public Housing. The commission, in their report, made recommendations relative to the issue of eradicating blighted public housing units. These recommendations addressed the physical improvement of public housing, management improvements, and the inclusion of social and community services for resident needs. However, Popkin et al. points out that HOPE VI has not been a singular program such as Gautreaux or MTO, but alternatively has evolved over time throughout the implementation process toward a greater emphasis on building economically integrated communities in addition to giving residents more choice in the private housing market. Thus, the multi-faceted nature that evolved from original HOPE VI legislation make singular evaluations toward its effectiveness difficult. Such ambiguity is enhanced as HOPE VI programs are interspersed in municipalities throughout the country, often relegating research on outcomes to site specific contexts that cannot be easily transferred from area to area and prohibit generalizability.

Ambiguity aside, there have been numerous advantages observed with the HOPE VI initiative, helping to substantiate the 6 billion dollars in funding the program has received to date. Further, the HOPE VI initiative was regaled with the “Innovations in American Government” award in

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202 Popkin et al., 2004, p. 2
for “generating a new level of civic culture and serving as an engine for neighborhood renewal.” However, such accolades and assessments must be tempered with the stream of skeptical voices as it relates to HOPE VI. Similar to Gautreaux and MTO, the program’s observed benefits must also reconcile its conspicuous drawbacks. In her testimony for the hearing on Academic Perspectives and the Future of Public Policy, Susan J. Popkin, an expert on HOPE VI, proclaimed the initiative to be a “bold effort to transform public housing communities and demonstrate that housing programs could produce good results for residents and communities.”

However, she makes the important distinction between changing public housing, and changing resident outcomes inhabiting these structures through voucher programs and counseling. Perhaps what is most contentious in the HOPE VI debate, and in the metanarrative of residential segregation, is based upon what HOPE VI presumes relative to the idea of “concentrated poverty.” The assumption is that pockets of concentrated poverty both cause and exacerbate a collection of social dysfunctions. Popkin et al. (2004) write: “A central premise of HOPE VI—and of the broader public housing transformation effort that began in the 1990s—was that the overconcentration of profoundly poor, nonworking households was a major contributor to the high levels of social problems in distressed public housing.”

In one of the most comprehensive HOPE VI reports available, Popkin et al. (2004) survey the program’s impact on housing development, the residents, and neighborhood conditions based on examining the myriad studies of various locations impacted by HOPE VI. One of the “most basic goals” of HOPE VI was to transform dilapidated and distressed public housing areas into improved living environments where families would “choose to live.” Here, the authors conclude that completed HOPE VI sites have “dramatically improved the aesthetics of public housing,” a sentiment echoed in Popkin’s 2009 testimony. This statement is based on a

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200 HUD, About HOPE VI, 2010
206 Ibid., page 2-3. Indeed, to make an assessment of the program’s success or failure, a likely response would be: “which part of the program, and in what location?”
207 Popkin et al., 2004, p. 14
208 Ibid., page 19
209 Ibid. The authors point out that several HOPE VI sites have received awards and accolades for such redesign efforts (p. 20).
reduction in density, connecting new structures to public resources through sidewalks and street grids, safety changes, and improved exteriors. Further, such improvements would often have a significant effect on the surrounding area. For example, locations throughout the country experienced a high degree of real estate property increase once a “blighted area” was demolished and replaced with newly renovated and higher quality dwellings.

However, the demolition and removal of low-income public housing has also introduced a new set of problems. First, only half of the original stock of subsidized units was to be replaced, forcing the families inhabiting those structures to find a new residence. Although often equipped with a voucher and counseling, this transition has been problematic as some families have simply been moved to neighborhoods with an equal (or worse) level of concentrated low-income minorities. Further, the replacement housing for demolished public housing has often lagged in some sites, leaving relocated families vulnerable to the ever-changing demands of the private market housing sector. Even with possession of a housing voucher, securing private market housing accommodation has proven a difficult task for many families. Popkin et al. (2004) write: “Discrimination against minorities and families with children and the negative stigma attached to being a former public housing resident also affects relocatees’ ability to secure a unit with a voucher.” Thus, it becomes evident that HOPE VI initiatives cannot escape additional, often uncontrollable, factors that threaten its objectives.

One of the more explicit criticisms of HOPE VI efforts comes from Sociologist Stephen Steinberg, who claims that the HOPE VI acronym (Housing Opportunities for People Everywhere) is nothing more than a “hypocritical” term. Community revitalization, according to Steinberg, is analogous to America’s ugly history of “Indian removal”—only to be replaced in this instance with an equally offensive term: “Negro removal.” He writes: “To my eyes, HOPE VI looks like Negro Removal, and Negro Removal looks like Indian Removal, though

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210 Popkin, 2009, p. 1
211 Popkin et al., 2004, p. 20
212 Popkin et al. (2004) provide examples of this, including the “First Ward Place” in Charlotte, North Carolina, where the public housing was said to be “holding back” property values. Once a new mixed-income residential area replaced it, “real estate values for surrounding parcels have skyrocketed” (Page 45).
213 Ibid., page 21
214 Ibid., page 36
215 Steinberg, 2010, p. 213
216 Ibid., page 214. Steinberg borrows this term from James Baldwin in the 60s, later to be embraced by Malcolm X.
dispossession and displacement are more ingeniously camouflaged today than in times past.”

What is being camouflaged, it is suggested, is the cleansing of a black urban underclass in the name of engendering mixed-income and mixed-race housing. 218

There is little, if any, criticism that redeveloped areas from public housing to mixed-income settlements has not improved the aesthetics of such an area. In this sense, HOPE VI achieved its aim of “changing the physical shape of public housing.” 219 However, the argument becomes more contentious when exploring the effects on the public housing residents. Perhaps one of the most often cited criticisms of the HOPE VI program and its effects on housing residents is the increased likelihood of residents experiencing homelessness or being “precariously housed.” 220 Although McInnis et al. (2007) conclude from the available data that less than two percent of original residents experienced homelessness and only five percent were precariously housed, they did find that a major factor for housing security, or lack thereof, related to the success or failure of the housing management authority overseeing the HOPE VI jurisdiction. For example, in studying the HOPE VI results in the Durham, North Carolina area, the high rates of those who experienced homelessness (4%) and precarious housing (6%) could be attributed, according to the authors, to the management and implementation of the local housing authority. 221

The HOPE VI Panel Study revealed that a high percentage of residents removed from replacement-eligible public housing expressed a preference for moving back to the site after it was completed. However, the data reveal that less than twenty percent of former residents were found to be living in a revitalized HOPE VI development. 222 Moreover, the residents relocating to the private market expressed new, often difficult, challenges. These challenges included

217 Ibid., page 217
218 Ibid., page 214
220 McInnis, Debi, Larry Buron, and Susan J. Popkin. Are HOPE VI Families at Greater Risk for Homelessness? Issue brief no. 7. Urban Institute, 2007. Print. (Page 1) Here, “precariously housed” refers to residences having to “double up” with family or friends because they have no housing of their own.
221 Ibid., page 2. The implication, therefore, is that regardless of HOPE VI funding, if the local housing authority overseeing the project is not effective, then negative consequences can result putting HOPE VI eligible families in an even more precarious position than before.
222 Popkin et al., 2004, p. 28. While there is a disparity between the original desire to return and less than one-fifth of residents actually returning, it has been pointed out that desires and preferences on behalf of the moving families may have shifted over time, particularly after moving to their new residence in a presumably better neighborhood than what they had previously experienced.
223 Ibid., page 19.
unstable housing and difficulty paying rent and utilities. In a study of HOPE VI families, it was found that 40 percent of the respondents who were relocated to private neighborhoods reported problems in paying rent and utilities, with approximately half expressing that they were having difficulty affording food.

While many families ended up in better neighborhoods with lower poverty rates, due to the lag in redevelopment, tight rental markets or other exogenous factors (cost of living, discrimination, etc.), many residents were forced to relocate to equally distressed communities relative to their former public housing residency. Even with the knowledge that many families in HOPE VI relocation programs did successfully integrate into communities with low-poverty, this success must be balanced with the fact that low-income minority families continue to live in racially homogeneous areas. Popkin et al. (2004) write:

> While former residents are living in neighborhoods that are at least somewhat less poor, findings from both the HOPE VI Tracking Study and the national analysis of administrative data show that most are still living in census tracts that are predominantly minority.

Finally, it was found that many relocated residents cited a loss of social ties and support systems, which jeopardized their ability to cope with material hardship. Susan Greenbaum, referencing a HOPE VI site in Tampa, Florida, writes: “many…expressed feelings of loss and nostalgia for the neighborly relations they had in the public housing complexes where they used to live. In addition to enjoyment, patterns of mutual assistance and exchange among the residents had made survival easier on their very low incomes and offered a sense of community.” Thus, Greenbaum suggests that one of the most negative consequences of HOPE VI is the loss of community and social ties.

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223 Rent and utilities were covered in the public housing sector. Thus, managing a budget to include rent and utility payments was a new experience for residents transitioning from public to private housing.

224 Popkin et al., 2004, p. 30

225 Ibid., page 29.


227 Greenbaum (2006) as quoted by Steinberg, 2010, p. 221

228 Greenbaum (2002) as quoted by Popkin et al., 2004, p. 31. The authors also point out, though, that many relocated families were happy to leave what was otherwise a community of dysfunctional social relationships.
Yet amidst the steady stream of substantial skepticism relative to HOPE VI, one cannot simply ignore the positive findings of this initiative as it relates to public housing residents. There is clear evidence that a large portion of successful relocations moved residents into areas of lower poverty. Further, the HOPE VI tracking study found that relocated households perceive substantial improvements in their neighborhood conditions, in addition to lower crime, better services, and safer amenities. In addition to relocation and renovation efforts, HOPE VI funds have been used for community revitalization such as community centers, baseball fields, and libraries. Further, HOPE VI renovations, as mentioned, have improved real estate values in contiguous areas outside of the HOPE VI community, and is therefore often met with positive perception by residents in other communities who benefit from a real estate appreciation standpoint.

Ultimately, HOPE VI aimed to address “bricks-and-mortar problems in severely distressed public housing developments...[and] the social and economic needs of the residents and the health of surrounding neighborhoods.” Regarding the former objective, Popkin testifies that there is “no question” that HOPE VI has changed the face of public housing for the better. However, and in addition to a host of others, she exercises caution as it relates to declaring success on the latter point. This fact, to a degree, can be attributed to a lack of clear data. In 2004, approximately a decade after the program’s genesis, Popkin et al. concluded that, unfortunately, the information is limited regarding how original relocated residents have fared. They write: “The lack of consistent and reliable administrative data on housing and neighborhood outcomes for the original residents has muddied the debate about the performance of HOPE VI, and makes it difficult for policymakers to reach informed decisions about whether and how the implementation of the program should be approved.”

Difficulties aside, policymakers have still pushed for HOPE VI housing policies and its necessary funding. While the program and its goals have shifted to some degree, the HOPE

\[229\] Ibid., page 30.
\[230\] Ibid., page 42.
\[231\] Ibid., page 45.
\[232\] McInnis et al., 2007, p. 7
\[233\] Popkin, 2009, pp. 1-2
\[234\] Popkin et al., 2004, p. 27
\[235\] Indeed, the Obama Administration’s Choice Neighborhoods Initiative “builds on the successes of HOPE VI.” See Popkin, 2009, p. 2
VI program has been reauthorized each year since 2003 in the HUD appropriations bill, though its critics still remain.

Mount Laurel Doctrine

In contrast to most dispersal initiatives addressing residential segregation, the Mount Laurel doctrine decisions regarding land usage stemming from a small municipality in New Jersey, was not a pre-planned legislative attempt to integrate. Rather, Mount Laurel represents rulings from the 1970s and 1980s declaring that “municipal land use regulations that prevent affordable housing opportunities for the poor are unconstitutional.” These existing regulations effectively “zoned out” low-income minorities from the area, relegating them to a more crime-ridden metropolitan environment. Zoning, historically, is decided by a town’s current resident base. Thus, Mount Laurel, a “home for families and businesses,” leveraged this local planning privilege to exclude undesirable neighbors from living within the town through regulation mechanisms that low-income families could not afford. Such regulations included acreage minimums, lot frontage and width requirements, square footage requirements, and other forms of “growth control.”

239 Such “local autonomy”, according to Ham, is a necessary part of decentralizing state planning to create economic efficiency and local political participation. He writes: “Local autonomy leads to an economic efficiency when individuals make their choice of residence based on the bundle of services and taxes a municipality offers; that is, individuals will shop for a community that will best meet their needs and that they can afford as home-buying consumers” (Page 582). However, such economic incentive is problematic as it relates to zoning because localities and their public service quantity and quality are driven by the tax base. Thus, from an economic perspective, a local municipality has little, if any, incentive to include low income tenants in their area. See Ham, 1997.
241 Haar, Charles M. Suburbs Under Siege: Race, Space, and Audacious Judges. Princeton, NJ: Princeton UP, 1996. Print. (Page 15). In addition to this, James Clingermayer cites additional characteristics of exclusionary zoning and its inevitable effect on the poor: “Land-use controls such as minimum lot sizes, restrictions on multi-family dwellings and mobile homes, and architectural design specifications often have substantial impacts upon the
upon itself and made them happen. It got exactly what it wanted: tract housing, economic growth—and nothing for the poor.»

In 1970, a group of African Americans had petitioned for the town to build low-income garden apartments. Unfortunately, this request was denied, and was accompanied by the following advice delivered to the applicants who had made the request: “If you people can’t afford to live in our town, then you’ll just have to leave.” This precipitated a lawsuit, and in 1972, the trial court judge overseeing the case ordered that local officials work with the plaintiffs “in identifying housing needs and crafting an ‘affirmative program’ to meet those needs.” Unfortunately, such ambiguity in the ruling led the Mt. Laurel municipalities to do nothing, and in 1975, the New Jersey Supreme Court upheld the lower court decisions. This was a historical decision in land use reform, as there was no precedent for state intervention related to residential integration in local municipalities. Regarding this historical decision, Charles Haar writes: “No federally funded inducement comingled the burdens of cities and their surrounding suburbs, prompting them to form partnerships that might ease the transition to a nondiscriminatory housing market.” This ruling, referred to as Mount Laurel I, may have been historical on paper, but it was widely disregarded in practice. For nearly a decade after the ruling, most municipalities openly refused to implement the dictates of Mount Laurel I. This led to Mount Laurel II, a ruling in 1985 specifying that every town must provide a “fair share” of low- to moderate-income (LMI) housing. This ruling engendered public-private cooperation in addition to cooperation between the suburbs and the cities to rehabilitate urban housing as a way of meeting their fair share requirement. This cooperation came to form what was called a Regional Contribution Agreement (RCA). Fair-share determinations were eventually under availability of housing at prices that low-income families can afford. Whether intentional or not, these practices—often called exclusionary zoning—have the effect of limiting access to many local jurisdictions, particularly in suburban communities.” See Clingermayer, James C. "Heresthetics and Happenstance: Intentional and Unintentional Exclusionary Impacts of the Zoning Decision-making Process." Urban Studies 41.2 (2004): 377-88. Print. (Page 378)

Kirp et al., 1997, p. 37

Ibid., page 2.

Ibid., page 75.

Haar, 1996, pp. 52-53


For most new construction, at least twenty percent had to be set aside for LMI families where the other eighty percent would be market rate units.

Kirp et al., 1997, p. 127. Localities could “buy” up to 50% of their fair share obligation by paying other towns the money to do the building or renovation for LMI families in that area (and not in their community). Governor
the jurisdiction of COAH (Council on Affordable Housing)—an entity created from the Fair Housing Act of 1985, which was another piece of legislation passed as a result of Mount Laurel rulings. COAH served as the executive branch alternative to judicial enforcement of the Mount Laurel doctrine, and their responsibilities included “fair-share” planning for each municipality in addition to signing off on the Regional Contribution Agreements (RCAs) before it could go into effect.

In 1997, Wish and Eisdorfer released one of the most comprehensive surveys of Mount Laurel impacts to date. They noted the core goals of the Mount Laurel legislation emanating from the judicial decisions and legislation:

1) To increase housing opportunities for low- and moderate-income households.
2) To provide housing opportunities in the suburbs for poor urban residents who had been excluded by past suburban zoning practices.
3) To ameliorate racial and ethnic residential segregation by enabling blacks and Latinos to move from the heavily minority urban areas to white suburbs.

The study sought to “assess the extent to which these three goals have been achieved.” Reviewing data from the Affordable Housing Management Service (AHMS) database, they found that the Mount Laurel legislation has had mixed effectiveness in the subsequent years since the original legislation. Regarding the first goal, the authors of the study were able to affirmatively conclude that Mount Laurel legislation and the work of COAH have resulted in the creation of approximately 50,000 units of affordable housing for LMI households. Further, over

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Kean, who referred to the fair share policies as “socialist,” was accused of simply wanting to keep black people in the cities and out of suburbs. Abuses of the RCAs became evident: the authors write, “Regional contribution agreements (RCAs) allowed such a community to transfer up to half of its fair-share obligation, typically to a distressed city, for a modest cash outlay. Also, by counting housing for seniors and recent rehabilitations of dilapidated housing, a town could reduce still further the number of new units necessary to satisfy the quota.”

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250 Haar, 1996, p. 113
252 Ibid.
253 The AHMS database, as of April 1996, contained housing records for approximately 43,500 households, including the demarcation between urban and suburban households. (Page 1281)
6,000 existing homes have been renovated as a result as well.\textsuperscript{254} This led the authors to conclude: “…housing units in the AHMS database—including units in suburban municipalities—do genuinely appear to be serving households in need.”\textsuperscript{255}

However, in regards to the latter two goals of Mount Laurel (suburban housing opportunities for the poor and the amelioration of racial segregation in housing), the results of the AHMS study do not support the assertion that Mount Laurel has effectively succeeded in achieving these two initiatives. The study found that only fifteen percent of previous urban households relocated to the suburbs, and of this percentage, only a small portion of those households were African American. Further, the disparity between black and white households in the cities and suburbs 20 years after the original Mount Laurel rulings remains amazingly stark.\textsuperscript{256}

One of the few visible successes of the Mount Laurel doctrine is the real estate growth that took place as a result of its legislation. Since 1983, approximately 660,000 houses have been built, about 20\% of New Jersey’s total housing as of 2008. Further, approximately 53 million square feet of retail space and 84 million square feet of office space have been completed since 1995.\textsuperscript{257}

Haar (1996) writes:

> Between 1987 and 1992 zoning revisions allowed for the construction of rehabilitation of 54,000 additional low- and moderate-income housing units in the suburbs; of these, 75 percent were formulated under the aegis of the courts, the balance occurring under COAH’s jurisdiction. In approximately five years, New Jersey either built, rehabilitated, or voted for one-third as many low-income units as it had produced in the previous six decades.\textsuperscript{258}

However, Professor David Kinsey questions whether this growth has actually been “smart growth,” a term that emerged out of the rulings of Mount Laurel II.\textsuperscript{259} Kinsey defines this term

\textsuperscript{255} Wish and Eisdorfer, 1997, p. 1302
\textsuperscript{256} Ibid., pp. 1302-1303
\textsuperscript{257} Kinsey, 2008, pp. 5-6
\textsuperscript{258} Haar, 1996, p. 131
\textsuperscript{259} Kinsey, 2008, p. 6
as “patterns of development that are environmentally and economically sustainable and socially equitable.” Kinsey concludes that the goal of “smart growth” remains elusive.\textsuperscript{260}

From its inception, Mount Laurel rulings were never adopted by local municipalities, and their operationalization turned from principle-based decision making to economic calculation at the local level. COAH, whose primary purpose was to create and enforce a fair-share formula for each municipality, became notorious for red-tape and a lack of activity. Further, the Regional Contribution Agreements (RCAs) turned into nothing more than exchange transactions characterized by power imbalances. COAH was required to approve of the RCA before it could go into effect, but as far as the actual agreement, it was between the sending municipality and the receiving municipality to create a deal. This led, unfortunately, to poor municipalities competing for the sending municipalities' money—which drove down the price. The major charge against RCAs was that it perpetuated racial stratification and segmentation in metropolitan areas, which was counter-productive to one of the major goals of the original Mount Laurel Doctrine: racial heterogeneity.

However, it has been suggested that the Mount Laurel failures do not singularly stem from its judicial formulation, but rather, from its administrative application.\textsuperscript{261} Further, the Mount Laurel doctrine was, and continues to be, a landmark case in land usage, as a number of other states have adopted fair-share formulas in the construction and rehabilitation of housing.\textsuperscript{262} David Imbroscio notes that urban experts contend that “smart growth” is not going away, and that this real estate ideology will continue to exert influence in the years to come.\textsuperscript{263} Despite these encouraging patterns, and the discouraging evidence surrounding it, Mount Laurel doctrine remains a part of the greater discussion of residential integration to this day. Troutt (1997) points to Mount Laurel’s value and its prophetic focus on suburban growth in the years to come in New Jersey. However, he writes, “What remains far from clear is how the most marginalized communities in the state can participate in this larger dynamic.”\textsuperscript{264}

\textsuperscript{260} Ibid., page 9.
\textsuperscript{261} Troutt, 1996-1997, p. 1476
\textsuperscript{262} Many states have done this through court decisions; others through statutes. Further, housing trust funds adopted by various municipalities have contributed to inclusionary strategies. Wish and Eisdorfer, 1997, pp. 1271-1272
\textsuperscript{263} Imbroscio, 2004, p. 601
\textsuperscript{264} Troutt, 1996-1997, p. 1495
PART III: Residential Integration—Assessing the Outcomes

Thus far, a collection of various arguments has been presented both for and against the plausibility of organized spatial integration. Arguments against societal integration through residential means often fall into one or both of the two major arguments from Paul Cheshire, which I have referred to as the Cheshirian position. To recap, his first argument is that there is little evidence of adverse neighborhood effects, or the idea that neighborhoods cause disadvantage. His second argument is that there is little evidence that policies and programs aimed at mixing otherwise racially and socio-economically segregated households will improve the lives of these households. If the programs do not work, then they cannot be said to be cost effective (i.e., they are a waste of real resources). Furthermore, a detailed account of major integration initiatives such as Gatreaux, MTO, HOPE VI, and the Mount Laurel rulings help to support, whether explicitly or implicitly, the arguments in the Cheshirian position.

Based upon this summary, we can conclude that residential mixing policy is not unequivocally supported upon reviewing the existing evidence base, and has thus been largely evaluated, or perhaps criticized, as a principle- or “faith-based” initiative. However, if the consensus is that we cannot support residential integration based upon the evidence, it is necessary to identify the standards being used to make this assessment. Thus we ask: “what criteria are being employed to evaluate the evidence?” Based upon the existing literature, I would submit that two major evaluative criteria seem to emerge and re-emerge in integration assessments: economic efficacy (financial gain) and the maximization of utility (does overall utility increase?).

To be clear, when I refer to economic efficacy, I refer to evaluations that are situated within a financial paradigm. Most often this comes in the form of cost-benefit analysis where the benefits, whether tangible or intangible, are meant to outweigh the financial outlays. Considering the fact that dispersal programs, such as the aforementioned initiatives, often require significant public funds, this is an understandable and appropriate criterion. The second evaluative mechanism is not altogether different from the first. More specifically, when “benefits” are explored insofar as outweighing the costs, these benefits refer to measures of

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265 Often, the two are not necessarily distinct from one another.
utility. However, there is a second notion to this area of evaluation, and that is the consideration of the aggregate social whole when gains and losses in utility are weighed. This, in a very basic form, can be housed under general utilitarian ideology. For the purpose of this thesis, I use the term utilitarian in its broadest, consequentialist sense. In other words, the evaluative criterion of ‘utilitarian welfare’ is a standard that looks at the outcomes of integration and assesses the presence or absence of welfare and utility thereof. Furthermore, this perspective considers the utility of the singular social unit, which encompasses the welfare and utility of all parties. I shall refer to this framework as the Evaluative Integration Framework, which I understand to be considerations of economic efficacy and the maximization of utility in an aggregate social context.

Dispersal program criticism, or support for that matter, has cited and continues to cite these standards for their justification. Indeed, Gautreaux “evidence” seemed to hover around school results, dropout rates, labor opportunities, college attendance, and neighborhood stability. Support for Gautreaux and MTO was packaged as producing a range of positive outcomes. Furthermore, evidence against dispersal programs cites disutility, economic inefficiency, and high costs. Gautreaux drew criticism as it was not clear that the lowest-income tenants experienced economic benefits in the relocation process. Gautreaux has also been criticized as being too expensive, as “going to scale” for the program would require greater Section 8 assistance (housing vouchers) thus enhancing the costs greatly. Very similar points have been made regarding the Moving to Opportunity initiative. For example, in his assessment of MTO, Cheshire points to the expensive nature of the project, as MTO had estimated costs of $3,000 US

266 There is a risk in generically using the term “utilitarian” as this term can host a variety of different meanings. However, I use it simply to express its (1) consequentialist nature, i.e., the “greatest good” and (2) refer to its application to the whole, i.e. the “greatest number.” Further, I utilize this not in an individualist sense—but rather, refer to its use as a social appraisal of integration outcomes in US housing. In his book on John Stuart Mill’s Utilitarianism, editor George Sher writes: “However, utilitarian considerations are also relevant to large-scale social decisions—the fact that a law would maximize well-being or minimize suffering is an obvious reason to adopt it.” See Mill, John Stuart, and George Sher. Utilitarianism. Indianapolis: Hackett Pub., 2001. Print. (Page xiii).

267 An example of this would be Galster’s mixing criterion of efficiency, which will be elaborated on in Chapter 3. This evaluative measure suggests that mixing can be supported on the grounds of efficiency if the net gains (benefits minus costs) are positive and maximized for all involved parties. Thus, in the context of residential integration, this means that the gains experienced by the dispersed party (say, segregated black households) must exceed the loss incurred by the receiving party (say, segregated white households).

268 Popkin et al., 2000, pp. 927-928
269 Ibid., pp. 934-935.
270 Rosenbaum, 1995, pp. 261-262
dollars per person involved. Thus, in his opinion, the minor benefits that surfaced from MTO still could not be supported from a cost standpoint, and should therefore be abandoned.  

Similarly authors Goering and Feins reference the criterion of expense calculations in their book *Choosing a Better Life: Evaluating the Moving to Opportunity Social Experiment* when evaluating the merits of MTO. Although they appear more optimistic than Cheshire in their assessment of MTO, after citing problems in determining causation, sample size, and varying externalities at each MTO location, they appeal to the standard of economic efficacy in their evaluation of integration policy: “For MTO to be counted a clear policy success, it would need then to demonstrate major long-term effects achieved in a cost-effective manner.” In contrast, de Souza Briggs et al. (2010) actually interpret MTO as a “cost effective” assisted housing mobility effort. However, they similarly give evidence of a cost-benefit perspective in their evaluation of MTO design and outcomes: “The costs and risks are low, particularly when viewed as preventative investments and when compared to the costs of crisis intervention.”

Crump (2003), in assessing Gautreaux and MTO, writes: “The results of these demonstration projects indicate how expensive and difficult it can be to integrate the suburbs via programs that support the residential mobility of low-income African-Americans.”

Similarly, in his condemnation of HOPE VI, Steinberg criticizes HOPE VI efforts as only providing relief “for a select few”—implying that not enough individuals are assisted for the cost. Indeed, with “billions” of federal dollars set aside for HOPE VI initiatives, critics maintain that the “HOPE VI program spends too much public money per unit.” HOPE VI supporters, equally positioning their case on an economic platform, argue that it is necessary to look beyond the development in question to include the economic benefits and “spillover effects” in the surrounding neighborhoods.

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271 Cheshire, 2007, p. 18
272 Goering and Feins, 2003
273 Ibid., 384.
274 Briggs et al., 2010, p. 236
275 Crump, 2003, p. 183
276 Steinberg, 2010, p. 223
277 Popkin et al., 2004, p. 2
278 Ibid., page 41.
279 Ibid. Popkin et al. (2004) seem to use the term “impact” and “economic effect” interchangeably in their assessment.
While not escaping the evaluative standards of economic efficacy and utility based outcomes, the Mount Laurel doctrine is unique in that its inception stemmed from the New Jersey Supreme Court’s ethical impetus that “every municipality in state-designated growth areas has an affirmative constitutional obligation to provide realistic opportunities for the creation of sufficient housing affordable to low-and moderate-income households.”

Haar (1996) writes: “Moral considerations shaped the Mount Laurel propositions. In the original case, Justice Hall introduced the doctrine in fundamentally ethical terms, explaining it as a self-evident philosophical principle embodied within the state constitution.”

Thus, Mount Laurel rulings and doctrine were constructed under the “equality of opportunity” mantra—or, more specifically, an equality of housing availability for all members of society. Interestingly, this ruling challenged the notion of local autonomy where local, municipal decision-making was understood to be a mechanism by which to improve “economic efficiency” in communities. Thus, racial and economic integration, based upon the notion of constitutional civil rights, initially drove the Mount Laurel rulings.

However, the implementation and evaluation of the Mount Laurel doctrine eventually cascaded into an economic and utilitarian framework over time, further removing it from its ethical and moral origin. Compliance with the Mount Laurel rulings and accompanying legislation was lacking and implementation was considered inefficient. The program came to “[rely] on incentives and disincentives, rather than regulation.”

When lawsuits between builders, municipalities, and COAH began to flood the market, the original doctrine began to take the shape of a “compromise” where affordable housing initiatives moved from suburban integration to urban redevelopment: “Practitioners and scholars both tend to cynically view this development as the compromise that ultimately subverted the very meaning of Mount Laurel.” A further compromise was that extremely poor households ceased to even be targeted in integration. The Wish-Eisdorfer study found that low-income households as well as large households were

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280 Wish and Eis dorfer, 1997, p. 1270
281 Haar (1996) writes: “In a society dedicated to quality of opportunity, the Mount Laurel decisions must be understood as among the most significant judicial opinions of our time.” Haar, 1996, p. 10
282 And, presumably, an array of other “opportunities” that accompany living in the Mount Laurel district.
283 Ham, 1997, p. 582
284 Kinsey, 2008, p. 6
unrepresented. In the legislature, complaints of excessive density and congestion, destruction of small-town character, and the overall “spoiling of suburban atmosphere” began to emerge. In addition to Mount Laurel being critiqued as a “failure” for not addressing root causes such as crime, poverty, and poor education, this failure was also a “costly one.” Troutt (1997) comments: “Preoccupation with ‘costs’ appears to be a hallmark of many dominant narratives with respect to resource sharing and economic inequality.”

All in all, the observation that integration outcomes have been evaluated by assessing their ability to demonstrate economic efficiency and the maximization of utility should come as no surprise. This is because the intended outcomes are often stated in terms that match such evaluative criteria: “affordable housing”; “job creation”; “educational opportunities”; and overall “welfare.” Even stated goals that sought to disperse racially segregated communities with the subsequent intention of integration came as a response to ameliorate the “social costs” perceived to be inherent in racial segregation. HOPE VI was specifically designed to address the “social and economic needs” of the residents and the “health of surrounding neighborhoods.” The very title of “Moving to Opportunity” aims at utility-based welfare enhancement, and both MTO and Gautreaux fall under the architecture of what has been referred to as the “geography of opportunity.” As mentioned, the initial “goal,” if that term can be used, of the Mount Laurel rulings consisted of racially integrating suburban life. However, the achievement of this goal has been measured through the dubious and vague math of whether more housing has been produced in New Jersey in the aftermath of the Mont Laurel rulings and its legislation.

Thus, whether it is Cheshire’s clear outlining of the expensive nature of economically unsubstantiated integration policy such as MTO or John Calmore’s disdain for racial condescension in “spatial equality,” the differing arguments are often packaged in economic

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286 Ibid.
287 Haar, 1996, p. 111
288 Troutt, 1996-1997, p. 1485
289 Ibid.
290 Galster et al., 1999, p. 879
291 McInnis et al., 2007, p. 7
292 Rosenbaum, 1995, p. 231
293 Wish and Eisdorfer (1997) write: “Most of the empirical research on the anti-exclusionary zoning initiatives in New Jersey has focused on the question of whether housing has in fact been produced in suburban New Jersey.” Given the goals of providing affordable housing for LMI families in addition to the integration of otherwise racially segregated households, such an empirical exploration seems out of focus with the nature of the rulings (p. 1276).
language where teleological ends of individual utility and cost effectiveness dictate the direction taken on these important issues. This is not to suggest that such language is invalid, indeed, it isn’t. Research informed policy utilizes such measures daily and is often the *raison d’être* for the volumes of legislation seeking to shape, mold, and organize our contemporary society. To summarize, the Evaluative Integration Framework is, in its essence, an economic framework by which to appraise the extant evidence base in the existing residential integration initiatives, and is, moreover, an appropriate framework given the original aims of the various residential integration initiatives.294

**PART IV: Evaluating Residential Integration in Light of “Adverse Impacts”**

Up to this point, I have reviewed the current scholarship and literature as it relates to residential integration. Further, I have pointed out the evaluative criteria utilized to make judgments about the success or failure of integration efforts. These criteria include considerations in economic efficacy and the maximization of utility. A telling summary of this criterion base is given by Cheshire:

> If, however, making communities more mixed (or less segregated) does not improve the welfare of poorer people and reduces the welfare of richer people—or just makes no difference to either group—then it is a waste of real resources…”295

As mentioned, this sentiment reflects the aforementioned literature review of scholarship over the last quarter-century and is a concise summary of what I have called the Cheshirian position. To summarize, upon consideration of the literature and the four major integration overtures in the US over the last 40 years—the evidence of positive outcomes to support desegregation or dispersal efforts are limited, particularly when held side by side with the “costs.”

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294 I will revisit this term in Chapter 3 when I introduce a scaffold by which to appraise my own empirical work (Galster’s Equity and Efficiency).
295 Cheshire, 2007, p. 5
In addition to this, however, one must consider the often less emphasized alternative, which is allowing segregated communities to remain inert. In a sentence: What are the costs of allowing for segregated black communities to persist? On the surface, an immediate response to this would be to reference the aforementioned ambiguity around determining the causal mechanism in disadvantaged neighborhoods—Argument #1 of the Cheshirian position. Again, this would simply suggest that segregated black neighborhoods reflect disadvantage—they do not necessarily cause it. However, in light of the contentious nature of “proving” the presence of neighborhood effects, there are counter-responses to the arguments found in the Cheshirian position. Here, I shall provide two which are closely related to each other.

The first argument originates from the work of Wolff and De-Shalit (2010) in their exposition of “disadvantage.” The authors research the nuances of disadvantage, and among other findings, they assert that disadvantage “clusters.” Claiming that disadvantage is pluralistic in nature and “irreducible to a single currency”—the phenomenon of collected disadvantage is one of their primary findings: “Disadvantage and risks compound each other and cluster together.” The presence of disadvantage that yields further disadvantage is referred to as “corrosive” disadvantage. Here, the authors are clear that they are not suggesting the identification of causal relationships between disadvantages—they write:

[A next step] would be to look at causal relations between disadvantages, to try to understand why patterns of disadvantage form and persist. Clustering on its own refers to 'joint frequency' of different disadvantages—poor or insecure functionings in different categories.

While the identification of specific causal pathways between disadvantages requires further research, their suggestion that disadvantage clusters and compounds other disadvantage is intuitive. Thus, even if we cannot definitively make the claim that neighborhoods cause disadvantage, the idea of clustered disadvantage is itself a spatial problem. If disadvantage does,

\[296\] Conversely, they also find that advantage tends to cluster as well. This is referred to as “fertile functionings.”
\[297\] Wolff and De-Shalit, 2010, Page 10. This leads them to conclude that a society of equals is a society in which disadvantage does not cluster. This has obvious spatial implications.
\[298\] Ibid.
\[299\] Ibid., page 121 (Italics theirs)
in fact, cluster—then the spatial implications are unavoidable. Indeed, Blasius et al. (2007) write:

The evidence here suggests that it is not mix per se but the absolute proportion of a disadvantaged group (defined in various possible ways) that is the single most common and powerful predictor of negative neighbourhood effects. This may suggest more emphasis on […] a ‘dispersal’ of the disadvantaged among strong neighbourhoods, not a ‘dilution’ of concentrated areas of deprivation with a few upper income homeowners. 300

In other words, if “clustered disadvantage” were to be unclustered (from a spatial standpoint, i.e., residential integration via dispersal)—we might ask: are there disadvantages that will diminish as a result of relocating? While we might assume that some disadvantages remain if a segregated low-income minority household were to be dispersed, would dispersal remove or ameliorate other disadvantages? This brings up a second, important response.

The second response considers the social costs of allowing for continued patterns of concentrated deprivation in the wake of a market crisis. Overtures toward residential mixing have been evaluated based upon their benefits, or the absence of benefits, that are occurring or meant to occur throughout the course of the program or legislation. However, another appropriate lens by which to view this complex social issue relates to the vulnerability or risk of segregated households as it relates to market shocks. Such a perspective has clear spatial implications. Furthermore, this offers a unique means by which to tease out an aspect of adverse “neighborhood effects.” 301 We ask: Are segregated communities put at risk in the wake of a market failure by virtue of their segregation? Would the deconcentration, or unclustering, of disadvantaged segregated households remove or ameliorate otherwise clustered disadvantage? 302

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300 Blasius et al., 2007, p. 631
301 I use the term “aspect” as this would be considered a neighborhood effect in the sense of considering social distance to foreclosures (detail forthcoming). Far from an individual effect (that most neighborhood effects attempt to study), this would still demonstrate an effect of space creating disadvantage above and beyond the disadvantage households already possess who reside in that space.
302 This argument, if accepted, does not necessarily prove the size, scope, and origin of a distinct neighborhood effect, as this is a contentious area in the social sciences requiring acute methodological consideration and innovative statistical modeling. The post-script to Chapter 3 discusses some of the methodological difficulties in measuring neighborhood effects.
These are important questions. Moreover, we have a lens by which to make such an assessment: “adverse impacts.” Galster offers an expanded definition of “fair housing” that suggests “the opportunity to live in an environment where one’s life chances are not unduly constrained.”³⁰³ In his argument, he introduces the term “adverse impacts,” defined as “the implementation of a policy or practice”³⁰⁴ that—though evenhandedly applied to all races—nevertheless results in disproportionately negative consequences for the minority and cannot be justified on grounds of business necessity.”³⁰⁵ He concedes that housing markets increasingly function in such a way so as to produce adverse impacts, particularly for low-income minorities.³⁰⁶

Thus we ask: if segregated communities persist, what risks of “adverse impacts” are low-income segregated minorities being exposed to? Following the thread of Galster’s argument, can we really label housing as “fair” when both political policies and market-based outcomes aggravate the social disadvantage already present in precarious, segregated communities? Are the life chances of segregated minorities “unduly constrained” because of their exposure to adverse impacts? These considerations are important for two primary reasons. First, if costs are to be measured, then consideration must be given to the costs associated with segregation; not just the costs of integration. Second, as it relates to the continuing debate of whether neighborhoods cause or simply reflect deprivation and social ills—if it can be demonstrated that low-income segregated minority communities are more vulnerable to “adverse impacts,” particularly in the wake of a market crisis, then this would suggest the presence of a causal mechanism for social disadvantage as a function of “place,” and not simply a reflection of existing inequalities. Furthermore, if low-income minority groups experience greater risk and volatility simply

³⁰³ Galster, 1999, p. 124
³⁰⁴ “Adverse impacts” do not solely result from policy. A “practice”—as Galster mentions—can be a market-induced behavior that may also, similar to some policies, disproportionately affect one group more than another. Such market-based practices, well within the realm of Galster’s notion of adverse impacts, were evident in the construction, implementation, and inevitable failure of our recent housing crisis (subprime financial crisis). ³⁰⁵ Ibid. ³⁰⁶ Ibid. It is necessary to point out that Galster himself does not suggest utilizing “adverse impacts” as a lens, or vantage point, by which to critique integration outcomes or advance the discussion (as I aim to do here). However, he does use the term prescriptively. When writing about how to fight adverse impacts, he writes: “What primarily is needed, therefore, are policies to deconcentrate low-income minority individuals.” Yet Galster does not blindly suggest the adoption of integration policy simply to counter adverse impacts, as his “analytical framework” (detail forthcoming) clearly demonstrates. See Galster, 1999, p. 133
because of where they live, then perhaps their quality of life can be improved through mixing (less exposure to risks that have resulted from various market consequences).

As these questions arise, we live in an opportune time by which to answer them. We are now in the wake of what has been described as one of the worst systematic market failures in the history of the US, with significant impacts still very present today both domestically and internationally. While the storm of the crisis has been developing for several decades, the impact of the crisis, referred to as the “subprime financial crisis,” was felt most strongly between 2007 and 2009. At this point, I will provide detail of the origin of the crisis followed by its inevitable impact. Concluding this chapter, I will suggest that the crisis embodies Galster’s definition of “adverse impacts,” and thus offers a useful viewpoint by which to assess the greater discussion of residential integration.

**PART V: Subprime Origins—What Happened?**

Contrary to the belief that the subprime crisis was simply an abundance of poor lending, a multitude of factors must be recognized as playing an involved role in fueling the fire that has and will continue to sear both the U.S. and international economy. The term “subprime” is terminology that Americans have only recently become familiar with. Awarded the 2007 “word of the year” by the American Dialect Society, the term refers to lending or investing of a lower quality, higher risk nature. Perhaps the best way to understand subprime lending is to recognize the attributes of a subprime borrower, or subprime “mortgager.” According to the 2001 *Interagency Expanded Guidance for Subprime Lending Programs*, a subprime borrower displays the following characteristics:

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307 The term “subprime financial crisis” is often used interchangeably with “housing crisis” or “mortgage crisis.”
- Possessing two or more 30-day delinquencies in the last 12 months or one or more 60-day delinquencies in the last 24 months.\textsuperscript{310}
- Judgment, foreclosure, repossession, or charge-off in the prior 24 months.
- Bankruptcy in the last 5 years.
- High default probability evidenced by a lower credit bureau risk score (FICO or Beacon) of 660 or below (Most banks recognize scores of 740 or higher as “prime” credit).
- Debt to income ratio of 50 percent or greater (limited ability to cover household expenses after deducting total debt requirements from monthly income).\textsuperscript{311}

As subprime lending increased, default percentages for subprime mortgages revealed their tenuous ability to perform as a loan and/or investment. Default correlation research, such as Cowan and Cowan (2004), reveal that a strong correlation exists between subprime lending and defaults.\textsuperscript{312}

Yet default percentages for subprime loans only reveal their risk and inevitable repercussions; it does not answer why subprime lending escalated to an alarming degree and how it comprehensively permeated local and national economies both in the U.S. and abroad. The initial question arises: what was the benefit of subprime lending? While rationale for a subprime credit channel is multifaceted—two primary advantages to subprime lending emerge: increased homeownership and an expanded capacity for wealth accumulation.\textsuperscript{313} The prospect of homeownership, or the “American Dream”\textsuperscript{314} was extended to lower-income families through

\textsuperscript{310} Here, delinquency simply refers to missed payments for a credit obligation.
\textsuperscript{314} This is evidenced in President Bush signing the “American Dream Downpayment Act of 2003.” Speaking at the department of Housing and Urban Development, President Bush declares, “Our government is supporting homeownership because it is good for America, it is good for our families, it is good for our economy.” See "Briefing Room." \textit{The White House}. Web. 23 July 2011.<http://www.whitehouse.gov/news/releases/2003/12/20031216-9.htm>.
subprime initiatives. Further, for the typical American household, owning a home is a household’s best means to accumulate wealth as their real-estate property mortgaged is their largest principal investment.\footnote{Shiller, Robert J. \textit{The Subprime Solution: How Today's Global Crisis Happened, and What to Do about It}. Princeton, NJ: Princeton UP, 2008. Print. (Page 22)} Both of these initiatives comprised a strategy to advance economic stimulation.\footnote{Whalen, Richard C. \textit{The Subprime Crisis--Cause, Effect and Consequences}. Issue brief no. 2008-PB-04. Terre Haute, IN: Networks Financial Institute at Indiana State University, 2008. Print. (Page 221)} However, the seemingly innocuous nature of homeownership benefit and economic stimulation belie the unintended consequences that have occurred as a result. At this point I will turn my attention to the factors contributing to the expansion of subprime products in the marketplace, and the inevitable foreclosures that occurred as a result.

\textbf{Homeownership Policy}

The benefits of homeownership permeated political policy and led to several initiatives to gain homeownership in new markets. Understood as having positive effects, new entrants to the housing market would ideally “stabilize communities, lay a solid base for family finances, and include habits of thrift and planning in children.”\footnote{Morris, Charles R. \textit{The Trillion Dollar Meltdown: Easy Money, High Rollers, and the Great Credit Crash}. New York: PublicAffairs, 2008. Print. (Page 69)} This became a policy initiative under the administration of President Clinton, whose national urban policies consisted of enabling lower-income communities to “join the economic mainstream” and to create opportunities for upward mobility for all Americans.\footnote{See Stegman, 1995; Gabriel and Rosenthal, 2004; Shiller, 2008, p.83} This initiative sought to increase homeownership for otherwise marginalized households as one of its central strategies, and it gained increased momentum as the condemnation of redlining and discrimination picked up in the 1990s.\footnote{"Redlining" is a term that refers to the deliberate segregation of race and class where lenders avoided particularly areas due to race (designated on a map by a red line in early FHA manuals). Ironically, a new term called “reverse redlining” was established out of the subprime crisis. This is where predatory brokers and lenders specifically target low income communities and strongly market for subprime refinances to generate money. See Merrick, Amy. "Illinois Sues Wells Fargo Over Mortgage Discrimination - WSJ.com." \textit{Business News & Financial News - The Wall Street Journal - Wsj.com}. Wall Street Journal, 31 July 2009. Web. 23 July 2011. <http://online.wsj.com/article/SB124906504187697487.html?mod=googlenews_wsj>.
Thus, the need for affordable housing was advocated on behalf of low to moderate income, or “LMI” families. Prophetically, Wyly et al. stated in 2001 that this “crucial requirement” was reason for concern:

There is potential for the policies ultimately to fail because (a) they are overwhelmed by broader market forces that make housing too expensive for potential LMI home purchasers and (b) the policies themselves spur unintended consequences that undermine their stated goals.  

Even preceding this comment, more specific warnings were given suggesting that expanded homeownership should not occur by means of more aggressive lending. Unfortunately, this is precisely what happened, erupting in myriad unintended consequences. Josh Rosner of Graham Fisher and Co., at a meeting at the Harvard Club in 2007 addressing stagnant U.S. housing in the 1980s and 1990s, offered a retrospective commentary on the forces leading up to the crisis:

So what we saw actually was the largest public-private partnership to date, started as the National Partners in Home Ownership in 1994. It was signed onto by the realtors, the home builders, Fannie Mae, Freddie Mac, the mortgage bankers, HUD. It was a massive effort, with more than 1,500 public and private participants, and the stated goal was to reach all time home ownership levels by the end of the century. And the stated strategy proposal to reach that goal was, quote: ‘to increase creative financing methods for mortgage origination.’

At the advent of the new century, lending standards changed dramatically in unprecedented ways, with new creative arrangements of debt penetrating the market as never before. Some of these products included “No-doc” loans where no income documentation was required by the borrower—they simply had to state their earnings. This expanded to customer collateral valuation methods, where formal appraisals were replaced by the customer’s estimated value of

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323 Prior to this, industry practice was to acquire income and tax documents to verify income. This was typically accompanied by an employment verification of the applicants as well.
their property. While consumers typically had to meet a certain FICO or credit score threshold to qualify for this expedited underwriting, these loans became more available to subprime borrowers from 1999 to the year 2006. The percentage of subprime customers who provided full documentation to procure their loan in 1999 was 69%, with a significant drop to 58% in 2006. Moreover, the loan to value percentages for subprime mortgages, a measurement of collateral risk, increased from 79% to 86% in the same period. While FICO scores did not decrease, the average FICO score from 1999 to 2006 was 615, well below the national average.

Complicating matters more, a proliferation of “ARM”, or “Adjustable Rate Mortgage” loans were released onto the market. ARM loans, as opposed to FRMs or “Fixed Rate Mortgages,” typically begin with an initially low interest rate or “teaser” rate, and adjust accordingly after a period of time. Such a product could be considered a quintessential example of a “creative financing method” for origination purposes. ARM borrowers are typically found to have lower credit scores than fixed rate borrowers. In 2003, the National Association of Realtors estimated the median home price of an existing single-family home to be $180,200. Thus, a 30-year mortgage on this amount with an ARM rate of 5% would require a payment of $967.35. However, if the ARM had an adjustment period of 2 years, then in 2005 the new payment would be adjusted to $1198.88, based upon a 2% interest rate adjustment. The extra $230 this customer is paying equates to $2760 of extra discretionary income the borrower must originate and pay towards the mortgage each year. Some teaser rates began at a tempting 3.25%; a rate that would coerce refiner and renter alike to capitalize on this attractive new product.

324 Often, customers qualified for a “prime” loan but to expedite the process through no-document, no-appraisal loans, the mortgage was converted to subprime status. Thus, a customer without mortgage knowledge might be directed into the expedited loan program without a full understanding of the consequences (going from a prime loan to a subprime loan).

325 This modest increase belies the unprecedented growth in housing values that took place during this time.


327 Chomsisengphet and Pennington-Cross, 2006, p. 43

328 This is a principle and interest payment alone, and does not account for property taxes and homeowners insurance. For new properties, taxes were often not assessed for 12-15 months after purchase, and could introduce hundreds of dollars per month into the mortgage payment, a budget shock that many new homeowners could not afford.

329 In June of 2003, the FED lowered their target rate to an unprecedented 1%. Thus, in May of 2005, when the FED adjusted their target rate to 3%, mortgage rates would adjust accordingly, and in this example, that would be 2%.

330 Morris, 2008, p. 69
By 2005, the policy goal of increasing homeownership was, statistically speaking, successful. The national rate of homeownership increased from the steady 64% in the 1980s and 1990s to 69% by 2005. Further, these statistics do not speak to the massive volumes of refinancing and home equity loans that took place during this same period where consumers would enter into lower interest rate mortgages, or cash out the equity left in their home up to and above 100% of its value—thus freeing up greater discretionary income for spending. The benefits to both the consumer and the economy were evidenced in greater purchasing power:

Refinance stimulates family consumption and investment in two ways. First, families benefit by paying lower mortgage rates, which saves about $10 billion per year in total mortgage interest costs. Second, families have engaged in a record level of cash-out refinance, which serves as a cash infusion to a family’s balance sheet. During 2002 alone, families converted about $100 billion in home equity into cash at the time of their conventional mortgage refinance, which they have plowed back into the economy.

However, this increase in homeownership, as well as the proliferation of mortgage refinances, came at the expense of rapidly increasing delinquency. The Mortgage Bankers Association of America reported in the third quarter of 2002 that subprime loans showed a delinquency rate over 5 times higher than that of prime loans. Not surprisingly, foreclosures for subprime loans were 10 times higher than that of prime loans. In 2006, subprime ARM foreclosures reached record levels as “rate resets” were beginning to occur en masse. According to Mortgage Bankers Association, the delinquency rate for one-to-four unit residential households was 5.82% for loans outstanding at the end of 2007. This percentage does not include homes in foreclosure, which was 2.04%. During the fourth quarter of 2007, subprime ARM loans only represented 7% of all loans outstanding, but represented 42% of the foreclosures during this quarter. In 2008, the delinquency rate rose to 7.88% on all loans outstanding, and the rate of foreclosed homes was

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331 Ibid.
up to 3.3%. Both of these numbers were record highs. ARM loans continued to dominate the delinquency metrics. According to MBA’s March 5th, 2009 report:

Subprime ARM loans and prime ARM loans, which include Alt-A and pay option ARMs, continue to dominate the delinquency numbers. Nationwide, 48 percent of subprime ARMs were at least one payment past due and in Florida over 60 percent of subprime ARMs were at least one payment past due.335

Interestingly, these extraordinarily high delinquency rates began to evidence themselves in 2002, and yet, the weight of the subprime crisis did not fully reveal itself until late 2006. We will now turn our attention to why the financial world had such a delayed reaction.

Real Estate Appreciation

Yale Economist Robert Shiller points to unprecedented real estate appreciation as one of the major factors of the subprime crisis. Housing appreciation was considered to be a “speculative bubble,” but was dealt with more as a robust economic fact as opposed to a short-term trend.336 Shiller points out that real home prices337 increased 85% between 1997 and 2006 in the United States.338 This is significant for several reasons. First, it accelerates home purchases and refinances. As mentioned, for the majority of Americans, their home is their largest investment asset. Thus, rising real estate prices attracted investment speculators, or “flippers,” in addition to accelerated cash-out refinances.339 Also, increasing home values helped influence the proliferation of underwriting mortgage purchases and refinances as they led to lower CLTV

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335 Ibid.
336 Shiller, 2008, p. 29
337 “Real” implies the inflation-adjusted price.
338 Ibid., page 32.
339 The real-estate appreciation bubble was further fueled by an exuberance to own a home and even purchase additional properties. For example, New York Times Bestselling author David Bach—in his book “The Automatic Millionaire Homeowner”—writes: “Between 2001 and 2005, the average homeowner saw the value of his house jump by more than 50 percent. Many homeowners doubled, tripled, and in some cases even quadrupled their wealth in just five years because of exploding real estate prices” (Page 3). Bach urged his readers to continue their homeownership quest (“homeowners get rich and renters stay poor”) and even challenged them to purchase several homes through adopting the “Automatic Millionaire Mindset” (Page 16). See Bach, David. The Automatic Millionaire Homeowner: a Powerful Plan to Finish Rich in Real Estate. New York: Broadway, 2005. Print.
values, or the “combined loan to value,” serving to ideally mitigate losses from defaults.  
Finally, increasing home values has a direct link to increased economic consumption as home equity has been shown to account for up to 50% of household wealth for one-half of all U.S. households.  
One study revealed that a $1 increase in housing wealth equated to a $.07 increase in consumption.  

Emerging out of this appreciation “bubble” was a new faith that home price appreciation would never cease, or more appropriately, burst. By 2006, housing prices began what was to be a precipitous drop from the otherwise historic levels they had reached. The Case-Shiller Home Price Index reveals a decrease of over 20% in U.S. home values between its peak in 2006 and fall of 2008.  
Economists estimate real national price drops between the 10% and 30% range.  
This lends itself to the argument that the lapse in home price appreciation was a key cause in the outbreak of foreclosures in recent years, as investors and subprime borrowers entered into contracts that were only viable if house prices continued to appreciate and the borrower could refinance based upon expected equity growth.

340 “CLTV” simply combines all mortgage values relative to the home value. If a first and second mortgage both amount to $80,000 of money borrowed against a home worth $100,000—then the CLTV would be 80%.  
342 Nothaft, 2004. In economic terms, this is the MPC or the “Marginal Propensity to Consume”. The MPC is defined as the “amount consumed out of an additional dollar of income,” and follows the premise that increased income will naturally lead to increased consumption—Mankiw, Gregory. Macro Economics. 4th ed. New York: Worth, 2000. Print. (Page 435)  
344 Morris, 2008, p. 133  
The Role of Rates: The Federal Reserve Rate and Treasury Rates

According to Randall Wray, it was not until 2001 that underwriting standards took a turn for the worse.\textsuperscript{346} At this same time, the Federal Reserve’s target rate reached a historic low. This target is a short-term rate for overnight, inter-bank lending in the United States. On January 3\textsuperscript{rd}, 2001, the rate stood at 6\%. However, by the end of the year, on December 11\textsuperscript{th}, it had dropped to 1.75\%.\textsuperscript{347} It has been argued that mortgage rates are not directly affected by the Federal Reserve’s target rate. Tatom (2008) reveals that when the Federal Reserve’s rate began to rise to its peak in July 2007, the real mortgage rate still averaged 3.37\%, a full percentage point below the 4.4\% average during the previous 37 months when the Federal Reserve rates were lowest.\textsuperscript{348}

However, it would be misleading to completely absolve low Federal Reserve rates from contributing to the delinquency that would ensue. Between June 25\textsuperscript{th}, 2003 and June 30\textsuperscript{th}, 2005, the Federal Reserve target rates ranged from 1\% to 3.25\% respectively. In 2003, subprime mortgage growth was up 53\% from the prior year, and in 2004, growth reached a remarkable 59.8\%.\textsuperscript{349} Then, in 2005, subprime originations fell to 23\%.\textsuperscript{350} According to the raw numbers, these three years account for approximately 1.6 trillion dollars in subprime origination. Further, 1-year ARM rates for that same period (January 2003 to December 2005) ranged from 4.26\% to 5.37\% with a low of 3.56\% in March of 2004.\textsuperscript{351} When rates adjust on ARMs, the new calculation for their respective adjustment is typically determined by the Federal Reserve’s prime rate index + 3\%, otherwise known as the “prime” rate of interest. Considering that many cash-out refinances were done to improve cash flow, one can easily recognize the danger in the ARM teaser rates during this period. Not surprisingly, Fed Chairman Ben Bernanke announced in January 2008 that 21\% of subprime ARMs were 90 days or more delinquent, a sign of impending foreclosure, and that delinquency in general was on the rise.\textsuperscript{352}


\textsuperscript{347} History of the Fed Funds Rate, see http://www.wsipramerate.us/fedfundsrate/federal_funds_rate_history.htm.

\textsuperscript{348} Tatom, 2008, p. 6


\textsuperscript{350} Ibid.


Housing values played a crucial role in the foreclosure spike as home appreciation rates began to drop during the time that many of these ARM rate resets were taking place. This precluded any viable opportunity, assuming that the borrower’s credit attributes remained the same, for the borrower to refinance their house and their new, often unaffordable, rate position.

The treasury rates also played a significant role in redirecting the global equity markets to new forms of investing for what appeared to be a good return and a seemingly safe investment. U.S. Treasury bills and bonds, issued frequently for different terms, traditionally attract both domestic and global capital due to their low-risk nature. However, FED changes to short-term interest rates influenced the yield curve nature of Treasury bills and bonds, and the bond market dropped to extraordinarily low interest rates from 2000 to 2003, with a slight increase taking place in 2004 and 2005.353

Figure 2.1: Treasury Rates 2000-2005

This dip in rates, particularly evident in the shorter-term treasuries, redirected the attention of the investment world to new opportunities with a better yield. Regarding the massive amount of global capital, Dan Immargluck writes: “On the capital markets side, a variety of forces created an excess of global savings that, in turn, led to an excess supply of capital looking for higher returns than had been available in more traditional, secure investments.”354 This was a key event as originators were now addressing demand from the international investment community rather

354 Immargluck, 2009, p. 99
than singularly responding to the traditional demand for credit by domestic homeowners. This “capital push”355 was yet another asymmetry between the multiple parties in the mortgage origination and securitization process. This is because the excessive nature of mortgage-backed security demand lent itself to a deterioration of supply quality evidenced in Wall Street’s attempt to meet the seemingly insatiable demand for this product by the international investment community. As the next section will demonstrate, the consequences of this demand, and the subsequent distribution of subprime mortgage-backed securities to accommodate it, would prove catastrophic.

**Securities**

Contrary to Shiller’s indictment of the housing bubble “being the major cause, if not the cause, of the subprime crisis and of the broader economic risk,”356 the distribution of blame should not be singularly concentrated around the spike in housing market prices. Randall Wray writes: “Blaming the ‘bubble’ for the current crisis is rather like blaming the car for an accident—when we ought to take a good long look at the driver, and at the bartender who kept the whiskey flowing all evening before helping the drunk to his car after last call.”357 Wray likens the behaviors of the financial system’s leaders to a “bartender” who allowed the blurring of functions (drinking and driving) while “arguing that the invisible hand guided by self-interest can keep the car on course.”358

Whether the greater part of the blame for the subprime crisis points to the housing bubble or poor financial administration, one major contributor to the problem is undisputed and clear: the securitization process of mortgages. Securitization led to a loss of accountability and sustained the dysfunctional behaviors of the financial market until its demise. When discussing securitization, a more appropriate description would be “asset securitization,” or “converting

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355 Immargluck’s term (p. 99).
356 Shiller, 2008, p. 29
357 Wray, 2007, p. 5
358 Ibid.
illiquid assets into liquid securities.” Essentially, “securitizing” a mortgage involved packaging it with other mortgages, converting this bundle into a security or an investment, and selling it on Wall Street. The securitization process is not necessarily new as it was common in the 1980s. Further, the benefit of securitization for mortgages is a democratization of access to credit. This is because mortgages could be grouped into risk classes, and the loans would be packaged into CDOs or “Collateralized Debt Obligations” by investors who organized the mortgages into risk measured groups or “tranches” to suit the risk-benefit appetite of Wall Street investors. Thus, the idea was to decrease market volatility and broaden credit availability.

Traditionally, a mortgage lending relationship was simply between the bank and the borrower. In addition to providing the loan money with appropriate interest, the bank would issue a promissory note to the borrower, and the bank would in turn receive payments from the borrower each month until the note, with full interest, was satisfied. This evolved into a far more complicated and nuanced procedure as securitization and a “secondary mortgage market” was introduced. The new procedure still begins with a borrower and a lender, but a broker may also assist this interaction. The broker markets to the borrower and thus brings the deal to the lender. After the lender originates a mortgage with the borrower, the broker is typically out of the picture. At this point, the loan originator (lender) can either keep the loan, or now sell it onto the secondary mortgage market, where financial institutions will purchase the rights to

360 Wray, 2007, p. 7
361 As underwriting efficiencies improved in the 1990s, more “risk-based pricing” models began to crop up. This risk pricing model, a precursor to the entire subprime phenomenon, was a means to extend lending while being adequately compensated for the risk the lender was assuming due to extending credit to a borrower whose credit attributes did not fit the traditional lending model. See Edelberg, Wendy. Risk-based Pricing of Interest Rates in Household Loan Markets. Working paper no. 2003-62. Feds Working Paper, 2003. Print.
364 A contract representing a promise to pay.
365 It is important to note that in this one-on-one relationship between bank and borrower, the bank was also directly responsible for managing borrower delinquency in pay. This is significant because it at least allowed the bank to deal directly with delinquency as a means to renegotiate terms that are favorable to both parties. As securitization distributed mortgage ownership throughout the world, this renegotiation ability was compromised and served to accelerate foreclosures when delinquency occurred (as opposed to more intervention).
366 The broker’s compensation is typically a certain percentage of the entire loan amount originated by the lender, so they receive their pay “off the top” and have no further involvement in the process after the loan is originated. Most importantly, this process does not compensate brokers for the future loan performance, but simply for taking the application and “brokering” the deal with the lender.
collect the interest from the loans, the collection of payments, and the right to foreclose should the borrower default. These “receivables” are sold onto the secondary market by converting them into SPVs (special purpose vehicles), an entity that is specifically created for the purpose of holding future financial claims. These claims were mortgage payments with interest, and the “pool” or collection of several mortgages are referred to as mortgage backed securities (MBS). The mortgage assets in the SPV are then classified into risk categories with appropriate return rates per category (higher risk/higher return). Finally, this is sold to investors. While the SPVs were typically sold to Wall Street, the originator of the loan would often still function as the loan “servicer,” which meant they continued to manage the collection of payments. Investors who purchased these securities included mutual funds, pensions, hedge funds, brokerage houses, and individuals.

The benefit of this process was that banks could now sell their assets and receivables off of their balance sheets and thus free up more of their capital while mitigating the risks associated with holding a mortgage until maturity and reducing the overall costs of origination. In the past, a $100,000 loan on a thirty-year mortgage would be a long-term receivable that lenders would not collect in full until all 360 months of payments had been made, unless it was paid off early by the borrower or refinanced by another lender. This, understandably, would restrict cash flow for the bank or lender since receivable return was such a lengthy process. With securitization, however, what used to be a thirty-year capital restriction was limited to a matter of months. This shift in the traditional lender-borrower relationship allowed for banks to collect significant fees without encumbering their capital. This innovative arrangement resulted in lending that was “costless.” As of 2006, depository institutions only held approximately 30% of their outstanding mortgages, compared to approximately 75% in 1978.

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367 Brescia, 2008, p. 290
369 Brescia, 2008, p. 291
371 Morris, 2008, p. 60
372 Kiff and Mills, 2007, p. 7
In 2006, the secondary mortgage market was described as the largest fixed-income market in the world. Unfortunately, this securitization boom included subprime loans. This was a shift from the previous process, where typically only prime mortgage-backed securities were sold on the secondary loan market. According to Ashcraft and Schuermann (2008), the ratio for subprime securities issuance (the conversion of a subprime mortgage into a mortgage backed security to be sold) increased from 46% in 2001 to 75% in 2006. During this same period, subprime origination increased from 190 billion to 600 billion.

Flawed Incentive Structure and Credit Rating System

Inevitably, the securitization process of “democratizing credit” became a vehicle for uniformly distributing financial poison. Two other forces further complicated this process: a flawed incentive structure and an erroneous credit rating system. According to Chomsisengphet and Pennington-Cross (2006), the majority of subprime mortgages were originated by non-depository or monoline finance companies. This means that these “pass through” institutions were not lending out of their own capital reserves (the traditional process of lending). Rather, they would simply borrow money for capital to lend, originate a loan, and then quickly sell the loan off shortly after origination. This created a new “atomized” relationship that compromised the original model of mutual interdependence between borrower and lender, and further lent itself to a flawed incentive structure creating an increase in faulty loans and a decrease in accountability. This model not only enhances consumer vulnerability, but it also creates a breeding ground for predatory lending by the brokers of non-depository and monoline institutions, who are compensated for loan origination, not loan performance. This flawed

373 Keys et al., 2010, p. 314
374 Ashcraft and Schuermann, 2008, p. 9
375 Chomsisengphet and Pennington-Cross, 2006, p. 7
376 Brescia, 2008, pp. 291-292
377 In 2002, the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Treasury defined Predatory Lending as lending that strips home equity and places borrowers at an increased risk of foreclosure (Chomsisengphet and Pennington-Cross, 2006).
378 Mortgage brokers are typically compensated from an origination fee paid directly by the borrower, or by revenue from the margin spread between retail and wholesale prices of loans. See Anshasy, Amany, Gregory Elliehausen, and Yoshiaki Shimazaki. THE PRICING OF SUBPRIME MORTGAGES BY MORTGAGE BROKERS AND
system of incentive led to the inevitable practice of brokers and originators who would “enter into as many mortgages as possible and get them into the market as securities as quickly as possible.”

Elizabeth Renuart of the National Consumer Law Center provides an example of this flawed incentive structure. She describes a widowed, 81 year old African American in Washington D.C. who refinanced through a mortgage broker both in 1997 and 1999. While no visible benefit for the borrower could be found upon reviewing the loan terms, the mortgage originator received over $12,000 in fee payments between the two refinances. This example is one of thousands that speak to the conflict of interest in broker compensation for loan origination. Examples like this occur because “a broker has little or no incentive to worry about whether the information presented in the mortgage application is accurate as long as the information gathered is sufficient to cause the mortgage banker to fund the loan, triggering payment of the broker’s fees.” The result, not surprisingly, is a proliferation of inaccurate information and thus increased default potential for the borrower.

Immagrluck (2009) refers to this information asymmetry as “vertical disintegration,” meaning that “more contractual relationships were now required between originators, issuers of the securities, investors that purchased the securities, credit rating agencies, servicers, and other mortgage market participants.” The loss or manipulation of information from relationship to relationship only increased market myopia regarding what was

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379 Brescia, 2008, pp. 296-297
382 Apgar and Calder cite one study that measures borrowers with similar credit attributes utilizing traditional retail channels for mortgage lending and broker originated lending. This study, undertaken by William Alexander, shows that broker originated loans are more likely to default than loans originated through a traditional retail channel. The rationale for this is that borrowers utilizing a broker channel for lending are charged more for loan processing as a means to compensate the lenders for the higher default and prepayment risk associated with broker-originated loans, thus placing undue burden on the borrower, even though their credit attributes often make them eligible for more traditional forms of lending devoid of these premiums. See Apgar and Calder, 2005. Similarly, Randall Wray cites a study by the Wall Street Journal where the majority of $2.5 trillion worth of subprime loans that they analyzed would actually have qualified for better loan terms. This was strongly attributed to brokers who convinced loan customers to take on higher rates than what they would have otherwise received through a conventional “prime” loan channel. This was because brokers would receive part of the extra premium placed on subprime loans as a part of their compensation (Wray, 2007).
383 Immargluck, 2009, p. 34
actually being funded, securitized, and purchased by investing consumers and firms both domestic and abroad.

Had the traditional borrower-lender relationship been in place during the early period of subprime expansion, then perhaps the increase in loan delinquency as a result of this flawed incentive structure would have been identified, addressed, and corrected at its onset. However, an erroneous credit rating system allowed for this process to continue and for the volume of securitized mortgages sent through the secondary mortgage market to reach unprecedented levels. There is a need for an objective, third-party credit rating source because the individual investor may not be capable of assessing borrower credit-worthiness. Thus, the information provided by the credit rating agency is of great value to the investment world, but this makes the assumption that their methodology and subsequent output is sound and accurate. This assumption would prove to be costly as loan performance in investor portfolios began to unravel.

The failure of credit rating agencies to properly interpret and communicate the risk of security pools replete with subprime paper can be attributed to several significant factors. First, information asymmetry was far more significant in subprime mortgage markets than in prime mortgage markets. A clear lack of congruence between subprime loans and evaluation models led to information being lost as the mortgage traveled the cavernous road from the originator to the secondary market. Further, the data models being used to evaluate mortgage pools worked off of the assumption that past performance is a good indicator of future behavior. This was problematic because of unusually high home prices beginning in the mid-1990s and, moreover, because creative mortgage products like ARM loans with decreased documentation had no historical basis—particularly when it came to no-down payment, no-income documentation, and no-appraisal loans being underwritten.

Further, rating agencies worked closely with mortgage underwriters and securitizers to ensure that the pooled mortgages would be sold into the appropriate market based upon its risk. This relationship gave way to a conflicted incentive structure because rating agencies were

384 Fabozzi and Kothari, 2007, p. 12
386 Wray, 2007, p. 22
compensated fees of up to twice their normal amount for rating and marketing mortgages.\textsuperscript{387} This was due, in part, to rating agencies being compensated to give their rating opinion by the arranger (underwriter or securitizer) and not the investor.\textsuperscript{388} Fueled by the assurances of large insurance companies who would supposedly back these securities should they fail,\textsuperscript{389} in addition to the robust housing market, credit rating agencies provided triple-A ratings to mortgage pools in which they had no basis for understanding or predicting future payment performance.\textsuperscript{390} Fed Chairman Ben Bernanke summarizes the problem:

The complexity of structured credit products, as well as the difficulty of determining the values of some of the underlying assets, led many investors to rely heavily on the evaluations of these products by credit-rating agencies. However, as subprime mortgage losses rose to levels that threatened even highly rated tranches, investors began to question the reliability of the credit ratings and became increasingly unwilling to hold these products.\textsuperscript{391}

\textbf{PART VI: Subprime Effect}

Up to this point, I have provided a description of the major causes of the subprime mortgage crisis to date. I will now turn my attention to the more devastating effects that this crisis has had both domestically and abroad. Relative to Galster’s aforementioned definition of “adverse impacts,” I am specifically interested in the distribution of negative outcomes resulting from the crisis and who shouldered the brunt of its impact.

\textsuperscript{387} Charles Morris points out that between 2002 and 2006, Moody’s credit rating agency doubled its revenue and more than tripled its stock price. See Morris, 2008, p. 77.
\textsuperscript{388} Ashcraft and Schuermann, 2008, p. 3
\textsuperscript{389} Morris also points out that because bond defaults are rare, they traditionally require little capital by the insurance companies backing them. Thus, when insurance companies began to back mortgage-backed CDOs, they could, for example, have up to $3.3 trillion dollars of insurance on investment instruments, but only $22 billion dollars of actual capital to cover those instruments. Part of this was the assumption that these mortgage-backed CDOs would perform due to their Triple-A rating by credit agencies. See Morris, 2008, p. 129.
\textsuperscript{390} The highest rating possible by a credit agency.
\textsuperscript{391} FRB Speech, January 2008
It is difficult to predict where the financial “dust” will settle when the crisis has fully materialized. However, recognizing its impact to date reveals the devastating nature of the mortgage crisis and begs for a massive regulatory response. According to realtytrac, which boasts the most comprehensive database of foreclosure statistics, 2006 foreclosure filing surpassed 1.2 million, a 42% increase from 2005. This number had nearly tripled by 2008, with approximately 3.2 million foreclosure filings being processed. Finally, the end of 2009 saw foreclosure filings just short of 4 million. Foreclosure activity, particularly at this volume, impacts four major areas: mortgage lender/owner, financial markets, state and local government, and finally, the borrower and homeowner. For our present purposes, attention will be devoted to the impact of the subprime mortgage crisis and subsequent foreclosures relative to the borrower/homeowner.

Borrower/Homeowner Impact

As mentioned, for investors and lenders, foreclosures almost certainly mean a temporary loss of cash flow stream, and often a significant if not a total loss from an asset standpoint. Unfortunately, the damage does not simply end with liquidity and assets. For homeowners who foreclose, they must suffer “transitional costs” to vacate and move to a new household, even when renting. Further, they will suffer near irreparable damage to their credit, hampering future opportunities to secure credit should an emergency arise. Further, if they do qualify for credit, institutional risk-based pricing models make low-credit consumers more susceptible to higher, more prohibitive, interest rates on the lending spectrum, thus increasing their vulnerability to

395 An investor’s payments from their investment depended upon the performance of the mortgages that were bundled together and sold to them. Further, for the bank, a foreclosure almost always led to a loss because they are forced to sell the home at a much lower price—often significantly lower than the mortgage amount owed.
future default. This is in addition to the “psychological costs” that a foreclosure has on a household. These include embarrassment and the loss of self-esteem and confidence for both parents and children.\footnote{\textsuperscript{396} Tatom, 2008, p. 10} Finally, one must also account for the decline of local property values as a result of foreclosures, as concentrated foreclosure activity has a devastating reduction effect for homes with similar attributes in the immediate area.\footnote{\textsuperscript{397} See Footnote \#418 in Chapter 3 for a helpful summary of work to date addressing the effects of foreclosures on local housing values.} This will impact job availability in the area, which only reinforces the local problem of having enough income to afford one’s mortgage payment to avoid foreclosure.

In describing the borrower or homeowner impact resulting from the crisis, there is an implication that all consumers are on an equal playing field and have suffered uniformly. If this were the case, perhaps the outcomes of the financial crisis would be better absorbed. However, a wide research base has suggested that subprime lending and foreclosures were not evenly distributed. Subprime lending has been found to be most prevalent in neighborhoods with high concentrations of minorities and weaker economic conditions (i.e., segregated neighborhoods). According to a 2008 joint report by several prestigious housing agencies, subprime lenders were found to have held a 20 percent market share in an examination of seven significant metro areas, compared to a 4 percent market share in predominantly white neighborhoods. These figures mirror high-cost lending activity in lower-income neighborhoods, as subprime lenders held approximately 20 percent market shares in low-income neighborhoods compared against seven percent market share in upper-income neighborhoods.\footnote{\textsuperscript{398} Bromley, Charles, Jim Campen, Saara Nafici, Adam Rust, Geoff Smith, Kevin Stein, and Barbara Van Kerkhove. \textit{Paying More for the American Dream: The Subprime Shakeout and Its Impacts on Lower-Income and Minority Communities}. Rep. Woodstock Institute, 2008. Print. (Page 5)} Similarly, in examining patterns where subprime mortgage products were sold, Immargluck (2008) cites evidence that minority households are more likely to receive subprime mortgages even after controlling for credit quality, suggesting the occurrence of discriminatory lending practices.\footnote{\textsuperscript{399} Immargluck, 2008, p. 8. Immargluck goes on to write: “Spatially concentrated subprime loans can result in poor outcomes for neighborhoods and local governments. A number of studies have shown a disproportionate share of metropolitan foreclosures and increases in foreclosures in recent years to be in lower-income and minority neighborhoods” (Page 9).} The research of Squires, Hyra and Renner (2009) reveal identical findings, and also show that segregation alone, when controlling for other explanatory credit variables, is associated with the proportion of
subprime lending.\textsuperscript{400} Similarly, Been et al. (2009) find that residential segregation plays a role in shaping lending patterns, where low-income concentrated minorities are more likely to receive a high-cost, subprime loan.\textsuperscript{401} Calem et al. (2004), after controlling for a host of explanatory variables, finds that the percent of African-American homeowners is strongly and positively correlated with subprime lending.\textsuperscript{402}

Limited access to conventional financial services and inequality are inextricably linked.\textsuperscript{403} The irony is that public interventions in housing affordability were based upon the principles of homeownership as a means to increase utility for minorities and lower-income families.\textsuperscript{404} However, sociologist Anne Shlay, whose research points to the tenuous nature of homeownership among lower-income families, describes the unfortunate mix of policy and product that led to an uneven distribution of economic disadvantage among low-income and minority homeowners:

By increasing the number of low-income and minority homebuyers, policy is increasing the number of households at risk of being preyed upon by predatory lenders. That is, policy designed to promote savings and asset accumulation by low-income families may be serving up potential customers for the subprime lending industry.\textsuperscript{405}

Thus, policy and market enhancements aimed towards increased homeownership for lower-income and minority families have backfired in a devastating way.\textsuperscript{406} The “revolution of

\begin{thebibliography}{9}
\bibitem{Shlay} This included homeownership as an asset building strategy, as well as more socially beneficial changes such as enhanced opportunities, life satisfaction, and increased involvement in civic organizations. See Shlay, Anne B. “Low-Income Homeownership: American Dream or Delusion?” \textit{Urban Studies} 43.3 (2006): 511-31. Print.
\bibitem{Shlay2006} Shlay, 2006, p. 524
\bibitem{Polk} In October of 2008, 90-year old widow Addie Polk of Akron, Ohio, attempted to kill herself with a self-inflicted gunshot wound because her house of nearly 40 years was being foreclosed upon. The victim of a subprime mortgage refinance, she began to miss payments and was finally issued a foreclosure notice. “Costs” such as these are rarely estimated in the foreclosure crisis, but are equally if not exceedingly detrimental. See Kavanagh, Jim, Brad Lendon, and Mallory Simon. "Fannie Mae Forgives Loan for Woman Who Shot Herself - CNN.com." \textit{CNN.com - Breaking News, U.S., World, Weather, Entertainment & Video News}. 3 Oct. 2008. Web. 18 July 2010. <http://www.cnn.com/2008/US/10/03/eviction.suicide.attempt/>.
\end{thebibliography}
mortgage finance” that sought to redefine lending, free up capital for financial institutions, and provide credit for a new, underserved market of households has displaced thousands of residents and accelerated the inequality already present in the American economic system.

What does this exposition on the subprime financial crisis tell us? First, we may confidently claim that the crisis represents a violation in “fair housing” as the life chances of many segregated African Americans were “unduly constrained” based upon their environment. Moreover, we see that the subprime financial crisis meets Galster’s definition of possessing adverse impacts (operationalized within a spatial context). From the US government emphasis on homeownership for everyone to market phenomena such as mortgage securitization and the accompanying “vertical disintegration” in the mortgage process—segregated black communities suffered disproportionately negative consequences that could not be justified on the grounds of business necessity.

Chapter 3 will provide a more in depth, empirical exploration of adverse impacts suffered by segregated black households in the wake of the crisis. Moreover, the study will seek to identify advantages that might accompany mixing.

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407 Referring to the creation of automated underwriting, credit scoring, risk-based pricing, mortgage brokerage, monoline lenders and the secondary mortgage market for securities. See Apgar and Calder, 2005, p. 3.
409 The aforementioned research suggests that segregated black households suffered disproportionately as a result of the subprime crisis. Moreover, there are various suggestions as to why this occurred—including segregation itself. Since I do not necessarily provide a critique of this aforementioned research, a respondent might be skeptical of whether such studies have properly controlled for all factors that lead to default. To counter this response, one would have to control for all variables that predict a large amount of variation in loan defaults—information that is often not available. Nonetheless, the absence of such a critique does not preclude me from suggesting that the crisis represented an adverse impact for black households and a violation of “fair housing” based upon Galster’s usage of these terms.
Chapter 3: Empirical Study

This chapter aims to explore residential integration in an economic paradigm. The chapter will be outlined as followed: Part I will retrace the major issues in the integration debate, followed by the intuition to explore integration through the vantage point of adverse impacts occurring in the wake of the recent subprime financial crisis. From this, Part I ends with two specific research questions that arise. Part II presents an analytical framework by which to evaluate the research outcomes. Here I borrow from George Galster, tailoring his analytical framework of “equity” and “efficiency” as a means to evaluate my own research. Part III briefly describes the intent to specifically research Cuyahoga County in the state of Ohio, and is followed by the research methodology and results in Part IV. In Part V, I provide an evaluation of the research output utilizing my pre-defined Evaluative Criteria Framework.

This chapter ends with a post-script that aims to summarize my contribution to the residential integration discussion as well as the conclusions that can appropriately be reached.

PART I: Necessity of Study

To retrace, the criticism of residential integration rests on two primary arguments: The first argument is that there is little evidence to support the assumption that segregated minorities are exposed to social ills as a function of their segregation and place. In other words, it is argued that there is little evidence of adverse “neighborhood effects.” In this thesis, I have chosen to define neighborhood effects as “the independent causal effect of a neighbourhood (i.e., residential community) on any number of health and/or social outcomes.”\(^{410}\) In assuming neighborhood effects, one assumes that the neighborhood causes disadvantage, or advantage, for its inhabitants (as opposed to simply reflecting them). The second argument is based upon whether segregated households would fare any better if they were dispersed, or integrated, with

\(^{410}\) Oakes, 2004, p. 1929
other race and higher income neighborhoods. It follows that if there is little evidence that mixing benefits society—then it is not a cost effective policy option. The former argument has been debunked as mere “theory” while the latter has suffered due to a lack of unambiguous, definitive evidence. In this thesis, I have referred to this as the Cheshirian position. While stated succinctly by Cheshire, it is representative of the collective skepticism in the academic world relative to the effectiveness of residential integration initiatives. These issues rest at the heart of the stalemate in the integration debate. Cheshire summarizes the problem after his survey of the Moving to Opportunity evidence: “[MTO evidence] does not support the conclusion that neighbourhood effects are quantitatively all that important nor that moving the poor to affluent neighbourhoods overall improves their welfare.”

As mentioned, these measurements account for costs and welfare as it relates to dispersal or desegregation. However, a more comprehensive assessment would additionally account for the costs and welfare of segregation, i.e., leaving our social arrangements as they are. In light of our examination of the crisis and the disproportionate consequences shouldered by segregated, low-income minorities, it is worth revisiting Galster’s definition of adverse impacts: “Adverse impacts refers to the implementation of a policy or practice that—though evenhandedly applied to all races—nevertheless results in disproportionately negative consequences for the minority and cannot be justified on the grounds of business necessity.” Based upon this definition, we can confidently assert that the subprime financial crisis matches the definition of an adverse impact, as housing policies aimed toward increased homeownership, in addition to risk-based pricing, poor regulation, and market distortions, disproportionately impacted segregated black communities in a devastating fashion. To borrow a phrase from Mayer and Pence (2008) in relation to the crisis: “It was not supposed to work out this way.”

In light of adverse impacts, it is appropriate to ask what specific effect the impact of the crisis had on the segregated black community. Second, we might ask whether benefits may be associated with mixed communities as a means to protect otherwise segregated, low-income

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411 Steinberg, 2010, p. 217
412 Cheshire, 2007, p. 30
413 Galster, 1999, p. 124 (Italics his)
minorities, which is the content of the forthcoming empirical study. This argument mirrors the one made by Massey and Denton in their seminal work *American Apartheid* (1993). John Relman describes the relevance of adverse impacts in their argument:

> Central to their argument is the evidence that “hypersegregation,” or the extreme concentration of poor blacks in inner city neighborhoods, has left many minority communities vulnerable to a socio-economic “downward spiral” at the slightest turn of the economy.  

The implication is that inherent risks and vulnerabilities exist as a function of segregation (and not simply the inequalities and social disadvantages reflected in segregated individuals). Been et al. (2009) write: “High levels of segregation can create pockets of dense poverty within urban areas, magnifying the vulnerability of community members to the effects of an economic shock.”  

Furthermore, Immargluck directly connects the subprime crisis—an explicit example of an “economic shock”—and residential segregation. He writes: “[The subprime boom was] reliant upon the exploitation of the geographies of social disadvantage and isolation.”  

Amidst skepticism of the neighborhood causing additional disadvantage for households in deprived areas—if low-income, racially segregated areas experience greater economic risk and volatility, then such evidence is at least consistent with the belief in a causal link between place and risk relative to those inhabiting that place. However, there is a stark contrast between being consistent with a theory and *proving* a theory. Proving adverse impacts as a function of place will require greater complexity.

One way of unpacking this complex argument relates to foreclosures occurring in the wake of the subprime financial crisis. First, there is a question of how subprime loans and foreclosures were distributed across space and, moreover, unto whom. If segregated black communities are more prone to receiving a subprime loan and subsequently foreclosing, this would appear as an

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416 Been et al., 2009, p. 371  
417 Immargluck, 2009, p. 74  
418 Here I am not aiming to necessarily “prove” adverse impacts, but adverse impacts as a function of residential segregation. The fact that segregated black communities suffered adverse impacts resulting from the crisis is undisputed (detail forthcoming). Demonstrating that where they lived (segregated communities), not simply what they got (subprime loans), aggravated social disadvantage requires additional consideration.
adverse impact resulting from the crisis that was disproportionately shouldered by the African American community—thus enhancing their risk and vulnerability.

We might imagine a response to this, however. Argument #1 of the Cheshirian position (skepticism of neighborhood effects) would contend that it has not been proven that the spatial isolation of black households increased their probability of receiving a subprime loan and subsequently foreclosing. In other words, the same households that foreclosed could have been spread out, or desegregated through mixing, and this could have had no bearing on whether they would have received a subprime loan and subsequently foreclosed (i.e., if they foreclosed when they were segregated, there is nothing to suggest they would not have foreclosed had they been mixed). Thus, according to this argument, the link between space and the adverse impacts of the crisis has not been established.

Yet there is a counter-response. In the wake of the crisis, we do know that foreclosure-prone households were concentrated. Further, the negative relationship between foreclosures on property values has been well established (as the incidence of foreclosure increase, the value of nearby homes decrease). Thus, concentrating foreclosures (as opposed to a more equidistributional pattern of foreclosure incidence throughout a given area) has a far more deleterious effect on housing values and subsequent detrimental social and economic impacts on the local community. This, then, is an argument that ‘space’ plays a role in exacerbating social

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419 Miller et al. provide a helpful exposition of the work, to date, regarding the negative relationship between foreclosures and housing values. This includes the following: Immergluck and Smith (2006)—Each conventional foreclosure within an eighth of a mile of a single-family home results in a decline of 0.9 percent in value; Pennington-Cross (2006)—Foreclosed property appreciates less than the area average appreciation rate; Center for Responsible Lending (2008)—40.6 million neighboring homes will experience devaluation because of subprime foreclosures that take place nearby—estimated at a value of $202 billion or $5,000 on average.; Dubin (2008)—Foreclosures adversely affect local housing prices by as much as 5.7%; Harding, Rosenblatt and Yao (2008)—Nearby distressed properties have significant negative contagion effects over and above the overall trend in house prices of approximately 1% to 1.5% per foreclosure; ICIC (2008)—There are 9.2 REOs (Real Estate Owned by the bank due to default) per square mile in the inner city (0.63%) compared with 0.2 REOs per square mile (0.31%) in the rest of the United States; Leonard and Murdoch (2008)—The direct effect of an increase in foreclosures is between $1,320 and $2,020, and the spatial reach of this impact is 250 feet; Rogers and Winter (2008)—The negative foreclosure effect on housing prices is as much as 5.3% when the foreclosed property is within 100 yards; Lin, Rosenblatt and Yao (2008)—The spillover effect of foreclosure results in as much as a 9.7% discount in home prices when the foreclosed property is within 100 yards. See Miller, Norman G., Stephanie Y. Rauterkus, and Michael A. Sklarz. “The Neighborhood Impact of Subprime Lending, Predatory Lending and Foreclosure.” Proc. of FMA European Conference, Turin, Italy. 2009. 2-27. Print.

420 Presumably to occur through residential integration.
disadvantage (i.e., foreclosures have an enhanced effect when concentrated). This would be an example of what has been referred to as a “threshold effect.” Quercia and Galster (2000) provide the following helpful definition: “A threshold effect may be defined as a dynamic process in which the magnitude of the response changes significantly as the triggering stimulus exceeds some critical value.” In other words, if the frequency of foreclosures within a given space exceeds a certain threshold, we might expect the magnitude of house value depreciation to escalate.\(^\text{421}\)

Related to this, if it can be demonstrated that integrated communities fare better in the wake of a market crisis than otherwise racially segregated communities, this would point to the possibility of “beneficial effects” from living in a mixed community.\(^\text{422}\) These two points of exploration, understood through the lens of the subprime financial crisis (adverse impacts), offer a unique response to the two arguments inherent in the Cheshirian position.

Thus, to explore this empirically, I aim to create two separate studies for analysis. First, I will construct a model which measures racially homogeneous white and black communities in the wake of the subprime financial crisis. Further, this study is unique because it also attempts to create a variable for communities that demonstrate a “mixed” dynamic. The crisis consisted of households receiving “high-cost” or subprime loans and is punctuated with the proliferation of foreclosures. Thus, these two variables (subprime rates and foreclosure rates) will serve as dependent, or explained, variables in a multiple regression study. This study makes a contribution by first exploring whether segregated black communities suffered adverse impacts in the wake of the subprime financial crisis and, second, whether such adverse impacts were magnified as a function of space. Finally, this study aims to establish whether benefits might be associated with residential mixing in light of adverse impacts. To clarify the term “benefit,” I am specifically measuring economic utility as a function of home-value.\(^\text{423}\)

\(^{421}\) Quercia and Galster, 2000, p. 146. The authors point to the importance of identifying threshold effects: “Where interventions can most effectively affect the fortunes of a neighborhood and the families therein is essential knowledge for planners. For example, if we were able to identify a critical point past which a confluence of neighborhood social problems escalated rapidly, it could guide strategic interventions designed to head off such problems by targeting neighborhoods that were approaching this threshold” (p. 146).
\(^{422}\) In this sense, security (from adverse impacts resulting from the financial crisis) is considered a beneficial effect that may result from mixing.
\(^{423}\) It is very important to point out that other “benefits” exist to mixing besides the economic benefits of home-value stability. More discussion of this issue is forthcoming. Nevertheless, as mentioned, arguments both for and against
among other things, ultimately led to significant foreclosure rates across the US. While several tangible and intangible “costs” are associated with foreclosures, I am specifically focused on their economic impact as foreclosures are most notable for their erosion of local housing values.

The first set of empirical models in my analysis will explore the adverse impacts of the crisis on segregated white and black communities in addition to communities that display mix. Since I am exploring this in the wake of the subprime financial crisis, I am specifically looking at the percentage of subprime loans and foreclosure rates for segregated white, black, and mixed communities. Next, I will construct a second round of models where I use the foreclosure rate to help explain the variation in home sale prices (a proxy for home values) for each of the racial categories: mixed, segregated white and segregated black.

Ultimately, the study aims to answer the following questions:

(1) How did segregated communities (both homogeneous white and black) fare in the wake of the subprime crisis and its accompanying “adverse impacts?” Did segregation and “place” play a role in helping or harming social welfare for racially isolated households?

(2) In light of the crisis, are there visible or presumed economic advantages that could be associated with residential mixing that may suggest a protective mechanism for otherwise vulnerable and segregated households? Further, are these advantages considered socially efficient, where society benefits as a whole?

This study defines “efficient” as policy where those who benefit gain more than those who do not benefit lose. In essence, this form of allocative efficiency aims to maximize net welfare for all (not simply one group). The first research question is distinguished from the second, as evidence of adverse impacts is altogether separate from the claim of social efficiency in integration. For clarity, I will refer to the first set of empirical models as “Analysis 1” or A1. The second empirical study will be referred to as “Analysis 2” or A2.

mixing are most often economic or utility-based arguments, so specifically measuring an economic variable seemed both relevant and useful for the purpose of this analysis.
PART II: Employing a Framework

Before engaging in the empirical research, it is useful to employ a framework by which to evaluate the results. As detailed earlier, the evaluative voice in the integration debate has used the criteria of economic efficiency and the maximization of utility. In other words, if mixing can enhance economic efficiency and outcomes for both the dispersed households as well as the receiving neighborhoods, and if total net-utility is advanced once the aggregate gains and losses are weighed, then mixing, in general, is to be supported.

At this point, then, I have chosen to incorporate an analytical framework proposed by George Galster (2007) that both mirrors the existing evaluative criteria for integration support or dismissal and prescribes a scaffold by which to navigate my own empirical research.424 As mentioned, I have referred to this framework as the “Evaluative Integration Framework.”425 Paraphrasing Galster, and employing my own research study, we can ask: “does the extant evidence base provided in the study of the subprime financial crisis provide justification for the widespread adoption of policies to increase neighborhood social mix and, if so, on what grounds?”426 In this framework, Galster provides two conditions upon which mixing can be substantiated,427 depending upon how policy makers weight each condition or hold one or the other “paramount.”428 The conditions are considerations in “equity”429 and “efficiency” and are used in relation to two groups: advantaged and disadvantaged. Equity is defined as being evident

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424 In his writing, Galster is using this framework to evaluate the existing statistical evidence base in Western Europe. However, given that this analytical framework closely models the pre-existing evaluative criteria present in the greater residential integration discussion, it is applicable for the purposes of this study.

425 To restate, in Chapter 2 I introduced this term simply as a reference to a framework for support or criticism of residential mixing ideas or overtures. Further, I provided a more succinct definition of the Evaluative Integration Framework: “Economic efficacy and the maximization of utility in an aggregate social context.” However, the tenets of economic efficacy and the maximization of utility are too general for specific evaluation as it relates to my empirical study. Hence Galster’s criteria of equity and efficiency—although, as stated, this is not dissimilar to the driving criteria in the Evaluative Integration Framework.


427 Here, Galster seems to assume that some combination of both equity and efficiency will be used as a standard by which to gauge policy towards integration.

428 Galster (2007b), p. 524

429 While the title “equity” has an ethical undertone to it, it is a specific ethical interpretation that can be appropriately located in the family of consequentialist ethics. In its usage, the “rightness” of equity is based upon its consequence (if disadvantaged households improve or experience less risk, etc.). However, I later argue in the thesis that a more morally capacious ethical argument is needed to expand this usage of equity and its ethical connotation.
if one of two conditions is met: (1) disadvantaged group members lose well-being by residing with other members of their group and/or (2) gain well-being by residing with members of the advantaged group. Separate from equity, efficiency is improved when the social welfare of both groups (advantaged and disadvantaged) exhibit a positive gain. In other words, “if a policy alters (positively or negatively) the well-being of various individuals in either groups or both groups, it can be justified on efficiency grounds if in the end it registers a higher level of social well-being when the individual changes are appropriately weighted and aggregated.”

While Galster does not directly define, by title at least, the type of “efficiency” he is referring to, we might appropriately place his usage of the term under the more formal title of “allocative efficiency.” Allocative efficiency requires that an economy should produce up to the point at which the benefit its consumption provides to society (often called “marginal social benefit”) is equal to the cost its production poses on society (“marginal social cost”). In the context of residential housing integration, allocative efficiency can be understood as an equality of the social benefit gained from the dispersed group relative to the social cost incurred by the receiving group. Under this rationale, if the gain were to exceed the loss, we would claim efficiency; if the loss were to exceed the gain, we would not. In other writing, Galster refers to this as “social efficiency.” He writes: “Social efficiency is achieved when a particular activity is undertaken at a level such that net social benefits (i.e., total benefits minus total costs to all parties who directly engage in this activity or indirectly are affected by it) are maximized within the constraints of resources available.”

The two aforementioned research questions each exhibit a component of Galster’s framework. Question #1 is an exploration in equity: Do segregated members suffer a deficit of well-being by residing with other members of their group or, conversely, gain well-being by living in tracts that display mix? We can analyze the results from both A1 and A2 to assist us in answering this question. A1 will provide an understanding of the distribution of subprime and foreclosure rates for each racial category. A2 endeavors to show the asset depreciating effect of foreclosures and the consequences of concentration for any of the given groups. Here, for our purposes, we

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430 Ibid., page 528.
431 Ibid.
would look for the following as a necessary condition for equity justification as it relates to mixing: 1) Do subprime and foreclosure rates cluster or concentrate for low-income minority segregated neighborhoods (A1) and if so, do those communities suffer economic disadvantage, specifically defined by house value depreciation, by remaining in their community? Conversely, would those households stand to gain by residing with members of mixed or segregated white neighborhoods (A2)? If we can answer “yes” to either of these questions after exploring the analysis from A1 and A2, then we have met the necessary condition to claim equity.

Question #2 specifically focuses on the efficiency aspect of Galster’s framework, as the study will seek to explore whether economic advantages might be associated with dispersal. Here, we can make the claim of “efficiency” if a positive gain is realized for all racial categories should dispersal occur. To explore efficiency, I will use the output from A1 and A2 as follows. A1 will show how subprime rates and foreclosures are concentrated among particular racial categories. A2, stratified accordingly by racial category, will allow us to predict the asset depreciating effect the foreclosure percentage per neighborhood might have. Assuming foreclosures are concentrated in Low-Mix Black communities, is the net cost of foreclosures for the greater area less if foreclosure-risk households were to be dispersed as opposed to being concentrated? In other words, we might hypothetically assume that a segregated black household who experienced a foreclosure would also have foreclosed if they had been in a non-segregated neighborhood. Therefore, would the dispersal of foreclosure-prone households have a net-positive effect on society? Would a more spatially even distribution of foreclosures register aggregate consequences less severe than concentrating foreclosures as it relates to home values?

Regarding his original framework, and his own measure of social welfare by which to gauge gains or losses in equity and efficiency, Galster writes:

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434 The existing literature suggests that foreclosures are concentrated in segregated black-communities. Regarding Cleveland specifically, Lisa Nelson of the Cleveland Federal Reserve demonstrated this very phenomenon in her 2008 report where she explored race and foreclosure filings by quartiles. Her findings reveal that segregated black communities were also paired with low-incomes and high foreclosures in the highest quartile. See Nelson, Lisa. A Look Behind the Numbers: Foreclosure Filings in Cuyahoga County. Publication. 1st ed. Vol. 1. Cleveland: Federal Reserve Bank of Cleveland, 2008. Print.

435 The “greater area” might be the county, metropolitan area, region, etc.
Even though it is unlikely that key housing and urban planners have an explicitly, mathematical formula for SW [Social Welfare] that they apply when assessing alternative policy proposals, it is probable that they employ some implicit, imprecise ‘rule of thumb’ in this exercise. It will be shown that different rules of thumb are associated with different evidentiary requirements and conversely, that extant evidence only supports policy decisions favoring neighborhood social mix if the rules of thumb being employed (although implicitly) are of a certain nature.  

Galster notes that his hope is that this framework will result in more attempts to make explicit what is implicit. Similarly, I aim to utilize this framework, tailored to my research, as a means to employ equity and efficiency “rules of thumb” insofar as exploring adverse impacts in the wake of the subprime financial crisis. The Evaluative Integration Framework being utilized is, therefore, a means by which to assess whether mixing can be substantiated by exploring the distribution and consequences of adverse impacts resulting from the subprime financial crisis. This framework is valuable in that allows us to address the questions: “should we mix?” and “on what grounds?”

**PART III: Cuyahoga County (Cleveland, Ohio)**

To conduct the study, I chose to focus on Cuyahoga County in the state of Ohio, where the city of Cleveland is located. Cleveland is considered a “rust belt” city in the Midwest, United States. It has been described as “the quintessential blue-collar working class city” due to its significant manufacturing base.

There were several reasons for choosing Cuyahoga County for empirical research. First, as a county, it is highly segregated, and this is not a recent phenomenon. Ironically, Cleveland’s period of lowest segregation was around the time of the Civil War, when they were referred to as

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437 Ibid.
the “immigrant city.” However, beginning in the 1870s, the phenomenon of “ghettoization” began and the “immigrant city” was replaced with the title of the “segregated city.”

By 1890, Cleveland was the second most segregated US city, and third most segregated both in 1940 and 1990. Today, Cleveland still ranks within the top ten most segregated cities with a dissimilarity index of 79.7 out of 318 eligible metropolitan areas. Although Cleveland has historically been segregated, its black population was relatively small in 1910. However, after World War I, Cleveland’s manufacturing industry grew significantly. This growth attracted large numbers of African Americans from the rural south for employment. Between 1910 and 1940, the black population in Cleveland grew by approximately 8% annually. As African-Americans migrated to Cleveland, the racial structure became increasingly segregated. Beginning in the 1950s, many Cleveland families began to leave the city, first to Cleveland suburbs and eventually to other regions or states. Between 1940 and 1970, the dissimilarity index measuring African American segregation showed percentages in the high 80s to low 90s. Although segregation in Cleveland has decreased since 1970, the spatial separation between blacks and whites continues to be stark. Figure 3.1 illustrates the segregated nature of the city.

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439 Dillman, Jeffrey D. Subprime Lending in the City of Cleveland and Cuyahoga County. Rep. Columbus: Kirwan Institute: The Ohio State University, 2010. Print. (pp. 2-3)
441 This is based upon a dissimilarity measure of white to black. See "CensusScope -- Segregation: Dissimilarity Indices." CensusScope: Census 2000 Data, Charts, Maps, and Rankings.
442 Approximately 2% of the population was black in Cleveland at this time. Cutler and Glaeser, 1999, p. 491
443 Ibid.
444 Dillman, Jeffrey D. Subprime Lending in the City of Cleveland and Cuyahoga County. Rep. Columbus: Kirwan Institute: The Ohio State University, 2010. Print. (Page 1)
445 Ibid., page 3
446 Source: NEO CANDO (http://necoando.case.edu/)—Prepared by the Center on Urban Poverty and Community Development, Mandel School of Applied Social Sciences, Case Western Reserve.
The intuition to research Cleveland was also due to the substantial fallout they experienced from the subprime financial crisis. Jeffrey Dillman (2010) reveals that foreclosures in Cleveland more than tripled from 4,335 in 1994 to 14,946 in 2007. Indeed, the Federal Reserve Bank in Cleveland, in June 2010, described the situation in dire terms: “Cuyahoga County—one of the epicenters of the nation’s foreclosure crisis—has served as a striking example of the devastation that took place during this time. However, he makes the point that this foreclosure growth occurred irrespective of the change in the county’s unemployment rate, which displayed increasing and decreasing patterns during this period.

Dillman, 2010, p. 14. Dillman notes that it is important to account for the decline in manufacturing, and increased poverty that took place during this time.
wrought by the mortgage lending meltdown. In addition to the social costs of high foreclosure activity, the decrease in home values in Cleveland has been significant in the wake of the crisis. Figure 3.2 illustrates the distribution of foreclosures in Cuyahoga County from 2006 to 2008.

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449 Dillman (2010) writes: “The rise in foreclosures has contributed to a widespread decline in the quality of life in many Cleveland and Cuyahoga County neighborhoods, as foreclosures lead to increases in vacant and abandoned property which contribute to crime and other social costs. According to an estimate from Cuyahoga County Treasurer Jim Rokakis, in 2009 there were approximately 15,000 vacant properties awaiting demolition in the County, with 10,000 to 11,000 of those in the City of Cleveland.” This lengthy quote provides insight into the multiplicative effects of foreclosure activity on city, municipality, and household alike. For example, Lisa Nelson of the Federal Reserve in Cleveland writes: “Vacant homes affect more than the property values of remaining properties” because individuals see vacant properties as a sign of neighborhood decline. Further, continues Nelson, “Vacant properties also provide a powerful disincentive to real estate developers, since vacant properties signify weak market demand.” See Dillman, 2010, p. 16. Also see Erickson, David, Carolina Reid, Lisa Nelson, Anne O'Shaughnessy, and Alan M. Berube. The Enduring Challenge of Concentrated Poverty in America: Case Studies from Communities across the U.S. Richmond, VA.: Federal Reserve Bank of Richmond, 2008. Print. (Page 40)

450 Source: NEO CANDO (http://necoando.case.edu/), Cuyahoga County Auditor; Prepared by the Center on Urban Poverty and Community Development, Mandel School of Applied Social Sciences, Case Western Reserve.
While the greater subprime and foreclosure fallout is found in states such as Florida, California, and Nevada, Ohio did not experience the dramatic home price variability that these states did, and yet the economic impact has been substantial. Thus, the segregation inherent in Cuyahoga County, coupled with the difficulty the county suffered in the wake of the subprime crisis make Cleveland (Cuyahoga County) a research-worthy region, particularly when exploring the effects of adverse impacts with consideration to integration.
PART IV: Methodology & Results

Analysis 1 & Results

In A1, I conduct an investigation of tract-level subprime lending and foreclosure patterns in Cuyahoga County, Ohio. I am specifically testing for associations with dummy coded black and white segregated tracts, as well as mixed tracts, while controlling for other predictor variables in a multivariate regression framework.

I aim to explore the impact of the subprime crisis as it relates to both black and white communities. More specifically, A1 explores how racially-stratified communities (segregated and mixed) fare—particularly in the wake of a market crisis (i.e., subprime crisis) and the accompanying adverse impacts. The forthcoming regression models are not intended to be a study in risk or discrimination, where “empirical specifications employ measures of borrower and location characteristics that are hypothesized to affect the loan’s risk through their expected impact on mortgage loss attributable to default.” However, the models are a study in adverse impacts, stratified by racial category, and the additional question of whether adverse impacts created additional disadvantage based upon their spatial concentration.

Outcome (Dependent) Variables

My aim is to compare the differences between spatially segmented neighborhoods, as defined by census tracts, for both homogeneous white and black communities, and their association with percent of subprime or “high-cost” loans and foreclosure rates. Subprime loans are

451 Such was the study of Calem et al. (2003). See page 396.
452 Using a Census Tract as a proxy for a neighborhood has been criticized. For example, Ade, Kearns, and Mason (2007) quote Friedrichs et al. (2003): “The problem of spatial scale is similar to that faced by US neighbourhood effects research, where census tracts which are fairly homogenous areas of around 4000 people are used as the spatial unit of analysis. An overview of this field of research stated that ‘such tracts might be too large in scale to measure accurately the variables of ‘local neighbourhood’ that actually are affecting residents.’” See Ade Kearns &
particularly important as a dependent variable because of their close association with what is considered to be a “predatory loan.” Aalbers (2009), borrowing from others, notes that predatory loans have one or more of the following features:\textsuperscript{453}

1) Higher interest and fees than required to cover the added risk of lending to borrowers with credit imperfections;
2) Abusive terms and conditions that trap borrowers and lead to increased indebtedness;\textsuperscript{454}
3) Failing to take into account the borrower’s ability to repay the loan;
4) Violating fair lending laws by targeting women, minorities, and communities of color.

As Squires (2008) writes: “Clearly not all subprime loans are predatory, but virtually all predatory loans are in the subprime market.”\textsuperscript{455} In addition to observing the distribution of subprime loans and foreclosure percentages among white and black segregated tracts, I am also interested in their distribution in neighborhoods that display a mix of both white and black households.\textsuperscript{456}

For the census tracts in the study, the mean percentage of subprime was nearly 31\% with a standard deviation of over 19\%. Foreclosure rates for these same tracts had a mean value of over 8\%, with a standard deviation of 5.6\%. The outcome variables were not normally distributed, thus they were transformed into their natural log in the regression analysis.\textsuperscript{457}

\textsuperscript{454} Jeffrey Dillman points out the irony in risk-based pricing, where subprime rates are meant to place a price premium on the risk being incurred, but in reality, such a premium actually increases the probability of a loan default due to affordability. He writes: “The higher interest rate of a subprime loan makes the loan more expensive overall, generally with higher monthly payments and other onerous terms, \textit{which themselves make default more likely}.” See Dillman, 2010, p. 6 (Italics his)
\textsuperscript{455} Squires, 2008, p. 4
\textsuperscript{456} Each of these dependent variables would be considered a bounded continuous variable. This is because the variable is expressed as a percentage, but conceptually speaking, the variable is binary: either a household gets a subprime loan or they don’t; either a household forecloses or they don’t.
\textsuperscript{457} The outcome variables appeared to be normally distributed after the log transformations.
Table 3.1: Descriptive Data of Outcome Variables

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>30.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Median</td>
<td>25.5</td>
<td>7.0</td>
</tr>
<tr>
<td>Mode</td>
<td>10.0</td>
<td>2.0</td>
</tr>
<tr>
<td>St. Deviation</td>
<td>19.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Range</td>
<td>74.0</td>
<td>22.0</td>
</tr>
<tr>
<td>Minimum</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>75.0</td>
<td>23.0</td>
</tr>
</tbody>
</table>

Predictor (Independent) Variables

Nine total predictor variables were utilized in the regression model. Below is a short description of each:

*Tract Level Median Income*: This dollar figure represents the median household income per census tract, where half the households in the tract have a number above it and half have a number below it. This figure is taken from the 2000 census, and is assumed to remain relatively unchanged by tract level in the analysis. Income is a necessary predictor variable for receiving a high-cost subprime loan in addition to foreclosing as it is an important credit variable for approval in addition to a practical variable as to whether or not the loan payment can continue to be paid.  

*Education*: Squires et al. (2009) found in a similar study that the percent of individuals with a bachelor’s degree in a particular area had strong predictive value as it related to the probability of a household receiving a subprime loan. However, this study differs in that the education

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458 While I am exploring absolute income, credit approval for mortgages takes a relative view by looking at the “debt to income ratio,” i.e., how much monthly income is used to service household debt. Unfortunately, this statistic was not available for the study, as such information is often under bank or lender ownership.

459 See Squires et al., 2009. Dan Immargluck (2008) has a similar finding as it relates to education. He writes: “Higher educational attainment is negatively related to the growth of subprime share in a statistically significant way. A one standard deviation increase in education attainment (increasing metropolitan area residents with at least a college education by at least 6%, compared to a mean of approximately 26%) is associated with a decrease of
variable, also a representation of individual’s with a bachelor’s degree (%), is a tract level variable, where Squires et al. specifically measured the metropolitan and micropolitan statistical areas.

*Income Ratio:* This variable is the ratio of the percentage of white household median income to black household median income. While there is already a variable for income in the model, this variable makes the contribution of controlling for the ratio of white to black income so as to hold constant income inequalities in each racial category in the regression model.

*Percentage White:* A continuous measure of the proportion of white households by tract.

*Percentage Black:* A continuous measure of the proportion of black households by tract.

*Dummy-Coded Variables—White, Black, and Mixed:* Categorical (Dummy) Variables were used in the regression model as a measure of segregation in addition to a continuous variable as a measure of segregation (% White and % Black). A dissimilarity index is the most common equation utilized to measure segregation. However, for the purposes of the study, there was necessity in creating a variable at the tract level, and while this could be done with a dissimilarity index, it would not necessarily represent segregation in a measurable way.\(^{460}\) Regarding the measurement of segregation, urban scholar Douglas Massey writes:

> In theory you could compute a segregation index measuring block-level segregation within different census tracts, but this is probably not what you want. Segregation really occurs at the metropolitan level and is expressed at the tract level by a high concentration of minority group members. [It is best] to measure the percentage black or percentage minority in each census tract.\(^{461}\)

\(^{460}\) Two initial continuous measures were attempted: a measure of dissimilarity \((b_i/B_i) – (w_i/W_i)\) and the absolute value of segregation \(\text{ABS}(B-W)\). The former measurement is not necessarily an accurate measurement of tract-level segregation, and the latter measurement did not prove to be statistically significant. Hence, the natural log of % black or % white by tract was used as a continuous measure by tract.

Three separate dummy variables were constructed for regression analysis: segregated white neighborhoods (“Low-mix White”), segregated black neighborhoods (“Low-mix Black”), and mixed communities (“High-Mix”).

To begin, I took the standard deviation and the mean of whites and blacks for each tract in Cuyahoga County. This produced the following:

<table>
<thead>
<tr>
<th>Race</th>
<th>Mean %</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>61.2</td>
<td>37.5</td>
</tr>
<tr>
<td>Black</td>
<td>34.0</td>
<td>38.4</td>
</tr>
</tbody>
</table>

Table 3.2: Central Tendency Measures for % Black and % White by Census Tract

For each tract, if the group was within .5 standard deviation of their mean, a value of “TRUE” would be returned. If not, no value would be returned. Thus, for each tract, I was specifically exploring $P_w(42.44 \leq x \leq 79.93)$ & $P_b(14.80 \leq x \leq 53.22)$. If both black and white categories were within .5 standard deviations of their mean tract percentage, then the group would be classified as “High-Mix.”

For tracts where the % of white was above the upper .5 standard deviation, and within the same tract % black was below the lower .5 standard deviation, this tract would return a value of “Low-mix White.” If the opposite were true, it would return a value of “Low-mix Black.” In sum, this methodology returned 44 tracts displaying “High-Mix”, 230 tracts that were “Low-Mix White” and 159 tracts that were “Low-Mix Black.” This left 68 tracts that did not fit into one of the three aforementioned categories.

Dummy-Coded Variables—Percentage of White and Black by Category: Finally, to observe if a “tipping” effect was present, I created categories representative of the percentage of each race.

462 Dummy Variable Methodology is $k-1$, where $k$ equals the total number of categories. Thus, the “reference group” in the regression is understood to be tracts that did not display high-white segregation, high-black segregation, or mixed-communities. It is important to note that using “other” as the reference group is not advised by Hardy (1993). However, she also writes: “Readers should keep in mind that, on statistical grounds, the choice of reference group is arbitrary; assuming one follows appropriate procedures of interpretation and inference, no choice can be ‘wrong.’” See Hardy, Melissa A. Regression with Dummy Variables. Newbury Park: Sage Publications, 1993. Print. (Page 10) Further, Andy Field (2009) provides an example of dummy coding in SPSS where the reference group was “no affiliation,” similar to an expression of “other.” Thus, coding is important, but more important is an accurate interpretation. See Field, Andy P. Discovering Statistics Using SPSS. Los Angeles [i.e. Thousand Oaks, CA: SAGE Publications, 2009. Print. (Pp. 254-256)
463 Computations were made with Excel’s IF function.
464 This method helps to account for the overall racial composition of Cuyahoga County, which is approximately 69% White and 28% Black. See the NEO CANDO website through Case Western Reserve University: CAN DO - Redirection Page. Case Western Reserve University. Web. Summer 2009. <http://neocando.case.edu/>.
465 The SPSS functions of “Transform” and “Recode into a different variable” were specifically used to create the dummy variables for the regression analysis.
The variables were dummy-coded under categories of 21 to 40%, 41 to 60%, 61 to 80%, and 81 to 100%. This procedure was done for both race categories: white and black.  

Table 3.3: Descriptive Summary Statistics for Non-Dummy Predictor Variables

<table>
<thead>
<tr>
<th>Statistic</th>
<th>1999 Tract Median Income</th>
<th>% of Individuals with BA by Tract</th>
<th>% White by Tract</th>
<th>% Black by Tract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>446</td>
<td>446</td>
<td>446</td>
<td>446</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>$41,947.56</td>
<td>23%</td>
<td>64.5%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Median</td>
<td>$38,852.50</td>
<td>17.3%</td>
<td>83%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Mode</td>
<td>$19,375.00</td>
<td>5%a</td>
<td>96.6%a</td>
<td>.32a</td>
</tr>
<tr>
<td>St. Dev.</td>
<td>$22,184.36</td>
<td>18.11%</td>
<td>36.8%</td>
<td>37.8%</td>
</tr>
<tr>
<td>Range</td>
<td>$191,263</td>
<td>79.9%</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td>Minimum</td>
<td>$8,738</td>
<td>0.0%</td>
<td>.56%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Maximum</td>
<td>$200,001</td>
<td>79.9%</td>
<td>99.6%</td>
<td>99%</td>
</tr>
</tbody>
</table>

Finally, missing variables of potential value would be credit score and housing value in order to determine a “loan-to-value” ratio. Unfortunately, neither variable could be obtained due to proprietary constraints in ascertaining credit score information aggregated at the census tract level and the difficulty in properly assessing a housing value for a given property, as loan-to-value ratios are not collected under the Home Mortgage Disclosure Act requirements.  

However, other studies have attempted to use proxy-figures representative of these two ratios, and while they have been found to be statistically significant, their coefficient values do not suggest that their absence would affect the model outcome or its value in addressing the aforementioned research questions. The absence of these key variables will be addressed in the post-research analysis.

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466 Naturally, no tipping variable could be made for communities displaying a racial mix. A tract may become increasingly white or increasingly black, but it is difficult to measure increasing “mix.”

467 The data in the regression analysis is sufficient to explore the distribution of subprime rates and foreclosure rates and the association with different racial groups (High-Mix, Low-Mix White, and Low-Mix Black). However, without credit score data and loan-to-value information, we cannot make assertions about whether the neighborhood “caused” varying households to receive those loans. For example, regardless of whether a particular household is segregated or not, having poor credit or perhaps a high loan-to-value ratio would likely lead to the household receiving a subprime product.

468 For an example, see Squires and Hyra, 2009.
Data Screening

Cuyahoga County has a total of 501 census tracts. Before running a regression on all variables, it was important to screen the data as some tracts may possess certain characteristics that would exclude it from eligibility in the data analysis. The following criteria were utilized to assess eligibility. They are as follows:

1) Tracts were excluded from the analysis where conventional mortgages were less than 75% of total loans.

2) Tracts with 35 originations or less were excluded as such a small sample of mortgages could skew the ratio of subprime loans to regular prime loans.

3) Tracts where rental units comprised over 90% of the total available households within a given census tract were excluded.

Criteria #1 was utilized due to the fact that subprime loan percentages were specifically drawn from conventional loan data. Thus, if a high percentage of mortgage loans by tract were not conventional, this could misrepresent subprime lending in the area. Fortunately, there were no tracts where conventional loans were less than 75% of total HMDA loans for the years 2004-2006.

Criteria #2 is a trimming method to ensure that tracts with a small loan volume were not included as, similar to criteria #1, the proportion of subprime loans in the tract may be quite high even though the absolute volume of lending is low. This would misrepresent neighborhood subprime lending and foreclosure rates. The number 35 was chosen as this is the lower 10% of all conventional home purchase and subprime originations from 2004 to 2006. Finally, criteria #3 was utilized as some neighborhoods were dominated by rental units as opposed to single family residences. Thus, including these tracts would have also misrepresented both the subprime lending percentage and foreclosure rates. In total, 55 census tracts were excluded from the regression analysis after the aforementioned screening criteria were employed.

469 For conventional loans, I am specifically looking at “home purchase loans” and “home refinance loans.” Home purchase loans are intended for the purchase of a property and home refinance loans are intended to utilize the equity in one’s residence as a means to refinance the loan (i.e., for a lower rate, cash out of equity, credit card consolidation, etc.).

470 These tracts are listed in the appendix.
Statistical Method

Using PASW/SPSS 17, I constructed a multivariate OLS\textsuperscript{471} regression model to investigate the relationship between the proportion of subprime loans and foreclosure rates with the predictor variables. The procedure is a cross-sectional study of explanatory social factors and their ability to predict whether a census tract household will a) obtain a subprime or “high-cost” loan and b) foreclose on the property.

Fourteen regression models are utilized in A1, and the equations for each are expressed for the dependent variable subprime rate (Table 3.4) and dependent variable foreclosure rate (Table 3.5).\textsuperscript{472}

The estimated regression equation is: \[ Y = b_0 + b_1x_1 + b_2x_2 + \ldots + b_nx_n \]

\textsuperscript{471} “Ordinary Least Squares” is a method used to develop the estimated regression equation that best approximates the straight-line between dependent and independent variables. See Anderson, David R. Essentials of Statistics for Business and Economics. [S.l.]: South-Western, 2008. Print. (Page 535)

\textsuperscript{472} For the null hypothesis for each model, I utilize the p-value approach and thus reject Ho if the p-value \( \leq \alpha \). For all 14 models, every F-test value was significant at the .001 level. Thus, we can conclude that a significant relationship exists between dependent variables (subprime rate and foreclosure rate) and the corresponding independent variables. Individual contributions towards significance are provided by t-tests (table below).
Table 3.4: Models 1-7—Dependent Variable: Subprime Rate

<table>
<thead>
<tr>
<th>SUBPRIME RATE</th>
<th>REGRESSION EQUATION</th>
<th>NULL HYPOTHESIS</th>
</tr>
</thead>
</table>
| Model #1      | Log of % Subprime = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy White) | H_0: b_1 = b_2 = … = b_p = 0  
H_1: One or more parameters ≠ 0 |
| Model #2      | Log of % Subprime = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy White) | H_0: b_1 = b_2 = … = b_p = 0  
H_1: One or more parameters ≠ 0 |
| Model #3      | Log of % Subprime = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy 21% to 40% White) + b_5(Dummy 41% to 60% White) + b_6(Dummy 61% to 80% White) + b_7(Dummy 81% to 100% White) | H_0: b_1 = b_2 = … = b_p = 0  
H_1: One or more parameters ≠ 0 |
| Model #4      | Log of % Subprime = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Black) | H_0: b_1 = b_2 = … = b_p = 0  
H_1: One or more parameters ≠ 0 |
| Model #5      | Log of % Subprime = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Black) | H_0: b_1 = b_2 = … = b_p = 0  
H_1: One or more parameters ≠ 0 |
| Model #6      | Log of % Subprime = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy 21% to 40% Black) + b_5(Dummy 41% to 60% Black) + b_6(Dummy 61% to 80% Black) + b_7(Dummy 81% to 100% Black) | H_0: b_1 = b_2 = … = b_p = 0  
H_1: One or more parameters ≠ 0 |
| Model #7      | Log of % Subprime = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Mixed) | H_0: b_1 = b_2 = … = b_p = 0  
H_1: One or more parameters ≠ 0 |
**Table 3.5: Models 8-14—Dependent Variable: Foreclosure Rate**

<table>
<thead>
<tr>
<th>FORECLOSURE RATE</th>
<th>REGRESSION EQUATION</th>
<th>NULL HYPOTHESIS</th>
</tr>
</thead>
</table>
| Model #8         | Log of % Foreclosure = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Mixed) | H_0: b_1=b_2=…=b_p=0  
H_1: One or more parameters ≠0 |
| Model #9         | Log of % Foreclosure = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Mixed) | H_0: b_1=b_2=…=b_p=0  
H_1: One or more parameters ≠0 |
| Model #10        | Log of % Foreclosure = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Mixed) + b_5(Dummy 21% to 40% White) + b_6(Dummy 41% to 60% White) + b_7(Dummy 61% to 80% White) + b_8(Dummy 81% to 100% White) | H_0: b_1=b_2=…=b_p=0  
H_1: One or more parameters ≠0 |
| Model #11        | Log of % Foreclosure = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Mixed) | H_0: b_1=b_2=…=b_p=0  
H_1: One or more parameters ≠0 |
| Model #12        | Log of % Foreclosure = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Mixed) | H_0: b_1=b_2=…=b_p=0  
H_1: One or more parameters ≠0 |
| Model #13        | Log of % Foreclosure = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Mixed) + b_5(Dummy 21% to 40% Black) + b_6(Dummy 41% to 60% Black) + b_7(Dummy 61% to 80% Black) + b_8(Dummy 81% to 100% Black) | H_0: b_1=b_2=…=b_p=0  
H_1: One or more parameters ≠0 |
| Model #14        | Log of % Foreclosure = b_0 + b_1(Log Income) + b_2(Log Education) + b_3(Log Income Ratio) + b_4(Dummy Mixed) | H_0: b_1=b_2=…=b_p=0  
H_1: One or more parameters ≠0 |

**Operationalizing “Segregation”**

While I am specifically looking at racial segmentation in housing and thus defining “mix” in a racial context, the implications for income seem to mirror the terms for racial segmentation and mix.⁴⁷³ The graph below shows the median income associated with racial category. As evidenced, mixed-race communities also display a median income between Low-Mix White and Low-Mix Black tracts. However, for the sake of the forthcoming research, I will continue to define segregation and mix/integration in a racial context.

---

⁴⁷³ It should be noted that separate regressions with dummy variables for “white”, “black”, and “mixed” identified by income, not race, were tested. However, they were not found to be statistically significant. Nevertheless, I have defined from the onset residential segmentation in racial categories, not income, although the overlap of the two is present and the two categories are often used interchangeably in the literature.
Before attempting to address my research questions through the regression analysis, I first explored the distribution of the following variables among mixed (High-Mix), segregated white communities (Low-Mix White), and segregated black communities (Low-Mix Black). Tables 5-7 summarize the categories below with specific attention towards foreclosure and subprime percentage, tract median income, the percent of housing burden by tract,\textsuperscript{474} the percent of individuals with a bachelor’s degree by tract, the ratio of credit denial to credit approval by tract, the percent of white and black by tract, and finally the absolute value of the difference between the proportion of white and black by tract.

\textsuperscript{474} The burden of paying for housing is measured by comparing housing expenses and household income. When the cost of the housing is 30% or more of the household income, this is considered a “housing cost burden.” The number and percent of owner households paying 30% or more of their household income for gross rent is provided. Selected monthly owner costs include mortgage payments, real estate taxes, insurance on the property, utilities, and fuels. Source: U.S. Bureau of the Census derived from NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (http://neocando.case.edu).
Table 3.6: Attributes of Mixed Tracts

<table>
<thead>
<tr>
<th>Race Category</th>
<th>Mean</th>
<th>95% CI: Lower</th>
<th>95% CI: Upper</th>
<th>St.Deviation</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreclosure %</td>
<td>8.7%</td>
<td>7.5%</td>
<td>10.0%</td>
<td>4.7%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Subprime %</td>
<td>29.7%</td>
<td>25.8%</td>
<td>33.6%</td>
<td>15.1%</td>
<td>59.0%</td>
</tr>
<tr>
<td>Tract Median Income</td>
<td>$36,136</td>
<td>$31,746</td>
<td>$40,527</td>
<td>$16,955</td>
<td>$64,201</td>
</tr>
<tr>
<td>% Housing Burden</td>
<td>23%</td>
<td>21%</td>
<td>26%</td>
<td>10%</td>
<td>56%</td>
</tr>
<tr>
<td>% of Individuals with BA</td>
<td>27%</td>
<td>22%</td>
<td>32%</td>
<td>21%</td>
<td>70%</td>
</tr>
<tr>
<td>Credit Denial to Credit Approval (HMDA 2004-2008)</td>
<td>15.4%</td>
<td>13.6%</td>
<td>17.1%</td>
<td>6.8%</td>
<td>32.0%</td>
</tr>
<tr>
<td>% White by Tract</td>
<td>64.2%</td>
<td>61.5%</td>
<td>66.8%</td>
<td>10.3%</td>
<td>35.5%</td>
</tr>
<tr>
<td>% Black by Tract</td>
<td>28.8%</td>
<td>25.7%</td>
<td>32.0%</td>
<td>12.2%</td>
<td>38.3%</td>
</tr>
<tr>
<td>Absolute Value proportion white - proportion black</td>
<td>36.6%</td>
<td>31.6%</td>
<td>41.6%</td>
<td>19.3%</td>
<td>61.0%</td>
</tr>
</tbody>
</table>

Table 3.7: Attributes of White Segregated Tracts

<table>
<thead>
<tr>
<th>Race Category</th>
<th>Mean</th>
<th>95% CI: Lower</th>
<th>95% CI: Upper</th>
<th>St.Deviation</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreclosure %</td>
<td>4.1%</td>
<td>3.8%</td>
<td>4.5%</td>
<td>3.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Subprime %</td>
<td>16.6%</td>
<td>15.5%</td>
<td>17.8%</td>
<td>8.9%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Tract Median Income</td>
<td>$53,820</td>
<td>$50,789</td>
<td>$51,248</td>
<td>$23,022</td>
<td>$180,765</td>
</tr>
<tr>
<td>% Housing Burden</td>
<td>21%</td>
<td>20%</td>
<td>22%</td>
<td>4%</td>
<td>33%</td>
</tr>
<tr>
<td>% of Individuals with BA</td>
<td>30%</td>
<td>28%</td>
<td>33%</td>
<td>17%</td>
<td>78%</td>
</tr>
<tr>
<td>Credit Denial to Credit Approval (HMDA 2004-2008)</td>
<td>9.3%</td>
<td>8.7%</td>
<td>9.9%</td>
<td>4.6%</td>
<td>22.0%</td>
</tr>
<tr>
<td>% White by Tract</td>
<td>94.2%</td>
<td>93.6%</td>
<td>94.7%</td>
<td>4.4%</td>
<td>18.9%</td>
</tr>
<tr>
<td>% Black by Tract</td>
<td>3.0%</td>
<td>2.5%</td>
<td>3.5%</td>
<td>3.5%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Absolute Value proportion white - proportion black</td>
<td>91.2%</td>
<td>90.1%</td>
<td>92.2%</td>
<td>7.7%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

Table 3.8: Attributes of Black Segregated Tracts

<table>
<thead>
<tr>
<th>Race Category</th>
<th>Mean</th>
<th>95% CI: Lower</th>
<th>95% CI: Upper</th>
<th>St.Deviation</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreclosure %</td>
<td>13.9%</td>
<td>13.3%</td>
<td>14.6%</td>
<td>4.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Subprime %</td>
<td>54.0%</td>
<td>51.8%</td>
<td>56.2%</td>
<td>12.6%</td>
<td>53.0%</td>
</tr>
<tr>
<td>Tract Median Income</td>
<td>$27,331</td>
<td>$25,470</td>
<td>$29,191</td>
<td>$10,680</td>
<td>$56,762</td>
</tr>
<tr>
<td>% Housing Burden</td>
<td>32.9857</td>
<td>31.1947</td>
<td>34.7768</td>
<td>10.2808</td>
<td>59.68</td>
</tr>
<tr>
<td>% of Individuals with BA</td>
<td>11%</td>
<td>9%</td>
<td>13%</td>
<td>9%</td>
<td>48%</td>
</tr>
<tr>
<td>Credit Denial to Credit Approval (HMDA 2004-2008)</td>
<td>26.0%</td>
<td>25.0%</td>
<td>27.0%</td>
<td>6.4%</td>
<td>33.0%</td>
</tr>
<tr>
<td>% White by Tract</td>
<td>11.4%</td>
<td>9.0%</td>
<td>13.7%</td>
<td>13.4%</td>
<td>41.4%</td>
</tr>
<tr>
<td>% Black by Tract</td>
<td>87.5%</td>
<td>85.0%</td>
<td>90.0%</td>
<td>54.5%</td>
<td>44.5%</td>
</tr>
<tr>
<td>Absolute Value proportion white - proportion black</td>
<td>76.1%</td>
<td>71.3%</td>
<td>81.0%</td>
<td>27.7%</td>
<td>84.0%</td>
</tr>
</tbody>
</table>

These tables illustrate the variation in characteristics between groups, particularly as it relates to the mean percentage of subprime loans and mean foreclosure rates. White segregated neighborhoods displayed the lowest levels of subprime and foreclosure percentages at 16.6% and 4.1% accordingly. On the other end of the spectrum, black segregated communities had the highest mean percentages: 54% subprime and 13.9% foreclosure. Finally, communities that displayed a “mix” of both races had a mean subprime percentage of 29.7% and mean foreclosure
rate of 8.7%. In addition to income disparities, another difference was education: black segregated tracts showed the average percentage of individuals with a bachelor’s degree to be 11%, where white segregated and mixed tracts had mean percentages of 30% and 27%. Credit quality is, on average, lower in black segregated communities as evidenced by the ratio of loan approvals to denials.

These mean percentage tables reflect outcome disparities between these three neighborhood categories (High-Mix, Low-Mix White, Low-Mix Black). However, to understand the association between neighborhood attributes and subprime and foreclosure rates, we utilize a multivariate regression model. Tables 3.9 and 3.10 present the results from the analysis of models 1-7 with the percentage of subprime by tract as the dependent variable, and models 8-14 with the percentage of foreclosures by tract as the dependent variable.

---

475 This evidence matches research from the Federal Reserve Bank of Cleveland. Describing this research, Jeffrey Dillman writes: “the neighborhoods with the highest foreclosure rates had the highest percentage of high-cost loans and the highest percentage of African American residents.” See Dillman, 2010, p. 15
Table 3.9: Regression Output—Dependent Variable: Subprime % by Tract: 2004-2006

<table>
<thead>
<tr>
<th>Predictor Variable</th>
<th>β</th>
<th>Standard Error β</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model #1 (Adj. R-Squared=.748)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.499***</td>
<td>.063</td>
</tr>
<tr>
<td>Education</td>
<td>-.296***</td>
<td>.034</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.039 (N.S.)</td>
<td>.050</td>
</tr>
<tr>
<td>% White</td>
<td>-.164***</td>
<td>.017</td>
</tr>
<tr>
<td><strong>Model #2 (Adj. R-Squared=.762)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.314***</td>
<td>.066</td>
</tr>
<tr>
<td>Education</td>
<td>-.373***</td>
<td>.031</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.109**</td>
<td>.047</td>
</tr>
<tr>
<td>Dummy White Segregation</td>
<td>-.490***</td>
<td>.045</td>
</tr>
<tr>
<td><strong>Model #3 (Adj. R-Squared=.789)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.313***</td>
<td>.063</td>
</tr>
<tr>
<td>Education</td>
<td>-.348***</td>
<td>.031</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.069 (N.S.)</td>
<td>.045</td>
</tr>
<tr>
<td>Dummy % White 21-40%</td>
<td>.099 (N.S.)</td>
<td>.079</td>
</tr>
<tr>
<td>Dummy % White 41-60%</td>
<td>-.133*</td>
<td>.079</td>
</tr>
<tr>
<td>Dummy % White 61-80%</td>
<td>-.405***</td>
<td>.060</td>
</tr>
<tr>
<td>Dummy % White 81-100%</td>
<td>-.624***</td>
<td>.056</td>
</tr>
<tr>
<td><strong>Model #4 (Adj. R-Squared=.810)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.246***</td>
<td>.058</td>
</tr>
<tr>
<td>Education</td>
<td>-.359***</td>
<td>.028</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.070*</td>
<td>.042</td>
</tr>
<tr>
<td>% Black</td>
<td>.200***</td>
<td>.013</td>
</tr>
<tr>
<td><strong>Model #5 (Adj. R-Squared=.769)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.470***</td>
<td>.060</td>
</tr>
<tr>
<td>Education</td>
<td>-.315***</td>
<td>.032</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.048 (N.S.)</td>
<td>.047</td>
</tr>
<tr>
<td>Dummy Black Segregation</td>
<td>.522***</td>
<td>.045</td>
</tr>
<tr>
<td><strong>Model #6 (Adj. R-Squared=.792)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.390***</td>
<td>.059</td>
</tr>
<tr>
<td>Education</td>
<td>-.364***</td>
<td>.031</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.057 (N.S.)</td>
<td>.045</td>
</tr>
<tr>
<td>Dummy % Black 21-40%</td>
<td>.228**</td>
<td>.074</td>
</tr>
<tr>
<td>Dummy % Black 41-60%</td>
<td>.541***</td>
<td>.075</td>
</tr>
<tr>
<td>Dummy % Black 61-80%</td>
<td>.703***</td>
<td>.070</td>
</tr>
<tr>
<td>Dummy % Black 81-100%</td>
<td>.518***</td>
<td>.051</td>
</tr>
<tr>
<td><strong>Model #7 (Adj. R-Squared=.691)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.599***</td>
<td>.071</td>
</tr>
<tr>
<td>Education</td>
<td>-.391***</td>
<td>.037</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.152**</td>
<td>.054</td>
</tr>
<tr>
<td>Dummy Mixed</td>
<td>.040 (N.S.)</td>
<td>.062</td>
</tr>
</tbody>
</table>

**NOTE:** *p≤.05. **p≤.01. ***p≤.001. N.S.=Not-significant
### Table 3.10: Regression Output—Dependent Variable: Foreclosure Rate % by Tract: 2006-2008

<table>
<thead>
<tr>
<th>Predictor Variable</th>
<th>β</th>
<th>Standard Error β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model #8 (Adj. R-Squared=.583)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.561***</td>
<td>.092</td>
</tr>
<tr>
<td>Education</td>
<td>-.245***</td>
<td>.049</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.078(N.S.)</td>
<td>.073</td>
</tr>
<tr>
<td>% White</td>
<td>-.179***</td>
<td>.025</td>
</tr>
<tr>
<td>Model #9 (Adj. R-Squared=.639)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.266***</td>
<td>.092</td>
</tr>
<tr>
<td>Education</td>
<td>-.325***</td>
<td>.046</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.142**</td>
<td>.066</td>
</tr>
<tr>
<td>Dummy White Segregation</td>
<td>-.689***</td>
<td>.063</td>
</tr>
<tr>
<td>Model #10 (Adj. R-Squared=.646)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.268**</td>
<td>.092</td>
</tr>
<tr>
<td>Education</td>
<td>-.311***</td>
<td>.046</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.122*</td>
<td>.067</td>
</tr>
<tr>
<td>Dummy % White 21-40%</td>
<td>.155(N.S.)</td>
<td>.111</td>
</tr>
<tr>
<td>Dummy % White 41-60%</td>
<td>-.090(N.S.)</td>
<td>.116</td>
</tr>
<tr>
<td>Dummy % White 61-80%</td>
<td>-.316***</td>
<td>.088</td>
</tr>
<tr>
<td>Dummy % White 81-100%</td>
<td>-.762***</td>
<td>.082</td>
</tr>
<tr>
<td>Model #11 (Adj. R-Squared=.700)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.189**</td>
<td>.083</td>
</tr>
<tr>
<td>Education</td>
<td>-.307***</td>
<td>.040</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.090(N.S.)</td>
<td>.060</td>
</tr>
<tr>
<td>% Black</td>
<td>.271***</td>
<td>.018</td>
</tr>
<tr>
<td>Model #12 (Adj. R-Squared=.604)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.527***</td>
<td>.090</td>
</tr>
<tr>
<td>Education</td>
<td>-.264***</td>
<td>.047</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.085(N.S.)</td>
<td>.070</td>
</tr>
<tr>
<td>Dummy Black Segregation</td>
<td>.579***</td>
<td>.068</td>
</tr>
<tr>
<td>Model #13 (Adj. R-Squared=.639)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.416***</td>
<td>.088</td>
</tr>
<tr>
<td>Education</td>
<td>-.332***</td>
<td>.047</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.099(N.S.)</td>
<td>.067</td>
</tr>
<tr>
<td>Dummy % Black 21-40%</td>
<td>.339**</td>
<td>.111</td>
</tr>
<tr>
<td>Dummy % Black 41-60%</td>
<td>.643***</td>
<td>.113</td>
</tr>
<tr>
<td>Dummy % Black 61-80%</td>
<td>.891***</td>
<td>.105</td>
</tr>
<tr>
<td>Dummy % Black 81-100%</td>
<td>.561***</td>
<td>.077</td>
</tr>
<tr>
<td>Model #14 (Adj. R-Squared=.534)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.626***</td>
<td>.099</td>
</tr>
<tr>
<td>Education</td>
<td>-.372***</td>
<td>.052</td>
</tr>
<tr>
<td>Income Ratio</td>
<td>-.213**</td>
<td>.075</td>
</tr>
<tr>
<td>Dummy Mixed</td>
<td>.187**</td>
<td>.087</td>
</tr>
</tbody>
</table>

*NOTE: *p≤.05. **p≤.01. ***p≤.001. N.S.=Not-significant*
Most models reflect robust findings. When interpreting log transformations for both dependent and independent variables, \( b \) or “beta” is the elasticity\(^{476} \) of \( Y \) (Dependent Variable) with a change in \( X \) (Independent Variable). Thus, a one unit change in the explanatory variable leads to a “\( b \)” percentage change in the dependent, or explained, variable. It should be pointed out that the dependent variables being interpreted were originally percentages as well (subprime percent; foreclosure percent). Thus, while they are elastic and can be interpreted as such, we must not confuse interpreting a percentage point increase in subprime or foreclosure rates (correct interpretation) with a percentage increase in subprime or foreclosure rates (incorrect interpretation).

After including other predictor variables, the models reveal that the percentage of both white and black individuals by tract is strongly associated with whether or not a given household will receive a subprime loan. The same is true in predicting foreclosure rates. A one unit increase in the percentage of white households by tract will decrease subprime and foreclosure percentages by .16 and .18. However, when we utilize a dummy coded variable as a predictor, the slope coefficient is far greater: moving from 0 to 1, or going from a non-white segregated tract to a white-segregated tract decreases subprime and foreclosure percentages by .49 and .69 accordingly. The exact opposite can be said for black segregated tracts, as the percentage of African Americans by tract and dummy-coded black segregated tracts are strongly and positively associated with subprime and foreclosures. A one unit increase in the percentage of African Americans by tract will increase subprime and foreclosure percentages by .20 and .27. Further, moving from 0 to 1, or going from a non-black segregated tract to a black-segregated tract increases subprime and foreclosure percentages by .52 and .58.

To test for tipping, models 3, 6, 10 and 13 utilize dummy-coded variables representing neighborhoods reflecting a particular percentage of a given racial category. Tracts with percentage white between 41-60%, 61-80%, and 81-100% were found to be statistically significant and negatively associated with both subprime and foreclosure percentages.\(^{477} \) Insofar as predicting subprime, neighborhoods with percentage of whites between 21-40% were not found to be statistically significant, but the coefficients for 41-60%, 61-80%, and 81-100% were

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\(^{476}\) Elasticity is the ratio of the percent change of one variable to the percent change in another variable. It is considered a unit free measurements used to compare coefficient.

\(^{477}\) For foreclosures, only 61-80% and 81-100% were statistically significant.
-13, -41, and -62 accordingly. In other words, the more white segregated tracts became, the more negative the association with subprime percentages. The same phenomenon is present with foreclosures. While tracts with white percentages between 21% and 60% were not statistically significant, the coefficients for 61-80% and 81-100% were -0.32 and -0.76 accordingly. To summarize, segregated white tracts show an increasingly negative association regarding the likelihood of receiving a subprime loan or foreclosing.

For dummy-coded black percentages by tract, we see a positive relationship between higher percentages and subprime and foreclosure rates. Tracts with the percentage black between 21-40%, 41-60%, 61-80%, and 81-100% were all statistically significant and positively associated with both subprime and foreclosure percentages. Regarding subprime, neighborhoods with percentages of blacks between 21-40%, 41-60%, 61-80%, and 81-100% showed corresponding coefficients of 0.23, 0.54, 0.70 and 0.52. With regard to foreclosures, coefficients for dummy-coded categories of 21-40%, 41-60%, 61-80%, and 81-100% were 0.34, 0.64, 0.89, and 0.56. While increasing percentages of African-Americans by community are positively associated with subprime and foreclosure, an interesting finding is that the hyper-segregation of blacks (tracts where % black is between 81-100%) show a substantial coefficient decrease in subprime and foreclosure—even lower than the previous two-dummy coded levels of 41-60% and 61-80% for both subprime and foreclosures. Thus, hyper-segregated African-American tracts, although still positively associated with subprime and foreclosure rates, reflect a lower likelihood of a given household receiving a subprime loan or foreclosing on a property. In general, however, the more black segregated a tract becomes, the greater the likelihood of receiving a subprime loan or foreclosing.

The other aim of this model was to create a dummy-coded variable for communities that display a “mix” of both white and black households. As it relates to subprime, moving from a 0 (not mixed) to 1 (mixed) community is not statistically significant.\(^ {478}\) However, as it relates to the likelihood of a household foreclosing, moving from a 0 (not mixed) to 1 (mixed) is statistically significant and positively associated with foreclosures (coefficient 0.19). Although this coefficient is not as high as a black-segregated community (0.58), it is still positively associated with foreclosures. To summarize, tracts displaying racial mix have higher subprime and

\(^ {478}\) Interestingly, though, the coefficient is positive at 0.04, although somewhat negligible due to its size.
foreclosure percentages than white segregated tracts and lower subprime and foreclosure percentages than black segregated tracts.

Analysis 2 & Results

The results from A1 reveal a large disparity in subprime lending and foreclosure rates between white and black segregated communities. Living in a black segregated community is strongly associated with subprime and foreclosures. While living in a segregated minority neighborhood strongly predicts the likelihood of receiving a subprime loan and subsequently foreclosing, we are restricted from claims of discrimination or subprime lending as a function of place due to limited data to control for in the model (credit scores/loan to value ratio). Thus, to effectively measure for equity and efficiency, Analysis 2 is conducted to allow for a more comprehensive interpretation of these results.

In A2, my aim is to explore the relationship between foreclosure rates and home sale prices. Moreover, I look at block groups stratified by the aforementioned racial categories: High-Mix, Low-Mix White, and Low-Mix Black. In 2006 and 2007, foreclosures in Cuyahoga County totaled 28,889. The explanatory variable is foreclosure rate by block group to show an incidence of foreclosure (proportion of mortgages that foreclosed). Further, I include median income by block-group as an explanatory variable. For the dependent variable, A2 takes median home sale data from 2006 to 2008 at block group level where the “sale” is a standard warranty deed of trust representing a normal market transaction. This study is important to measure the effect that foreclosures have on a given area. Specifically, I am interested in detecting a foreclosure

480 Block groups are a more granular measure of space. They are tracts within a census tract typically consisting of approximately 600 to 3,000 individuals.
481 Thus, this leaves out any sheriff sales or auctions where foreclosed properties are sold. Data was retrieved from Northern Ohio Data and Information Services (NODIS). 2006 to 2008 Home Sale Prices Cuyahoga County, Ohio. 8 July 2009. Raw data. Maxine Goodman Levin College of Urban Affairs (Cleveland State University), Cleveland.
threshold rate, where once the foreclosure percentage has reached a certain point within a neighborhood, an accelerated asset depreciating effect is noticeable.

To be clear, the context by which I am operationalizing the terms ‘equity’ and ‘efficiency’ is related to the adverse effects of foreclosures. While foreclosure effects can take on various forms, I specifically aim to measure the effect foreclosures have on household values (and values of homes within the area) related to aforementioned racial categories. For dispersal strategies to be substantiated on equity grounds, we must show that segregated black households are disadvantaged by remaining in their community, or conversely, that they would be advantaged by being dispersed. The claim of efficiency is more complicated. Since we cannot control for credit score data which is an important variable in determining if a household receives a subprime loan, even if we were to assume that the same segregated black households at risk of foreclosing would foreclose if they were dispersed, we ask: Would being in a mixed or even predominantly white neighborhood protect the home values for all by ameliorating the asset depreciating effect of foreclosures due to being in a more economically stable neighborhood? Second, would this be considered socially efficient? In other words, if we assume that segregated households that foreclosed in the crisis would still foreclose if they had been dispersed into High-Mix or Low-Mix White neighborhoods, would the gains experienced by the Low-Mix Black households exceed the losses experienced by the High-Mix or Low-Mix White households? To test for this, we are specifically looking to see if there is a non-linear relationship between foreclosure rates and home sale prices. Presumably, a non-linear effect would be illustrated as follows: the foreclosure rate would have a negative linear relationship to home sales (as foreclosure rate goes up, home sale prices go down). However, we can square foreclosure rates in order to magnify the effect and include this as a variable (quadratic term). Specifically, we are interested in the quadratic term displaying a non-linear shape where after exceeding a particular foreclosure rate threshold, the effect on home sale prices is accelerated and ceases to be a linear negative relationship. From a policy standpoint, this is important because if the quadratic equation is not statistically significant (assuming linearity), then
advocating dispersal would simply amount to redistributing foreclosure problems to other areas (mixed or segregated white areas).\textsuperscript{482} Graph 3.1 illustrates this concept:

**Graph 3.1: Foreclosure Rate & Home Sale Prices—Illustration of Non-Linear Effect**

To provide an example, suppose a 10% foreclosure rate had an asset depreciating effect of $500,000 in total value on other homes within a black segregated neighborhood. If these households were redistributed across segregated white and mixed neighborhoods in the city, and assuming they still foreclosed, would the effect be as high as a $500,000 loss? If redistributing would create a loss as high as $500,000 (or higher), then dispersal as a means to ameliorate the effect of concentrated foreclosures is simply a ‘zero-sum’ arrangement and would not be considered socially efficient. However, if it can be demonstrated that non-black residentially segregated communities may offer a protective mechanism for home values (loss < $500,000) of otherwise vulnerable and segregated households through dispersal, then we can claim efficiency assuming that in the end such transfers register a higher level of gain for Low-Mix Black households than the loss experienced for High-Mix or Low-Mix White neighborhoods. This would represent an economic benefit to mixing.

To measure this, I utilize a quadratic regression equation:

\[ Y = a + bX + cX^2 + d \]

\textsuperscript{482} However, it is important to note that a linear relationship would still constitute an argument for adverse impacts (research question #1), although we would not be able to make the claim of social efficiency based upon the evidence.
Where:

Y=Home Sale Price (Value)

X=Foreclosure Rate

$X^2$=Foreclosure Rate squared

d=Median Income for Block Group

The regressions, stratified by racial category, produced the following results:

Table 3.11: Quadratic Analysis Regression Output (A2)—Dependent Variable: Home Sale Price (Value)

<table>
<thead>
<tr>
<th>Racial Category</th>
<th>R-Squared</th>
<th>(A)Constant</th>
<th>(B) Foreclosure Rate (β)</th>
<th>(C) Foreclosure Rate Squared (β)</th>
<th>(D) Household Income (β)</th>
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<td>3.06***</td>
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<td>Low-Mix Black</td>
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<td>86,536.34***</td>
<td>-13276.37***</td>
<td>481.19***</td>
<td>1.64***</td>
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</tbody>
</table>

NOTE: *p≤.05. **p≤.01. ***p≤.001. N.S.=Not-significant

High-Mix and Low-Mix White communities explain a relatively high percentage of the variation in median home sales from 2006 to 2008 in Cuyahoga County, Ohio. While we see less of the variation explained in the Low-Mix Black category, all three categories were statistically significant at the 99% level (<.001). Most notably, we would have expected the coefficient of foreclosure rate to be negative (as it is) but we would not necessarily have expected the coefficient on the quadratic term to be positive. This does indeed suggest a non-linear curve, but not necessarily in the shape we would have originally predicted. Instead, the coefficient on the quadratic function suggests the following shape: 483

483 Graph 2 represents data for all block groups. The graph begins with the assumption that a home value is $100k, and utilizes the regression output to compute the marginal impact of a 1 percent increase in foreclosure rate from 0% to 13%.
This implies that as a foreclosure rate increases within a particular neighborhood, each additional percentage of foreclosure has only marginal diminishing effect. This finding is consistent with Rogers and Winter (2009) who, after studying the effects of foreclosures on home values in St. Louis, Missouri, found that foreclosures have diminishing marginal impact within a given time period. Similar to my study, when they introduced a quadratic term into the regression model, it had a positive coefficient (while the foreclosure coefficient was negative). They concluded: “This result is somewhat surprising because it suggests that neighborhoods are self-stabilizing, at least with respect to foreclosures, which is in contrast to the scenario of neighborhood tipping points.”  

They go on to write:

Most significantly, our findings suggest that there does not appear to be a tipping point where at some threshold the neighborhood sales decline rapidly. In fact, the marginal impact of foreclosures seems to decline with an increase in the number of foreclosures,

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suggesting that at some point neighborhoods are self-stabilizing; although, we are unable to control for causality.\textsuperscript{485}

We can use simple calculus to determine the turning point (lowest point of the parabolic curve) for each racial category.\textsuperscript{486} Using the parameters from the regression analysis in A2, consider the following table for Low-Mix Black communities:

Table 3.12: Estimated $Y$ for Low-Mix Black Communities\textsuperscript{487}

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<tr>
<th>IF FR is</th>
<th>FR-squared</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>Bx1</th>
<th>Cx2</th>
<th>Estimated Y</th>
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The formula $B/-2C2$ tells us that we see a diminishing marginal impact of foreclosure rates from 0% to 13.8% (the turning point).

\textsuperscript{485} Ibid., pages 473-474.
\textsuperscript{486} The formula is $B/-2C2$. See Wooldridge, Jeffrey M. *Introductory Econometrics: a Modern Approach*. Mason, OH: Thomson/South-Western, 2006. Print. (Page 715)
\textsuperscript{487} The “scale” is a foreclosure rate of 0 to 23%, as this mirrors the scale of the rate of aggregate foreclosure from 2006 to 2007. The “turning point” foreclosure rate is highlighted. For tables 12, 13, and 14—$Y$=Housing Sales (Value), $a=Y$-intercept, $b$=FR 2006 to 2007, $c$=FR 2006 to 2007 (squared), and $d$=median household income.
For Low-Mix White communities, this turning point occurs much earlier. Using the parameters from the regression analysis in A2, consider the following table for Low-Mix White communities:

### Table 3.13: Estimated Y for Low-Mix White Communities

<table>
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<tr>
<th>FR is</th>
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<th>A</th>
<th>B</th>
<th>C</th>
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<td>3</td>
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<td>1468</td>
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<td>-523441</td>
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</table>

Low-Mix White communities display a negative marginal effect on housing values for foreclosures rates between 0 and 7.75% (turning point). Interestingly, we see the most “linear” effect of foreclosures in neighborhoods that display mix. Using the parameters from the regression analysis in A2, consider the following table for High-Mix communities:
Table 3.14: Estimated Y for High-Mix Communities

<table>
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<tr>
<th>IF FR is</th>
<th>FR-squared</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>Bx1</th>
<th>Cx²</th>
<th>Estimated Y</th>
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<td>212573</td>
<td>-682</td>
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</tbody>
</table>

Foreclosures in High-Mix block groups display a negative marginal effect on housing values for foreclosures rates between 0 and 16.07% (turning point). Assuming neighborhood foreclosures were to increase, this table suggests that communities displaying mix have a more linear asset-depreciating effect than Low-Mix White or Low-Mix Black block groups. With this information, we can now explore the implications of the empirical analysis on our research questions and evaluate claims of equity and efficiency for Cuyahoga County.

**PART V: Conclusion & Discussion**

The Evaluative Integration Framework, and more specifically the considerations of equity and efficiency borrowed from George Galster, reminds us that we can support mixing on equity grounds if the disadvantaged group, which are segregated black tracts for the purposes of this
study, lose well-being by residing with other members of their group and/or gain well-being by residing with members of the advantaged group (represented by High-Mix or Low-Mix White tracts). This framework also reminds us that mixing can be supported on efficiency grounds when the social welfare of both groups (black segregated and white segregated communities) exhibit a positive net gain in the mixing process. Thus, to determine “efficiency”—we are specifically looking for a greater level of social well-being when the benefits of mixing are weighed for both groups.

**Question #1: Measuring Equity**

The results of the empirical study reveals disparate impacts between both segregated black communities and segregated white communities, implying a very clear risk associated with segregated communities. This is consistent with the Galsterian definition of adverse impacts in addition to the literature that asserted the influence of “place” in exacerbating disadvantage in the subprime financial crisis. “Low-Mix Black” tracts were found to be statistically significant and positively associated with higher percentages of subprime loans and higher percentages of foreclosures.

For illustrative purposes, we might suppose that homes within a segregated black neighborhood are each worth $100,000. Using the parameters provided in the regression model in A2, we can illustrate the impact of an increasing foreclosure rate by racial category as follows:
Table 3.15: Regression Parameters by Racial Category for Hypothetical Example

<table>
<thead>
<tr>
<th>LOW MIX BLACK</th>
<th>LOW MIX WHITE</th>
<th>HIGH MIX</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR</td>
<td>Median Home Value (assume 100k)</td>
<td>FR</td>
</tr>
<tr>
<td>0</td>
<td>100,000</td>
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<tr>
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<td>12</td>
</tr>
</tbody>
</table>

This table illustrates that as foreclosures are concentrated in Low-Mix Black areas, we see a rapid asset-depreciating effect. While there is no evidence here of a threshold effect as we might have expected—it is clear that as foreclosures rise in a given area, housing values decrease.\(^{488}\) A1 clearly showed that increasing foreclosure rates are positively associated with the increasing percentage of black segregation in Cuyahoga County (i.e., they are not evenly distributed among the racial categories). Figure 3.4 shows the differences in mean foreclosure rates by racial category for Cuyahoga County (2006-2007):

\(^{488}\) Caution must be exercised, however, before concluding this is clear evidence of an adverse impact for Low-Mix Black tracts. Indeed, concentrated foreclosures in Low-Mix Black neighborhoods display a greater asset-depreciating effect than neighborhoods with lower foreclosure rates. However, economists are often more interested in exploring the marginal impact, and based upon this, Low-Mix White areas would be more vulnerable than Low-Mix Black areas should they happen to have a higher foreclosure rate. For example, based upon the parameters above, if all three racial categories had equal mean foreclosure rates of 5%, Low-Mix White neighborhoods would have the highest asset-depreciating effect. Thus, while there is indeed a larger mean value of foreclosures in Low-Mix Black neighborhoods, when we consider the marginal analysis based upon the parameters then a legitimate case could be made that Low-Mix White neighborhoods, should they have a higher mean foreclosure rate, suffer greater adverse impacts than Low-Mix Black or High-Mix neighborhoods.
Thus, assuming a Low-Mix Black neighborhood were to experience the mean foreclosure rate (11.31% rounded down to 11%), then homes in that area would experience a loss of equity in the amount of $87,816 ($100,000 – $12,184). Therefore, a given household is disadvantaged by being in a Low-Mix Black neighborhood where mortgage foreclosures are clustered thus enhancing the asset depreciating effect for both foreclosed and non-foreclosed households. Granted, as mentioned earlier, there is a diminishing marginal effect with increasing foreclosures. However, assuming an average foreclosure rate of over 11% for Low-Mix Black communities, we can anticipate a significant loss in housing stock value. Here, then, we have an

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489 It may be noted that these figures vary, slightly, from the household attributes found in Tables 6, 7, and 8 of this chapter. However, the difference is that Figure 4 reflects block groups and Tables 6, 7, and 8 reflect census tracts. Thus, although the same methodology was used for determining Low-Mix White, Low-Mix Black, and High-Mix racial categories—moving from one spatial level to another accounts for the small differences. Nonetheless, whether in a census tract or block group, the Low-Mix Black racial group has a disproportionately larger foreclosure rate than the other categories.
equity argument for mixing on the grounds of being disadvantaged by remaining in a Low-Mix Black neighborhood (by virtue of being in an area with concentrated foreclosures).

Further, the claim of equity can be made if a given household in a Low-Mix Black neighborhood were to be dispersed to a High-Mix or Low-Mix White neighborhood. Suppose we choose the latter—assuming a Low-Mix White neighborhood were to experience the mean foreclosure rate (2.99%)—then based upon the same assumptions, homes in that area would experience a loss of equity in the amount of $55,059 ($100,000-$44,941). Therefore, according to this criterion, the household that is disadvantaged by living in a Low-Mix Black neighborhood would also gain advantage by living in a Low-Mix White neighborhood as there would be less foreclosures in the neighborhood they would be dispersed to (Low-Mix White), thus better protecting housing values and neighborhood stability for all inhabitants. To summarize, households in Low-Mix Black neighborhoods experiencing a higher concentration of foreclosures have a much greater probability of suffering economic hardship by remaining in that area and/or gaining economic security by being dispersed to an area with less concentrated foreclosures.

These findings challenge the Cheshirian sentiment, held by a host of other social scientists and urban planners, proclaiming that low-income segregated neighborhoods do not cause additional social costs, they simply reflect a greater archetype of socio-economic inequalities present in the US. An earlier provided quote by Paul Cheshire reflects this sentiment: “[We] behave and apply policies as if it were a fact that the separation of different types of people and households into distinct and segregated neighbourhoods generated specific social costs, additional to those generated by inequality itself.” While the above findings do not prove the specific size, scope, and impact of a “neighborhood effect”—they do suggest a link between adverse impacts and space. In other words, the adverse impacts of the crisis (foreclosures) were magnified by virtue of their concentration in segregated black communities. To be clear, a black homeowner could have received a subprime loan due to poor credit, high loan-to-value, or a high debt-ratio reflected on his or her loan application. Furthermore, they could have foreclosed for various reasons unrelated to the neighborhood they lived in. However, if foreclosures occur for enough

490 In reality, the safety net would most likely be stronger in Low-Mix White neighborhoods. This example sets each household equal to $100,000 value, but this would not necessarily be the case between the different racial categories. Presumably, higher-income white-segregated neighborhoods would have housing values above $100,000 and lower-income minority-segregated neighborhoods would have housing values below this figure.

491 Cheshire, 2007, p. 3
of these families, and they occupy the same space, then there is a social and economic cost “additional to those generated by inequality itself.” Although the effect diminishes with the percentage of foreclosures per tract, A1 and A2 have demonstrated that clustered foreclosures, regardless of their linear or non-linear effect, devalue foreclosed and non-foreclosed homes within the same spatial region, thus heightening neighborhood instability and eroding overall housing stock value. To conclude, adverse impacts associated with residing in an African-American segregated tract help to substantiate the notion of dispersal and thus mixing on the grounds of equity in Cuyahoga County.

Question #2: Measuring Efficiency

Addressing his framework, Galster asserts that unless policy-makers strictly base their integration legislation on equity, it should be accompanied by a measurement in efficiency. This measurement, the content of research question #2, is less clear unlike the aforementioned equity deliberations evident in question #1. In light of the adverse impacts occurring in the wake of the subprime financial crisis, the study sought to determine if economic advantages were associated with mixing, should we hypothetically assume residential integration through dispersal. If integration were to occur, are the aggregate gains and losses considered to be socially efficient? To claim efficiency, economic advantages gained by the disadvantaged group (Low-Mix Black) must be tempered with the losses incurred from mixing in the advantaged group (Low-Mix White). A net gain would imply social efficiency.

As mentioned, the results of A1 clearly demonstrate a higher probability of subprime and foreclosures in segregated black neighborhoods. With this information in mind, and using the data from A2, we now have the means to measure efficiency. To do this, it is best to assume a hypothetical city where we there are 10 total neighborhoods each with 10 homes (100 homes total in the city). Further, assume that each home in each neighborhood is worth $100,000. The composition of this hypothetical city is as follows: 1 Low-Mix Black neighborhood, 2 High-Mix neighborhoods, and 7 Low-Mix White neighborhoods. Further, we will also assume that each home is equally affected by the observed change in median home sales for their respective
neighborhood stratified by racial category. Finally, we will suppose that the foreclosure rate in this city is 10%.

Suppose that all foreclosures were concentrated in one neighborhood, and this neighborhood is considered to be a Low-Mix Black neighborhood. Using table 15, we estimate that all 10 homes would be hurt by $84,645 (100,000-15,355). Thus, total losses in the neighborhood would be 10 homes x 84,645 = $846,450. Now, if we were to assume that the households foreclosing would be dispersed throughout the city in such a way as to have a 1% foreclosure rate per neighborhood (10 neighborhoods; 1% foreclosure rate each neighborhood), and 7 of the neighborhoods were Low-Mix White while the other 2 were considered High-Mix, the new cost to the city would be computed as follows:

**WHITE**: 70 homes X $21,290 ($100,000-$78,710) = $1,490,300

**MIXED**: 20 homes X $12,510 ($100,000-$87,490) = $250,200

**BLACK**: 10 homes X $12,795 ($100,000-$87,205) = $127,950

Summing the losses, the total cost to the city in the dispersal scenario would be $1,868,450. Thus, using the parameter estimates from A2 translated in table 15, this hypothetical example suggests that the total social cost to dispersal is much higher than the cost when foreclosures are concentrated, assuming the foreclosure rate is held constant. Based upon this data, we would not be able to make the claim of efficiency for dispersal in Cuyahoga County. Moreover, according to this model social efficiency suggests ghettoizing foreclosures, which would lead us to promote segregation policy, not dispersal policy, should our aim be to mitigate the asset-depreciating effects of foreclosures in the wake of the financial crisis.\footnote{Furthermore, a “zero-sum” arrangement would suggest that should mixing occur, the losses would still be equal to the losses experienced should foreclosures be concentrated ($846,450). However, dispersing foreclosures would more than double this loss—suggesting that mixing via dispersal would be worse than zero-sum.}

To conclude, the results of A2 and our hypothetical city example suggest that we cannot support mixing on the grounds of efficiency in Cuyahoga County.

This issue is further complicated based upon the dummy-coded tipping variables output from A1. The more hyper-segregated “Low-Mix White” communities are—the more negative the association to subprime loan and foreclosure percentage. In other words, there appears to be an
economic advantage to living in hyper-segregated white communities (tracts where 81 to 100% of households are white) because they are more closely correlated with low subprime lending and foreclosure activity.\textsuperscript{493} However, one of the most interesting findings in the study was that there appears to be economic advantage to hyper-segregation in “Low-Mix Black” communities, similar to white segregated communities. Figures 3.5 and 3.6 illustrate this effect:

\textbf{Figure 3.5: Subprime Coefficients for Low-mix Black Neighborhoods}

\begin{figure}[h]
\centering
\includegraphics[width=0.8\textwidth]{subprime_coeffs.png}
\caption{Subprime Coefficients by Racial Category}
\end{figure}

\textsuperscript{493} I do not suggest here that living in a Low-Mix White neighborhood would \textit{cause} lower subprime and foreclosure rates.
As the percentage of African Americans inhabiting a given tract increases, we see a proportionate increase in subprime lending and foreclosure activity. However, when neighborhoods reach a point of hyper-segregation, where at least 80% of the households in the tract are African American, we see a significant decline in the coefficient strength, both for the percentage of subprime as well as the percentage of foreclosures. Explaining this phenomenon would, at best, be considered mere speculation. Presumably, interventionist programs target these neighborhoods and offer assistance, education, and mentoring to assist in the housing process and help to avoid adverse impacts. regardless, we can see that there is an incentive to

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494 An example of this would be LISC’s (Local Initiatives Support Coalition) “Foreclosure Needs Score.” LISC is the largest community development support organization in the country, and their “Needs Score” data are intended to provide a proactive tool “To help states and communities make informed decisions about how to allocate and spend their resources for foreclosure prevention and neighborhood stabilization.” By aggregating subprime lending to a particular zip code, in addition to other proprietary information, they create risk assessments for zip-code based regions and provide this detail to “State and local elected officials, government agency staff, and community leaders” so that they can “use these Needs Scores to quickly assess relative needs within states and localities and allocate resources accordingly.” See “LISC: About Us.” LISC. Web. 28 July 2010. <http://www.lisc.org/section/aboutus>, and “Foreclosure-Response.org | LISC Data.” Foreclosure-Response.org | Welcome! Web. 28 July 2010. <http://www.foreclosure-response.org/maps_and_data/lisc_data.html>.
hyper-segregate for both communities.\textsuperscript{495} This has significant implications for our evaluative framework, as social gain is evident for black households (albeit in hyper-segregated neighborhoods) when they segregate, or cluster, into racially homogeneous enclaves. Therefore, this finding in A1 and A2 related to measuring social efficiency must be taken into consideration with the earlier claim of equity.

Concluding this section of the chapter, the empirical study above represents an exploration in residential integration from an economic paradigm. I shall now reflect on the implications of this paradigm, particularly as it relates to my aforementioned research questions. After answering these questions, I will next consider the conclusions we can appropriately reach.

More specific to Cleveland, Cuyahoga County has been described as having one of the more robust foreclosure prevention initiatives in the nation. In “Regional Resilience in the Face of Foreclosures: Evidence from Six Metropolitan Areas,” Swanstrom et al. write: “Assets were redeployed from existing programs to address the crisis, creative forms of financing were tapped (DTAC), government agencies changed their routines and collaborated across bureaucratic lines of authority, and the public and nonprofit sectors coordinated their actions. The initiative demonstrated horizontal collaboration among nonprofits and local governments as well as vertical coordination by the County. The financing of the Early Intervention Initiative illustrates the broad collaboration that has emerged in Cleveland to deal with the foreclosure crisis” (Page 14). The study found that a total of 1,497 foreclosures were “prevented” through loan modifications. While the authors claimed that the program “only helps a small percentage of homeowners in distress,” it very well may have targeted households in hyper-segregated black neighborhoods which may help to explain the drop off of foreclosures in these areas. See Swanstrom et al., 2009.\textsuperscript{495} Clearly, though, the incentive is far greater in white-segregated communities than in African American-segregated communities.
Chapter 3: Post-Script—Conclusions and Contributions

In this post-script, my intention is to first summarize my contribution to the residential integration discussion. To begin, I will revisit my research questions and my subsequent findings. From here, I will address the methodological concerns related to this discussion. This study explores residential integration from what I have called the economic paradigm. However, it is important to flesh out some of the methodological concerns within this paradigm (both in my research and in the research of others). After this, I go on to question the paradigm itself, and whether or not this is the most appropriate context by which to engage and evaluate the greater enterprise of residential integration. I finish this post-script with conclusions that can appropriately be reached regarding residential integration.

In light of the results of A1 and A2, we return to our research questions:

(1) How did segregated communities (both homogeneous white and black) fare in the wake of the subprime crisis and its accompanying “adverse impacts?” Did segregation and “place” play a role in helping or harming social welfare for racially isolated households?

(2) In light of the crisis, are there visible or presumed economic advantages that could be associated with residential mixing that may suggest a protective mechanism for otherwise vulnerable and segregated households? Further, are these advantages considered socially efficient, where society benefits as a whole?

Research Question 1: There are risks associated with inert, segregated communities related to the subprime crisis. The research of Cleveland reveals outcomes consistent with recent literature that suggests space and place played a role in disadvantaging segregated black communities in the subprime crisis. Analysis 1 reveals significant disparities in receiving a subprime loan and subsequently foreclosing between black and white households. Further, Analysis 2 reveals the asset-depreciating effect concentrated foreclosures have in segregated enclaves. The question of whether “segregation” and “place” played a role in helping Low-Mix White or harming Low-Mix Black neighborhoods is more difficult to establish. First, while we see that lower rates of
Subprime and foreclosure are associated with segregated white tracts and higher rates of subprime and foreclosure are associated with segregated black tracts—this does not necessarily establish cause (although it doesn’t rule out causation either). Second, the inclusion of variables such as credit score and a loan-to-value ratio (based upon an appraised home value) would allow for a more accurate determination of whether “reverse redlining” had occurred.496 Unfortunately, these variables were missing, thus prohibiting this assertion. However, these two points alone do not prohibit an assertion of adverse impacts. Even if segregated black households “deserved” a loan that was not, by definition, a “prime” loan (thus making it subprime)—the positive relationship between subprime loans and foreclosures still posits an adverse impact.497 That is, the market creation, production, and distribution of a product that, though “evenhandedly applied” under presumably fair lending guidelines, resulted in disproportionately negative impacts for segregated black communities in the form of concentrated foreclosures. As a result, Low-Mix Black tracts saw a mean foreclosure rate exceeding 11%. This accelerated home devaluation and threatened the economic continuity and overall welfare of their communities.

This is a failure of the risk-based pricing system and puts segregated black communities at a clear disadvantage and loss in the wake of the subprime market failure.498 In addition to this, the subprime crisis also represented a failure in social welfare policy, given that an important goal of planning and public policy is “sustainable homeownership.”499 Yet the aftermath of the crisis reveals that homeownership sustainability, particularly among low-income minorities, was never realized and, more importantly, often left already vulnerable minority households in a more precarious position than before.500 Nobel Prize winning economist Joseph Stiglitz touched on

496 Recall that “redlining” consisted of bracketing off areas from lending due to their African American presence. Thus, reverse redlining (See Chapter 2), a term that grew in significance amidst the subprime crisis, consisted of lenders, not avoiding, but targeting areas of isolated disadvantage (which often consisted of segregated black households) to sell subprime loans.

497 I used the term “deserve” based upon credit attributes. If a loan applicant had a poor credit score, a high mortgage to equity ratio (LTV), a high debt-to-income ratio, or displayed any other factors that might compromise the quality of the loan, then traditional risk-based pricing models would offer a subprime product where the increased rate would assist to offset the risk.

498 Risk-based pricing is, ideally, meant to “price” higher risk through an interest rate premium. However, I refer to this as a “failure” because higher premiums were unaffordable and potentially exacerbated default (the exact opposite of its intended purpose).

499 Immargluck, 2008, p. 12

500 HUD, in 2004, allowed Freddie Mac and Fannie Mae, both Government Sponsored Entities (GSEs), to count billions of dollars they invested in subprime loans as a “public good” meant to foster affordable housing for low-
this principle when reflecting on the income reaped by corporate CEOs while homeownership and neighborhood vitality was virtually falling apart overnight: “The takeaway is that we have developed a peculiar form of capitalism, where the wizards of Wall Street walk away with the profits, and we the American people walk away with the losses.”501 The findings in the research above suggests, among other things, that this “peculiar” arrangement left segregated black communities with a concentration of foreclosures in Cuyahoga County. Consequently, Low-Mix Black households were far more likely to suffer large amounts of home value depreciation (whether they foreclosed or not) due to the high foreclosure rates and their concentration in these neighborhoods. From this perspective, the empirical study of Cuyahoga County lends itself to considerations for mixing based upon the ideal of equity. Even if we were to assume that the households in Low-Mix Black neighborhoods that foreclosed would foreclose again in a different neighborhood, the mere redistribution of the foreclosure effect would lessen the concentration in otherwise segregated black neighborhoods and help to protect and sustain home values and homeownership. Therefore, one aspect of well-being of disadvantaged Low-Mix Black neighborhoods would be enhanced if mixing via dispersal were to be instituted.

**Research Question 2:** In light of the crisis, there do not appear to be visible or presumed net economic benefits associated with residential mixing. High-Mix tracts—although displaying lower foreclosure rates than Low-Mix Black tracts—still have a positive coefficient for foreclosures. Further, there is nothing to suggest that “mixed” areas are not simply comprised of foreclosure-prone households who would have received a subprime loan and foreclosed in any other neighborhood (Low-Mix Black or Low-Mix White). Moreover, we must additionally account for the perceived benefits associated with segregation. We see that low levels of subprime lending and foreclosures are associated with hyper-segregated white tracts. Surprisingly, we also see a decrease in the levels of subprime lending and foreclosures when black tracts reach a level of hyper-segregation (80%> tract is black).

There is a presumed economic advantage to dispersing Low-Mix Black households to either High-Mix or Low-Mix White neighborhoods in order to deconcentrate their high incidence of

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foreclosure. For homes that do not foreclose, this would help to protect home values within the area and offer greater stability. However, this hypothetical scenario—while substantiated on the grounds of equity—would be far from socially efficient. Rather, it would be quite inefficient. According to our hypothetical example drawn from the estimated parameters in A2, a uniform dispersal of foreclosures across space and the racial categories mentioned, given our aforementioned assumptions, would result in an additional 1 million dollars in total equity loss. Thus, the losses incurred by the receiving households would exceed the gains incurred by the dispersed households. Dispersal would not benefit society as a whole under this scenario.

Therefore, based upon Galster’s sentiment that housing policy aimed towards mixing should be able to provide evidence of both equity and efficiency under his analytical framework, we cannot support integration policy based upon the empirical study of Cuyahoga County. Even if our sole criteria for mixing were based upon equity considerations, we would also have to account for the perceived benefits of hyper-segregation evident in Low-Mix Black communities.

To further summarize, this study has sought to explore considerations in residential integration through the lens of adverse impacts. In essence, I have sought to answer two primary questions related to adverse impacts (reflected in the above research questions). First, were there adverse impacts from the crisis? What were they? How were they distributed? My research has fleshed out the impact of subprime lending and foreclosures, both resulting from policy and market-induced forces. We might assume a particular response to this assertion—that households in these communities qualified or deserved subprime loans because their credit attributes necessitated that product. However, even under the assumption that segregated black households “deserved” a subprime product, the strong correlation between subprime loan products and foreclosure rates place the recipients of these products, who are already concentrated, at greater risk. A loan that increases the risks of sustainable homeownership and introduces additional burdens through foreclosure is a market failure and, furthermore, a violation of the

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502 It should be pointed out that even the assumption (which I am making for example’s sake) that a segregated black household “deserved” a subprime loan has been debated. “Predatory lending” and “reverse-redlining” are primary examples that “race” and “space” were exploited in the crisis—leading to a new form of discrimination. See Howell, Benjamin. "Exploiting Race and Space: Concentrated Subprime Lending as Housing Discrimination." *California Law Review* 94.1 (2006): 101-47. Print.
homeownership initiative and risk-based pricing that creative lending products such as subprime loans were intended for.

The second primary question related to adverse impacts sought to address whether such impacts were magnified as a function of space. In other words, did space (i.e., a segregated neighborhood) play a role in aggravating social disadvantage in addition to, or by accelerating the presence of, adverse impacts? This argument requires the demonstration of a spatial effect. Again, we might assume a natural response as suggesting that black households who foreclosed in a segregated setting may very well have foreclosed in a mixed setting—thus, there is no link between space and adverse impacts of the crisis. However, if foreclosures are concentrated they can have a magnified house-depreciating effect (as opposed to being spread out). Yet A2 revealed that neighborhoods in Cleveland have a rebound mechanism as increasing foreclosures reveal marginal diminishing impact. Thus, while it may be equitable to deconcentrate foreclosure prone households, it would be considered socially inefficient to do so.

Thus, answering these research questions, while providing insight, does not necessarily offer an explicit direction relative to residential integration. Similar to other voices in the social science world, there are some grounds for mixing (i.e., equity)—but there are very good reasons for skepticism as well. At best, this study has provided a counter-response to the first argument in the Cheshirian position (no presence of neighborhood effects). However, this must be tempered with the clear absence of substantive evidence to support mixing based upon perceived social benefits and efficiency. In summary, I have provided an argument for mixing, on the terms of equity, by exploring residential segregation through the adverse impacts occurring in the wake of the subprime financial crisis. In contrast, we have no evidence to support efficiency. Rather, achieving economic efficiency would support, not discourage, segregation based upon the evidence from A1 and A2.

Moreover, while concentrated foreclosures in Low-Mix Black neighborhoods clearly put them at a disadvantage, we see based upon the parameters in A2 that the same could be said for Low-Mix White neighborhoods should their mean foreclosure rate have been higher. Thus, if the claim of adverse impacts is to be made, it is a claim not limited to Low-Mix Black tracts.
Is Our Current Criteria Enough?

When reviewing my research output, the Evaluative Integration Framework utilized was employed for two primary reasons. The first was to have a framework to substantiate support (or a lack of support) for integration. As Galster puts it, if integration is supported or not supported, a framework answers “on what grounds” such a declaration is made.\footnote{Galster, 2007b, p. 524} However, and perhaps more importantly, the second reason for utilizing a framework, and in particular Galster’s framework, was to use an assessment tool that reflected and represented the evaluative criteria that has dominated the integration debate. As mentioned, these criteria are standards of economic efficacy and the maximization of utility in an aggregate social context (“Does it work? Is it cost effective?” and “does it enhance welfare for everyone?”).\footnote{Here, I explicate these two standards as single entities, but often they are used interchangeably and may even appear as one and the same. For example, Cheshire says: “The evidence [MTO] does not support the conclusion that neighbourhood effects are quantitatively all that important nor that moving the poor to affluent neighbourhoods overall improves their welfare” (Page 30). Here he measures “welfare” through security, job placement, school performance, and considerations in absolute and relative poverty. Thus, we see a confluence of both economic and utilitarian considerations in his rationale. See Cheshire, 2007, p. 30.}

George Galster, in utilizing his criteria of “equity” and “efficiency” to determine mix policy, offers this conclusion when he employs this analytical framework relative to statistical data in Western Europe: “Given the evidence base, they can be quite confident that a mix strategy will improve the well-being of the disadvantaged.”\footnote{Galster, 2007b, p. 540} However, he quickly warns: “But what cost may the advantaged be incurring due to this strategy, and to what extent does their well-being also get weighed in the policy making process?”\footnote{Ibid.} Thus, while mixing can be supported on equity grounds based upon his use of the term, Galster believes that equity alone does not account for total welfare considerations and should appropriately consider what is most efficient for producing the greatest amount of social welfare outcomes.\footnote{Hence, Galster’s accompanying criteria of “efficiency” measurement. As mentioned, this comment reflects the greater evaluative criteria of economic efficacy and utility based outcomes.} This inevitably leads to Galster to ask: “Is equity enough?” and constitutes the addition of “efficiency” in his evaluative framework.\footnote{Ibid.}
This is an important question, but perhaps a necessary corollary follows: “Are equity and efficiency enough?” If there is a notion to question the sufficiency of a singular framework of equity (improving the lot of the disadvantaged), perhaps there is value in questioning the sufficiency of equity and efficiency, and moreover, the evaluative criteria of economic efficacy and the maximization of welfare present in the greater narrative of housing integration. My analysis, consistent with other related studies, provides no definable, indisputable, and unambiguous rationale for dispersal efforts to residentially mix otherwise segregated black and white neighborhoods. Thus, is this the end of the story? Are we left to simply accept the status quo? If the evidence could speak, it would perhaps suggest that there is still a great deal we do not know as it relates to residential integration. However, there is an even deeper question underlying this that begs to be addressed: if all considerations in the Evaluative Integration Framework were sufficiently met—where economic efficacy and utility was maximized—and yet, our society was still completely segregated, would this be an acceptable social arrangement?

Is this discussion merely about socio-economic equity among black and white households in the United States, or are there other important considerations that need to be included in the residential integration discussion?

The sentiment of the latter questions originates from two important considerations. First, there are problems within the economic/utilitarian paradigm as previously laid out as it relates to measuring neighborhood effects. In other words, the economic paradigm can tell us a lot—but it cannot tell us everything. Beyond this, however, we might ask whether an economic and utility based standard is itself a robust framework on which to base such social analysis. In other words, is the economic paradigm the most appropriate framework by which to evaluate social arrangements in general? Before dwelling on this latter claim, I shall first address the former consideration.

Problems within the Economic and Utilitarian Paradigm for Evaluating Neighborhood Mixing

Paul Cheshire’s argument against mixing, particularly given its costs, is based upon the premise of ambiguity both in perceived benefits of household dispersal and in the existence of
neighborhood effects in general. In this thesis, I have referred to this premise as the Cheshirian position. While the outcomes of empirical research in this field (including my own) lend support to this premise, it is an argument that cuts both ways. In other words, while the evidence for neighborhood mixing is ambiguous from an efficacy and utility standpoint, the evidence against mixing is also ambiguous. The purpose of the forthcoming section is to reflect on this point and its implications. To begin, my aim is to flesh out some of the methodological limitations relative to my own research (A1 and A2). After this, I aim to cast light on an even wider set of problems in the literature, and more specifically, in the Cheshirian critique. The purpose of explicating these issues is to give consideration to a more spacious evaluative framework as it relates to pursuing, measuring, and evaluating both the concept and practice of integration. I will begin with some of my own methodological drawbacks.

Methodological Limitations of A1 and A2

To be precise, A1 and A2 represent cross-sectional analysis of secondary data or “official statistics.” To assess the integrity and coherence of such a model, we are particularly interested in the criteria of reliability, replication, and validity. The issue of reliability is fundamentally concerned with consistency in measurement. It asks: “Are the measures that are devised for concepts in the social sciences consistent?” Replication, related to reliability, is a measure of whether the study could be repeated again—perhaps even by another researcher. Finally, and perhaps most importantly, validity deals with the integrity of the conclusions drawn from the research analysis. “Internal validity” relates mostly to the issue of causality while “external validity” deals with the issue of generalization.

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510 It should be noted that he operationalizes the idea of mixing based upon income-mixing, not necessarily race. However, as mentioned, the implications are strikingly similar and, moreover, a discussion about income segregation/integration will usually have similar implications for racial segregation/integration, as segregated minorities are associated with lower incomes, etc.


512 Ibid., page 31.

513 Ibid., pages 31-32.
Regarding the integrity of A1 and A2, there is less concern with issues of reliability and replication. The data represent appropriate measures for their corresponding concepts and, moreover, the variables utilized match data from similar studies.514 With this said, one of the limitations of the usage of secondary data is the absence of key variables.515 In A1, a key variable that could not be included was “credit score.” Credit scores are a necessary component of the loan approval process, and in particular, the decision as to whether a loan would be a prime or subprime product. Without controlling for this variable, there was no way to truly trace whether a segregated area was a factor in receiving a subprime product. The same can be said for loan-to-value data (LTV) at the time of the loan application—also a key variable absent from the study. To provide an example, A1 outcomes revealed that segregated-black communities were much more likely to receive subprime loans than mixed or segregated-white communities. However, without being able to control for credit and the loan-to-value ratio, those same households may very well have received a subprime product had they been in a mixed neighborhood.516 As it relates to replication, the measures used in this study to conduct the regression analysis are well documented. In general, as Bryman (2008) notes, “Replicability is likely to be present in most cross-sectional research to the degree that the researcher spells out [the appropriate procedures].”517

This brings us to the issue of validity. Before specifically looking at A1 and A2, causal inference is naturally limited in cross-sectional studies due to a lack of time-ordering in variables as well as the absence of experimental manipulation (no ‘before and after’ affect).518 This problem, in addition to determining causal direction, represents a greater problem in cross-sectional measurement design in social science research, and is a common limitation in the measurement of mixed communities.519 Thus, regression analysis is used for the purpose of

514 For example, see Squires and Hyra, 2009, for a study employing similar variables.
515 Bryman, 2008, p. 300
516 Hence the necessity of A2. Here, the concern is whether living in a community with more subprime (and foreclosures) disadvantages the households that inhabit that community (as opposed to mixing).
517 Bryman, 2008, p. 45
518 Ibid., page 44
519 However, this should not diminish the value of correlational designs such as A1 or A2. Such a design at least provides the insight of “disconfirmation.” Campbell and Stanley (1963), in their seminal research design book, write: “If a zero correlation is obtained, the credibility of the hypothesis is lessened. If a high correlation occurs, the credibility of the hypothesis is strengthened in that it has survived a chance of disconfirmation” (p. 64). See Campbell, Donald Thomas, and Julian C. Stanley. Experimental and Quasi-experimental Designs for Research. Boston: Houghton Mifflin, 1963. Print.
determining association, but suggestions of causality must be used with great caution. With this in mind, while the output from A1 and A2 is appropriate for inference and subsequent interpretation, several methodological problems must be addressed in order to properly, and resolutely, address the aforementioned “ambiguity” associated with mixed communities.

First, A2 home sale data is from 2006 to 2008 (Dependent Variable) while foreclosure rate data is from 2006 to 2007 (Independent Variable). While it appears that this one year lag time would capture the effect of foreclosures on home sales (home sales would decrease only after foreclosures increase), there is no way to be sure that this is the most appropriate match (foreclosure rate year and home sale price year mismatch?). Future studies in this area would include earlier data to detail more of a home sale price trend. This brings up a second, but related, issue: home sales (2006 to 2008) were recorded as a single variable. While this is useful to draw associations between the two variables (Foreclosure Rates and Home Sale Prices), it is important to be sure what the outcome is communicating. In other words, the relationship between foreclosures and home prices may simply be a reflection of an established pattern of home sale price and deprivation (as areas become more deprived, the housing values decline).

A2 revealed a marginal diminishing effect of foreclosures on home sale prices (proxy for value) after a certain foreclosure percentage was reached in the neighborhood. While one interpretation is that neighborhoods, or housing markets in general, self-stabilize over time, the diminishing impact may very well have more to do with inertia in the price system. Measuring housing values using the sale price of a home in a given tract makes an assumption about constant home sale frequency. However, the velocity of home sales is slowed by several factors. One, homeowners are more likely to avoid the sale of their home if they believe they will receive a price below what they think the home is worth (or below what they originally paid for it). Second, homeowners cannot sell below their mortgage amount, as receiving this baseline value is necessary to pay off the bank. Both of these limitations can quell potential home sale listings or increase a given property’s time on the market (sale duration). These factors make for a sluggish price decline and thus complicate measurement.

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520 There are rare instances where banks will allow a “short-sale” where the buyer is granted permission to sell the home for less than the amount they owe on their mortgage. This, in essence, allows the bank to reclaim at least a portion of their initial loan amount, even though it is at a loss.
Related to this, if a homeowner sees homes depreciating around them rapidly, and assuming if they sell and can't get the amount to cover the mortgage, they are more inclined to simply leave the house (and not try to sell through traditional warranty deed of trust). Thus, the house would go to Sherriff's sale auction where homes are often sold for a fraction of their original value. Because mortgages were easy to attain without down payments (or very low down payments), this probably occurred quite often, particularly as housing appreciation declined after 2006. When home values dropped, a large stock of housing was “underwater” where the value was less than the mortgage amount owed. Thus, going through the traditional means of selling on the open market would make less economic sense than simply walking away (particularly if the reason for selling was an economic shock, i.e., a job loss).  

Ultimately, if housing prices held a pure negative linear relationship between foreclosures and price (as foreclosures go up, home prices go down), we could see homes drop to a price of zero or possess no value should the foreclosure rate be high enough. This, however, is unlikely. While homes are investments and can grow financial equity like any other security, they are also physical dwellings that people inhabit. In other words, there is at least a fixed degree of utility gained from shelter, water, space, etc., for a home’s inhabitants. Thus, it may be more appropriate to suggest that foreclosures affect only a certain portion of a home’s value (although it may be a significant portion). This suggestion is reinforced by the output from A2.

As it relates to external validity, the generalizability of A1 and A2 may be limited due to the specific sample of Cleveland. As mentioned, Cleveland was chosen due to its high levels of segregation and its foreclosure problem in the wake of the subprime financial crisis. However, it should be noted that both A1 and A2 show results that mirror those of other similar studies.  

Nevertheless, using the same methodology employed in A1 and A2 for other various urban regions would be a necessary next step prior to making generalizations from the attributes noted in Cleveland.

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521 This phenomenon came to be known as “strategic defaults.” It grew exponentially during the crisis and attracted considerable media attention. See "Strategic Default: Walking Away from Mortgages - 60 Minutes - CBS News."  
522 As mentioned, Analysis 1(A1) has very similar outcomes to Squires and Hyra, 2009 and Nelson, 2008. Analysis 2 (A2) shows similar outcomes to Rogers and Winter, 2009.
Lastly, data in A1 and A2 were aggregated into census tracts and block groups accordingly. While this is a helpful proxy for analyzing neighborhoods, we must be careful not to draw inferences about individuals from findings in aggregated data. This is referred to as an “ecological fallacy,” and can be a common mistake in cross-sectional studies where data is aggregated. For example, while there is a higher incidence of subprime lending in black segregated neighborhoods, we should exercise caution relative to the implication that any given black household in a segregated black neighborhood is more likely to receive a subprime loan.

It should be noted that the empirical exploration of A1 and A2 specifically look at the economic disadvantages of segregation for Low-Mix Black tracts (adverse effects of subprime and foreclosures) and the economic advantages of integration for this same group as well as the populace as a whole. However, to focus on these issues leaves the researcher open to the charge of outcome tunnel vision, as numerous other ‘outcomes’ could (and should) be measured in the mixing dialogue. Outcomes may vary by their quantitative or qualitative nature in addition to their results in the short-run or long-run.

As summarized, A1 and A2 offer a glimpse of two different environments: both segregated, one more likely to receive a subprime loan and foreclose (Low-Mix Black), and one less likely to receive a subprime loan and foreclose (Low-Mix White). Using regression modeling, we see that the hypothetical integration of these two worlds, while perhaps improving the lot of the former group, ultimately creates a sub-optimal economic situation for the overall society that both groups comprise. However, the above survey of methodological limitations and accompanying interpretive precautions gives us a degree of pause before making definitive assessments of integration sub-optimality. While A1 and A2 may not have fundamentally disproven the arguments in the Cheshirian position, they were not confirmed either. Indeed, Cheshire himself encounters intractable methodological limitations that reinforce the issue of ambiguity, both in assertions for and against the endeavor to mix. At this point, attention will be given to such limitations and the overall implications for erecting a framework for integration.

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523 Bryman, 2008, p. 307
524 However, given the impetus to explore adverse impacts in the wake of the subprime financial crisis—the outcomes measured in A1 and A2, stemming from the research questions, are appropriate.
Empirical Limitations of the Cheshirian Position

As noted, one of the most explicit critiques against the theory and practice of residential integration comes from Paul Cheshire. Furthermore, the aforementioned summary points of Cheshire’s skepticism toward mixing echo the greater body of literature relative to this issue (See Chapter 2).\footnote{While Cheshire’s arguments against mixing relate to “income mixing,” the implications for racial integration are equally valid.} As discussed, the Cheshirian position provides two primary arguments against residential integration. The first is the lack of evidence that neighborhoods “cause” disadvantage. Second, there is a lack of evidence that segregated households would fare any better if they were dispersed, or integrated, with other race and higher income neighborhoods. These arguments lead Cheshire to conclude that endeavors to mix, such as the Moving to Opportunity program, are a waste of money and resources. At this point, I will explicate and discuss the more granular themes that support these two arguments. These can be described as follows:

1) Neighborhoods naturally move toward segregation (even when mixing has taken place, the dispersed families tend to re-segregate).
2) Dispersal efforts ignore the benefits that might accompany segregation (“specialized neighborhoods”).\footnote{Cheshire, 2007, pp. 4-5}
3) Determining causal mechanisms in the data.
   a. Unobserved characteristics that influence life chances
   b. Personal choices in choosing a neighborhood (self-selection bias)
4) No evidence for perceived benefits to mixing (MTO)
5) Neighborhoods, and accompanying amenities, price certain households out of the market.

Points #1 and #2 seem to rely on one another: segregation has always existed and, moreover, we should not discount the benefits that may come with segregation. The “benefits” Cheshire refers to come in the form of “specialized neighborhoods” where “households of a particular character tend to be concentrated.”\footnote{Ibid., page 4.} Such homogeneity, for low-income segregated minorities, allows
for strong social ties which, it is suggested, support labor market matching for the poor or less skilled. Another benefit Cheshire cites is a “consumption” benefit.\textsuperscript{528} He writes: “There is also the issue […] that peoples’ welfare does not only depend on the level of their own income but on the level of their income relative to others living near them and with whom they associate.”\textsuperscript{529} Citing a related study (Luttmer 2005), he concludes that the results “point to that being a very powerful reason for choosing to live in, and policy re-enforcing the existence of, neighbourhoods segregated by income. This is the very reverse of a policy of ‘mixed neighborhoods.’”\textsuperscript{530} Cheshire concludes that the more specialized neighborhoods, the better off the total net welfare for the populous in general.\textsuperscript{531}

This seemingly symbiotic arrangement, however, ignores the disadvantages that accompany segregation and excludes them from being weighed into the equation. As my empirical analysis shows, segregated minorities are far more likely to receive a subprime loan and subsequently foreclose than households in areas that are mixed or are white segregated (A1). Further, concentrated foreclosures have a rapid asset depreciating effect in these neighborhoods. Although a rebound effect for house prices is present, owning a home in a Low-Mix Black neighborhood would increase your probability of considerable home value depreciation (A2). This is a significant financial shock considering that for most of these families the equity in their home is their greatest wealth instrument. As pointed out, the results of A1 and A2 shed light on the “adverse impacts” disproportionately shouldered by segregated black communities. Such considerations are conspicuously absent in Cheshire’s analysis. Rather, his minor acknowledgment of “possible” neighborhood effects is overwhelmed amidst the benefits outlined in consumption and labor market matching presumed to originate from specialized neighborhoods.\textsuperscript{532} Further, his greater consideration is not simply for those who are segregated, but the utility of all measured through social efficiency: “Welfare of all would be improved if we

\textsuperscript{528} Cheshire defines this as a benefit because “[specialized neighborhoods] increase the range of choice for people with respect to the types of neighbourhood in which to live; and people and families of similar incomes, tastes or points in the life cycle tend to consume similar goods and services and require similar amenities” (Page 16).
\textsuperscript{529} Ibid., page 16.
\textsuperscript{530} Ibid.
\textsuperscript{531} Ibid., page 18.
\textsuperscript{532} He writes: “Even if there are some possible negative neighbourhood effects for poorer groups—and the more meticulously studies have been able to offset for other factors influencing personal outcomes—the less they have found such effects—still the question also has to be asked: are there also consumption benefits from living in specialized, and so segregated, neighbourhoods?” (pp. 15-16)
had neighbourhoods more segregated on the basis of income rather than less segregated.”\textsuperscript{533}

This, in essence, is a reference to “Pareto” optimality in cities and neighborhoods, where gains can be achieved for society’s advantaged citizens without harming, or negatively affecting, the lot of the disadvantaged.\textsuperscript{534} However, given that Cheshire turns the focus of the “mix” conversation toward income inequality, and not the presence of neighborhood effects, his aforementioned Pareto judgments could potentially undermine his concern with an unequal society. Pareto and Utilitarian judgments have received philosophical scrutiny for some time, most recently, for example, from Amartya Sen. Regarding Pareto judgments as a means to address welfare economics and inequality, Sen writes: “If the lot of the poor cannot be made any better without cutting into the affluence of the rich, the situation would be Pareto optimal despite the disparity between the rich and the poor.” Thus: “The almost single-minded concern of modern welfare economics with Pareto optimality does not make that engaging branch of study particularly suitable for investigating problems of inequality.”\textsuperscript{535} Thus, if inequality is the more appropriate economic issue to address (as opposed to mixing), then Cheshire has not provided a very promising framework upon which to engage the issue. As Sen writes, the lack of concern about the distribution of welfare between persons in utilitarian frameworks and Pareto considerations “tends to make utilitarianism a blunt approach to measuring and judging different extents of inequality even if the assumption is made that everyone has the same utility function.”\textsuperscript{536}

Cheshire’s third primary argument has to do with causal mechanisms and their presence in neighborhoods (“neighborhood effects”). The “two major problems” include accounting for unobserved phenomenon and self-selection bias.\textsuperscript{537} Regarding the first problem, he provides an example: “There may be a genetic pre-disposition to suffer from dyslexia which then influences a whole range of other outcomes; people also vary in their motivation and aspirations, even their

\textsuperscript{533} Ibid., page 18.

\textsuperscript{534} A “Pareto” improvement, named after Italian Economist Vilfredo Pareto, is defined as “any action that makes at least one person better off without harming anyone.” This idea, it is suggested, is at the heart of understanding economic efficiency: “Economic efficiency is a situation in which every possible Pareto improvement is being exploited.” See Hall, Robert Ernest, and Marc Lieberman. Economics: Principles & Applications. Mason, OH: South-Western Cengage Learning, 2010. Print. (Page 435)


\textsuperscript{536} Ibid., page 18.

\textsuperscript{537} Cheshire, 2007, p. 7
luck.”  This naturally contributes to the second problem of self-selection bias. Goering et al. (2003) state the problem well:

Since people typically select their neighborhoods to match their needs and resources, researchers restricted to cross-sectional, nonexperimental evidence must try to separate the impact of personal factors affecting choice of neighborhood from effects of neighborhood. But it is difficult if not impossible to measure all those socioeconomic, personal and local characteristics well enough to distinguish their effects. Goering and Feins go onto say: “More often, the answers being sought are hidden in unmeasured factors and unexplained variation.” The participatory nature of voucher dispersal programs presents the self-selection bias problem which makes causal inferences difficult. If a program participant self-selects into a better neighborhood and experiences utility gains, it is difficult to determine whether the neighborhood itself was a factor in such gains or the personal characteristics of the family (motivation, education, support networks, etc.). Such bias is often associated with cross-sectional studies where existing data is used and measured to determine associations. As Sampson (2008) writes: “The specter of ‘selection bias’ has been raised to cast doubt on almost all observational research, a nuisance to be extinguished with what is widely claimed as the most scientific of all methods, the experiment.” Hence the advantage of the Moving to Opportunity (MTO) program, as this would provide more of an experimental design (control group, experimental group, and section 8 group—See Chapter 2) where moving is more engineered and comparisons can be more easily drawn between the groups before and after the moves (pre- and post-“treatment”).

Here, Cheshire is resolute in his explication of the MTO results, leading to his fourth argument against mixing: insufficient evidence that mixing offers benefits. Cheshire covers the nuances of slight gains in educational achievement and better health in children, but quickly notes that no differences in economic outcomes (income or job placement) were noticeable. Reviewing short-

538 Ibid.
540 Goering and Feins, 2003, p. 4
541 Moreover, as noted earlier, dispersal household candidates often must “qualify” for the voucher program prohibiting a truly random sample.
term data, he concludes: “the modest initial success of the programme did not mean that it was a policy success.” Further, long-term results did little to change his perceptions about MTO:

For none of the indicators, however, did they find any significant overall differences between the groups that moved neighbourhoods compared to the control group that was not helped to move. For the age group as a whole some indicators were better and some were worse but, despite the large sample, none of these differences was statistically significant.

The problems of unobserved effects, self-selection bias, and mixed results from the MTO experiment leave little room for definitive policy recommendations stemming from robust empirical investigation. However, while such measurement problems cloud the opportunity for research-informed dispersal policy, it would be equally puzzling to definitively announce, based upon MTO evidence, that mixing is a failure. A more accurate statement would simply acknowledge that we don’t fully know. Sampson, surveying the MTO evidence, writes: “It seems reasonable to conclude from all this that the MTO results are mixed rather than negative—conditional on outcome and subgroup. That is to say, sometimes neighborhood effects matter, sometimes they do not.” This leaves Sampson concerned with the “disproportionate emphasis, especially in public pronouncements, on the idea that MTO has disproven neighborhood effects.”

A more sound approach would simply be to recognize the drawbacks of the research and accompanying procedures towards overcoming these drawbacks. While it is beyond the scope of this thesis to attempt the latter, we may take note of some of the more salient problems that contemporary research has fleshed out as it relates to measuring neighborhood effects. To be clear, in this thesis I have defined a neighborhood effect as “the independent causal effect of a

543 Cheshire, 2007, p. 9
544 Ibid., page 10
545 Sampson, 2008, p. 193
546 Ibid., page 194. One might appropriately remark that the burden of proof rests upon those who are promoting integration since they are advocating government funding. While this is a true statement, one might reply that the government has a similar burden to substantiate what must be done in place of integration (assuming a stalemate in this area) to prevent or prohibit large sectors of society in greater positions of vulnerability or risk by virtue of their segregation. Further, this is not even to consider broader social goals related to cohesion, diversity, and trust among all US inhabitants—issues related to, but not reducible to, economic considerations. This will be explored later in the thesis.
neighbourhood (i.e., residential community) on any number of health and/or social outcomes.\textsuperscript{547} George Galster highlights what he describes as “six paramount challenges” related to the empirical investigation and measurement of neighborhood effects.\textsuperscript{548} These challenges include defining the scale of a neighborhood, identifying mechanisms of neighborhood effect, measuring appropriate neighborhood characteristics, measuring exposure to a neighborhood, measuring appropriate individual characteristics, and endogeneity (causal loop between explanatory and dependent variables). Galster cites the first four problems as being closely interrelated. Among other things, one issue that arises is the difficulty in knowing with certainty which mechanisms generate which outcomes.\textsuperscript{549} While Galster surveys burgeoning methods that offer hope and promise to address these limitations, he concludes:

Prior attempts to meet these challenges, though representing vast methodological strides in a short period, nevertheless have been only partially successful. The result is that the answer to the increasingly important question: \textit{How much independent causal effect does the neighbourhood have on individuals?} Still remains uncertain within broad parameters.\textsuperscript{550}

Related, and more relevant to MTO, Sampson highlights major drawbacks in the experimental design and subsequent inference that suggests that pronouncements such as Cheshire’s are premature and, in some ways, unwarranted. First and foremost, Sampson notes that MTO candidates comprise a very thin slice of the total society. To demonstrate this, he reviewed profiles from households in the Project on Human Development in Chicago Neighborhoods (PHDCN). The PHDCN database, which was supposed to be representative of the population of children growing up in Chicago, consisted of over 4,500 families with children under the age of 18 at almost the same time MTO was selecting families in Chicago (1995). Out of all of the families in the database, Sampson found that 139 families matched his “generous” definition of

\textsuperscript{547} Borrowed from Oakes, 2004, p. 1929
\textsuperscript{549} Ibid., page 13.
\textsuperscript{550} Ibid., page 39 (Italics his)
an MTO eligible family, or 5%. He concluded: “5% of the population does not a general test of neighborhood effects make.”

Further, Sampson points out that MTO families have lived in segregated poverty for most of their lives (and often for multiple generations), which raises issues about life-course timing and “the durability of neighborhood effects.” As discussed in the Introduction and Chapter 2, segregation is a complex US phenomenon that has developed over years, decades, and even centuries. Thus, the timing scale of a program such as MTO makes the prospects of disentangling and disseminating socio-spatial patterns that have emerged over the course of US history naïve at best.

Another problem relates to the measured outcomes—what are they? Sampson writes: “Should we expect neighborhood effects on all manner of phenomena?” For example, Cheshire claims that no economic advantages were observed for dispersed households over time (that registered as being statistically significant). Conversely, Sampson points out that some of the strongest MTO findings to date deal with crime and mental health. Thus, are we to measure any neighborhood effect or specific neighborhood effects? If the latter, which ones and why? Based upon whose standard? These are very important questions that must be answered before generalized labels of success or failure can be placed on dispersal projects such as MTO.

Regarding causality, Sampson points to the flaw of “bundling” in neighborhoods. He writes: “When MTO families move from one neighborhood to another, entire bundles of variables change at once, making it difficult to disentangle change in neighborhood poverty from simultaneous changes in other structural factors and social processes.” This is not necessarily a flaw of MTO; rather, it “speaks to the role of experiments in scientific research—experiments do not reveal causal explanation in any direct sense.” This leads to the issue of self-selection bias; a problem that MTO would ideally address head on. Sampson acknowledges that MTO is a major advance in social science research as it relates to selection bias problems. He writes: “The randomized design of MTO sets it apart from volumes of research published in our journals that

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551 Sampson, 2008, p. 196
552 Ibid.
553 Ibid., page 197.
554 Ibid.
555 Ibid. Sampson goes on to say that causal explanations “requires theory and concepts that organize knowledge about (typically) unobserved processes or mechanisms that can bring about the effect.”
rely on *ex post* explanations, typically derived from regression models that load up on individual-level control variables and leave undefined the causal counterfactuals under the study.”

However, Sampson points out what he refers to as an “included variable bias problem” where the interpretation of resulting estimates as a means of determining neighborhood effects makes the assumption that controls are pretreatment covariates (pre-move) unaffected by neighborhood. Intuitively, this is a troublesome assumption given the research on neighborhood development effects on individuals.

This, then, is the problem of using “endogenous” variables which leads to “the net result of distorting the multiple pathways by which neighborhoods may influence developmental outcomes, especially among children, and thereby inducing bias.”

The challenge of endogeneity, as Galster puts it, is that some individual characteristics and associated neighborhood characteristics may be mutually causal. Another way of putting it would be to say that the variables attempting to explain an outcome, or the dependent variable, are also dependent upon that variable. However, the social world “defined by the interplay of structure and purposeful choice” is reason for pause, not doubt, when making judgments about the experimental outcomes of MTO, hence Sampson’s conclusion that “nothing can be inferred from MTO about the success or failure of neighborhood-level interventions.”

Quigley and Raphael (2008) offer similar MTO conclusions: “The experiment was generally unable to reject the null hypothesis of no effects of neighborhood poverty on employment. However, our reading of this evidence is that the relatively small mobility effects of the program and the variance of the effect-size estimates cannot rule out neighborhood effects of the range implied by the existing non-experimental literature.” In contrast, Cheshire concludes that the MTO evidence “does not support the conclusion that neighbourhood effects are quantitatively all that important nor

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556 Ibid., page 199.
558 See Literature Review in Chapter 2 for examples.
559 Sampson, 2008, p. 199
560 Galster, 2007, p. 13
561 Sampson, 2008, p. 216
562 Ibid., page 224 (Italics his)
that moving the poor to affluent neighbourhoods overall improves their welfare."\[564\] This potentially leaves Cheshire open to the charge of *argumentum ad ignorantiam*—a logical fallacy occurring when one believes a given proposition (“integration is a success”) must be false because it has not been proven true.

Cheshire’s fifth argument against mixing is that neighborhoods naturally price certain households out of the market. This implies that segregation is a function of a market-sorting mechanism. The argument is based upon the premise of “positional goods”—which are goods that can only be consumed by living in proximity to their availability.\[565\] This is important because access is not determined by absolute income, but by income relative to others who are competing for the same goods.\[566\]

More importantly, such “positions” are bought, and this takes place through the housing market. Housing valuation is often analyzed through “hedonic” models where individual attributes of the home (square footage, number of bathrooms, etc.) are each considered independent variables used to measure the market value of the property. Thus, a housing value can be constructed as the sum value of its individual attributes. From a market perspective, households are often heterogeneous in nature which makes a hedonic study a natural model for explaining and/or predicting values.\[567\] Similarly, Cheshire believes that housing prices reflect such hedonic attributes but of a certain type:

> What hedonic studies of housing markets show is that access to higher amenity open space, natural amenities like view or proximity to water, greater security from crime or better quality state provided education, costs a substantial amount. The value of all such amenities and local public goods is capitalized into house prices.\[568\]

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\[564\] Cheshire, 2007, p.30
\[565\] Positional goods are considered to be more “inelastic” than other housing attributes as say, square footage or yard frontage. This simply means that the quantity demanded changes less with the price (<1.0). This is because there is a fixed amount of amenities, recreational goods, quality school systems, etc.—while square footage, number of bathrooms, and other household attributes are more easily replicated, making them more elastic by nature. This has implications as it relates to housing price—a key point in Cheshire’s argument.
\[566\] The example of “better schools” is provided (page 21).
\[568\] Cheshire, 2007, p.22. Cheshire refers to this as “something corresponding to the expected long run set of attributes” in contrast to a current set of housing attributes (p. 22).
Thus, “positions” such as quality schooling, recreational amenities, community aesthetics, etc., are all dependent on the ability of a household to buy a house in proximity to those goods. However, the market for such goods does not necessarily follow the traditional supply and demand function that we often see in perfectly competitive markets. In housing, the supply curve is finite (vertical) representing a fixed supply of housing for a given space. This can be illustrated as follows:

Regardless of the price of homes, the housing stock remains fixed. Because of the fixed housing supply, this means “the ability to buy such goods is more determined by how rich a household is relative to other households competing for the same local amenities than it is by the household’s absolute income.”\textsuperscript{569} Thus, because positional goods are fixed (there is a finite number of good schools, parks, views of the river, etc.) and the housing stock is fixed, we see an increase in price as demand shifts.\textsuperscript{570}

\textsuperscript{569} Ibid., page 24
\textsuperscript{570} Economists typically identify the determinants of demand “shifts” as income, wealth, price of related goods (substitutes & complements), population, expected future price, and tastes.
Thus, as income inequality continues and the rich become richer relative to the poor, then the rich will only price the poor out of nicer areas even more and ultimately residential segregation will be the “spatial articulation of income inequality in society.” This Cheshirian summary has merit insofar as articulating a potential market explanation of residential segregation (both racially and economically). However, before adopting this explanation, it is important to exercise discernment as to what house prices mean (i.e., what is this communicating?). While Cheshire may be correct that house prices point to the sorting mechanism in housing markets insofar as reflecting an observed pattern of spatial segmentation among the rich and poor (black and white), there are reasons to believe that this does not necessarily imply that housing prices accurately reflect consumer preferences. Here I shall point out a few.

First, Cheshire refers to residential segregation as the articulation of income inequality. However, even if this were true, we would be incorrect to assume that income equality would then lead to better life chances for the poor. Such an assumption would need to be defended. Furthermore, and more relevant to the subject of mixing, this says nothing of the issue of racial integration, as some might consider this an end in itself. Even when controlling for income, social patterns still tend to move toward segregation “since social interactions and dynamics tend to produce segregated rather than integrated communities.” Further, consideration must be given to the argument that the causal mechanism for segregation cannot be reduced to an economic explanation. Haar (1996) writes: “Contrary to the assertions of those who attribute segregation to economic and market forces or to long-term structural trends in the decentralization of population and employment, neither affordability nor preference of individual

571 Cheshire, 2007, p. 24. He summarizes the argument as follows: “In the higher income housing market people will be spending a higher proportion of their incomes trying to buy educational quality. If incomes become more unequal over time (or in housing markets in which incomes are more unequally distributed) then the price of attributes in fixed supply will rise and we should expect an even stricter sorting of households between nicer and more disadvantaged neighbourhoods” (p. 27).
573 This will be addressed in Chapter 4.
574 Kearns and Mason, 2007, p. 664
households explains the high levels of segregation.” Therefore, we should exercise caution when assuming that housing prices accurately reflect all phenomena as it relates to household preference.

Another reason that we may be skeptical that housing prices accurately reflect consumer sentiment is market myopia among the consumer base. In other words, if we did consider racial integration as an end in itself as suggested above, would housing markets correctly price this value, particularly if the benefits were to take place in the long run? Part of that answer depends on how one defines “benefit.” If labor mobility is a perceived outcome, then perhaps a study such as MTO (over a given period of time) may be of usefulness. Further, some argue for integration as a means of “social mobility, betterment, and ameliorating housing problems.” Such outcomes at least have promise of being observed in a short-run period of time (1, 5, 10 years, etc.). However, others may define benefits differently. For example, some have suggested that mixing enhances a community’s social capital and the components of “networks, norms, and trust.” Other endogenous benefits may come in the form of “contagion effects” where it is hoped that dispersed families may adopt more functional and healthier normative behaviors. If these were intended outcomes, would they be readily observable in a short period of time, or moreover, even within this generation? We might refer to such outcomes as long-term benefits with inter-generational implications, which by their nature do not allow for short-term declarations of success or failure.

To go a step further, even if we were to suppose that both rich and poor households greatly desired to live together in mixed neighborhoods, it would not necessarily follow that the market would properly “sort” such preferences. As mentioned earlier, housing markets have a vertical supply curve due to a limited supply of homes. For the sake of example, suppose the following:

1) All black households are poor

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575 Haar, 1996, p. 6
576 Even the greater idea of increased labor opportunities, however, could be understood better in a long-term context. Cheshire asserts that segregated “specialized” neighborhoods offer labor benefits through social networking among like-minded members of that community. Thus, if we were to expect enhanced labor opportunities as an outcome of mixing, then it would be naïve to expect social networks between mixed households to develop in a short-term context. Social capital in an integrated community may very well take generations to materialize.
577 Calmore, 1993, p. 1495
578 Kearns and Mason, 2007, p. 667
2) All white households are wealthy

3) Both groups would gain utility by living among one another

As demand for “mixed” residential environments increases, we would see a shift of the demand curve to the right, thus increasing the price of the homes. The problem, however, is that higher prices would effectively limit low-income minority households from living in those neighborhoods and eventually the neighborhood would consist of white households who can afford the higher prices. Thus, the market sorting process would not properly communicate the preferences of the households based upon our aforementioned assumptions. This would be considered a market failure.

Finally, while Cheshire presumes that housing price increases that effectively price the poor (and often minority groups) out of certain areas simply reflect consumer preferences, we must consider the structure of how such preferences are weighted. It might be more helpful to think of the price mechanism as a voting system. Yet this voting system operates differently from its otherwise ideal democratic context (1 person; 1 vote). Rather, the finite housing stock and the inelastic nature of positional goods create a lopsided voting system. In this system, a small proportion of society with high income may greatly value homogeneity among themselves. By seeking limited positional goods (views, resources, schools, etc.) in a particular area, they drive up the price of housing values in that area and reinforce their desire for a homogeneous community. However, the greater majority of that society may desire something quite different (say, integration) but such preferences would not be reflected in housing prices if their income base was substantially lower (less “votes”). To summarize, if purchasing power were to equal votes, a very small portion of society may vote with large sums of money (thus giving them a “majority” vote), even though this may not comprehensively represent the desires of the “majority” population. To provide an example, suppose a community is split 70/30 between black and white households, but white households hold 70% of the income base where black households hold only 30%. Further, suppose that the black households preferred to socially mix with white households. The white households, holding the majority of the income, may choose to live separately from black households based upon their purchasing power (votes). However, those preferring racial mix (black households) do not have equal purchasing power and thus market values for homes will be lower in these communities (and higher in the white
communities). This does not mean, however, that social mix is not desired and/or preferred by the majority—although this may appear to be the majority preference being communicated based upon observing the social arrangement. All of these arguments call into question Cheshire’s conclusion that the evidence available “is consistent with the hypothesis that an increase in income inequality leads to a parallel increase in house price inequality” and that such results are “likely to reflect the pattern of preferences” for households.  

Re-assessing the Evaluative Integration Framework

In the writing above, I have provided some of the methodological limitations in my own research and in the wider body of research (particularly in Paul Cheshire) as it relates to measuring the outcomes of integration. It is important to note that some of the very criticisms directed toward Cheshire’s interpretation of MTO results can be directly applied to my own empirical study as well. The “paramount challenges” that obscure integration research and interpretation incite caution before making positivistic declarations from A1 and A2.

Within the existing Evaluative Integration Framework where considerations in economic efficacy and the maximization of utility dominate the overall measurement for evaluating integration, my hope is that I have provided reasons to be skeptical, or at least very cautious, about the interpretation of outcomes based upon experimental or observational design, the perceived benefits (or lack thereof) to integrating, and the meaning of market prices in housing. This does not mean that we should dismiss such information. Rather, it is to suggest that their meaning is more nuanced than perhaps initially imagined, presented, or often suggested.

This conclusion brings us back to the aforementioned question in response to Galster: “Is ‘equity’ and ‘efficiency’ enough when it comes to evaluating dispersal outcomes? While there is reason for skepticism as it relates to the understanding of the traditional paradigm discussed above, we may go on to question the usefulness of the economic paradigm in itself. Even if all of the aforementioned concerns were appropriately addressed, there are still problems related to

579 Cheshire, 2007, p. 29; 26
the appropriateness of such a framework. Attention will now be given to these problems to address the overall usefulness of the existing Evaluative Integration Framework as the most appropriate means of understanding social arrangements.

Preference Formation

If a magic “social” wand could be waved that would fix all methodological issues in Cheshire’s criticism of integration, this would still fail to address the issue of “Preference Formation.” If all of the failures, coordination problems, and sorting mechanisms of the market were to be addressed adequately, we may or may not see a strong ‘preference’ for segregated living or the Cheshirian appeal to specialized neighborhoods. Assuming that we did, however, it is still worth inquiring as to where such preferences come from. This issue speaks to a greater economic problem in measurement, as economists are admittedly less interested in the origin of preferences and more concerned with their consequences.\textsuperscript{580} Addressing this, Rizvi (2001) writes:

Inquiries into preference formation have not made much headway in economics. According to a well-known dictum, changes in preferences, or explorations of their origins, are best left to another discipline. On this approach, preference formation occurs but its study is not properly economics.\textsuperscript{581}

While trying to locate the origins of one’s preferences is much more nuanced and less clear than the study of the consequences of preferences (i.e., decisions, transactions, etc.), it is also “unreasonable to neglect the study of why people want what they want.”\textsuperscript{582} Wildavsky (1987) in a survey of the social science literature in addition to his own research locates the origin of

\textsuperscript{580} One of the functions of demand that serve to “shift” the demand curve is “taste,” which is operationalized similarly to preference. For example, a recent economics text reads: “Economists are sometimes interested in where these tastes come from or what makes them change. But for the most part, economics deals with the consequences of a change in tastes, whatever the reason for its occurrence.” See Hall and Lieberman, 2010, p. 61
preferences through shared meaning cultivated through social interaction.\(^{583}\) This suggestion has enormous implications for social segregation in housing. For example, a socially homogeneous community or racial category can breed social condescension, misunderstanding, or fear against another racial group. This, then, creates a path dependency problem where growing up in a socially homogeneous community limits the repertoire of preferences for future generations as preferences are often “transmitted” from parents to children.\(^{584}\) In a unique study where the social context of urban neighborhoods was linked to the process of friendship selection, Huckfeldt (1983) found that the neighborhood environment was a significant factor in determining friendship group associations.\(^{585}\) Neighborhoods impose a particular social context and:

> Even though individuals demonstrate strong associational preferences, their contextually structured set of associational opportunities makes itself felt in the composition of friendship groups. Thus, the social content of social networks is not solely a function of either the social context or individual choice; it is the complex product of individual preferences operating within the boundaries of a social context.\(^{586}\)

Thus, if social context influenced individual preferences, then how might our preferences be different if the US began as an integrated, and not a segregated, society? There is research available to suggest that the outcomes would be different than what we see today. One such study asks the question: “Does race exert an independent influence on racial residential segregation?”\(^{587}\) The study, conducted by Emerson et al. (2001) sought to overcome earlier methodological limitations related to this question and assessed the stated residential preferences of whites for African Americans, Hispanics, and Asians.\(^{588}\) However, as mentioned, it is not

\(^{583}\) Ibid., page 4


\(^{586}\) Ibid.

\(^{587}\) Emerson, Michael O., George Yancey, and Karen J. Chai. "Does Race Matter in Residential Segregation? Exploring the Preferences of White Americans." *American Sociological Review* 66.6 (2001): 922-35. Print. (Page 922). It should be noted that the preferences stated by the respondents were often “hypothetical preferences.” For example, the survey included questions such as: “Would you choose to live in this neighborhood if you had two children?” when often the respondents had no children, etc.

\(^{588}\) This challenges the explanation of residential segregation as a function of income inequality. Contrary to this popular belief, Iceland and Wilkes (2006) found that socio-economic status (SES) matters for Asian and Hispanic
simply the preferences displayed by racial groups, but why such preferences may vary (and how they might originate). Thus they write: “Even if in-group preferences help explain racial segregation, we do not know why in-group preferences vary by racial group.” Their research found that Asian and Hispanic composition had no significant effect as to whether a white family would relocate or buy a home in that particular neighborhood. However, the authors found that the composition of black households in a neighborhood had a significant effect even after controlling for proxy variables such as education, crime, housing values, and housing values relative to others. After comparing and contrasting the responses with the actual patterns of racial segregation, the authors concluded: “We have found that for black-white residential patterns, the effect of race goes far beyond the common reasons given by white Americans for not wanting to live with black Americans.”

This finding speaks to the complexity of where and how preferences originate, and the implications for residential segregation. However, in a separate study, Emerson captures what could be a major part of the solution to this issue: contact. Published in the book *Divided by Faith*, Emerson and Smith provide an in-depth analysis of evangelicalism relative to racial bias and segregation in America. They conclude that religion, as it is currently structured in America, is unable to make a great impact on our segregated society. This assertion is based on a comprehensive survey undertaken by the authors, where they found that most evangelicals frame the problem of racial inequality and segregation as overly simplistic notions of individual households as it relates to integration, but matters far less for black households. In other words, high SES Asian and Hispanic households had lower segregation scores than low SES Asian and Hispanic households. However, SES for African American households holds far less explanatory power in predicting integration, implying that white households still ‘prefer’ not to live among black families, regardless of their class status or income level. See Iceland and Wilkes, 2000. Exploring preferences for homogeneity among whites after controlling for important proxy variables is the purpose of the Emerson study.

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589 Ibid., page 923
590 Ibid., page 931
591 Ibid., page 933
592 In this text, the authors argue that their study (2000) was one of the first to actually address evangelicalism and contemporary racial society in the United States.
593 They write: “We argue that religion, as structured in America, is unable to make a great impact on the racialized society. In fact, far from knocking down racial barriers, religion generally serves to maintain these historical divides, and helps to develop new ones.” See Emerson, Michael O., and Christian Smith. *Divided by Faith: Evangelical Religion and the Problem of Race in America*. New York: Oxford UP, 2000. Print. (Page 18)
level problems, and have failed to recognize the structural forms of racism that serve to maintain its existence.\textsuperscript{594}

Interestingly, Emerson and Smith found that individuals who had more contact with African Americans on a daily basis held views that were more sympathetic and reflective of the structural influences on contemporary racial segregation. They were struck by the racial homogeneity of the white social world, where most contact was with other white members of society.\textsuperscript{595}

However, as mentioned, for the individuals who had greater exposure to African Americans in their daily lives, perceptions toward spatial equality and integration took on an entirely different form. They presented this as being consistent with the idea of “contact theory,” which asserts that having contact with people from other groups can reduce prejudice and other fears that might be harbored under the guise of ‘preference.’\textsuperscript{596} The authors believe this illuminates causation:

Our interviews with evangelicals help with the causality question. The higher the contact with black Americans, the less likely our respondents attribute primacy to individual-level explanations of the racial gap, and the more likely they are to attribute primacy to structural-level explanations. This appears to result from increased contact.\textsuperscript{597}

This finding leads the authors to conclude that if whites and blacks were less racially isolated, they might assess race problems differently and work together toward broader-based solutions.\textsuperscript{598}

While their study deals with black-white inequality on a more general level, the implications for preference formation and residential segregation are powerful. Based upon the notion of contact theory, if segregation is simply consumer preference reflected in market outcomes, then perhaps enhanced “contact” would alter preferences and potentially transform such outcomes. If contact is a key to addressing segregation, then proximity is a natural means to achieve this. Moreover, residential integration is a key to proximity. Unfortunately, the Cheshirian framework has no

\textsuperscript{594} Individual level problems might include education, lack of work motivation and effort, proclivities towards crime, etc. See Emerson and Smith, 2000, p. 40; 89
\textsuperscript{595} Emerson et al., 2000, p. 80.
\textsuperscript{596} Ibid., Page 106.
\textsuperscript{597} Ibid., Page 107.
\textsuperscript{598} Ibid., Page 132.
mechanism by which to address this issue as it primarily dwells on the consequences of preferences.\textsuperscript{599}

\textbf{Morality and Ethics}

It is also questionable whether the economic paradigm properly explains the impetus to mix that seems to remain in light of contradictory evidence. If the results of mixing have not met what have come to be the dominant standards of providing enhanced welfare for all involved parties done in a cost efficient way, then why does the impulse to mix still exist? To provide an example, Imbroscio (2008) comments on the immediate reaction by social scientists and other housing and urban development experts in the midst of the Hurricane Katrina disaster several years ago. After 200 scholars signed a petition calling for a “Move to Opportunity” type program for low-income, racially segregated victims of the hurricane, Imbroscio concluded:

\begin{quote}
What such a strong academic endorsement of this controversial (and now strongly condemned) Katrina “Move to Opportunity” petition suggests, perhaps more than anything else, is how deeply and passionately many American housing policy experts hold \textit{beliefs} and \textit{values} impelling them to embrace deconcentration (or dispersal) policies.\textsuperscript{600}
\end{quote}

Imbroscio himself, however, is skeptical. The thrust of his critique is that such zeal often “leads many of its members to engage in suspect and problematic practices, both in their research and in their efforts to shape and prescribe public policy.”\textsuperscript{601} However, whether Imbroscio adequately establishes that the zeal for the “dispersal consensus”\textsuperscript{602} belies more disingenuous, ulterior

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{599} For example, Cheshire mentions that one of the factors leading to a limited supply of housing opportunities is the phenomenon of “peer group effects” where “the preferences of households to live in areas in which they find their neighbours desirable or compatible” transform non-market goods into positional goods (status, etc.) and create segregated enclaves. See Cheshire, 2007, p. 26
\item \textsuperscript{600} Imbroscio, 2008, p. 112 (Italics mine)
\item \textsuperscript{601} Ibid., page 113
\item \textsuperscript{602} Imbroscio’s pejorative term for those in America who have “coalesced around the central idea that the only way to make a serious dent in ameliorating the plague of urban poverty…is to disperse (or deconcentrate) the urban poor into wealthier (usually suburban) neighborhoods” (Page 112).
\end{itemize}
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motives is at best arguable. Rather, it raises the important question of whether there may be value to principle-based policy recommendations. While integration efforts on “principle” are often remarked upon in a pejorative way by researchers, it is worth dwelling on the value of principle as it relates to social policy. In other words, is there a moral impetus when we speak of residential integration that can accompany economic and utilitarian criteria?

If we accept the sentiment that a “moral and spiritual case can be made for integration” then it is natural to perceive that there may indeed be more to the conversation of residential integration than merely aggregating and netting out an equation in total welfare. Such an implication is based upon the idea that there is something “wrong” or ethically unjust about segregation, and often doing what is “right” may not cohere with doing what is optimal, as some morally impelled actions may actually reduce utility or efficiency.

One might respond that researchers have evaluated residential integration outcomes through a lens of economic efficacy and the maximization of utility because the issues they are trying to address are inherently economic and utilitarian considerations. This is a partially accurate statement; integration vision, language/terminology, and stated goals all possess a trajectory toward the maximization of a particular social arrangement. However, if this were universally true, would we be willing to accept a society that is fundamentally segregated although Pareto optimal for all parties? Assuming one is hesitant to answer in the affirmative, this question implies that there might be more to mixing than simple calculations of cost effectiveness and positive net welfare gain.

To provide an example of this, one of Cheshire’s arguments against mixing is that the costs to address neighborhood effects, assuming they exist in some form, are too high given the small gains that have been observed (natural conclusion stemming from Argument #2 in the Cheshirian position). Cheshire asks: “if living in a poor neighbourhood does make people even worse off than they would otherwise have been, is the impact sufficient that policy should specifically

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603 This is not to downplay the critique Imbroscio thrusts upon “DCs”, a critique that includes misconceiving “freedom of choice,” imputing interests, countenancing repression, overselling evidence, and slighting alternatives. While these may very well be characteristics explicitly or implicitly displayed by those who support dispersal, Imbroscio is left to imply that all of those in the dispersal consensus harbor at least one, or all, of these negative attributes—a claim that is difficult, if not impossible, to substantiate. Further, this does not fully explain the intuition to disperse and integrate communities that seems present even in the absence of supportive evidence.

604 Cashin, 2004, p. 81

605 One need only consider South African Apartheid for an example of such a suggestion (or implementation).
address it? Here, Cheshire exhibits a form of “cost-benefit” analysis rationale, where the benefits of any given endeavor must outweigh the associated costs of its implementation in order to substantiate its use. Clearly, for Cheshire, the evidence of MTO and integration outcomes in general fails to meet this criterion.

We must note, however, that cost-benefit rationale offers a very specific form of valuation and presupposes a particular outcome by which to measure the “cost.” While Cheshire is not necessarily explicit here, he mentions addressing issues of inequality and welfare specifically (as opposed to integration). The costs of MTO and other integration projects, he concludes, are too high given that mixing is only treating the symptoms of inequality, and not the root cause and that welfare is often, according to him, more apparent in specialized, or segregated, neighborhoods. While such outcomes are common goals sought in integration research, it is important to note that what is being measured is utility as a function of mere spatial integration, and not social integration. It is worth dwelling momentarily on this term. Karst (1985) makes the important distinction between physical exclusion and social exclusion, i.e., exclusion from “belonging.” While one may be physically included in spatial terms, that does not necessarily mean they belong. We might refer to this distinction as the difference between spatial integration and social integration. While the latter requires the former, the former does not necessarily lead to the latter. This has relevance in regards to how we understand and evaluate integration outcomes. The research base has revealed evidence both for and against mixing, but such evaluations have taken place simply by virtue of studying people (both black and white) that live together. One limitation of such research is that living together (spatially) and integrating (socially) are two distinct outcomes.

To provide an extreme example of why this might be problematic, the United States was most “integrated” based upon dissimilarity indices during the time of the Civil War, a period in US

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606 Cheshire, 2007, p. 18
608 My research is subject to the same criticism. It should be noted that a great deal of research is also qualitative by nature, and this includes residential integration research. Such research attempts to assess how well households have integrated socially. However, most studies, and in particular the four residential integration movements detailed in the literature review (Chapter 2), seem to simply study welfare outcomes from a cost standpoint in addition to a perceived benefit standpoint.
history not prized for harmonious racial relationships. However, Dissimilarity Indices collected from a group of major metropolitan areas in both northern and southern US regions show racial dissimilarity between 29 and 46 around the time of the Civil War. However, this example of spatial integration, often occurring because African American slaves lived on the same land as their white owners, is far from any viable representation of social integration. This example, albeit an extreme one, makes the point that measuring impacts occurring as a result of spatial integration may be a poor proxy for whether we should adopt or dismiss integration policy. Simply putting people together, measuring net utility gains for the dispersed and receiving households, and then concluding suspicion toward mixing is a poor methodology if the research is based on spatial, and not social, integration. The measurement of outcomes relative to spatial integration can be captured within an economic paradigm; the measurement of outcomes in social integration demands a framework with greater scope to measure outcomes in utility in addition to considerations in equality, fairness, relationships, community, and solidarity—norms often articulated in contexts beyond the economic realm yet still possessing significant spatial implications.

Second, supposing that we were clear on the outcomes being sought and measured for in integration research, how well could we compare such outcomes—which are often intangible—against the associated outlays or “costs”? For example, Cheshire (and a host of others) criticize the expensive costs of MTO—estimated to be approximately $3,000 per head. This figure leads Cheshire to conclude that the identification of neighborhood effects in MTO is “comparatively small” relative to the costs. However, this begs the question as to how such a scale is to be weighed. What is the appropriate amount of welfare that must be gained? What is the degree of neighborhood effects that must be identified as being present to sufficiently substantiate the costs to such policy? It can be argued that such a determination is a value-judgment in itself. This point, in addition to the points mentioned above, lead to the suggestion that perhaps a flaw in the integration debate and its accompanying framework of evaluation is

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609 Although historians contend that the Civil War began as heated debate over state sovereignty, it was fueled by the issue of slavery and African American rights.
610 Ranges of 38 to 59 are provided circa 1910, with a massive increase in dissimilarity in the range of 81 to 89 in 1940. See Massey and Denton, 1993, p. 21
611 Cheshire, 2007, p. 18. This figure not only includes the actual move but the associated research, housing counseling, and other necessary coordination.
612 Ibid.
that we have attempted to provide an economic measure to a social good that cannot simply be relegated to a singular form of calculation. In other words, there exists a plurality of values as it relates to residential integration.

Recent scholarship has addressed this very issue. Since 1948, the BBC has hosted a series of radio lectures entitled the “Reith Lectures” that deal with “significant contemporary issues, delivered by leading figures from relevant fields.” In 2009, the guest lecturer was Michael Sandel, Professor of Government at Harvard University. Among other lectures, Sandel offered thoughts on “markets and morals,” with his primary theme being that “markets leave their mark.” In other words, markets tend to change the nature of the people, places and things they encounter.

Sandel echoed this sentiment in his 2009 book *Justice* where he points out that creating markets for otherwise aesthetically valued goods such as pregnancy/surrogacy, reading a book, civic virtue, etc., reduces the otherwise pluralistic values of such goods to mere utility or money.

Although this idea is not new, it was intuitive of Sandel to address this topic and in doing so validate it as a “contemporary” issue. In his book, he concludes his chapter on markets with the question: “are there certain virtues and higher goods that markets do not honor and money cannot buy?” Here, we might extend this idea with a related question of our own: is social integration—the idea of racially heterogeneous neighborhoods—a “higher good” that cannot be reduced to an equation in aggregate utility? At this point, my aim in the thesis will be to attempt to demonstrate that residential integration is such an ideal—a “higher good” that is often presented in the context of economic and utilitarian evaluations, and yet, can also transcend such a context. The goal of this endeavor is to provide a more comprehensive evaluative framework by which to assess residential integration policy and outcomes, one that accounts for the social costs and net welfare gains in addition to the nature of society and integrated social arrangements.

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614 Ibid., for specific link to speech, see http://www.bbc.co.uk/programmes/b00kt7sh for the lecture titled “Markets and Morals.”


616 This idea carries all the way back to the time of Aristotle and his exercise of determining the *telos* of a particular social practice, i.e., its purpose, end, or good. Sandel describes this as the process of “identify[ing] the norms appropriate to social practices by trying to grasp the characteristic end” (Page 98).

617 Ibid., Page 102
as a higher good. Therefore, while this chapter and its subsequent discussion have explored residential integration through an economic paradigm, I will now introduce an additional, often unexplored vantage point by which to engage this discussion: the ethical paradigm.
Chapter 4: The Ethics of Residential Integration

In contrast to the previous chapter, this chapter aims to explore residential integration in an ethical paradigm. The chapter will be outlined as followed: Part I will provide a short summary of where this study has taken us upon reviewing the last two chapters. Further, this section will introduce the “normative argument.” While the normative argument is presented first and without initial qualification, the greater part of this chapter and post-script is dedicated to supporting the considerations of this argument. In Part II, I introduce the work of John Rawls and relate his work to the normative argument and residential integration. While Part II explicates the value of Rawls, Part III presents what I understand to be intractable Rawlsian problems as it relates to supporting the normative argument. However, these problems do not suggest that Rawls should be dismissed altogether. Therefore, in Part IV, I argue for an adjustment to the Rawlsian treatise that would have significant implications, particularly as it relates to the normative argument and the ethics of residential integration. These implications are explored more closely in a post-script to the chapter. Finally, the post-script ends by summarizing my contribution to the residential integration discussion as well as the conclusions that can appropriately be reached.

PART I: Residential Integration—A Normative Approach

Among other things, the previous chapters have provided the following insights in this exploration.

(1) Segregated black households have suffered adverse impacts occurring in the market, as evidenced in the recent subprime financial crisis. Further, an argument can be made that the effects of such impacts are exacerbated for segregated black communities as a function of their spatial concentration (i.e., concentrated foreclosures).

(2) While there may be evidence of increased risk and vulnerability for segregated low-income minorities in the wake of a financial crisis, the argument for mixing through
presumed dispersal cannot be substantiated based upon the evidence in Chapter 3. Further, there seems to even be evidence suggesting that segregation has its own economic benefits.

(3) The empirical model and subsequent discussion reflect an exploration in residential integration through an economic paradigm. This paradigm follows the worn path already tread by the existing social science world. However, there are reasons for concern within this framework, and additionally, with the framework itself.

The Evaluative Integration Framework I have referenced in the last two chapters is, in essence, a framework by which to gauge welfare considerations—both for segregated communities and their households as well as the aggregate social whole. As the post-script to Chapter 3 attempted to articulate, there are methodological issues related to the nature of research that has taken place within this framework—including my own. Supposing, however, that each methodological issue was satisfactorily addressed in US residential housing studies, would we have consensus on the benefits or drawbacks of integration? Would our policy in this area be more transparent, clear, and uncontested? At best, we might very well answer in the affirmative to these important questions. However, suppose we offered an additional question: if every methodological drawback was appropriately attended to, would all considerations relative to US residential housing arrangements be addressed? The answer, I submit, is “no.” Beyond methodological issues in the empirical literature and within my own studies (A1 & A2), there are moral and ethical considerations that would remain unaccounted for should the Evaluative Integration Framework be our singular lens for evaluation and interpretation of residential housing outcomes.

In this thesis, I have located the Evaluative Integration Framework under a general utilitarian ideology. As mentioned, utilitarianism is far more multi-faceted and far-reaching than it is often credited for. However, in this thesis, I utilize this term in its most general sense: the maximization of utility (the greatest “good”) in an aggregate social context (the greatest “number”). This ideology is still very much appealed to in economic theory, even normative economics.\footnote{By normative economics, I refer to value judgments that occur within an economic paradigm.} As former Oxford economist Donald Hay suggests, economic efficacy can easily
be traced to earlier utilitarian sentiments of maximizing pleasure and minimizing pain on behalf of the agent. He writes: “Seeking pleasure and avoiding pain is the same as maximizing utility, and all human efforts are directed towards that end. This idea was transferred more or less without amendment into economic analysis.”619 Thus, to determine efficiency, the optimal arrangement is the one that provides maximum aggregate utility. As mentioned, this is the skeletal system of the existing Evaluative Integration Framework for residential integration.

I submit, however, that the multi-faceted nature of integration, community, and US race relations are not adequately captured in a utilitarian framework, given the singular aim of such a framework. This statement begs the question: What facet(s) of residential integration is the utility framework failing to capture? Here I offer two main ethical elements relevant to residential integration that have escaped the Evaluative Integration Framework as I have defined it.620 The first is the issue of societal fairness and social equity based upon the presence of enhanced risk and vulnerability in the wake of a market failure as a function of living in a segregated Low-Mix Black community. To put it brusquely, we might state that it is unfair when sectors of society are more socially or economically vulnerable and “bear a disproportionate share of environmental risks.”621 While the efficiency model may be of great importance insofar as providing the optimal social arrangement for utility maximization, it fails to consider the distribution of this utility. Sen writes: “The trouble with this approach is that maximizing the sum of individual utilities is supremely unconcerned with the interpersonal distribution of that sum. This should make it a particularly unsuitable approach to use for measuring or judging inequality.”622 In the case of residential segregation, we have evidence that in the wake of the subprime crisis market failure, segregated African-American communities were disproportionately impacted and suffered aggravated social disadvantage from policies and business practices that were, in theory, “evenhandedly applied to all races.”623 Such adverse impacts, as mentioned, represent a failure of “fair housing” where citizens, whether black or

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620 One may argue that the two ethical elements presented (“normative argument”) are contrived and undefended. However, while I state the ethical elements up front, the chapter aims to substantiate their inclusion both implicitly and explicitly.
621 This term comes from Wolff and De-Shalit (2010) in a direct reference to black residential segregation in the US. See Wolff and De-Shalit, 2010, p. 183. They suggest that an equal society is one where it is difficult to tell who the worst off actually are (p. 131).
622 Sen, 1997, p. 16
623 Galster, 1999, Page 124
white, have the opportunity to “live in an environment where one’s life chances are not unduly
constrained.”

To summarize, we can describe the first ethical issue of the normative argument as a consideration in social equity.

The second ethical element that the Evaluative Integration Framework fails to address is the issue of “social integration” as an end, and not necessarily a means to an end. This speaks to the consequentialist nature of the Evaluative Integration Framework. Velasquez (1982) suggests that the major drawback to a utility framework is its inability to deal with moral issues, and more specifically, the moral issue of justice (how utility is distributed). This is not to suggest that the Evaluative Integration Framework is amoral or devoid of ethical considerations. However, they are ethical considerations of a very specific kind. For example, as discussed, a normative criterion for Galster’s framework was a consideration in “equity” where disadvantaged members either lost welfare by residing with members of their own community or gained welfare by integrating with members of an advantaged community. However, while this might be understood as an ethical consideration, the rightness of this ethic is based upon the consequence of the activity in question (integration = more welfare, etc.). This consequentialist approach, commensurate with traditional economic cost-benefit discourse, seems to limit the full range of ethical considerations as it is still conceived under the greater paradigm of utilitarianism. This is in contrast to an ethic that is not employed as a means to an end, but is rather an end in itself. Such an ethic asks: “Is it right?” in contrast to “Does it work?” Cramp (1995) captures this idea very well: “[Consequence-based ethics] is symptomatic of utilitarianism's fundamental indifference to ethics conceived as concerned with what is right in itself.”

This argument primarily addresses how we value integration. We ask: should integration be valued for what it produces (consequentialist argument)—or is there an inherent value to residential integration in itself? To summarize, we can describe the second ethical issue of the normative argument as a pluralistic valuation of integration (valued as both a means and an end).

624 Ibid.
626 Describing utilitarian economics, Cramp writes: "For our personal purposes, [consequence-based ethics] is compromised by virtue of its being the effective philosophical basis of orthodox economic theory, which, as I have hinted, validates market 'success' whatever its character" (p. 10). See Cramp, Anthony B. "What Kind of Financial System Do We Want?" Ethics and Finance Group Paper No.2 (1995): 1-14. Print.
The semantic shift from considerations in optimality and sub-optimality to right and wrong introduces a more explicit moral dimension to the integration discussion. Thus, we shall refer to the two aforementioned ethical considerations relative to residential housing arrangements in the US as the *normative argument*. This dimension has been notably absent in the existing appraisal of mixed-community initiatives. As discussed, Paul Cheshire and others have critiqued residential integration as constituting nothing more than a “faith-based displacement activity.”

In response, we might ask: is there space for a normative element in our evaluative framework as it relates to residential social arrangements? Can residential integration endeavors be substantiated on ethical values or principle? While the absence of this line of inquiry in the existing literature might leave us skeptical as to the relevance of ethics in the residential integration debate, value-laden ideals and language can often be found in social mix discussions. A primary example of an appeal to the normative argument comes from Rowland Atkinson. He writes: “If resident outcomes improve by virtue of living in more socially diverse areas then programs of dispersal should be given further support. *Nevertheless, can we accept forms of concentrated deprivation regardless of the evidence on measured impacts?*”

Atkinson implies that there may indeed be more to the conversation of residential integration than merely aggregating and netting out an equation in total welfare. Further, this suggests a role for principle- or faith-based investigation as it relates to the analysis of “resident outcomes.” The implication is based upon the idea that there is something wrong or ethically unjust about segregation and often doing what is “right” may not cohere with doing what is optimal, as some morally impelled actions may actually reduce utility or efficiency. Indeed, while a survey of the literature related to residential housing arrangements offers no explicit ethical justification for reduced segregation, appraisals of why residential integration is necessary often cite ethical appeals to the principle-based notion of achieving racial *justice*.

For example, Massey and Denton, in their seminal work on residential segregation, call for “moral commitment” and define such an ethical impetus in terms of “justice.” They write: “As racial inequality sharpens, white fears will grow, racial prejudices will be reinforced, and

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627 Cheshire, 2007
628 Atkinson, 2005, p. 25 (Italics mine)
629 By “faith” I mean belief or conviction in the absence of evidence.
630 Massey and Denton, 1993, p. 235
hostility toward blacks will increase, making the problems of racial justice and equal opportunity even more insoluble.”  

Similarly, Hartman et al. (2010) comment that the diverse group of contributors for their recent work on the integration debate consists of “an extraordinary collection of researchers and activists…all of whom have a deep commitment to racial justice.” One author defines racial justice in housing as working to “ensure that people of color will have access to housing, and [promoting] the ideal of racial and ethnic diversity in the suburbs.”  

Further, it was the state supreme court of New Jersey responding to appeals for “social justice” on behalf of segregated black households who recognized the unethical nature of exclusionary zoning in Mount Laurel and “attempted to move people still further toward the recognition that society could no longer isolate itself from the evils of concentrating poverty in the urban ghettos of the metropolitan area.”

Perhaps more explicit than New Jersey’s state supreme court justices, Pendall et al. (2005) refer to exclusion as “unethical” and in the case of exclusionary zoning, “illegal.” Thus, even in the midst of efficiency arguments and economic consequentialism, we hear faint cries of residential segregation being unjust, unequal, and unethical.

Based upon this usage, we might properly interpret the appeal to justice as the fair and equal distribution of utility (i.e., welfare and well-being of members of society) in a given social arrangement. This expression has a clear moral and ethical undertone. Velasquez provides a helpful summary:

Justice and fairness are essentially comparative. They are concerned with the comparative treatment given to the members of a group when benefits and burdens are distributed, when rules and laws are administered, when members of a group cooperate or

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631 Ibid., page 236 (Italics mine)  
634 Haar, 1996, p. 52  
compete with each other, and when people are punished for the wrongs they have done or compensated for the wrongs they have suffered.\textsuperscript{636}

Thus, as discussed in Chapter 2 and demonstrated in Chapter 3, the observation that large portions of society who find themselves more vulnerable to risks and adverse market impacts leads us to condemn such a social predicament as unjust. Indeed, the long-standing American ethos of fairness and equality “with liberty and justice for all” is violated when sectors of society are disadvantaged as a function of their place (as in the case of the subprime financial crisis).

Moreover, the egalitarian ideal of equality among US inhabitants is reinforced in our language to the point of being ubiquitous. The repeated motto “United We Stand” has been proclaimed from revolutionary times up to our present context, and finds new commitment and momentum with our country’s war efforts and most recently in its reaction to the September 11\textsuperscript{th} terrorist attacks. The U.S. pledge of allegiance to our nation’s flag contains the phrase “One nation, under God, indivisible, with liberty and justice for all.” Further, our money reminds us of our unity, as the Latin “e pluribus unum” or “out of many, one” is embedded on each piece of US coinage. Even the very idea of the “University” is an egalitarian overture implying “unity out of diversity.”

Yet while US language is often dressed up in egalitarian ideals of fairness and equality, the social reality reveals a stark difference. The disparity between language and reality has not gone unnoticed and unaddressed, however. Integration efforts housed under language such as “spatial equality,” “smart growth,” or even program titles like “Moving to Opportunity” and “HOPE VI” stand as deliberate overtures toward US social justice. The idea of social justice as an impetus for just social policy is not new, and had gained considerable momentum shortly after the great depression in the mid-1930s. Indeed, many of the measures of President Roosevelt’s New Deal were driven by the ideals of social justice.\textsuperscript{637} Turner et al. (2009) trace this ethical line of reasoning spanning from Franklin Roosevelt to Lyndon Johnson into the late 1960s:

\begin{quote}
Harry Truman’s Fair Deal strove to continue the momentum of the New Deal. Lyndon Johnson’s Great Society was to be great precisely because it elevated social and economic justice to explicit national policy. Though far from having carried the day,
\end{quote}

\textsuperscript{636} Velasquez, 1982, p. 75
social justice was in play in the American psyche for the three decades from the onset of
the New Deal through the cresting of the civil-rights movement in the mid-1960s.638

PART II: Supporting the Normative Argument—Rawlsian Justice and Social Integration
in Housing

This thesis has demonstrated that utilitarian sentiments serve to support and justify the efficiency
considerations present in the Evaluative Integration Framework. If our aim is to incorporate an
ethical component in the integration discussion as identified in the normative argument, such an
argument would find support and justification in the field of justice. To be sure, utilitarianism
proper is not anathema to justice, and further, is considered a form of justice. However, as
mentioned, this particular brand of justice, as I have defined it, brackets out the ethical
components identified as being necessary in our understanding of housing arrangements.
Therefore, to give full support to the normative argument and flesh out its contributions relative
to the integration discussion, I have chosen to begin with a conception of justice articulated
against the backdrop of utilitarian ideology. The seminal expression of such justice is found in
the work of John Rawls. Jon Mandle (2009) writes: “Although the term ‘justice’ is used in a
[sic] many different contexts, justice as fairness addresses a fairly narrow topic, although an
indisputably important one. It is concerned with what we might call ‘basic social justice.’”639
Rawls’ work is known for an array of important characteristics, but it is best understood as a
response to utilitarian conceptions of justice, or what he calls the “predominant systematic
theory” in modern moral philosophy.640 He identifies the brand of utilitarianism he is responding
to: “The main idea is that society is rightly ordered, and therefore just, when its major institutions
are arranged so as to achieve the greatest net balance of satisfaction summed over all the
individuals belonging to it.”641

638 Ibid.
641 Rawls, 1971, page 22
Rawls’ theory of justice offers a promising ethical framework for exploring the inequality of impacts relative to segregated black and white households occurring in the wake of the subprime financial crisis. His approach is favored as possessing a greater degree of “egalitarian criteria” for a system of justice and helps to concentrate the “variety of principles of equity, fairness and justice held and applied independently” by “ordering and prioritizing or tradeoff.” Further, his theory of justice provides a means to overcome otherwise consequentialist systems of determining what should or should not be done, a necessary step in the survey of fairness and justice in housing arrangements. It has been said that Rawlsian justice is employed where institutions “undertake to avail themselves of the accidents of nature and social circumstances only when doing so is for the common benefit.”

John Rawls was a political philosopher who wrote, spoke, and taught at the highest echelon of western universities before his death in 2002. His contributions toward justice are far reaching and are best articulated in his seminal work *A Theory of Justice*. Rawls argued against the utilitarian position that justice should be viewed as the outcome of utility. In other words, he rejected the idea that the principle of utility is the correct view for society’s understanding of what is just. He further rejects the belief that an individual’s rationality is representative of all rationality. He writes: "There is a sense in which classical utilitarianism fails to take seriously the distinction between persons. The principle of rational choice for one man is taken as the principle of social choice as well." Rawls, in contrast, gives primacy to liberty and individuality in society so as to construct and seek their own ends.

642 Sen, 1997, p. 22
644 This ethical line of inquiry is more appropriately referred to as “Deontological ethics” or rule or principle-based ethics. Robin Lovin provides a clear definition: “Deontological ethics makes doing one’s duty, doing what is required, the key determinant of whether one is a good person. Deontological ethics evaluates actions by asking whether this action was the right thing to do according to a rule, not by assessing what happens as the result of the action.” See Lovin, Robin W. *Christian Ethics: An Essential Guide*. Nashville: Abingdon, 2000. Print. (Page 42)
646 Curtis, Michael. *The Great Political Theories*. Vol. 2. New York: Avon, 1981. Print. (Page 426). Similarly, Amartya Sen critiqued the utilitarian approach as “A blunt approach to measuring and judging different extents of inequality even if the assumption is made that everyone has the same utility function” (Sen, 1997, p. 18). In other words, while this approach measures the sum of individual utilities, it is “unconcerned with the interpersonal distribution of that sum” (p. 16).
647 Rawls, 1971, p. 187
Rawls’ theory of justice is based on the principle of social contract, or the idea of giving up certain rights and liberties so as to enhance social order. However, this social contract is not necessarily an historical reality, but rather, it is an imaginary device used to discover our moral principles.\textsuperscript{648} The purpose of the contract is to elucidate what is just, and moreover, to arrange society around just ideals. He writes: “Justice is the first virtue of social institutions, as truth is of systems of thought. A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust.”\textsuperscript{649}

How does one go about determining what is just? Rawls proposes that justice be constructed in a neutral state where the following question is considered: What principles would we live by if we knew we would have to live together in a society governed by these principles but did not necessarily know our place in society? Rawls proposes a hypothetical state where individuals are unaware of their natural abilities, place, and position in the social hierarchy of society. This hypothetical state is referred to as the “original position.” He writes:

\begin{quote}
By contrast with social theory, the aim is to characterize this situation so that the principles that would be chosen, whatever they turn out to be, are acceptable from a moral point of view. The original position is defined in such a way that it is a status quo in which any agreements reached are fair. It is a state of affairs in which the parties are equally represented as moral persons and the outcome is not conditioned by arbitrary contingencies or the relative balance of social forces. Thus justice as fairness is able to use the idea of pure procedural justice from the beginning.\textsuperscript{650}
\end{quote}

It is in this equilibrium, according to Rawls, that societal decisions should be made. Decision making without assuming one’s particular standing in society, class position, or social status is referred to as the “veil of ignorance.”\textsuperscript{651} The outcomes of decision-making in this equilibrium should be an acceptable standard to all parties for a just distribution of social goods such as

\textsuperscript{649} Rawls, 1971, p. 3
\textsuperscript{650} Ibid., page 120
\textsuperscript{651} Ibid., page 137
liberty, income, wealth, and opportunity. In other words, if one had no influence relative to where they were born, what abilities they were born with, and what future fortunes they would have, they must articulate what kind of society would they would choose to frame so as to ensure their standing in society and opportunities for advancement were equal, fair, and just, and not simply subject to the “luck of the draw” in a social lottery. Furthermore, Rawls points out two important characteristics of the participants in the original position. First, they are rational. He writes:

The concept of rationality invoked here, with the exception of one essential feature, is the standard one familiar in social theory. Thus in the usual way, a rational person is thought to have a coherent set of preferences between the options open to him. He ranks these options according to how well they further his purposes; he follows the plan which will satisfy more of his desires rather than less, and which has the greater chance of being successfully executed.

Second, parties in the original position are mutually disinterested. He describes this attribute:

The assumption of mutually disinterested rationality, then, comes to this: the persons in the original position try to acknowledge principles which advance their system of ends as far as possible. They do this by attempting to win for themselves the highest index of primary social goods, since this enables them to promote their conception of the good most effectively whatever it turns out to be. The parties do not seek to confer benefits or to impose injuries on one another; they are not moved by affection or rancor. Nor do they try to gain relative to each other; they are not envious or vain. Put in terms of a game, we might say: they strive for as high an absolute score as possible.

With participants understood as rational and mutually disinterested, this hypothetical exercise creates a healthy tension to move individuals away from the complications of self-interest and more toward an idea of social justice, which Rawls defines as: “the principle of rational prudence applied to an aggregative conception of the welfare of the group.” Thus, the veil of ignorance

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652 Curtis, 1981, p. 426  
653 Rawls, 1971, p. 143  
654 Ibid.  
655 Ibid., page 24
is ultimately exercising rationality without exercising personal bias in the decision making process.

The original position and the veil of ignorance, the conditions under which the hypothetical agreement is to take place, is the first element of Rawls’ thesis. Next, Rawls suggests that his theories of justice would be chosen under this hypothetical contract. There are two:

“First Principle: each person is to have an equal right to the most extensive total system of basic liberties compatible with a similar system of liberty for all. Second Principle: social and economic inequalities are to be arranged so that they are both (a) to the greatest benefit of the least advantaged, consistent with the just savings principle, and (b) attached to offices and positions open to all under conditions of fair equality of opportunity.”

Rawls gives the first principle of liberty lexical priority over the second principle. As Wolff (2006) writes, “It is no defence of slavery that it makes the slaves better off than they would be with their freedom. The fact is that enforced slavery is inconsistent with recognizing equal liberty, and so must give way even if it has economic advantages for the slaves.” The second principle is where Rawls make a unique contribution. Referred to as the “difference principle”—Rawls allows for inequalities in a society based upon the condition that such inequalities actually improve the lives of the disadvantaged. This is a conditional statement: “if an inequality is necessary to make everyone better off, and, in particular, to make the worst off better off than they would otherwise be, then it should be permitted.” Part (b) of the second principle simply states that everyone should “have an equal opportunity to qualify for the more privileged positions in society; in other words, morality prohibits discrimination.”

To understand Rawls’ second theory of justice, one must properly understand his position on desert. The principles of justice, forged in the original position, are agreed upon without the knowledge of how natural and social advantages or disadvantages would be distributed. For

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656 Ibid., p. 302
658 Ibid., page 159. One of the major applications of this theory relates to taxation. If a society is highly unequal from an income standpoint, such inequality is allowed under the Rawlsian model if this inequality is to the greatest benefit to the least advantaged. Thus, society may allow someone to earn millions of dollars if the same society has a redistributive tax system allowing for the least advantaged to gain from this arrangement.
659 Velazquez et al., 1985, p. 129
example, as Velazquez explains, “Would such a group of rational, self-interested people [in the original position] agree to live in a society governed by a principle that allowed discrimination against blacks if none of them knew whether he would turn out to be a black person in that society?” Rawls believes that many advantages and disadvantages of the well-off and least-off in society are, in fact, arbitrary. Regarding the natural skills, talents, and success attributes we are endowed with at birth, he writes: "Intuitively, the most obvious injustice of the system of natural liberty is that it permits distributive shares to be improperly influenced by these factors so arbitrary from a moral point of view." This is somewhat of a response to market liberalism, where what is distributed is proportionate to merit. The implication under this ideology is that individuals come from blank slates with equal starting points. Thus, he critiques liberalism because “even if it works to perfection in eliminating the influence of social contingencies, it still permits the distribution of wealth and income to be determined by the natural distribution of abilities and talents.” For Rawls, liberalism would ideally propose that the advantages of those with greater natural endowments be limited to those that further the good of the less fortunate sectors of society.

This understanding of natural and social contingencies helps us to better understand Rawls’ second theory of justice. While social and natural inequalities are arbitrary in one sense, ‘justice as fairness’ treats them each differently. Fair equality of opportunity (principle 2-b) “prohibits social inequalities (such as different class backgrounds) from being transformed into unequal shares of social resources.” However, regarding the difference principle (principle 2-a), this principle “allows natural inequalities in talent and ability to influence shares of social resources when doing so works to the advantage of the least advantaged position.”

One might legitimately ask why, in the original positions, these specific principles of justice would be chosen as opposed to a more utilitarian standard. Rawls offers three primary responses to this. First, he believes that the parties in the original position want what Rawls refers to as

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660 Ibid., p. 128
661 Rawls, 1971, p. 72. Mandle is quick to assert, however, that this does not make Rawls a “luck egalitarian” which holds that all inequalities are arbitrary and should be redressed. In fact, Rawls states that the distribution of natural talents is neither just or unjust—it simply is. What we do with those talents, as a society, is what should demand our considerations in justice. See Mandle, 2009, p. 24
662 Ibid., page 73
663 Ibid., page 74
664 Mandle, 2009, p. 29
“primary social goods.” He writes: “The expectations of representative men are, then, to be defined by the index of primary social goods available to them. While the persons in the original position do not know their conception of the good, they do know, I assume, that they prefer more rather than less primary goods.”665 Further, he identifies these goods as rights, liberties, opportunities and powers, income and wealth.666 Rawls believes that these are the things that rational, mutually disinterested people want (in addition to whatever else they might want).
Wolff writes:

That is, whether your conception of the good is a life of unadulterated pleasure, monastic virtue, hunting, shooting, and fishing, consciousness-raising, or whatever, Rawls’s primary goods are desirable. You always want liberty, opportunity, and money, supposes Rawls, as all-purpose means to your personal ends in life. Thus agents in the original position know that they want primary goods.667

The second reason Rawls believes we would choose his two principles is because “the parties to the original position know they are to live in a society in which they must cooperate with each other, although there will be conflicts among themselves.”668 This is a demonstration of what has been referred to as “pure procedural justice,” where a just scheme that is pre-arranged and agreed upon is sufficient to bring about just outcomes, whatever they may be. Lebacqz (1986) points out that pure procedural justice relates to Rawls’ theory in general: “whatever is chosen by the parties in the original position is just simply by virtue of being the outcome of the decision procedure. Thus, if the parties do in fact choose Rawls’ two principles, then these are the principles that provide justice.”669 Pure procedural justice locates the burden of determining

665 Rawls, 1971, p. 93. It is important to mention that Rawls slightly alters his interpretation of primary social goods between his original writing of Justice as Fairness (1971) and Political Liberalism (1993). Where persons in the original position “want” more or less primary social goods in JAF, Rawls later suggests that primary social goods were things persons in the original position “needed” (Rawls, 1993, p. 207). This alteration, however, does not affect the substance of Rawls argument or usage of primary social goods as all-purpose means to achieve one’s given ends.
666 Ibid., page 92. The idea of primary social goods is a response to the charge that, within the veil of ignorance, how might participants choose liberty as a principle worth being sought if they have no prior conception of the good? Thus, Rawls offers primary social goods as a “thin conception of the good.” See Wolff, 2006, p. 156.
667 Wolff, 2006, p. 156
668 Velasquez, 1985, p. 129
justice in the process so that personal bias and individual interest do not cloud our debates regarding the outcomes.

Third, the parties involved will choose rationally. As Wolff (2006) points out, there are several differing models of rational choice theory. This might include the maximization of expected utility (maximizing average value). This theory involves the association of utility points or *utils* with a given choice. Thus, we have an average figure of utility for each of our choices (where we live, what we wear, where we work, etc.) and we choose the option with the highest average. Rawls assumes, however, that such behavior is irrational. Rather, he assumes that the parties in the original position, being rational and mutually disinterested, will choose not to maximize the maximum utility, but rather, will choose to maximize the minimum (“maximin”). The “maximin” rule is essentially choosing the circumstance, not with the greater potential for gain, but with the least potential for loss, when reviewing an index of decision making options from the perspective of the least favored. Why would justice be considered from the perspective of the least favored? Because in the original position, behind a veil of ignorance, one does not know if they will be born into a position of the least favored or not. Wolff concludes: “We can now see that the burden of Rawls’ argument comes down to the claim that the rational principle of choice in the original position is maximin.”

### Spatial Implications of Rawls

As Chapters 2 and 3 have discussed, residential integration has been cast in a consequentialist framework which does not necessarily allow for the full expression of ethical considerations inherent in the discussion. Rawls, however, might alternatively locate this issue under the

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670 Wolff, 2006, pages 161-162. The formula for ‘average utility’ involves taking the utility (assuming this can be quantified) for a given choice and its outcome and multiplying this by its probability. After this, each amount is summed to arrive at the average utility.  
671 Ibid., page 163. Wolff comments that some have argued that they may be inclined to gamble in the original position, and thus choose a principle other than the maximin. “On the contrary,” Wolff explains, “Rawls argues that the use of the maximin principle and, therefore, the selection of the Difference Principle, is the more rational decision because of the special circumstances of the choice” (p. 167). The circumstances of the choice refer to the idea that once principles are chosen, there is no going back. In the process of pure procedural justice, one must live with the outcomes that were earlier agreed upon, even if that means that you are born into the most unfortunate of situations (even though you may have gambled, etc.).
“circumstances of justice.” He writes: “Thus, one can say, in brief, that the circumstances of justice obtain whenever mutually disinterested persons put forward conflicting claims to the division of social advantages under conditions of moderate scarcity.”

According to Rawls, the conditions of modern scarcity mean that “fruitful ventures must inevitably break down,” thus leading to the issue of how spatial goods are distributed. Rawls’ theory posits that the rational hypothetical exercise of the original position would reject a utilitarian framework for determining which distribution is just.

As we have seen, utilitarianism would in principle allow the sacrifice of the basic liberties of some if this led to an increase in aggregate utility. If we can establish that the parties would be especially concerned to protect their basic liberties (and less concerned with additional material gains beyond the minimum threshold level), this would provide a very strong argument for the two principles of justice over a utilitarian alternative.

To be clear, Rawls was not implying that natural distribution is just or unjust; natural distribution simply is a fact. How these facts are dealt with, however, speak to the justice and injustices of society. Just as people naturally differ in their abilities (intelligence, skills, acumen, etc.), they naturally differ in their place, i.e., where they are born. As Mandle points out, the problem with utilitarianism is that in aiming to maximize a particular good (say, housing values), it “must be indifferent to the distribution of that good except insofar as the total is affected.” As explored in this thesis, current research tells us such segregation may ultimately be optimal based upon certain utilitarian criteria. However, according to Rawls, a utilitarian assessment such as this is problematic for producing normative ethical judgments. Rawls calls for “redress” where natural inequalities are recognized and compensated for. He writes:

This is the principle that undeserved inequalities call for redress; and since inequalities of birth and natural endowment are undeserved, these inequalities are to be somehow compensated for. Thus the principle holds that in order to treat all persons equally, to

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672 Rawls, 1971, p. 128
673 Ibid., page 127
674 Mandle, 2009, p. 66
675 Rawls, 1971, p. 102
676 Mandle, 2009, p. 42.
provide genuine equality of opportunity, society must give more attention to those with fewer native assets and to those born into less favorable social positions.\textsuperscript{677}

Redressing the bias of contingencies has significant implications for spatial ethics. As evidenced earlier, concentrated communities of low-income households are more vulnerable to systematic risks and market failures such as the subprime financial crisis. The US dispersal efforts aimed towards integrating black and white communities such as Gatreaux, MTO, HOPE VI or even legislative attempts such as the Mount Laurel rulings may very well find moral and ethical support in Rawlsian theory. The difference principle is not only considered ‘just’ by Rawls, but allows for the identification of what is unjust. He writes: “Injustice, then, is simply inequalities that are not to the benefit of all.”\textsuperscript{678} Accordingly, a Rawlsian appraisal of residential segregation would label any arrangement where low-income segregated minorities are exposed to market risks and vulnerabilities as being unjust since this inequality does not benefit segregated households. Why would one accept this line of reasoning? Because persons in the original position acknowledge principles which advance their own ends as far as possible, even though they are unaware of such ends. Rather, they are aware that they want to secure and maximize primary social goods such as liberty and opportunity. Thus, rationally speaking, if you didn’t know whether you would be born black or white, rich or poor, and further, if you did not know what place you would be born in, would you construct a world where you could be born into an area where your primary social goods were compromised and at greater risk? More germane to adverse impacts—would you construct a world where subprime loans and subsequent foreclosures were concentrated—risking that you might be born into such a community? Rawls answers “no”—and thus submits that institutions should be constructed in such a way to correct for such an unfair distribution—which may very well include dispersal efforts such as MTO and HOPE VI.

Wolff offers a contemporary understanding of the original position and the accompanying veil of ignorance:

\begin{quote}
Suppose you have just woken up in a hospital bed. First you realize that you are suffering from an extensive memory loss. Looking down you see that you are swaddled
\end{quote}

\textsuperscript{677} Ibid., page 100
\textsuperscript{678} Rawls, 1971, p. 62
from head to toe in bandages. You don’t remember your name, sex, or race, nor can you discover these by self-inspection (the tag on your bandaged wrist only has a number). Facts about your family, occupation, class, strengths, skills, and so on are all lost to you. You do recall some general theories you once learnt in economics and sociology classes, but you cannot remember anything from your history lessons. In fact, you could not even say what century it was. Then into the ward walks a man in a white coat. ‘Good morning’, he says, ‘I am Professor John Rawls. Tomorrow your memory will return, your bandages will be removed, and you will be free to leave. So we don’t have much time. What we need you to do is to tell us how you would like society to be designed, bearing in mind that, from tomorrow, you will be living in the society you have chosen. We want you to design society purely in your own interests. Although you do not know what your actual interests are, I can tell you that you want as many primary goods as possible—liberties, opportunities, wealth, and income—and you should not consider the fortunes of anyone else. I will come back this evening to see what you have decided.’

Under these conditions, what would it be rational to choose?⁶⁷⁹

We might take this very example and make a few adjustments for our purposes. Suppose that we replicate this scenario provided by Wolff up to the point of Rawls entering the room. However, he offers his question a bit differently:

Tomorrow your memory will return, your bandages will be removed, and you will be free to leave…What we need you to do is to tell us how you would arrange residential housing in the United States, bearing in mind that, from tomorrow, you will be living in the society you have chosen. Although you do not know what your actual interests are, I can tell you that you want as many primary goods as possible—liberties, opportunities, wealth, and income—and you should not consider the fortunes of anyone else. I will come back this evening to see what you have decided.’ Under these conditions, what would it be rational to choose?

Assuming this unique situation, this Rawlsian illustration makes a compelling case that we would not choose housing arrangements given under the status quo. The fact that I do not know

⁶⁷⁹ Wolff, 2006, p. 159
my skin color (under the bandages) and yet must decide how I would arrange housing, leaves me open to living in a residentially segregated white or black neighborhood. If I were to live in the latter, based upon the suggestion that minority-segregated neighborhoods potentially leave members more vulnerable and at risk in the wake of market failures, I would be compromising my desire to maximize primary social goods.

Supposing one was to answer in a similar fashion, we might rightly call residential segregation unjust. Because an unequal distribution of primary goods is not to everyone’s advantage in this particular arrangement, Rawls would suggest institutions should be designed in order to satisfy the principles laid out in his two theories of justice. This, in turn, would result in redressing the bias in social contingencies as overtures toward equality. As laid out in the literature review, we might properly understand efforts such as Gatreuax, Moving to Opportunity, HOPE VI, and legislation such as the Mount Laurel rulings as efforts aimed at the achievement of Rawlsian equality.

Further, to relate the Rawlsian framework to Galster’s equity and efficiency considerations, Rawls would see the case for equity (conceded by Galster and evident in A1 and A2) as superior to the case for efficiency (whereas the existing Evaluative Integration Framework gives equal consideration to them both). This is due to the principle of “maximin” where rational and mutually disinterested participants in the original position would choose to maximize the minimum in society, or the position of the least well off. Further, efficiency is determined based upon net utility for all as an outcome of a given social arrangement. In contrast, though, pure procedural justice does not focus attention on the outcome, but rather, on the procedure as the mechanism meant to wield justice. A just procedure will inevitably produce a just outcome based upon this idea. This leads to the famous Rawlsian suggestion of sharing in one another’s fate—whatever that fate may be:

In justice as fairness men agree to share one another’s fate. In designing institutions they undertake to avail themselves to the accidents of nature and social circumstance only when doing so is for the common benefit. The two principles are a fair way of meeting
the arbitrariness of fortune; and while no doubt imperfect in other ways, the institutions which satisfy these principles are just.\textsuperscript{680}

Thus, institutions should be arranged toward the considerations of justice and “maximin.” In response to this, we may envisage a cry from members of society who would suffer the loss of utility based upon these arrangements. The analysis of A1 and A2 revealed that, in Cleveland, aggregate housing values are likely to suffer more by re-distributing households with foreclosure-prone attributes. Thus, while such an arrangement may offer advantages to Low-Mix Black households and neighborhoods (equity argument), it would create disadvantages for Low-Mix White households and neighborhoods (efficiency argument). Further, as we described, the disadvantages of Low-Mix White neighborhoods should dispersal occur would exceed the disadvantages of Low-Mix Black neighborhoods should dispersal not occur. Thus, the dispersal arrangement may allow the Low-Mix White community to claim injustice. However, according to Rawls, if such an arrangement is the outcome of pure procedural justice, or an agreement hypothetically advanced prior to societal arrangements, then such outcomes must hold. As Mandel describes: “Even in a well-ordered society where everyone shares the same abstract conception of justice, we must expect that there will be reasonable disagreement over which specific laws or policies would be just.”\textsuperscript{681} MacIntyre offers a more acute description: “[For Rawls] justice generally has priority over efficiency.”\textsuperscript{682}

Based upon this background, I submit that a Rawlsian approach to housing policy would condemn concentrated pockets of neighborhood deprivation as unjust. A social contract framed in a “veil of ignorance” would not support spatial segmentation where a portion of society finds itself exposed to the perils of market failures such as the subprime financial crisis. A Rawlsian appraisal aims, as a social objective, to move the bar from the bottom where the weak and the vulnerable of society exist.

\begin{flushleft}
\textsuperscript{680} Rawls, 1971, p. 102
\textsuperscript{681} Mandel, 2009, p. 103
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Part III: Is Rawlsian Justice—Just?

This chapter began with the suggestion that a more morally capacious framework was necessary in order to account for the economic as well as the ethical considerations inherent in the residential integration discussion. As mentioned, to assume a framework employing the former (Evaluative Integration Framework) is to risk bracketing out the latter. Further, the specific ethical issues this model fails to recognize are considerations in social equity and a pluralistic valuation of integration. Social equity is compromised when segregated sectors of society are more at risk and vulnerable in the wake of a market crisis such as the subprime financial crisis. Yet to only envisage integration as a means to produce more utility for those at risk is to miss other considerations relative to integration, i.e., that there is something wrong about partitioning ourselves off from one another in society and something right about increased contact and community among black and white households in our housing arrangements.

To miss the ethical dimension in this discussion is to miss a particular application of justice. The Evaluative Integration Framework, while employing considerations in economic efficacy and the maximization of a particular arrangement, does not give consideration to the distribution of utility leaving us to echo Atkinson’s ethical impetus that even if there is no evidence to benefits from mixing, “can we accept forms of concentrated deprivation regardless of the evidence on measured impacts?” Thus, the benefit and necessity of Rawls becomes apparent. His theory of justice, conceived as a response to the dominant utilitarian paradigm, provides a framework by which to assess and engage the integration discussion in a more comprehensive fashion in order to provide space for ethical considerations within the terms of justice. Yet a question arises, if the ethical elements of social equity and a more appropriate valuation of integration were missing prior to incorporating considerations in justice, are they now open and available after our usage of Rawls? Does Rawlsian justice give full support to the normative argument and flesh out its contributions relative to the integration discussion?

At its best, we might say that the Rawlsian exercise provides strong ethical rationale and support for the first consideration of the normative argument which charges the adverse impacts

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683 Atkinson, 2005, p. 25
disproportionately shouldered by segregated black households as a violation of social equity and fairness. When made ignorant of their natural and social contingencies, rational and mutually disinterested persons in the original position would not choose to structure society in such a way so as to leave some members more at risk and vulnerable, particularly in the wake of a market crisis. The Rawlsian framework makes for a compelling ethical argument as it relates to “maximin” and endeavoring toward social equity. However, as we turn our attention to the second consideration in the normative argument, the same degree of support is altogether absent.

Therefore, in the forthcoming section, my aim is to show that Rawlsian principles, while showing promise insofar as elucidating terms of justice outside and against otherwise utilitarian sentiments, still remain insufficient to properly buttress and support what I have called the normative argument, particularly as it relates to its second consideration. I offer two intractable problems with Rawlsian justice that will, I argue, suppress the features of the normative argument’s latter claim. This suppression would prohibit full consideration to the ethical elements relevant to the integration discussion and leave us in an ambiguous predicament ironically similar to what we initially found ourselves in.

**Why Rawlian Justice Will Not Do Justice to the Integrated Housing Discussion**

Recall that the major ethical tenets of the normative argument included the following:

1) Societal fairness and social equity are compromised when segregated sectors of society experience greater risk and vulnerability in the wake of market breakdowns such as the subprime financial crisis.

2) We miss something of the nature of social integration when we define it merely in terms of costs and benefits (such as the utility model does). To only see social integration through the eyes of the latter model is to limit the rightness of integration efforts to a

684. While this critique pieces together other criticisms of Rawls’ work, it is important to note that this is a criticism of Rawlsian principles of justice insofar as being a justificatory source for the support of the moral and ethical considerations found in the normative argument. This thesis will attempt to show that my criticisms are aimed, not only at Rawls, but at the larger contemporary understanding of justice constructed in a liberal framework.
consequentialist cost-benefit equation and to improperly value the nature of social integration.

As discussed, these issues, deemed as ethically important aspects within the integration discussion, can be left unaddressed and/or crowded out when only engaging neighborhood integration through a generalized utilitarian lens (Evaluative Integration Framework). Where efficiency arguments within the integration discussion tend to rely on the support of the economic paradigm for justification, ethical arguments within the integration discussion require a similar framework of support. Moreover, it is appropriate to look for such support in the expression of justice. Yet Rawlsian justice, a justice understood as distinct from utilitarian sentiments, while seemingly providing a credible theory of justice to buttress the first consideration in the normative argument, on closer inspection reveals insurmountable problems which, I will argue, are an impediment to the full expression of the second ethical consideration. While there is a wide body of criticism against Rawls’ two theories of justice, this particular critique has less to do with his theory in general and more to do with the usage of Rawlsian theory as a framework for justice in the residential integration discussion.

Problem #1: Rawlsian Justice Cannot Condemn Segregation, Only its Consequences

The first intractable problem of Rawlsian justice is that his theories do not properly value integration as an end, which is the basis of the second consideration of the normative argument. Under Galster’s argument for equity, Low-Mix Black households have a justifiable case for dispersal should they be disadvantaged by remaining where they are or should they gain advantage by virtue of dispersal. As mentioned in the last chapter, based upon this framework, a case can be made that Low-Mix Black families should be dispersed for equity reasons considering the argument of adverse impacts (suffering disproportionate disadvantage). The features of Galster’s equity argument would find support in Rawlsian principles, and more specifically, in the principle of ‘maximin.’ Rawls suggests that rational and mutually disinterested individuals in the original position would choose to structure the basic institutions of society in such a way as to minimize the losses of those at the bottom (as opposed to
maximizing the opportunities for those who do not find themselves in the lower tiers of society). Thus, relative to the housing discussion, the status quo of residential segregation where damage left in the wake of a market failure disproportionately falls on one group as opposed to another (i.e. adverse impacts) would be considered an injustice and would call for redress. Therefore, the Galsterian appeal towards equity as a means to residentially mix finds support in Rawls’ maximin, a principle “whereby the social objective is to maximize the welfare level of the worst-off individual.”

Yet there seems to be something missing from this argument. Galster’s usage of equity as well as Rawls’ usage of maximin both suggest that a given arrangement is justified when the situation of the least advantaged is maximized. To put this into the perspective of housing arrangements, integration efforts are justified when they ameliorate otherwise precarious living standards and/or improve the welfare of the disadvantaged. In ethical parlance, their theories suggest that it is wrong for sectors of society to be exposed to greater risk by virtue of their segregation. Yet the rightness of integration is contingent upon the fulfillment of one of two particular outcomes: increased disadvantage in segregation or increased welfare in integration. Thus we ask: would integration be wrong or would segregation be right if no welfare was lost under traditional segregated housing arrangements? What if no welfare was gained by mixing—would this still be a valuable pursuit? Should integration be valued for reasons beyond what it can produce?

The Rawlsian model, as it stands, is inadequate to answer these questions in the affirmative. By constructing the terms of justice through the sorting mechanism of pure procedural justice, Rawls demonstrates a deontological feature that can make for a rigid interpretation of justice. An example may illustrate the problem. Imagine a society where Low-Mix Black families are not susceptible to adverse impacts occurring in the market. Further, they have equal access to jobs, resources, amenities, and other “positional goods” they may have otherwise been crowded out from in the market. However, this society has a dissimilarity index of 100. In other words, blacks are totally segregated from whites as it relates to neighborhood arrangements. Is this an acceptable social arrangement? Is this a social pattern society should aim toward? Rawlsian justice, under the conditions provided in this illustration, would be satisfied. In other words, there is nothing “unjust” about this particular arrangement. Should someone be born into this

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685 Sen, 1997, p. 22
society without prior knowledge of the color of their skin, they could be satisfied knowing that they would not suffer adverse impacts, additional risk, or other disproportionate disadvantages. However, to identify such a society as being just or, more to the point, ethical, appears less than complete.

The problem, perhaps, can be attributed to how we value integration. For Rawls, the value of a particular social outcome in terms of achieving justice simply amounts to whether these terms were arrived upon under fair and impartial circumstances (original position). This, however, is to miss a larger, more pluralistic and ethically enriched conception of human interaction as a function of integration. Clearly, there are major ethical issues involved in residential segregated housing as it relates to risk, vulnerability, and welfare for low-income minority enclaves partitioned off from society. As discussed, these issues can be addressed from a utility standpoint, but this does not consider how utility is distributed among people, households, neighborhoods, etc. Thus, we may argue from a Rawlsian vantage point and claim that, under maximin principles, we should arrange society in such a way as to minimize such risks and vulnerabilities for the least well-off members of society. However, this still does not capture the totality of ethical considerations relative to this topic, as we may envisage a society where all risks and vulnerabilities are eliminated for low-income minority segregated households, and yet still remain segregated. Risk, vulnerability, foreclosures, low house values, etc., are all factors understood within the economic paradigm. They are “ethical” insofar as we discuss their disproportionate distribution upon segregated black communities (point #1 of the normative argument). However, in addressing these issues and thus addressing the economic problems and ethical considerations related to them, we still have not fully fleshed out all the ethical considerations of integration and its “higher norms.”

This dissonance is best explained by Elizabeth Anderson, whose “expressive theory” asserts that there exist myriad ways of valuing things, and that this plurality must be embraced to properly understand the relationship between a particular thing and its mode of valuation.686 This is in contrast to a “monistic” or reductionist theory of value, which is similar to the practice of

686 Anderson, Elizabeth. Value in Ethics and Economics. Cambridge, MA: Harvard UP, 1993. Print. For example, Anderson writes: “Use, respect, appreciation, consideration, and love are five different ways of valuing things. A little reflection suggests more modes of valuation, such as honor, admiration, reverence, and toleration” (p. 10). The expressive theory is necessary because “To realize a good as a particular kind of good we place it in a particular matrix of social relations” (Page 12; italics hers).
asserting value by mere commodification. Essentially, the expressive theory attempts to locate the mode of valuation in its proper sphere based upon “rational action that adequately expresses our rational attitudes toward people and other intrinsically valuable things.” To help describe her theory, Anderson makes the distinction between intrinsic and extrinsic value. Intrinsic goods are the things it makes sense for us to value in and of themselves; extrinsic goods are goods which we value only because we value some other important thing. Thus, valuing a relationship might be an intrinsic good, but valuing an old picture of a friend might be an extrinsic good but is valued because it points to the intrinsic good of friendship. This approach to value is a challenge to utilitarian modes of valuation where “welfare states have intrinsic value.” Such a framework, contends Anderson, views people as “merely the extrinsically valuable containers for what is supposedly intrinsically valuable—states of affairs in which welfare exists.” Anderson asserts that states of affairs, understood as the “ends” we try to bring about in our actions, do not possess intrinsic value. Rather, what is intrinsically valuable “is the object of a rationally favorable attitude.” This shifts the appropriateness of what to value from an action that maximizes future value in its consequence to simply valuing a particular thing based upon rationally assessing its context and expressive meaning. For example, we don’t value a tool simply because it is a tool—its value is recognized and realized based upon the appropriate context of its use (its context defines its usefulness and subsequent value). Anderson’s expressive theory of value not only suggests a plurality in how and what we value, but it implicitly suggests that there are moral and ethical limits to the dominant paradigm of market commodification as a means of universal valuation. It is here that Rawls is found wanting from a moral standpoint. Granted, his theory does not directly support the market economy and is outspoken as it relates to the blunt approach of utilitarian distributive justice often found in market economies. However, the ethical reach of Rawls would only extend to addressing the unfair distribution of risks and vulnerabilities in segregation, but there is nothing

687 Anderson writes: “In providing an account of how economic goods differ in kind from other kinds of goods, pluralism sharpens our view of the ethical limitations of the market and helps us determine what goods should and should not be treated as commodities” (p. 16).
688 Ibid., page 17
689 Ibid., page 19
690 Ibid., page 27
691 Ibid.
692 Ibid., page 21
693 Ibid., page 38
in Rawlsian theory to support integration in itself, leaving its ‘value’ susceptible to market determinations.

An alternative approach provided by Michael Walzer begins with the consideration that different goods exist in different “spheres”—and each sphere is governed by different principles. Speaking in the context of distributive justice, Walzer writes: “But we must argue about the meaning of the good before we can say anything more about its rightful distribution.” Whether we are discussing goods such as food and clothing, social goods such as education, or complex social and shared goods such as neighborhood communities and household arrangements among races, defining the nature of the particular good is a necessary first step in the articulation of its value.

With this in mind, we ask: What sphere is congruent with the concept of neighborhood integration? How should we go about determining the value of this good? Neighborhoods, understood as a complex social and shared good, incorporate social interaction, security, and welfare, and often serve as an important mechanism for cultivating familial, political, and cultural identity. While markets may play a role in the composition of neighborhoods, a summation of monetary values (homes, cars, appliances, incomes, etc.) would hardly capture the plurality of values inherent in the complexity of neighborhood attributes.

We might say, and rightly so, that a neighborhood exists in the sphere of interpersonal social goods—and a highly complex good at that. Goods and services, understood in a basic sense, are valued based upon what they might provide to us. Thus, “exchanges” are made to efficiently account for what we value from one another at a given place and time. Anderson, however, makes the point that to express what she refers to as “higher” modes of valuation, two key factors must be present. First, norms expressing higher modes of valuation must be distributive,

695 Ibid., page 100.
696 One may say that the summation of such values, often found in “hedonic” house-valuation models, would best capture total market value. However, another way of approaching the argument would be to suggest that a hedonic model cannot capture all aspects of value. For example, if I had family, close friends, etc., living in my neighborhood—this would be an additional value to me (but would not be reflected in a market price, etc.).
respecting the “separateness” of people. Second, norms expressing a higher mode of valuation must “tell us to be willing to sacrifice something of ourselves for the sake of upholding the relation between us and what we value.” She writes:

If meanings were reformed to wholly coincide with what maximizes our convenience and good fortune, there would be nothing left to contrast with lower modes of valuation, in which things are valued only for what they can do for our independently defined interests.

Perhaps another way of stating this is to say that we can recognize higher goods because we can also recognize lower goods—and a key attribute of lower goods is that value is determined by means of how it may gratify my own personal tastes, desires, and overall fortunes. While a house may very well meet the definition of a lower good, I would submit that a neighborhood is more than simply a cluster of independent atomistic home sites. Neighborhoods reflect social engagement, interaction, and overall “collective efficacy.” The very concept of “neighborliness” implies an attitude of hospitality towards those around you, signaling solidarity beyond the realm of mere cooperation for the sake of mutual beneficence. Neighborhoods cultivate social capital, or the connections and social networks which include the norms of “reciprocity and trustworthiness.” The purpose, end, or goal of a community or neighborhood is multi-faceted. Among other basic needs with commensurate values, community represents a “path to belonging.” John Calmore captures the nature of residential integration as it relates to community:

Communities are based on things people hold in common. A community implies that its members’ relationships are solidified by ties providing a feeling of collective identity, self-awareness, and affiliation. Because of persistently high levels of residential segregation, community cohesion is based primarily on racial homogeneity.

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697 Anderson (1993), p. 78. As opposed to a utilitarian summation across groups of people.
698 Ibid.
699 This term is used by Bramley and Karley, 2007, p. 699
701 Calmore’s phrase (borrowed from Karst, 1985). Calmore, 1993, pp. 1504-1505
702 Ibid., page 1501.
Racial homogeneity resulting from residential segregation is one of the primary areas of concern as it relates to dispersal, deconcentration, and integration. The value of this endeavor is multifaceted and has myriad economic implications. Yet, the nature of this complex social good is beyond monetary evaluation and calculations of utility gains. “Collective identity, self-awareness, and affiliation”—speak to the “higher” nature of this good and thus demands an evaluative measure equally complex so as to avoid degrading the norms that define community, and most certainly community in the sense of what is sought to be achieved between black and white households. Integration, from a valuation standpoint, should begin with the conception that relationships among community members are intrinsically valuable goods worth aiming for as an end. Given this, we can see that to simply aggregate neighborhoods as a collection of households and to further aim to value them based upon the utility they provide to us is disproportionate to the nature of neighborhoods and would minimize both our understanding and our valuation of them.

While neighborhoods and the communities therein deal with relationships, when we speak of residential integration we are addressing a very specific type of relationship: the relationships between black and white households. Communities operate in much larger “social and economic contexts” and the social integration aimed for in US dispersal, deconcentration, and integration efforts would be mis-valued, and thus devalued, if it were to be understood as a blunt welfare mechanism. The meaning of this particular good, the meaning of residential integration, necessitates a complex and multi-faceted understanding and approach as it relates to value. For example, when Robert Putnam discusses the values of integrated busing—“familiarity, tolerance, solidarity, trust, habits of cooperation, and mutual respect”—he is describing attributes of integration further along the spectrum than what economic or utilitarian modes of valuation can reach or endorse. In the framework of Rawlsian justice, these goods are beyond the ethical reach of Rawls’ principles and would remain precariously unsupported should Rawlsian theory continue to exist as the groundwork of the normative argument.

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703 Atkinson, 2005, p. 13
704 This is a reference to segregated schooling and busing emanating from the US “Jim Crow” era. Thus, the values of integration in busing, according to Putnam, extended beyond mere considerations in welfare, etc.
705 Putnam, 2000, p. 362
This is not to suggest that Rawls is completely irrelevant. The principles of maximin lend support to the first part of the normative argument: it is not right that some members of society should be put at risk—especially as it relates to the space they inhabit. Thus, in constructing a proper valuation framework for residential integration, it is very important not to bracket out economic considerations. While this risks the aforementioned perils of monistic evaluation related to higher goods, residential integration has implicit ramifications for equity, welfare, and well-being, and these important attributes are often understood in monetary terms. Anderson reminds us: “Sphere differentiation should not be confused with complete sphere segregation.”

This is not to commodify the people, places, and things inherent in a community, but it recognizes that segregating minority households prohibits them from a source of economic security and segregates them to more precarious and insecure social and economic settings. Addressing this requires a very particular form of assessment, and places a very specific value on integration or the lack thereof in segregation—values that can easily be communicated in monetary language.

Unfortunately, this is as far as Rawlsian theory can take us in support of the normative argument. To end our evaluative lens at this point is to miss a larger portion of what it means to be a community, and moreover, what it means to socially integrate black and white households in a community. To borrow once again from John Calmore, we might understand the idea of neighborhood solidarity as “the need to be part of a larger community of meaning and purpose that lets us transcend the self-interested materialism of the competitive marketplace and situate ourselves in an ethically and spiritually grounded vision of who we are and who we seek to become.”

This suggests a certain degree of impoverishment when we separate ourselves from each other—poverty that cannot necessarily be expressed in terms of wealth, house values, and foreclosure rates.

Calmore’s depiction of the neighborhood captures the human element of community interaction and the higher goods of meaning, purpose, and identity. The suggestion that an ethical value be

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706 Anderson, 1993, p. 147—She goes on to write: “To argue that the market has limits is to acknowledge that it also has its proper place in human life. A wide range of goods are properly regarded as pure commodities” (Page 166-167). Here I argue that an economic evaluative lens is necessary when exploring residential integration because one aspect of this endeavor specifically deals with how goods and services central to the welfare and wellbeing of minority low-income households are distributed. However, while this lens is necessary, it is not comprehensive.

707 Calmore, 1993, p. 1515
included in our understanding of segregation/integration recognizes the nature of the good in question (i.e., a higher good), and as Sandel suggests, there are moral implications to mis-valuing higher goods. Rawlsian theory is at great risk of misevaluation and, thus, devaulation, and therefore leaves the very nature of social integration to be decided under an existing paradigm of market logic. When market logic infiltrates the sphere of interpersonal social goods such as communities and neighborhoods, a great portion of how we define these goods is lost in the translation of value estimation. This, according to Anderson, is the very definition of what it means to degrade. She writes: “A practice is degrading when it expresses a lower valuation of something than it merits.”

Neighborhoods are communities, and communities are people. Persons are naturally worthy of a higher mode of respect, love, care, and relationship. To value persons as mere commodities degrades the opportunity to see people as trustworthy and lovable objects of affection and further undercuts the other as a source of self-realization. A monistic mode of valuation will never fully capture these attributes, even though they fundamentally lie at the center of what it means to be in community.

To summarize, residential integration efforts over the last 40 years in the US have been measured by what I have defined as the economic paradigm. This is not altogether inappropriate and is necessary in many ways. However, an economic paradigm cannot comprehensively address the plurality of values that are present in communities and neighborhoods. Yet Rawlsian justice, representing the ethical arm of this discussion, is not enough to fill the holes in this approach. I submit that a Rawlsian approach, even under the tutelage of maximin, does not escape this criticism. While Rawlsian principles can claim that increased risk and vulnerability as a function of segregation is unjust, we cannot rely on his principles to claim that segregation, in itself, is unjust. Rawls may value integration for the welfare it can provide (or the disadvantage it can prevent) for low-income segregated minorities, but it cannot value “collective identity, self-awareness, and affiliation”—other ethically rich and morally important considerations relative to integration discussion.

It is helpful to end this criticism by asking “why” Rawlsian justice offers little to no support to a more comprehensive value of integration. First, it is important to look to the nature of the deliberation in the original position behind the veil of ignorance. Rawls assumes that decision
makers are rational and mutually disinterested, and although this might produce the “conception of justice [that] characterizes our considered judgments in reflective equilibrium,” we are left skeptical as to how such an approach would engender and support the solidarity that Rawls envisages—men “share[ing] one another’s common fate.” Despite Rawls’ egalitarian language, his theories of justice have more to do with achieving an ethos of fairness than with cultivating relationship, solidarity, and community. This otherwise platonic approach is aimed at producing principles that “free and rational persons concerned to further their own interests would accept in an initial position of equality as defining the fundamental terms of their associations.” Even though Rawls posits justice as fairness as creating a society “as a cooperative venture for mutual advantage,” his usage of pure procedural justice to achieve a just society finds the locus of justice in the realm of the actual procedure, not in the other person. Thus, we are left devoid of an ethos of community, and the remaining ethos meant to motivate “men to act together so as to produce a greater sum of benefits and assigns to each certain recognized claims to a share in the proceeds” is that of fairness.

However, fairness, as a stand-alone ethos for justice, presents a formidable problem. Understood within the liberal tradition, fairness is not enough to solve the problem of deciding between competing theories of justice. Amartya Sen (2009) says that this is the problem of a “unique impartial resolution” to claims of justice. Rawlsian justice suggests that rational men will aim toward a society that is fair, and fairness requires impartiality. However, the presence of impartiality alone will not solve the plurality of views towards deciding what is just. Sen communicates this well in an illustration he calls “Three Children and a Flute.” He writes:

Let me illustrate the problem with an example in which you have to decide which of three children—Anne, Bob and Carla—should get a flute about which they are quarrelling. Anne claims the flute on the ground that she is the only one of the three who knows how to play it (the others do not deny this), and that it would be quite unjust to deny the flute to the only one who can actually play it. If that is all you knew, the case for giving the

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709 Rawls, 1971, p. 182
710 Ibid., page 102
711 Ibid., page 11 (italics mine)
712 Ibid., page 84
713 Ibid.
flute to the first child would be strong. In an alternative scenario, it is Bob who speaks up, and defends his case for having the flute by pointing out that he is the only one among the three who is so poor that he has no toys of his own. The flute would give him something to play with (the other two concede that they are richer and well supplied with engaging amenities). If you had heard only Bob and none of the others, the case for giving it to him would be strong. In another alternative scenario, it is Carla who speaks up and points out that she has been working diligently for many months to make the flute with her own labour (the others confirm this), and just when she had finished her work, ‘just then’, she complains, ‘these expropriators came along to try to grab the flute away from me’. If Carla’s statement is all you had heard, you might be inclined to give the flute to her in recognition of her understandable claim to something she has made herself.715

Each child makes a separate claim appealing to a particular philosophical tradition. Carla may receive the most sympathy from what Sen calls “no-nonsense libertarians”; Bob, in the name of fairness, would be awarded the flute from the egalitarian; providing the flute to Anne, the only one who can play it, would most likely find support from the utilitarian position. This hypothetical dispute, according to Sen, represents how we arrive at principles that should govern the allocation of resources. He writes: “They are about how social arrangement should be made and what social institutions should be chosen, and through that, about what social realizations would come about.”716 Such normative appeals to how society and its resources are to be arranged highlight the problem: “There may not indeed exist any identifiable perfectly just social arrangement on which impartial agreement would emerge.”717

To summarize, Rawlsian justice holds fairness as the overarching social ethos to achieve justice. Fairness implies, and moreover, requires impartiality. Yet impartiality, as evidenced by the flute example, does not necessarily provide a clear, uncontested choice of what is just. On the contrary, it offers support to competing claims of justice—all of which yield differing outcomes. Sen writes: “It is not simply that the vested interests of the three children differ (though of course they do), but that the three arguments each point to a different type of impartial and non-arbitrary

715 Ibid., page 13.
716 Ibid., page 15 (Italics mine).
717 Ibid.
The conclusion is that Rawlsian justice and its ethos of fairness are not enough to bring about a definable just solution. Alasdair MacIntyre, who offers an example similar to Sen’s goes so far as to call the competing claims of justice, when viewed from the singular perspective of fairness, “incommensurable.” This problem poses a complex challenge to the conception or practice of neighborhood integration. If we were to extrapolate these arguments out into what a just society would look like (utilitarianism, welfare and egalitarianism, and libertarianism), all would offer rationale that can each be defended impartially, leaving Sen to suggest that “if there is no unique emergence of a given set of principles of justice that together identify the institutions needed for the basic structure of the society, then the entire procedure of ‘justice as fairness’...would be hard to use.”

In the context of housing arrangements, the Rawlsian ethos of fairness, while aimed at addressing some of the concerns of the normative argument, fails because it never defines and defends the very understanding of fairness it attempts to consign to the basic institutions of society. In other words, such fairness is only supported by the “rational” pursuit to ensure that my own ends are not compromised, as deliberated upon in the original position. However, fairness when left unqualified by an underlying sense of solidarity will not solve disputes but only engender them.

Problem #2: Rawlsian Justice Presupposes a Conflict Society and Denigrates Community

The criticism that Rawlsian justice will, at best, condemn the consequences of segregation (but not segregation itself) is the first intractable problem of Rawlsian principles as it relates to residential housing arrangements. This becomes evident when we explore the nature of fairness...
Rawlsian procedural justice. Under the original position, what is understood to be moral or the right thing to do is based upon what is “rational.” In other words, we can “reason” as to how to arrive at the “correct procedure.” Yet this particular form of rationality is of the modern liberal flavor. Regarding the original position, Velasquez writes: “They will be morally justified because the original position incorporates the Kantian moral ideas of reversibility (the parties choose principles that will apply to themselves), of universalizability (the principles must apply equally to everyone), and of treating people as ends (each party has an equal say in the choice of principles).” Further, he points out: “Rawls goes on to claim that the parties to the original position would in fact choose his (Rawls's) principles of justice, that is, the principle of equal liberty, the difference principle, and the principle of fair equality of opportunity.”

Thus, under the modern influences of Locke and Rousseau’s social contract theory and Kantian deontology, Rawls’ theory of justice is appropriately understood as operating within a larger liberal tradition where assumptions are made “regarding the role and place of the individual as the bearer of moral value” and reason is used as the grounds for creating theories of justice. More specifically, Rawls’ justice is anchored by an unqualified premise of liberty. Liberty is given lexical priority in Rawlsian principles of justice, and such a principle takes on the form of a “categorical imperative” in Kantian parlance. Rawls’ premise that basic institutions framed

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721 Rawls, 1993, p. 96
722 Velasquez, 1982, p. 86
723 Ibid.
724 Lebacqz, 1986, p. 33. Rawls himself defines a social contract: “Now a social contract is a hypothetical agreement a) between all rather than some members of society, and it is b) between them as members of society (as citizens) and not as individuals who hold some particular position or role within it” (Rawls, 1993, p. 258). Further, Rawls discusses the Kantian precepts that he borrows from in justice as fairness: “As for Kant's moral constructivism, a correct moral judgment is one that meets all the relevant criteria of reasonableness and rationality incorporated into the categorical imperative procedure for testing maxims. A judgment properly supported by principles and precepts that pass that test are acknowledged as correct by any fully reasonable and rational (and informed) person. This is what Kant means when he says that these judgments are universally communicable: as reasonable and rational we recognize, apply, and can explain to others, the same procedure for validating them. All the essential elements of objectivity are provided for” (Rawls 1993, p. 114). Velasquez’ helpful summary of Kant reveals the link between his deontological principles and Rawlsian justice: “All that Kant's categorical imperative is meant to tell us is that everyone must have equal moral rights and that everyone must show as much respect for the protected interests of others as he or she wants others to show for his or her own. It does not tell us what interests people have, nor what their relative importance is” (Manuel G. Velasquez 1982, p. 72).
725 Ibid., page 12
726 Lebacqz, 1986, writes: “The full theory, therefore, takes the form of a fundamental affirmation of liberty and a limited acceptance of certain inequalities judged from the perspective of their impact on the position of the least advantaged. These principles are those that would be chosen by autonomous individuals situated in a ‘fair’ setting. They are thus, in Rawls' view, ‘categorical imperatives' expressing the autonomy of ‘free and equal rational beings.'
from a veil of ignorance can “assign fundamental rights and duties” is conceived from the goal of establishing “equal basic liberties for all.”\footnote{Rawls, 1993, pages 257-258.} As discussed, liberty is what any rational, mutually disinterested parties would give priority to in the original position behind a veil of ignorance, and arranging society so that liberty is paramount is given priority.

However, I submit that priority to liberty and rights leads to the second intractable problem as it relates to Rawlsian justice and residential integration: the priority of rights cannot build, but can only undermine, any overtures towards community. This criticism naturally extends to the subject of social integration. This is not to suggest that an appeal to basic human rights is immoral or amoral. Understood abstractly, rights-based language has a clear moral undertone and is cited as an ethical baseline in myriad social, political, and economic settings. However, we must look at the application of rights-based language and practice in the discussion of housing arrangements to truly understand its moral promise and/or recognize its moral deficiency. I submit that when we appeal to ‘rights’ as the moral compass to guide our conversations in residential integration, its deficiencies in providing direction will become clear.

Rawls’ appeal to liberty is recognized in the “rights” of an individual.\footnote{Ibid., page 93. Velasquez provides a baseline understanding of “rights”: “In general, a right is an individual's entitlement to something” (Velasquez 1982, p. 59). In Rawlsian parlance, the “something[s]” individuals are entitled to are their equal basic liberties understood as “primary social goods.” As mentioned, these include rights and liberties, opportunities and powers, and income and wealth.} Further, a just society is one in which the basic social institutions will equally distribute fundamental rights.\footnote{Ibid., page 7} Thus, a violation of an individual’s basic rights is unjust, according to Rawls, even if the other principles in his theory of justice are satisfied. Therefore, in the context of residential segregation, a Rawlsian might conclude that the rights of Low-Mix Blacks in their pursuit of basic liberties are compromised by living in an enhanced state of risk and vulnerability. Therefore, there is moral promise as it relates to the language of rights to recognize disproportionate impacts of the financial crisis on segregated black and white neighborhoods. In other words, residential segregation that leads to enhanced risks and vulnerabilities in the wake of a market crisis for Low-Mix Blacks is “wrong” because it violates their rights as humans and citizens to secure their basic liberties.

Most importantly, perhaps, the principles that would be chosen are not those of classical utilitarianism or its numerous revisions” (Page 38).\footnote{Rawls, 1993, pages 257-258.}
Yet when we explore the context under which we aim to employ this Rawlsian construction of rights, we find that the moral promise of rights-based language is less than ideal to adequately understand the moral nuances of residential segregation and ultimately fails to fully flesh out the tenets of the normative argument. The normative argument suggests that one of the overriding goals of neighborhood integration, in addition to welfare considerations, is that of “social integration.” In other words, it is the bonding between blacks and whites where relationships, shared meanings, and a sense of common good is cultivated from a diversity of backgrounds. Social integration is shared space accompanied by inclusion and membership. Yet the goals of cultivating a common good among humanity as well as securing individual rights cannot be accommodated by a liberal Rawlsian conception of justice. Further, there is evidence that the aim toward the latter might undermine the success of the former. Daniel Bell offers a critique of liberalism’s empty promise of justice for the common good and for individual rights:

Yet, liberalism's justice does not live up to its promise; it does not deliver us from conflict. The peace modern justice delivers is not true peace, but only a simulacrum. It is the fortified peace (for the peace and justice of liberalism are always backed by the threat of force) that is better labeled a 'truce.' Insofar as justice as the guarantor of rights entails a shift from functioning primarily as a unitive force that coordinates the pursuit of a common love to a distributive force overseeing the pursuit of private goods, it relinquishes its connection with a genuine peace that comes from the harmonious interaction of people who share a common good. Even when successful, it does not pave the way for new relations among peoples, relations that might transcend the truce of mutual advantage. Instead it keeps humanity trapped in an agonistic logic, where the mutual recognition of rights is constantly threatened by the pull of competing visions of the good.730

To Bell’s last point, it is important to note that the absence of conflict is not equivalent to the achievement of solidarity. Moreover, there is nothing in Rawls’ account of justice to provide such a communal outcome. When justice is not conceived “as a general virtue concerned with nurturing a community’s solidarity in a shared love,” it can only, at best, be defined as a

procedure “for regulating the distribution and exchange of goods in a society now understood as an aggregate of autonomous individuals.”

The dissonance between rights and solidarity in a democratic society has a long history. For example, in 1744, Rev. Elisha Williams, a rector at Yale, wrote:

As reason tells us, all are born thus naturally equal, i.e., with an equal right to their persons, so also with an equal right to preservation…and every man having a property in his own person, the labour of his body and the work of his hands are properly his own, to which no one has right but himself; it will therefore follow that when he removes anything out of the state that nature has provided and left it in, he has mixed his labour with it, and joined something to it that is his own, and thereby makes it his property….Thus every man having a natural right to (or being proprietor of) his own person and his own actions and labour, which we call property, it certainly follows, that no man can have a right to the person or property of another: And if every man has a right to his person and property; he has also a right to defend them...and so has a right of punishing all insults upon his person and property.”

This quote reinforces Bell’s concern that liberal justice will not serve to ameliorate conflict. Williams suggests that certain rights are not only due to individuals, but that they should be defended against other individuals. Thus, the very presence of rights-based language presupposes a certain degree of conflict within society; it is not a form of justice that presupposes community and solidarity. This critique finds a powerful expression in the work of Karl Marx. In his essay, On the Jewish Question (1844), Marx presents the case that “granting people rights of the sort we hope to enjoy in liberal regimes is not enough to bring about a truly human society.”

Marx contends that the rights of man, expressed in North American and French constitutional documents, are best understood as political rights and are to be exercised within the “political

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731 Ibid., page 185.
734 He specifically cites the French Constitution of 1793.
The “rights” that Marx takes aim at include rights to liberty, equality, security and property (rights not too dissimilar from Rawlsian primary social goods). The right to liberty is more or less understood as a right to freedom. However, this freedom, contends Marx, is “not based upon the connection of man with man, but rather on the separation of man from man.” Liberty, then, is the “right to...separation.”

Regarding the right to property, Marx writes: “The right of man to private property is therefore the right to enjoy and dispose of his property, at his will and pleasure, without regard for others, and independently of society: the right of self-interest.” Moreover, “Each particular individual freedom exercised in this way forms the basis of bourgeois society. It leaves every man to find in other men not the realization, but rather the limits of his freedom.” Thus, according to Marx, liberal society and its accompanying understanding of freedom as “the right to do and perform that which injures none” takes on a hyper-individualistic conception of civil society. Thus, others within the community do not offer relational fulfillment and cooperative reciprocity, but rather, exist as a threat to securing “rights.”

The right to “equality” reinforces the same problem: “Equality here in its non-political significance is nothing but the equality of the above described liberty, viz.: every individual is regarded as a uniform atom resting on its own bottom.” Marx cites Article 8 of the French Constitution of 1793 as it relates to the right to security: “Security consists in the protection accorded by society to each of its members for the preservation of his person, his rights, and his property.” Thus, according to Marx, none of man’s rights can establish community because such rights indirectly promote and aim to protect a distinct form of “egoism” among mankind. Marx writes:

None of the so-called rights of man, therefore, goes beyond the egoistic individual, beyond the individual as a member of bourgeois society, withdrawn into his private interests and separated from the community. Far from regarding the individual as a generic being, the generic life, Society itself, rather appears as an external frame for the

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736 Ibid.
737 Ibid.
738 Ibid.
739 Ibid.
740 Ibid. (italics his)
individual, as a limitation of his original independence. The sole bond which connects him with his fellows is natural necessity, material needs and private interest, the preservation of his property and his egoistic person.\textsuperscript{741}

Wolff (2002) offers a helpful summary of Marx’s liberal critique:

Liberty is the right to do as you wish as long as you don’t harm others. Equality is the right to be treated by the law in the same way as everyone else. Security is the right to be protected from others, and finally, property is the right to extend this security to the enjoyment of your legitimate possessions. To be a citizen is to enjoy these rights. They are fought for and prized.\textsuperscript{742}

But these “rights”, important as they may seem, reinforce the belief that others exist as a threat to my rights, and not the fulfillment of them. As Wolff’s description rightly shows, rights are “fought for” thus implying a distinct other who is fought against. In other words, rights-based language presupposes conflict. While this may very well be a true aspect of human nature manifest in society, the presupposition of conflict in rights will not ameliorate this problem, as Bell’s quote suggested, but only sustain and reinforce it, creating a greater degree of mistrust, conflict, and ultimately segregation. Further, we may appropriately state that the goal of social integration in residential housing mix would find agreement with Wolff’s definition of a “human society.” He writes: “In a properly human society we would find our freedom through our relations with other human beings. A proper human life is one which is lived, at least in part, for the sake of others.”\textsuperscript{743}

Therefore, similar to the first intractable problem of Rawlsian justice as a means to support our normative argument, rights-based language has the ethical capacity to charge disproportionate outcomes stemming from residential segregation as being morally wrong. However, the very same set of moral criteria (the language of rights), is insufficient to create a “human society,” or for our purposes, the intended outcome of social integration achieved through residential integration overtures. Discussions regarding the nature of integration are ultimately discussions about the nature of community. Thus, rights-based language would denigrate the very nature of

\textsuperscript{741} Ibid.
\textsuperscript{742} Wolff, 2002, Page 44
\textsuperscript{743} Ibid.
dispersal endeavors. At best, then, citizens inhabiting a mixed community would have a more equal share of given rights, yet this risks a greater sense of trust, support, cooperation, and solidarity among mixed households.

We find evidence of liberal justice’s failure to build community in the work of Iglesias (2007), who notes that no articles to date have explicitly explored a housing “ethic.” He offers a framework for housing ethics where housing is understood as a “human right.” Such an ethic “focuses primarily on individual legal rights in the provision of housing itself” and often appears as “the cry of the poor, those who suffer discrimination and uninhabitable housing conditions.” Thus, according to Iglesias, the “normative thrust” under this ethic is that all people should have legal rights to housing. Similar to Rawlsian justice, such a housing ethic seemingly displays great moral promise as it relates to providing an ethical component to housing arrangement discussions. Iglesias writes:

Proponents of the ‘housing a human right’ ethic are ultimately committed to procuring universal housing rights, but their campaigns or strategies may focus on attaining housing rights for particular subpopulations, particularly those most politically or economically vulnerable. For example, renters, low-income people, people of color, homeless people, persons with disabilities, and veterans have been the focal point of housing rights efforts.

However, and also similar to Rawls, Iglesias’ rights-based housing ethic does not escape the perception of a conflict society where others are viewed as threats to securing rights and therefore they must be vigorously protected. As discussed, such a mindset naturally presupposes and thus sustains conflicts among societal members. Relative to the rights-based language in housing, this conflict is evident in the courtroom. Iglesias indirectly describes the weakness of a rights-based moral engagement of housing ethics:

Housing rights are regularly litigated. In contrast to the moral and intuitive character of lay discourse invoking housing as a human right, this discourse is quintessentially

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745 Ibid.
746 Ibid., page 540
747 Ibid., page 545
‘legalistic,’ disputing what ‘right’ (if any) is created by a statute, defining who has standing to enforce the right, defending and extending the scope of a right, how it should be enforced, and what remedies are available.\footnote{Ibid., page 549}

He goes on to concede that the propagation of rights will naturally create conflict: “Of course, recognition of a legal housing right raises the likelihood of conflicts between housing rights and other legally recognized rights.”\footnote{Ibid.} Iglesias sees this ethical approach toward housing as being difficult to achieve because courts and legislatures do not formally recognize an individual’s right to housing.\footnote{Ibid.} However, even if an ethic concerning a “right to housing” was legally recognized to Iglesias’ satisfaction, this approach still does not escape the assumed conflict which is evidenced in increased litigation.\footnote{Ibid.}

A more contemporary critique of liberal justice is made by Michael Sandel and other communitarians.\footnote{Sandel, 2005. It should be noted, however, that Sandel has attempted to distance himself from the communitarian label. He writes: ‘The ‘liberal-communitarian’ debate that has raged among political philosophers in recent years describes a range of issues, and I do not always find myself on the communitarian side.” See Sandel, 2005, p. 252} While it is not necessary to flesh out all of Sandel’s arguments against liberal justice and, more specifically, Rawlsian justice, he echoes the tension Marx develops between individual rights and a greater awareness of the solidarity and engagement among community members. Sandel writes: “For it is a striking feature of the welfare state that it offers a powerful promise of individual rights, and also demands of its citizens a high measure of mutual engagement. But the self-image that attends to rights cannot sustain that engagement.”\footnote{Ibid., page 172} The “self-image” that Rawls speaks to is the underlying assumption of man’s ability to rationalize outside of the culture, traditions, and location of which he finds himself. As Bell explains, this conception of man transformed modern conceptions of justice: “Liberalism re-imagined society as a teeming mass of individuals, each with their own interests, ends, and conceptions of what constitutes the good life. Consequently, justice was reconfigured; in

\footnote{The Mount Laurel rulings offer a good example to reinforce this critique. The original rulings that low-income minorities had the “right” to be included, through the provision of low-income housing opportunities, in the Mount Laurel municipality is still debated today. Even if resolution were to be reached, this would do little to enhance a mutual solidarity between blacks and whites in this area. More consideration will be given to this issue below.}
contemporary parlance, now the right is given priority over the good.”

This feature is a highlight of Rawlsian justice as he “wants to save the priority of right from the obscurity of the transcendental subject.”

It is for this reason, according to Sandel, that Rawls’ project maintains a similar feature of other liberal doctrines, the priority of the right over the good. This is because in the original position, Rawls envisions a picture of what Sandel calls the “unencumbered self”: “a self understood prior to and independent of its purposes and ends.”

The unencumbered self, a self that is understood to be unattached may only be able to depend on the distribution of individual rights as a means to correct for an injustice (negative) but is insufficient, I have argued, to provide an ethically rich account of justice (positive). Moreover, Rawlsian justice understood within the liberal tradition, for these very reasons, will not give full support and/or expression to the second tenet of the normative argument in the residential integration discussion. Rawls makes the assumption that “everyone has the capacity to be a normal cooperating member of society,” and as a result there will ideally be no “unfairness” among citizens.

Yet he does not consider that in securing the primary goods he assumes will be sought in the original position, our “cooperation” will be little more than rules to protect our atomistic interests and will undermine the sense of community he presupposes, but fails to account for, in Justice as Fairness. Thus, Rawlsian justice makes for a poor ethical framework when applied to any political, economic, or social context that seeks to build solidarity among peoples—the very aim of the second consideration in the normative argument (i.e., social integration). This criticism is particularly appropriate, then, for the context of neighborhood integration, as neighborhood mixing requires a fundamental baseline of communal support and solidarity to create an environment of social, not simply spatial, integration.

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754 Bell, 2006, p. 183
755 Ibid., page 161
756 Ibid., page 162
Part IV: Thickening the ‘Thin’ Conception of the Good

To summarize, I have outlined two intractable problems with Rawlsian justice as it relates to supporting the normative argument and, in particular, its second feature. The first problem suggested that a Rawlsian framework could condemn the presence of risk and vulnerability experienced by segregated black households in the wake of a market crisis, but it could not necessarily place an intrinsic value on social integration. In other words, Rawlsian justice can condemn the consequences of segregation as morally wrong but cannot praise integration, in itself, as morally right. The second problem of Rawlsian justice concerns the origin of his framework as being drawn from the liberal appeal to individual rights. As discussed, a society who seeks moral guidance for distributive principles based upon the language of rights has already presupposed a certain conflict among members of that society. Further, this conflict is sustained, and perhaps exacerbated, in the appeal to one’s rights. Thus, Rawlsian dependence on one’s rights would ideally provide each person the opportunity to secure basic liberties, but at the expense of enhancing a greater sense of community. In the context of residential integration, this would denigrate one of the more fundamental ethical aspects of the integration endeavor: social integration among community members. In a sentence, both intractable problems reveal that Rawlsian justice undermines the cultivation of community and the moral power of solidarity that is inherent in the normative argument and equally necessary to achieve the aim of socially integrating mixed neighborhoods.

Thus, if one accepts these arguments and agrees that Rawlsian justice is devoid of a certain sense of community and solidarity—both relationally-based concepts—then it is worth exploring what the inclusion of *relationship* would look like for Rawls and the subsequent implications for the support of the normative argument in residential integration. I submit that such an inclusion does not require a major overhaul to Rawlsian theory, but rather, can be envisaged in a minor adjustment of an earlier Rawlsian assumption. To explore this, we revisit Rawls’ depiction of rational man found in the hypothetical original position.

As explained earlier, the persons in the original position are considered to be both “rational” and “mutually disinterested.” Most importantly, related to these two concepts is a person’s
conception of the “good.” Here, Rawls bases his “theory of the good” on what he understands to be the most commonly accepted definition: “The main idea is that a person’s good is determined by what is for him the most rational long-term plan of life given reasonably favorable circumstances.” Rawls continues: “We are to suppose, then, that each individual has a rational plan of life drawn up subject to the conditions that confront him.” In other words, each person has, or will develop, their own conception of the good—a plan that is “designed to permit the harmonious satisfaction of his interests.”

It is here that Rawls introduces the necessity of “primary goods”—or things that “every rational man is presumed to want.” He writes: “Now the assumption is that though men’s rational plans do have different final ends, they nevertheless all require for their execution certain primary goods, natural and social.” Thus, while each person’s “plans” or their conception of the good may differ significantly, Rawls assumes that primary goods are the necessary means to achieve these ends.

Recall that Rawls defines these goods as rights and liberties, opportunities and powers, income and wealth, and he later adds the bases of self-respect. Liberties and powers are to be defined by the rules of major institutions and the distribution of income and wealth is regulated by these institutions. Basic liberties include freedom of thought and liberty of conscience, freedom of association, and freedom defined by the freedom and integrity of the person. Finally, liberty is to also include political liberties. Opportunities are defined as being fair and equal for all persons in society, and positions of responsibility in political and economic institutions best define the “powers” Rawls refers to. Rawls notes that income and wealth are necessary to carry out one’s ends, and the social bases of self-respect—what Rawls has noted as being “the most important primary good”—includes a person’s sense of their own value (his

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758 Rawls, 1971, p. 93. Rawls remarks that this definition, harking all the way back to Aristotle, is accepted by philosophers “so different in other respects” (p. 92).
759 Ibid.
760 Ibid.
761 Ibid., page 62
762 Moreover, Rawls asserts that these primary goods are all that is necessary for them to possess insofar as advancing their interests, whatever those interests may be.
763 Rawls, 1971, p. 92
conception of the good is worth carrying out) and “implies a confidence in one’s ability, so far as it is within one’s power, to fulfill one’s intentions.”

Regarding primary goods, Rawls raises an important question: “But on what basis do the primary goods come to be accepted?” He remarks that answering this question originates with his conception of the person. First and foremost, persons in the original position possess what Rawls refers to as the “two moral powers”—he writes:

Moral persons are distinguished by two features: first they are capable of having (and are assumed to have) a conception of their good (as expressed by a rational plan of life); and second they are capable of having (and are assumed to acquire) a sense of justice, a normally effective desire to apply and to act upon the principles of justice, at least to a certain minimum degree.

These “moral powers” are also referred to as the two “highest order interests.” According to Rawls, his conception of the person, possessing these two moral powers, helps to substantiate why the two principles of justice would be chosen. Further, he writes:

…free persons conceive of themselves as beings who can revise and alter their final ends and who give first priority to preserving their liberty in these matters. Hence, they not only have final ends that they are in principle free to pursue or to reject, but their original allegiance and continued devotion to these ends are to be formed and affirmed under conditions that are free.

In addition to the capacity to have a conception of the good (open to revision) as well as a sense of justice, there is a third “higher” order interest—that persons are “determinate” persons who seek to protect and advance their conception of the good, whatever that conception may be. Thus, the Rawlsian picture of the person—possessing these three “regulative interests”—comprise the makeup of agents in the original position. Yet they are not complete. They are “free moral persons with fundamental aims and interests”—thus leading to the question of how

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765 Rawls, 1971, p. 440. On self-respect, Rawls writes: “When we feel that our plans are of little value, we cannot pursue them with pleasure or take delight in their execution” (p. 440).
766 Rawls and Freeman, 2001, p. 364
767 Rawls, 1971, p. 505.
768 Ibid., page 240
769 Ibid., page 313
they are to attain “rational agreement” in the original position. Herein lies the necessity of primary social goods. Rawls assumes that the parties in the original position prefer these goods which help to regulate agreement on justice amidst a variety of interests. He writes: “by stipulating that the parties evaluate conceptions of justice by a preference for these goods, we endow them, as agents of construction, with sufficiently specific desires so that their rational deliberations reach a definite result.”

While much has been said about primary social goods, it is here that we can find the lynchpin of the intractable Rawlsian problems: relationship and communal cultivation. The aforementioned picture of the Rawlsian person in the original position emphasizes, perhaps above all else, the autonomy of the person. They are autonomous in two respects:

[F]irst, in their deliberations they are not required to apply, or to be guided by, any prior and antecedent principles of right and justice. This is expressed by the use of pure procedural justice. Second, they are said to be moved solely by the highest-order interests in their moral powers and by their concern to advance their determinate but unknown final ends. The account of primary goods and its derivation convey this side of autonomy. Given the veil of ignorance, the parties can be prompted only by these highest-order interests, which they must, in turn, render specific by the preference for primary goods.

Indeed, autonomy is a central assumption in the Rawlsian project. Not only is autonomy a central assumption, it is “indispensable.” Sandel traces Rawls’ fidelity to autonomy through Kant. If members of society are to think of themselves as free moral agents, altogether different from an agent governed by “heteronomous choice,” then they must assume that their will is a sort of “first cause”—not “the effect of some prior cause.” Sandel quotes Kant: “When we think

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770 Ibid., page 239
771 Ibid., page 313
772 Ibid., page 315. One can see how the Rawlsian person, motivated by primary goods in the original position, would produce the two principles of justice. Recall the lexical priority of the first principle (the “liberty” principle) over the second. Further, in the second principle, part b (the “fair equality of opportunity” principle) has priority over the difference principle. This is because Rawls believes that “all citizens in a well-ordered society have the same equal basic liberties and enjoy fair equality of opportunity” (p. 315). There are permissible differences, however, as stated by the “difference principle.” This involves their share of primary goods as it relates to powers, income and wealth, and the social bases of self-respect (not rights, liberties, and opportunities).
of ourselves as free, we transfer ourselves into the intelligible world as members and recognize the autonomy of the will.” Sandel remarks: “And so the notion of a subject prior to and independent of experience, such as the Kantian ethic requires, appears not only possible but indispensible, a necessary presupposition of the possibility of freedom.”

But is such autonomy, buttressed and driven by Rawls’ primary social goods, truly capable of assisting the Rawlsian person in achieving his ends? This is questionable, depending upon one’s ends, as some might contest the claim that “the list of primary goods really is equally or nearly equally valuable to all ways of life.” In other words, if primary goods are necessary for men to “generally be assured of greater success in carrying out their intentions and advancing their ends…”—then we have to ask whether there are particular ends that such goods would not assist to advance. An example of this is provided by Jonathon Wolff. In an interview regarding Rawls’ theory of justice, Wolff, expounding on Rawls’ primary social goods, was asked the following:

But surely there are people who [have] got completely different conceptions of the good—like a monk for instance, who wants to spend his spiritual life meditating. He’s not concerned with money in the least. Money wouldn’t enter into his world.

While Wolff points out the appropriate Rawlsian response to this suggestion—he does offer an additional “residual” concern relevant to the questions raised above:

Money might even be an obstacle. It is true there are some people who choose to be monks. Rawls would say: “And they’ve chosen to be monks.” They weren’t forced to be monks. They had that decision…therefore, they valued liberty. They valued liberty to be a monk [and] they valued the opportunity to be a monk. If they weren’t given that opportunity [then] that would have been a problem for them. It is true they may not want to have wealth, but nevertheless, they might still want to live in a society where the worst off are as well off as possible. I mean monks do good works—they want to try to improve the material conditions of other people, even if they opt out themselves on the

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773 Sandel, 2005, pp. 160-161
whole. So, Rawls I think could say: “Look, these are all purpose means.” But I think there is a residual worry here. The monk may value a type of community whereby there is a notion of social solidarity or collective or common good, and, it is less clear that opportunity, liberty, and money are ways of achieving common goods.\footnote{776}

The problem raised here in the “monk” example is a problem with Rawls’ conception of the autonomous, rational man in the original position. First, this depiction is biased toward a hyper-individualistic conception of the good. As mentioned above, this depiction casts man as an agent independent of his ends. Far from utilitarian or other teleological conceptions of justice, the liberal conception of justice begins with the notion that “the state should not impose a preferred way of life, but should leave its citizens as free as possible to choose their own values and ends, consistent with a similar liberty for others.”\footnote{777} Thus, remarks Sandel, this requires an account that does not depend on any certain end or conception of the good, as “only a justification neutral among ends could preserve the liberal resolve not to favour any particular ends, or to impose on its citizens a preferred way of life.”\footnote{778} Therefore, the “right is prior to the good.” In other writing, Sandel suggests that the right is prior to the good in two primary senses for Rawls. First, the right is prior to the good in the sense that individual rights have priority, or “trump” considerations of the common good. Second, our rights do not require for their justification any particular conception of the good (members of society are free to choose their ends).\footnote{779} This conception of the person is given greater consideration below.

For now, we may ask: why is this conception relevant to the intractable problems found in Rawls? First, the priority of rights, as regarded in the second intractable problem, is charged with deteriorating, not cultivating, an ethos of community and solidarity. As was discussed, rights-based justice presumably begins with suppositions of fear, distrust, and conflict—attributes that impede or prohibit altogether the communal bonds identified in the normative argument. Second, and more straightforward, Rawls regards a communal, encumbered self as a

\footnote{776}{Ibid. (Emphasis mine)}
\footnote{777}{Sandel, 1998, p. 1}
\footnote{778}{Ibid., page 3}
\footnote{779}{This is in contrast with Aristotle’s conception of justice: “Before we can [investigate] the nature of an ideal constitution, it is necessary for us first to determine the nature of the most desirable way of life. As long as that is obscure, the nature of the ideal constitution must also remain obscure.” Aristotle as quoted by Sandel, 2009, p. 215.}
“weakness”—not a strength—as he considers this antithetical to autonomy. In a striking commentary, he writes:

Were the parties moved solely by lower-order impulses, say for food and drink, or by certain particular affections for this or that group of persons, association, or community, we might think of them as heteronomous and not as autonomous. But at the basis of the desire for primary goods are the highest-order interests of moral personality and the need to secure one’s conception of the good (whatever it is). Thus the parties are simply trying to guarantee and to advance the requisite conditions for exercising the powers that characterize them as moral persons. Certainly this motivation is neither heteronomous nor self-centered: we expect and indeed want people to care about their liberties and opportunities in order to realize these powers, and we think they show a lack of self-respect and weakness of character in not doing so.  

Thus, relationships stemming from personal friendships, associations, or communities are no different, according to Rawls, as other “lower-order” impulses such as indulging our appetite for food and drink. Moreover, ties to others found in relationships are “heteronomous,”—or subject to external constraints in some fashion. For Rawls, not only are relationships irrelevant to the rational Rawlsian person in the original position—they reflect a “lack of self-respect” and “weakness of character”—and stand as a hindrance to the autonomy necessary, according to Rawls, to fully “express our nature as a free and equal rational being.”

Arguments for a More Relational Rawls

Rawlsian primary social goods have been referred to as a “thin” conception of the good. In other words, the Rawlsian rational man in the original position is understood to be prior to his ends, thus unencumbered by prior aims and desires that may threaten his autonomous nature as a free and equal being. However, Rawls endows him with minimal attributes that persons in the

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780 Rawls and Freeman, 2001, p. 315
781 Rawls, 1971, p. 574
original positions possess, and desire more of, to assist them in attaining the good they pursue
and “evaluate the conceptions of justice available to them in the original position.” This
conception is considered “thin” in the sense that “it incorporates minimal and widely shared
assumptions about the kinds of things likely to be useful to all particular conceptions of the good,
and therefore likely to be shared by persons whatever their more specific desires.”

Yet is this conception too “thin”? In describing his theories of justice, their lexical ordering, and
the primary social goods, Rawls concedes: “By way of comment, these principles and priorities
are no doubt incomplete. Other modifications will surely have to be made…” Here, then, I
argue for one such modification (although probably not of the sort Rawls had in mind). More
specifically, this thesis challenges the notion that affections for “persons, association, or
community” are heteronomous, “lower-order impulses.” At this point, I shall provide two
primary arguments to support this challenge and to support a modification of my own. After
this, the post-script to this chapter addresses the specific modification suggested to Rawlsian
primary goods, the implications for subsequent features of justice, and the wider implications for
the residential integration discussion.

Argument #1—Disputing the Unencumbered Self: Many scholars have taken issue with
Rawls’ “conception of the person as a free and independent self, unencumbered by prior moral
ties.” Most often, depictions of the “self” are offered in the context of justice. To offer clarity
to the argument against Rawls, it is necessary to spell out what is meant when the term justice is
invoked.

The term justice is, more or less, better understood as harboring a broad range of meanings.
Further, the term can apply to individuals, outcomes, or social structures, and is often used in the
context of describing a just society. This is the approach that Rawls takes, as he offers a
conception of justice understood in a social context. He writes, “For us the primary subject of
justice is the basic structure of society, or more exactly, the way in which the major social

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782 Rawls, 1971, p. 433
783 Sandel, 1998, page 25. Sandel writes: “It is important to note that although the thin theory of the good is prior to
the theory of right and the principles of justice, it is not substantial enough a theory to undermine the priority of the
right over the good that gives the conception its deontological character” (p. 26).
784 Ibid., page 188. Sandel writes: “Certain moral and political obligations that we commonly recognize—
obligations of solidarity, for example, or religious duties—may claim us for reasons unrelated to a choice. Such
obligations are difficult to dismiss as merely confused, and yet difficult to account for if we understand ourselves as
free and independent selves, unbound by moral ties we have not chosen.”
institutions distribute fundamental rights and duties and determine the division of advantages from social cooperation.”

G.A. Cohen, describing a contemporary vision of a just society, claims that it is “one whose citizens affirm and act upon the correct principles of justice.” And what are the correct principles of justice? Perhaps the most oft-cited and clear example of what is meant by “justice” in both a classical and contemporary context is this: justice is “giving each their due.” Cohen himself verifies this definition as a guide to understanding what it means to achieve justice or to endeavor toward a just society. The origination of justice as “each their due” hails back to ancient Greek philosophers and finds its greatest development in Aristotle. It was Plato who credited Simonides, as quoted by Polemarchus, as defining justice in this way: “it is to give each what is owed.”

Alasdair Macintyre (1988), whose work traverses various applications of justice over time, suggests that in the Aristotelian tradition, there is general agreement that justice as it relates to distribution must accord with desert of some kind. The point of philosophical dispute, however, relates to what kind of desert it should be. Sandel (2009) puts it more succinctly: “For Aristotle, justice means giving people what they deserve, giving each person his or her due. But what is a person due?” Thus, within this classical definition, we may understand the term “justice” in a two-fold manner: Justice is a) rendering unto each their due and b) given the first premise, justice is undertaking the process of determining what is due individuals. I shall refer to this first component as “formal justice”—that is, the formal definition of justice as the rendering of each their due. The second component, naturally conceived from formal justice, will be referred to as “substantive justice” where we must determine the standard by which we can apply

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785 Rawls, 1971, p. 7
787 This has also been referred to as “suum cuique”—the Latin phrase attributed to the Roman Lawyer Ulpian meaning to give each “their own” or “their due.”
788 He writes: “But if, as some of my critics insist, I simply must say what I think justice is, in general terms then I offer, for those who will be content with it, the ancient dictum that justice is giving each person her due.” See Cohen, 2008, p. 7
789 It is important to note here that this description of justice is used in the context of distributive justice, which is defined as being “concerned with the fair distribution of society’s benefits and burdens” (Velasquez, 1982, p. 76). However, the dictum “each their due” is also present in forms of retributive justice (punishments and penalties) and compensatory justice (compensation for being wronged by others).
792 Sandel, 2009, p. 187
the formal principle of justice. It is here, in the substantive principle, where the locus of concern over what is “just” is taken up.

Aristotle’s doctrine of justice is not only noted for his formal usage of the term, but also for his own attempt at defining substantive justice by determining what is “due” an individual. Aristotle, according to Lucas, attempts to “elucidate distributive, or social, justice…as requiring that each person’s share should be proportional to his deserts, rather than that fair shares were, of necessity, equal shares.”793 In his classical work *Nicomachean Ethics*, Aristotle writes: “The just, then, is the proportionate, and the unjust is the counterproportionate.”794 For Aristotle, the calculation of what is “due” an individual was based on an idea of “equivalence.”795 Because humans have the capacity for identifying what is understood as “unfair,” based upon excess or deficiency, we can conversely assume, according to Aristotle, that what is fair is both conceivable and possible if excess and deficiency are properly identified and reigned in.796 In distributions, equality is not understood as equal human beings receiving equal amounts, but rather, unequal human beings receiving what is in accord with their worth.797 Thus, “doing injustice is having too much and suffering injustice is having too little.”798 Aristotle refers to the equilibrium in this social calculation as achieving the “mean” which is understood as an “intermediate condition.”799 Therefore, we can properly describe the classical vision of substantive justice as being one of suitability—not necessarily equality. Kane writes: “The principle upon which such rights, penalties, or duties are calculated is the Aristotelian principle of proportionality: the more one has of a certain property X, the more one deserves of whatever treatment Y is relevant to it.”800

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795 According to Aristotle, the “just” man “does not award too much of what is choice-worthy to himself and too little to his neighbor (and the reverse with what is harmful), but awards what is proportionately equal, and he does the same in distributing between others” (p. 76). Thus, what is unjust is “disproportionate excess and deficiency in what is beneficial or harmful” (p. 76).
797 Aristotle; Irwin, 1999, p. 71
798 Ibid.
799 Ibid., p. 76
800 He writes: “Justice is a mean, not as the other virtues are, but because it is about an intermediate condition, whereas injustice is about the extremes” Page 76.
801 Kane, 1996, p. 378
Thus, as it relates to substantive justice, proportion best represents Aristotle’s articulation of “fairness.” Bell writes: “Fairness, one could say, [for Aristotle] is not a matter of strict equality in the modern egalitarian sense but of proportion. Like are treated alike, but unlike are treated differently and this is just.”

Another important aspect underlying Aristotle’s substantive form of justice was the notion that the “good is prior to the right.” Bell describes this classical philosophical position:

According to the classical vision, determinations of what is just are dependent upon a prior conception of the good of humanity, of a thick or substantive conception of the good that embraces both the community and individuals. In other words, agreement on what justice is is only possible subsequent to agreement on what constitutes the proper end or good of humanity.

While contemporary society has not departed from the formal understanding of justice—modernity and its philosophical attributes, often unique to the traditions before it, have led to a fundamental departure from Aristotelian proportion in favor of liberal notions of equality relative to individuals and their rights. This is a major assertion of MacIntyre’s 1988 work: Whose Justice? Which Rationality? Here, MacIntyre traces western conceptions of justice from Aristotle to Aquinas and onto Hume, making the case that they each appeal to a particular tradition by which to engage moral theory. Following Hume and the Scottish Enlightenment, liberal thinking emerged under the belief that practical reasoning can occur outside the boundary of a tradition and requires only the presence of facts in order to apprehend the correct principles of justice.

While MacIntyre asserts that such a tradition-independent project is illusory, he outlines the “central features” that have emerged from this movement. First is the idea that “society is best arranged when it is governed by principles that do not presuppose any particular conception of the good,” or what MacIntyre describes as a commitment “to there being no overriding good.” Furthermore, this idea makes the pursuit of the common good difficult, if not impossible, as liberalism asserts that “individuals are free to pursue private goods, and this is

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801 Bell, 2006, p. 183. Unfortunately, Aristotle included women and slaves as those “unlike” and considered them unworthy of full participation in political society—thus, their inferior treatment and marginalization was seen as “just” as it was considered proportionate.

802 Ibid.

803 MacIntyre, 1988, p. 332

804 Sandel, 2005, p. 161

805 MacIntyre, 1988, p. 337
possible only by restricting the pursuit of the common good.” Rawls himself gives the justification for this anti-Aristotelian shift: “Human good is heterogeneous because the aims of the self are heterogeneous.” Society is now understood as a collection of rational subjects defined by their choices and preferences—a “central” value of liberal modernity. This has implications for the liberal rendering of substantive justice as I have defined it. Formal justice as “each their due” must be expressed, in substantive terms, among the competing claims of individuals, bereft of any antecedent notions of what is ‘good’ for man or society, and this gives way to a form of egalitarian justice. Individuals are understood as possessors of their own schedule of preferences which deserves equal respect. Sandel (2005) defines the tenets of justice under the roof of liberal principles:

This liberalism says, in other words, that what makes the just society just is not the telos or purpose or end at which it aims, but precisely its refusal to choose in advance among competing purposes and ends. In its constitution and its laws, the just society seeks to provide a framework within which its citizens can pursue their own values and ends, consistent with a similar liberty for others.

This brand of justice is naturally undergirded, then, by the idea of individual equality, a clean departure from Aristotelian proportion. Because principles of justice must assess and weigh the various preferences put forth by individuals in society, a standard for the “tallying and weighing” of preferences and choices must be presented and justified. This, says MacIntyre, is the role of egalitarianism in modern justice. He writes:

The goods about which it is egalitarian in this way are those which, it is presumed, everyone values: freedom to express and to implement preferences and a share in the means required to make that implementation effective. It is in these two respects that prima facie equality is required.

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807 Rawls in MacIntyre, 1988, p. 337
808 Ibid.
809 Sandel, 2005, p. 157
810 MacIntyre, 1988, p. 344 (Italics his)
In contemporary ethical vernacular, then, what is “fair” is no longer what is proportional, it is what is equal. Further, this understanding is pervasive. To take Sen’s flute example, we have evidence of competing traditions of utilitarianism, welfare egalitarianism, and libertarianism. While these traditions differ in their articulation of substantive justice, they do presuppose an idea of fairness as strict equality within modern liberal understanding, in contrast to Aristotelian proportion. Lebacqz writes: “For all their differences, these three philosophical theories operate within a common ‘liberal’ tradition. They share significant assumptions regarding the role and place of the individual as the bearer of moral value and the use of reason as the grounds for any theory of justice.”

In modern terms, then, justice in a liberal society means “ensuring equal opportunity, giving equal pay for equal work, guaranteeing equal protection under the law, or avoiding favoritism and scapegoating among one’s children or students.” What, we might ask, is wrong with this idea of equality? What is lost in equating justice and equality? Hochschild (1981) offers good reason for skepticism in the liberal hope of equality and impartiality as a means of determining what is just. Recall that under the liberal project of justice, equality is based upon the equal nature of each individual to pursue their own good and author their own moral and social meanings. This is different from an equality of human dignity recognized in persons while also recognizing their inequality or their unequal nature as it relates to their history, culture, background, and personal attributes. An equality of individuals, writes Hochschild, is a “more profound danger” because it is at risk of failing to treat individuals as inherently valuable. She writes: “Equality does not reward—and may not even recognize—individual excellence or idiosyncrasy. But scarce abilities or unconventional traits make people unique and of value to the community.” In other words, we impoverish ourselves when we view each other as equals at the expense of recognizing our differences, particularly as those differences contribute to a more unified whole within a community context. Hochschild asks: “Can we endorse, then, a norm that authorizes society to ignore all individual characteristics in the name of respecting the

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811 Lebacqz, 1986, p. 12. Here she is referring to Mill’s utilitarian approach, Rawls’ social contract theory, and Nozick’s liberal entitlement theory.
813 Sandel, 2005, p. 163
814 Hochschild, 1981, p. 56
The answer, perhaps, depends upon an antecedent answer to the question: “What kind of community do I desire?” Relative to the normative argument, it has been expressed that the “kind of community” desired through various residential dispersal programs is a community that is socially, not simply spatially, integrated. Based upon this goal, I suggest that justice as “respecting the individual” is insufficient as equality without community becomes “mindless uniformity.”

This is because, as MacIntyre states, liberal notions of justice re-imaged the self as the “individual qua individual” as opposed to the Aristotelian vision of the “individual qua citizen” or “individual qua enquirer into his or her good and the good of his or her community.” Thus, in the modern liberal rendering, respect for the other is given attention only insofar as that respect does not conflict with the primacy afforded to myself. This places the prohibitive conjunction “if” on social relationships and makes justice—insofar as aspiring toward the achievement of what is “right” as opposed to what is “efficient”—illusory at best.

We do not have to undertake an extensive search of Rawlsian theory to see this problematic influence of liberal justice and its contribution to the aforementioned intractable problems in Rawlsian justice as it relates to supporting the normative argument, and more specifically, its second consideration. First, the idea of fairness, as impartiality, is most certainly present in the Rawlsian project. The original position understood as a mechanism to achieve pure procedural justice is directly concerned with the removal of personal bias as well as natural and social contingencies. It is only our “considered judgments in reflective equilibrium” that can truly articulate what is fair, thus making it just in Rawls’ view.

Second, the notion of the individual qua individual makes justice, at best, a defense of rights. In Rawlsian theory, we can only defend the right of another because we may very well end up as possessing the same natural and social contingencies as the other. Thus taking up the concerns of the other is merely an informal way of securing my own liberties and utilities. This is not surprising, however, since Rawls assumes the attribute of “mutual disinterest” in the original

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815 Ibid.
816 Ibid., page 63
817 MacIntyre, 1988, p. 339
818 Rawls, 1971, p. 120
position and gives primacy to rights and liberty above all other primary social goods.\textsuperscript{819} Thus, the original position as an “Archimedean point for assessing the social system without invoking a priori considerations” is a creative format to maintain the primacy of the self while only giving consideration to the other by virtue of being behind a veil of ignorance.\textsuperscript{820} This form of cooperation, however, while offering the appearance of “sharing one another’s common fate,” can hardly be understood as true community.\textsuperscript{821} This has been referred to as the “Rawlsian fallacy”—“that if something is an individual good it is \textit{ipso facto} a collective good.”\textsuperscript{822} Rights-based justice, a tenet of liberal substantive justice, assumes the presence of conflict as it relates to goods and is anathema to the idea of free and reciprocal exchange of individual goods for the sake of the whole.

Therefore, the intractable problems of Rawlsian theory as it relates to supporting the normative argument can be traced to the liberal interpretation of substantive justice. Devoid of community, this is a poor ethos to support the aim of social integration. On top of this, this version of substantive justice seems to lack the consensus to recruit the moral, ethical, and social ethos necessary to support community and solidarity-based considerations. This is due to a structural fault of liberal ideology where the self is proclaimed to be prior to its ends (thus assuming that the right is prior to the good).

We may (rightly) praise Rawls for recognizing conflicting doctrines within society that, under the “good” of utilitarianism, would potentially leave large sectors of society in precarious social standing in the name of efficiency for the majority (however that is defined). However, recognizing how social benefits as well as hardships are dispersed among its individual members (a moral consideration utilitarianism leaves unaccounted) does not necessarily mean we should abandon the aim of solidarity as a good worth pursuing. Sandel recognizes this error: “If utilitarianism fails to take seriously our distinctness, justice as fairness fails to take seriously our commonality.”\textsuperscript{823} Thus, when Sandel critiques Rawls by saying: “What the difference principle requires, but cannot provide, is some way of identifying those among whom the assets I bear are

\begin{itemize}
\item \textsuperscript{819} Sandel writes that, for Rawls, mutual disinterest is “the notion that individuals take no interest in one another’s interests” (Sandel, 1984, p. 162).
\item \textsuperscript{820} Ibid., p. 261. An “Archimedean point” is understood as being an objective vantage point for a given situation. Clearly, for Rawls, this point takes place within his hypothetical exercise of the original position.
\item \textsuperscript{821} Ibid., page 102
\item \textsuperscript{822} Barry as cited by Hochschild, 1981, p. 77 (Italics hers)
\item \textsuperscript{823} Sandel, 1984, p. 168
\end{itemize}
properly regarded as common, some way of seeing ourselves as mutually indebted and morally engaged to begin with,” his criticism extends beyond the scope of mere Rawlsian theory and more toward the direction of liberal substantive justice which endorses an atomistic, unencumbered view of individuals in society. Sandel concludes: “The constitutive aims and attachments that would save and situate the difference principle are precisely the ones denied to the liberal self; the moral encumbrances and antecedent obligations they imply would undercut the priority of right.”

We may conclude, therefore, that the liberal rendering of substantive justice, while still operating under the classical idea of formal justice, (“each their due”) is problematic as it relates to developing a robust, ethical component to the residential housing discussion. Moreover, relative to supporting the normative argument, I submit that the two aforementioned intractable problems of Rawlsian justice originate from this articulation of justice. Recall that the tenets of the normative argument appeal to the inclusion of ethical considerations regarding fair residential housing conditions for otherwise segregated minorities in addition to the aim towards social integration—an aim that requires a pluralistic approach toward understanding and valuing residential integration and black-white relationships within a community. However, the modern liberal rendering of “what is due” someone, understood as a fair, neutral, and impartial mechanism for “self-interested individuals pursuing private goods” is insufficient to give full expression to these ethical considerations as evidenced by Rawls’ theory of justice. Justice, in this sense, can only condemn the consequences of segregation; not segregation itself. Similarly, how will the exercise of distributing what is due to individuals in society create or support integration? “Each their due” is synonymous with a rights-based liberalism where each person not only makes a claim for themselves, but in essence makes their claim against other individuals thus presupposing an underlying conflict. Thus, the intractable problems of Rawlsian theory insofar as supporting the normative argument are symptoms of a greater underlying ethos of justice as providing “each their due” in a liberal democratic understanding.

In summary, the criticisms provided above reveal that Rawls’ depiction of the rational and mutually disinterested person behind the veil of ignorance reflects a distinct, liberal identity. In

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824 Sandel, 2009, p. 167
825 Ibid.
826 Bell, 2006, p. 184
contrast, competing views of justice and moral engagement suggest that a thicker conception of the self is a more appropriate depiction of rational man. A thicker conception locates persons within a certain time and place with moral ties and commitments that serve to identify, not alienate, them from others. This rationale, therefore, suggests skepticism for the primary social goods “endowed” to persons in the original position. However, there is another argument for skepticism: the primary social goods listed may not properly lubricate a path for the “good” I choose or the “ends” I endeavor toward. Indeed, they may even be a hindrance—this issue, related to Argument #1, is taken up in Argument #2.

Argument #2—Existing Primary Goods are Inadequate to Advance Communal Conceptions of the Good: Schwartz (1973) and Nagel (1973) were early critics of Rawls’ index of primary goods. Schwartz argued that the primary goods endowed to persons in the original position “favors a particular range of conceptions of the good” that are “not common to all rational individuals.” Moreover, she writes that the Rawlsian range of conceptions of the good misses aspects relating to the communal goods of life. For example, she offers a picture of a socialist “whose plan of life does not involve a preference for more rather than less of Rawl’s primary goods.” More specifically, she states that the socialist will reject Rawls’ primacy of liberties because they “do not further the pursuit of his plan of life or the plans of most men.”

Regarding self-respect, Schwartz’ socialist would likely claim that a different set of liberties would best further self-respect than what Rawls has offered. Furthermore, Schwartz contends that the pursuit of wealth would occur up to the point that he is decently fed, housed, and clothed. From here, he might suggest that he is “harmed” by living in a society that has a preference for greater rather than a lesser amount of wealth (as opposed to being more able to pursue his good in a society with a preference for a minimal amount of wealth).

828 Ibid., p. 302
829 Ibid., page 303
830 Ibid. Rawls primacy of liberty includes “liberty of conscience and freedom of thought” and “central place of the primary good of self-respect and the desire of human beings to express their nature in a free social union with others.” Schwartz believes that the socialist would have the strongest sense of self-worth through the freedom to realize his nature as a laboring being, and that only a socialist, non-market economy could grant that freedom (Page 303).  
831 Ibid., page 304
Similar to Schwartz, Nagel also argued that Rawls’ primary goods are not equally valuable in the pursuit of any and all conceptions of the good. More specifically, while the Rawlsian index will serve to advance many different individual plans, they are less useful in implementing views that “hold a good life to be readily achievable only in certain well-defined types of social structure.”

Why? Because of the individualistic bias in the Rawlsian model, “which is further strengthened by the motivational assumptions of mutual disinterest and absence of envy.” To summarize, Schwartz and Nagel have been described as criticizing Rawls for “suggest[ing] that what people want in life is to maximize their share of social resources (rather than promote the good of others)...”

Kymlicka (1989), in reviewing Schwartz’ work, writes that while Schwartz may appear to be attacking the idea of “consequential neutrality” since she emphasizes that not all ways of life will fare equally well in a Rawlsian society, she is also criticizing that communal life will not fare well under Rawls because “primary goods (beyond a certain point) are only useful for individualistic ends” and, furthermore, Rawls’ “demand that society aim to increase the share of primary goods available to individuals reflects a decision that individualistic ways of life should be promoted at the expense of nonindividualistic ways of life.”

Kymlicka, however, is skeptical of this position and the illustration of the socialist: “It is entirely wrong to suppose that the less materialistic someone is, the less of an interest she has in Rawls’s primary goods.”

Summarizing his critique of Schwartz, he writes: “Indeed, it is difficult to imagine a viable way of life which is genuinely harmed by, or even indifferent to, increases in the availability of material resources.” Indeed, Kymlicka argues that resources are necessary to pursue and protect one’s values, whether they are of an individualistic or communal nature. Citing Dworkin (1983), he favors a position where humans, after securing their necessary resources (i.e., primary goods), can “deploy in accordance with our attachments and other concerns”—even if these ends are of a non-individualistic, communal nature.

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833 Ibid.
835 Ibid., page 887
836 Ibid., page 888
837 Ibid.
838 Ibid., page 889
In many ways, Kymlicka may be more concerned with separating the idea of individualism as charged by Schwartz and Nagel from Rawlsian autonomy. He notes that, for Rawls, people “are capable not simply of pursuing their given ends, but also reflecting on the value of those ends.” In reflecting on the value of one’s ends, they can equally revise and change their conceptions of the good which, according to Kymlicka, requires resources that are flexible and can be translated into the goods and services appropriate for other ways of life—including communal forms of living. Thus, Kymlicka defends the Rawlsian position that primary goods are not evidence of “possessive individualism”—but rather a reflection of our autonomous choice (thus requiring flexible resources) and responsible choice where “there must be some standard which teaches us what is available to use in accordance with our attachments.” He concludes:

> It is commonly alleged that liberals fail to recognize that people are naturally social or communal beings. Liberals supposedly think that society rests on an artificial social contract, and that a coercive state apparatus is needed to keep naturally asocial people together in society. But there is a sense in which the opposite is true—liberals believe that people naturally form and join social relations and forms in which they come to understand and pursue the good.

Yet what Rawls, and thus Kymlicka, appear to leave undefended is a critical assumption related to the concept of autonomy: the belief that association and affiliation are goods we choose like any other good; not an attribute of who we are (i.e., our original makeup). According to their position and the overall Rawlsian project, we can begin as detached, independent beings and utilize the primary goods afforded to us to pursue our conception of the good—whether those conceptions are individualistic or communal in nature. Yet, the existing primary social goods presented by Rawls are misunderstood when presented as instruments to advance communal ends or, as Kymlicka puts it, to “naturally form and join social relations” should that be a given end. Rather, and perhaps more appropriately, rights and liberty, powers and opportunities, and wealth and income do not necessarily lead to relational cultivation (if that were the good I was

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839 Ibid., page 892
840 Ibid.
841 Ibid., page 893
842 Ibid., page 904. He continues: “The question is not whether individuals’ values and autonomy need to be situated in social relations but whether the relevant relations are necessarily or desirably political ones.”
pursuing) so much as they require it to avoid conflict and dysfunction. The second intractable problem of Rawls is consistent with this claim.

While an illustration will assist to make the point, prior to doing this, it is necessary to comment on how Rawls’ would have us weight the primary goods. Rawls, anticipating this as a problem, remarks that it is “greatly simplified” based upon the assumption that the two principles of justice are serially ordered.\footnote{Rawls, 1971, p. 93} Based upon this, Rawls concludes:

The fundamental liberties are always equal, and there is fair equality of opportunity; one does not need to balance these liberties and rights against other values. The primary social goods that vary in their distribution are the powers and prerogatives of authority, and income and wealth. But the difficulties are not so great as they might seem at first because of the nature of the difference principle. The only index problem that concerns us is that for the least advantaged group. The primary goods enjoyed by other representative individuals are adjusted to raise this index, subject of course to the usual constraints. It is unnecessary to define weights for the more favored positions in any detail, as long as we are sure they are more favored.\footnote{Ibid., pages 93-94}

Rawls appears hesitant to confer particular weights to each good in the index, and opts for a more generalized weighting scheme consistent with the two principles of justice. This flexibility allows for persons to adjust their conceptions of the good accordingly and thus the weights of primary goods necessary to achieve them. He writes: “Of course, the precise weights adopted in such an index cannot be laid down ahead of time, for these should be adjusted, to some degree at least, in view of social conditions.”\footnote{Rawls and Freeman, 2001, p. 261} In other words, just societies bear “the responsibility for upholding the principles of justice and secures for everyone a fair share of primary goods”; conversely, persons in society bear the responsibility of utilizing these primary goods, in the appropriate way, to achieve their ends.\footnote{Ibid.} For this reason, the index of primary goods is not a measure of “welfare”—rather, it is a measure of a just basic structure. To summarize: how

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\begin{itemize}
  \item \footnote{Rawls, 1971, p. 93}
  \item \footnote{Ibid., pages 93-94}
  \item \footnote{Rawls and Freeman, 2001, p. 261}
  \item \footnote{Ibid.}
\end{itemize}
primary goods are distributed is a matter of justice; what people do with them is a matter of personal responsibility.\textsuperscript{847}

However, according to Rawls, this does not preclude “constraints” on how one goes about weighting primary goods.\textsuperscript{848} One might assume this refers to the necessity of reigning in otherwise unrestricted liberty. However, for Rawls, the opposite is true—the priority of the first principle of justice (liberty principle) serves as a device to ensure that emphasis is placed upon liberty as, in Sen’s terms, “a facility that complements other facilities”—with “other facilities” meaning other social goods such as income and wealth.\textsuperscript{849} Rawls notes that the principles of justice, in their general form, “assign weights to certain of the primary goods.”\textsuperscript{850} How are we to relate the principles of justice to a weighting of primary goods? Rawls writes:

> Given the priority of the first principle over the second, and part (b) of the second principle [fair equality of opportunity] over part (a) [difference principle], all citizens in a well-ordered society have the same equal basic liberties and enjoy fair equality of opportunity. The only permissible difference among citizens is their share of the primary goods in (c), (d), and (e) [powers, income and wealth, and social bases of self-respect accordingly].\textsuperscript{851}

This weighting scheme, however, has not gone unquestioned. For example, Amartya Sen, commenting on the “unrestrained” priority of liberty, writes: “Why should we regard hunger, starvation and medical neglect to be invariably less important than the violation of any kind of personal liberty?”\textsuperscript{852} According to Rawls, such personal liberty is a key attribute for achieving one’s ends—even if they are communal. This, I submit, is partially true. Sen’s point is that unrestrained liberty is not so much a lubricant to choose community; rather, liberty \textit{requires} community so as to be constrained and, thus, more appropriately exercised. Here, Reinhold Niebuhr, whose work intersects ethics and politics, offers a compelling reason as to why liberty necessitates the “constraint” of community. He writes: “The interests of individuals are, in other

\begin{itemize}
\item \textsuperscript{847} Ibid., pages 253; 364
\item \textsuperscript{848} Ibid.
\item \textsuperscript{849} Sen, 2009, p. 60
\item \textsuperscript{850} Rawls and Freeman, 2001, p. 362
\item \textsuperscript{851} Ibid., pages 362-363
\item \textsuperscript{852} Sen, 2009, p. 65
\end{itemize}
words, never exactly identical with those of their communities.” While Niebuhr’s early work emphasizes the potential for morality in man and for immorality in groups, he recognizes what is required for social morality to flourish: “[No community can] achieve unity and harmony within its life, if the sentiments of goodwill and attitudes of mutuality are not cultivated.” This begs the question: can Rawlsian primary social goods and the unrestrained priority given to liberty achieve unity and harmony? Do the primary goods allow me to simply “choose” this as Rawls (and Kymlicka) suggest? Upon reading Rawls, there is great reason for skepticism as the Rawlsian rational person “desires to take part in social cooperation for mutual advantage.” This “cooperation” originates not, however, from “goodwill”—rather, upon closer inspection, Rawls’ depiction of “mutual advantage” behind a veil of ignorance is less of an overture of goodwill and resembles something more akin to a romanticized “prisoner’s dilemma.”

To illustrate this claim, we may take the example of marriage. If we were to survey Rawls’ list of primary social goods—rights and liberties, opportunities and powers, income and wealth, and the social-bases of self-respect—and relate it to the institution of marriage, would these primary goods be “useful to advance all ends”? Part of this answer would depend upon how one defines the purpose or nature of marriage. If marriage consisted of nothing more than the maximization of utility or a platonic form of mutual advantage, then such goods may indeed be appropriate to advance these ends. Consider however, the pursuit of ends in a marriage

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854 Ibid., page 275
855 Rawls and Freeman, 2001, p. 365
856 Prisoner’s Dilemma is a subset of economic game theory. For our purposes, it is the conflict (in the Rawlsian original position) of maximizing my social position by weighing considerations of self-interest and group rationality. Therefore, decisions—even if to the benefit of everyone—occur because they maximize my own personal situation. Thus, the “sharing in one another’s fate”—while appearing to be altruistic and relational—is more or less transactional and economical.
857 Regarding marriage, Rawls would consider the “family” a social institution (one of the many institutions his principles of justice are meant to impact). This is important to mention as “primary social goods” are meant to relate to the institutions in the basic structure of society. See Rawls and Freeman, 2001, page 454.
858 This is precisely what authors Jessica Bennett and Jesse Ellison suggest in a recent *Newsweek* article. At one point in history, the authors argue, marriage made sense for women as it “ensured their financial security, got the fathers of their children to stick around, and [helped them gain] access to a host of legal rights.” With changes in the workforce composition, however, the authors argue that marriage is no longer necessary “from a legal and practical standpoint” declaring that reason has triumphed over romance. How do they operationalize reason? The “icing on the cake” is that it is financially optimal to avoid marital commitments: “Federal law favors unmarried taxpayers in almost every case—only those whose incomes are wildly unequal get a real tax break—and under President Obama’s new health plan, low-earning single people get better subsidies to buy insurance.” Thus the authors “reason” that marriage is outdated for financial, legal, and practical considerations. The natural counter-argument is
consisting of trust, sacrifice, and self-giving love—characteristics often reflected in the
pronouncement of marital vows. Would Rawlsian primary social goods assist in the
cultivation and sustenance of these ends assuming they are “goods” one desires in their
marriage? While Kymlicka concedes that “there may be some ways of life which are not aided
by increased amounts of Rawls’s primary goods”—he is quick to assert, however, that
demonstrating this does not show that the primary goods harm communal ways of life.

Two immediate responses follow this assertion. First, the burden of proof need not be drawn at
the line of whether or not Rawls’ primary goods harm communal ways of life. I submit that the
locus of the argument hinges around whether or not the primary goods mentioned are sufficient
or “flexible” enough to achieve the full spectrum of ends that Rawls and Kymlicka imagine
possible—particularly as it relates to communal ends (e.g., trust in a marriage). Thus,
Kymlicka’s concession that the primary goods may not necessarily aid some ways of life (with
emphasis on communal ends) is reason enough to substantiate potential supplementation to the
existing index.

This point aside—there is, however, an argument that the existing index of primary goods may
indeed harm the pursuit of communal ends. This thesis has argued that a “rights-based
society”—commensurate with Rawls’ primacy to rights and liberty—is a “conflict” society. For
Rawls, the presence of liberty is the presence of justice. But, as Niebuhr reminds us, “Society
must strive for justice even if it is forced to use means, such as self-assertion, resistance,
coercion and perhaps resentment, [measures that ] cannot gain the moral sanction of the most

that this is a rigid interpretation of marriage. To define marriage strictly in terms of financial welfare is to minimize
the institution of marriage and dismiss a host of other “higher” purposes or ideals for marital unions (purposes that
cannot necessarily be standardized to financial, legal, or practical units of measurement). See Bennett, Jessica, and

Sacks offered a similar description of marital ends in his 1990 Reith Lectures in the UK. In his lectures,
he describes the marital norms of “loyalty and trust.” See Sacks in Fergusson, David. Community. Liberalism and

Fergusson (1998) interprets Kymlicka as not necessarily endorsing the idea of an
unencumbered self—but the idea that the liberal conception of the self is an individual who can choose, and adjust,
their ends. He cites Kymlicka: “We do indeed find ourselves in various roles and relationships, but we may not like
what we find. The roles and relationships may be oppressive or demeaning…” This point, however, has little
bearing on whether the primary social goods in Rawls’ exercise are sufficient to choose, and make adjustments, for
sensitive moral spirit.” A just society, in Rawls’ view, may very well dispense the tools of justice—liberty included. However, we must exercise caution before we assume that these tools, unchecked and unrestrained, can advance all ends. Consider Rawls’ general description of liberty—“this or that person (or persons) is free (or not fee) from this or that constraint (or set of constraints) to do (or not to do) so and so.” Further, recall that one such “constraint” is to be found in “persons, associations, or community”—a desire considered to be a “lower-order impulse” that does not contribute to, but rather undermines, what it means to be a “moral person.” Rawls, then, submits that freedom is not found in the other, but is found by virtue of disassociating from the other. Faulks (2000) helps to explain why “the other” may be a constraint, and not a resource, in liberal society: “The individualism of liberalism has encouraged a selfish and instrumentalist attitude to democracy and citizenship, which are not seen as expressions of communal life, but as methods for furthering self-interest.” He continues—“Rights are demanded, but no responsibilities accepted. Liberty has mutated into license.” Such an emphasis on autonomy, contends Faulks, makes liberals suspicious of notions of community. Given these remarks, it is questionable how the primacy of liberty, unfettered by constraints, can naturally allow for the advancement of communal ends.

To return to the example of marriage—regarding rights and liberty, the marital partners have the right, for example, to a pre-nuptial agreement (often used as a mechanism to secure and protect personal property in the event of a divorce). Indeed, given high US divorce rates, this would be a rational right to capitalize on and, moreover, persons in the original position should, according to Rawls, “assume that they have interests that they must protect as best they can.” But it is arguable that the primary goods of rights and liberties would advance the norms of trust, sacrifice, or self-giving love. Moreover, rights—untethered from a relationally-based ethos—would likely undermine such norms. This is because capitalizing on this right (pre-nuptial agreement) potentially undermines trust, cooperation, and goodwill toward the marital partner as it presumes, in some manner, a lack of trust, sacrifice, or the potential of marital failure. Thus, not only are the original ends sought not advanced, they are compromised. A similar argument

861 Niebuhr, 2001, p. 257
862 Rawls, 1971, p. 202
863 Rawls and Freeman, 2001, pp. 314-315
865 Ibid., page 57
866 Rawls, 1971, p. 206
can be made for opportunities and wealth as it relates to the institution of marriage. In contrast, we might imagine that rights, liberty, opportunities and wealth, bounded or controlled for by a relational maxim, would provide the gravity necessary for these social goods to be available and present to pursue ends, even ends such as trust, sacrifice, and self-giving love, without undermining or compromising them. While this may violate the greater Rawlsian (or liberal) fear of constraints upon individuality, it stabilizes the existing primary goods while still allowing for their healthy expression and use to pursue various ends.

This simple illustration of marriage is meant to highlight the conflict between primary goods and forms of communal values. On the surface, this conflict should not appear odd—relational flourishing and interaction are at the center of a healthy marriage just as human relationships and social capital are at the center of functional social institutions. Beyond marriage, we might similarly remark that human interaction and relationships stand at the center of the concept of housing and neighborhoods proper. For example, Massey (2004) describes social relationships in spatial terms as a form of “power geometry” or “a complex web of relations of domination and subordination, of solidarity, and co-operation.” Distilled to their most basic anthropological level—these institutions (marriage, housing/neighborhoods, etc.) are about how we relate to one another.

Thus, the example of marriage, and its extrapolation to housing, illustrates a few notable points relevant to this thesis. First and foremost, the primary social goods are considered “social” by Rawls because they are “social values.” These social values are to be distributed equally because they are “things that every rational human being is presumed to want.” However, this belies the very idea that persons are first relational beings, not abstract individuals endowed with the desire for primary goods in the original position. Mizzoni (2009), in his book on ethics, provides a succinct account of this often “overlooked” fact:

> The claim that human beings are relational beings is a claim about the nature of human beings. Each human being is in personal relationship with other human beings. This is an inescapable fact of 99.99 percent of all human lives. Without care, infants and small

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868 Rawls, 1971, p. 62
869 Ibid.
children would not survive into adulthood. At birth, a human infant has a brain that is only one-fourth the size of an adult brain. Human beings are born into a state of helplessness and need intensive caretaking. We are all born into families; our relationships to family members are our first relationships. As we get older, we form relationships with persons outside our families. At any moment in time, a human being is involved in countless relationships with others. The range of personal relationship is broad: the parent-child relationship, sibling relationships, and relationships with cousins, with neighbors, with extended family, with friends, with other children at school, with teachers, with doctors, perhaps with shopkeepers. As adults, humans have even more relationships: with co-workers, with bosses, with spouses, with spouses’ families, with business associates, etc.\textsuperscript{870}

Second, as Sociologist Amitai Etzioni has suggested, a good society requires both a moral order and a “bounded” autonomy.\textsuperscript{871} What is meant to “bound” autonomy according to Etzioni? Social order. While the relationship between order and autonomy is not considered to be zero-sum (i.e., more order ≠ less autonomy)—he does not consider the relationship to be “zero-plus” either (where “the factors complement one another”). Nor do these “dual virtues” cancel each other out. A better description, he writes, would be a symbiotic relationship where the two forces enrich one another “rather than merely work well together.”\textsuperscript{872} He is quick to describe, however, what he calls “inverting symbiosis”—where “if either element intensifies beyond a given level, it begins to diminish the other; the same two formations become antagonistic.”\textsuperscript{873}

To support this, he provides a helpful example related to housing:

It is useful to engage in a mental experiment in which one starts from a very low level of community—e.g., in a recently completed high-rise building—and assumes that some social agents—community organizers, for instance—start to strengthen social bonds and to foster a culture among the new residents. To a point, both social order and the individual members’ autonomy will be enhanced. As the residents cease to be strangers, come to know one another as people and develop some measure of communal

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\item[872] Ibid., page 36
\item[873] Ibid.
\end{footnotes}
attachments, they will feel less isolated, have a stronger sense of self and a more secure autonomy, and be voluntarily more mindful of their responsibilities, such as parking in the marked spaces and not littering in shared areas. However, if the newly founded community continuously increases its expectations of its members, a point will be reached at which the two formations will start to undercut one another. Thus, if the ordering formations grow stronger and stronger, not only will the members’ autonomy decline, but the communal bonds will fray as social responsibilities turn into imposed duties and opposition to the community will grow, which in turn will undermine the social order.  

Etzioni’s work illustrates the necessity of some form of social mindfulness to the existing primary goods in Rawls’ exercise. As I have argued, unchecked liberty does not necessarily aid and can even be prohibitive to some communally-based ends. Therefore, including considerations of social order and responsibility can help to “secure autonomy” in healthy social ways. However, a disproportionately large degree of order—similar to a disproportionate degree of liberty—may equally threaten the communal fabric of society. Thus, in light of Etzioni’s remarks, I submit that supplementing Rawls’ primary goods with an additional good of a relationally-based nature will provide the proper balance to the existing goods—without excluding or crowding out their presence and contribution. The forthcoming material will describe the nature of this supplementary good and its effect.

To conclude, this chapter thus far represents an exploration in residential integration from an ethical paradigm. I began the chapter by introducing the normative argument, supported in the language of justice as expressed by political philosopher John Rawls. While we can assert that the Rawlsian exercise gives support to the first consideration in the normative argument, his framework offers little support for the second consideration. This was made clear by explicating two intractable problems of Rawlsian justice. Thus, after reviewing these problems, I have suggested that persons in the original position require a more “thickly” constituted understanding as opposed to the otherwise “thin” conception provided by Rawls. This, as I will aim to show,

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874 Ibid. Etzioni specifically discusses the arguments between individualists and communitarians, those who champion rights and those who champion social responsibility, and citizens seeking to slash government in contrast to those who argue for a stronger regulatory state. These examples, according to Etzioni, are used to illustrate his idea of “inverting symbiosis.”
offers support to the second consideration in the normative argument and provides a more comprehensive and supportive architecture by which to explore the ethics of residential integration. At this point, I shall reflect on the implications of this paradigm in the post-script to the chapter. I will begin by giving a specific description of the additional primary social good I intend to “endow” the Rawlsian rational person with. Given this adjustment, I shall outline three additional features of the Rawlsian exercise we can appropriately anticipate. Finally, I shall end the post-script by analyzing the spatial implications of these features and the appropriate conclusions we can reach.
Chapter 4: Post-Script—Conclusions and Contributions

The last section ended with two arguments for a more “relational” Rawls. We can summarize the two arguments as follows: Argument #1 disputes the liberal assumption that a just society should provide a framework under which citizens can pursue their own conceptions of the good; where citizens are understood to be free, independent, and unencumbered by prior moral ties. The Rawlsian answer regarding the question of substantive justice (“What is a person due?”) requires that a just society render unto each equally and impartially so as to allow them to author their own meanings (in contrast to Aristotelian proportionality). Not only does this stress the conception of the autonomous self whose principle purpose is to define, defend, and capitalize on his ends without the consideration of others, but this notion of the person also undermines the concept of community as being valuable insofar as allowing for unequal persons to come together for a complementary whole or, to put it another way, incomplete persons finding completeness in each other. Argument #2 considers whether the notion of the “right” being prior to the “good”—as a framework for justice—truly allows for the autonomous self to choose their ends. I have argued that the endowments of Rawlsian primary goods to the autonomous individual in the original position are not only insufficient to advance any and all conceptions of the good—particularly of a communal nature—but may even harm or impede conceptions that favor ends such as trust, goodwill, affiliation, and solidarity: features of more communally-based conceptions of life. The section ended with the suggestion that a relationally-minded conception of the person requires a healthy balance between individual rights and an individual’s responsibility to society and others (social order).

Given these arguments, I will now introduce an adjusted, or refurbished, Rawlsian framework. Here I aim to “thicken” Rawls’ “thin” conception of the person in the original position to both recognize their relational nature and value relationships as a primary good necessary to advance all ends. The move from thin to thick is a move from the person understood as an individual with interests to be satisfied to a person “whose identity and fulfillment are inextricably bound up with relations and communities.” If we accept the terms of this adjustment, this will have

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875 Fergusson, 1998, p. 143
significant implications for the support of the normative argument and our ethical interpretation of social integration in housing.

Therefore, I submit that a minor addition to Rawl’s primary goods can have a major subsequent effect. Moreover, this effect more appropriately captures the full range of human considerations, and not simply desires that tend to be emphasized in liberal depictions of justice. The primary good I offer for inclusion is what I shall refer to as “meaningful relationships”—with a more specific definition forthcoming. First, to understand this good, it is helpful to explore how Rawls understands the concepts of benevolence and love. For Rawls, “love is guided by what individuals themselves would consent to in a fair initial situation which gives them equal representation as moral persons. We now see why nothing would have been gained by attributing benevolence to the parties in the original position.” Indeed, the attribute of benevolence would violate the characteristic of mutual disinterest—a feature of persons whose aim is to secure their highest-order interests. Rawls writes:

Thus we see that the assumption of the mutual disinterestedness of the parties does not prevent a reasonable interpretation of benevolence and of the love of mankind within the framework of justice as fairness.

Sandel is skeptical of this claim: “Given the limited role for reflection on Rawls’ account, the virtues of benevolence and love, as features of the good, are forms of sentiment rather than insight, ways of feeling rather than knowing.” In other words, given the features of persons in the original position, consideration toward other person’s “must be largely opaque” according to Sandel. As I have pointed out, Rawls considers association and affiliation to be lower-order interests that are heteronomous—threatening the autonomy of his rational person. Thus, in adding the primary good of “meaningful relationship”—we change the nature of the otherwise autonomous person so that relationship and its myriad attributes are understood as a part of the

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876 Rawls, 1971, p. 191
877 Upon anticipating the question of how one ascertains the motivation of people in a well-ordered society—Rawls replies that it comes from the “laws of psychology; assuming that people grow up and live under just institutions, as the principles adopted define them, one tries to work out what conceptions of the good and what moral interests people would acquire.” See Rawls and Freeman, 2001, p. 274
878 Rawls, 1971, p. 192
879 Sandel, 1984, p. 164
880 Ibid.
person, as opposed to being contrived and directed by what individuals themselves would consent to in a fair, initial situation.\(^{881}\)

Therefore, given these considerations, I define “meaningful relationships” as follows: the intrinsic desire for participation and membership in social networks consisting of the norms of reciprocity and trust whose object is the good of another.\(^{882}\) I understand this addition to be a general purpose means useful for tempering the existing primary goods in addition to carrying out the variety of ends people may choose (whether they be of a individualistic or communal nature).

I have made my case for a more relationally-based person in the original position. While this conception of the person is “thicker” than the “thin” conception Rawls offers, I have attempted to argue for its necessity in the Rawlsian project as a more appropriate means by which to construct agents in an original position of fairness, equality, and ignorance so as to envisage the social institutions in the basic structure of society. This adjustment, I submit, allows for the benefits of the Rawlsian project while addressing the aforementioned intractable problems which find a common denominator in the depiction of the self that liberal articulations of justice imply. Therefore, at this point, my aim is to flesh out the implications of this addition. If “meaningful relationships” were added to the list of primary social goods, we may now inquire as to what new outputs and outcomes would occur as a result of repeating this hypothetical exercise. After answering these questions, I will articulate the implications as it relates to space, place, and neighborhoods, thus concluding the ethical paradigm in this thesis. It should be noted that it is beyond the scope of this thesis to deliberate as to each and every change the addition of this primary good may potentially have. Rather, my aim is to focus on the implications that have

\(^{881}\) To be clear, while Michael Sandel’s criticism of Rawls’ unencumbered self is useful in understanding Rawls and the drawbacks of his theory, the addition of “meaningful relationships” to the list of existing primary goods would not be a solution that Sandel would, perhaps, support. This is because Sandel’s criticism is that the self is already shaped by attachments prior to any choices that are made, and that such attachments play a significant role in determining choices. Thus, for Sandel, the entire Rawlsian exercise is flawed from the start. This does not preclude my attempt, however, to make the “thin” self “thicker” in order to account for our relational nature and yet still draw benefits, and ultimately conclusions, from Rawls’ hypothetical exercise.

particular relevance for the normative argument in housing and the ethical paradigm of residential integration.

A “Thickly” Constituted Self in the Veil of Ignorance

Recall that in the original position behind a veil of ignorance, rationally autonomous persons endowed with the desire for primary social goods will choose Rawls’ two principles of justice. The chosen principles would stem from deliberations under ‘maximin’ to ensure that “no one should be advantaged or disadvantaged by natural fortune or social circumstances in the choice of principles.”\textsuperscript{883} Thus, in this deliberation process, questions arising may include: “If I was unaware of whether I was rich or poor, what system of taxation would I want in my society?”; “If I did not know my skin color, would I want to live in a society that allowed discriminatory practices?”; “Not knowing my religion (should I practice one), would I want to live in a society that was not tolerant of all religions?” As these questions suggest, in the original position we “choose features that force the parties to consider which principles would be acceptable from every social position.”\textsuperscript{884} Moreover, these questions emanate from the nature of the person in the original position—understood as rational, mutually disinterested, but possessing the capacity for rational agreement because they are endowed with primary social goods that allow “their rational deliberations [to] reach a definite result.”\textsuperscript{885} In addition to possessing the knowledge that they want/need primary goods, “preference” for primary goods in the original position is considered “rational.”\textsuperscript{886} To summarize, persons want and prefer primary goods in the ‘thin’ sense and securing primary goods allows them to pursue their conception of the good in the ‘thick’ sense. Rawls asserts that these “conditions” incite such questions as provided above and define the principles of justice that rational persons concerned to advance their interests would consent to.\textsuperscript{887} With this in mind, I have proposed an adjustment to the “conditions” to assume a more

\textsuperscript{883} Rawls, 1971, p. 18
\textsuperscript{884} Mandel, 2009, p. 14 (Italics mine)
\textsuperscript{885} Rawls and Freeman, 2001, p. 313
\textsuperscript{886} Ibid., page 314
\textsuperscript{887} Rawls, 1971, p. 19
thickly-constituted self—one who possesses a preference or desire for meaningful relationships in addition to the other index of primary goods. Rawls writes that the list of primary goods rests upon “a particular conception of the person.”888 This thesis has suggested that this conception is cut from the cloth of an individualistic, liberal presentation of the human person—the thinly-constituted or “unencumbered self.” However, should we adjust the conception to reflect a more thickly-constituted, relationally-based self—what new questions may be asked? What principles of justice would appropriately be arrived upon?

Hypothesizing about the wide variety of changes that would occur by adding the primary good of meaningful relationships, as I have defined it, would be subject to debate. However, I do wish to propose three areas of change that we could appropriately expect through this addition. First, I submit that a thickly constituted self would desire additional qualities of the societies they are assumed to inhabit. Second, I will argue that the addition of meaningful relationships changes the nature of the existing primary goods; i.e., they are “bounded.” Finally, upon accepting the earlier areas of change, I will offer a modified version of Rawls’ first principle of justice that could be produced from this process. Most importantly, in my addition of meaningful relationships to the existing primary goods, I am interested in the spatial implications of such an addition, which will be addressed at the end of the post-script.

**Refurbished Rawlsian Exercise: Additional Qualities Desired**

In addition to the range of questions that assist to determine the final principles of justice for Rawls, a rational person, in the thickly-constituted sense, behind a veil of ignorance would desire three additional qualities of the societies they would inhabit:

- a. Real, meaningful relationships with others
- b. Cultivation of identity through community and interaction
- c. Maximization of security; minimization of enmity

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888 Rawls and Freeman, 2001, p. 314
Before elaborating on these additional qualities, it is important to note a distinction often made by social theorists upon examining social networks. When reflecting on human interaction and relationships, we might say the distinction relates to answering the question: “relationship with whom?” Putnam (2000) writes: “Some forms of social capital are, by choice or necessity, inward looking and tend to reinforce exclusive identities and homogeneous groups.”889 This is referred to as “bonding” capital in social capital parlance. Low-Mix Black, Low-Mix White, or “specialized neighborhoods” defined by Cheshire are examples of bonding capital. Bonding social capital links groups that have much in common, and are often characterized by reciprocity and solidarity.890 This is different from “bridging” capital, characterized as being “outward looking and encompass[ing] people across diverse social cleavages.”891 Racially integrated communities, ecumenical religious organizations, or diverse work environments are examples of bridging capital. Putnam notes that bridging capital is good for getting linked to external assets and information diffusion. Bridging networks also play a valuable role as it relates to cultivating self-identity and reciprocity among a wider range of diverse networks. Most social scientists whose work addresses social capital point out the importance of both bonding and bridging networks for a healthy society. With this distinction in mind, we may now explore the additional qualities a thickly-constituted self in the original position would desire.

First, they would desire real, meaningful relationships with other individuals. This desire is a direct reflection of the newly endowed attribute of meaningful relationships, and makes a baseline assumption that individuals are not simply sensory beings whose aim is to author and fulfill various desires. Rather, individuals are also relational and desire human engagement, social capital, affiliation, membership, and solidarity. These goods can be achieved through various social and political institutions such as family, clubs and sports, work and educational environments, shared public resources, and neighborhoods.

The desire for a real relationship has implications for both bonding and bridging capital. As Walzer (1983) writes: “The primary good that we distribute to one another is membership in some human community.”892 He goes on to assert that men and women without membership are

889 Putnam, 2000, p. 22
890 Ibid.
891 Ibid.
892 Walzer, 1983, p. 31
“stateless persons.” Individuals possess the desire to engage in meaningful associations and to cultivate a sense of belonging through group identity. While meaningful associations can occur in a bonding or bridging framework, it is bonding capital that is most natural: “Bridging ties are harder to build than bonding ones.” Moreover, homogeneity often serves as the social lubricant for belonging and affiliation among individuals. Putnam writes: “For most of us, our deepest sense of belonging is to our most intimate social networks, especially family and friends” (i.e., our bonding networks). While real relationships may occur more naturally among similar individuals (i.e., homophily—“love of the same”), this is not to dismiss the importance of bridging capital in achieving real relationships. Xavier de Souza Briggs writes: “Popular discussions of race in America often center on interpersonal relations [between white and black]—which relate so closely to the respect, security, and feelings of mutuality we all crave.”

Secondly, thickly-constituted persons in the original position would a) understand that their identity is formed and shaped through community and relationships (not self-derived) and b) as a result, actors in the original position would not desire strictly homogeneous relationships which would minimize the full scope of identity cultivation available to the agent. To the latter point, if community and interaction are identity shaping mechanisms, thickly-constituted persons in the original position would not desire a society that was segregated and strictly homogeneous, although they may equally place a limit on the degree of heterogeneity they encounter as well.

Many of the issues addressed in this chapter give support to point “a”: if we are, at our core, relational beings as opposed to individualist, unencumbered selves—then our relationships and the communities by which we develop our relationships serve as a formative mechanism in shaping our identity and cultivating our personhood. This line of thinking reaches back several centuries, but it was given a clear social articulation in the work of George Herbert Mead (1863-1931) who claimed that an individual experienced themselves only by means of reflection in a

893 Ibid.
895 Ibid, pp. 279-280
896 Putnam, 2000, p. 274
social context—a position respected and held by many social theorists today. In this assertion, Mead “reversed the traditional assumptions underlying philosophical, psychological, and sociological thought to the effect that human beings possess minds and consciousness as original ‘givens,’ that they live in worlds of pre-existing and self-constituted objects, that their behavior consists of responses to such objects, and that group life consists of the association of such reacting human organisms.” In contrast, Mead maintained that “the process of self-interaction puts the human being over against his world instead of merely in it, [and] requires him to meet and handle his world through a defining process instead of merely responding to it.” The shift, here, is that being an individual requires the presence, not absence, of others. As one author summarized Mead’s influence: “we are not ‘I’s’ who decide to identify with certain ‘we’s’; we are first of all ‘we’s’ who discover our ‘I’s’ through learning to recognize the other as similar and different from ourselves.” This is in contrast to agency-centered explanations of human identity and behavior found in liberal depictions of the rational, atomistic self.

Given this understanding of self-identity, point “b” has implications for bridging capital (linking of individuals across groups). Putnam writes: “bridging social capital can generate broader identities and reciprocity, whereas bonding social capital bolsters our narrower selves.” Indeed, such “social bridges” are “uniquely important in social life.” Briggs (2007) writes:

Bridging ties are particularly crucial where they help bind diverse societies, expanding social and civic identities, opening up insular communities of interest, containing ethnic

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899 Indeed, Fergusson (1998) writes that this assumption underlines much of communitarian thinking: “the communitarian…is more impressed by the essentially social nature of the human being. The self is formed by its roles, attachments, and relationships with other people, institutions, communities, and traditions” (p. 139).
900 Blumer, 1966, p. 535
901 Ibid., page 536
903 Faulks, 2000, p. 58
904 Putnam, 2000, p. 23
905 Briggs, 2007, p. 263
and other intergroup conflicts, and reducing status inequalities, for example, by widening access to valuable information and endorsements.\footnote{Ibid.} In other words, bridging capital would be attractive, particularly in a hypothetical state of ignorance, so as to ensure one’s self-understanding and identity were not limited to one particular group. While bonding capital is a natural, and necessary, component of any society aspiring to community cohesion and social solidarity—there are disadvantages when bonding occurs bereft of bridging. Indeed, one may appropriately claim that ours is a society where bonding capital is disproportionately higher than bridging capital as it relates to black and white relationships. Emerson et al. (2000) write: “In the post-Civil Rights United States, the racialized society is one in which intermarriage rates are low, residential separation and socioeconomic inequality are the norm, our definitions of personal identity and our choices of intimate associations reveal racial distinctiveness, and where ‘we are never unaware of the race of a person with whom we interact.’”\footnote{Emerson et al., 2000, p. 7} Emerson’s quote describes our present arrangement where the threat of limited identity looms amidst an otherwise diverse society. In a racialized society, should one be born white or should one be born black, the risk is to be limited to the norms, traditions, and identities that accompany that race. This has implications for path dependency and preference formation and therefore limits the full scope of human potential and self-understanding (see conclusions to Chapter 3 post-script). I submit that such an arrangement would be avoided by a thickly-constituted self in the original position.

Limited identity, however, is not the only risk in a society where bonding and bridging capital are disproportionate. Thus, thirdly, actors in the original position would desire more security and less enmity. They would desire social arrangements that allow for human interaction and the advancement of given ends to flourish, unrestrained by the potential threat of forces that might jeopardize such goods. Not only would they desire the maximization of security, they would equally desire the minimization of enmity, meaning that they would want to minimize structures that incite or exacerbate hostility between parties.
Rawls notes that “although a society is a cooperative venture for mutual advantage, it is typically marked by conflict as well as an identity of interests.” This thesis has argued that Rawls’ liberal conception of the self and the existing primary goods he aims to secure and utilize to achieve his ends is not only consistent with, but may very well contribute to, a society “marked by conflict.” It is such conflict, though, that thickly-constituted persons in the original position would want to avoid insofar as it is possible. Again, this has implications for the importance of bridging capital.

We might think of the argument as follows—consider Putnam’s proposition:

Here is one way of framing the central issue facing America as we become ever more diverse ethnically. If we had a golden magic wand that would miraculously create more bridging social capital, we would surely want to use it. But suppose we had only an aluminum magic wand that could create more social capital, but only of a bonding sort. This second-best magic wand would bring more blacks and more whites to church, but not to the same church, more Hispanics and Anglos to the soccer field, but not the same soccer field. Should we use it?

The issue, writes Putnam, is that if we ignore this question, then “our efforts to reinvigorate community in America may simply lead to a more divided society.” There are two relevant remarks to be made about a “divided society.” First, it has less capacity to foster a healthy democracy in contrast to a more integrated populace. Gutmann (1998) observes that economically, ethnically, and religiously heterogeneous associations possess a greater capacity “to cultivate the kind of public discourse and deliberation that is conducive to democratic citizenship.” Second, a “divided society” has greater capacity to foster antagonism between homogeneous groups. A strong presence of bonding capital bereft of bridging capital (closing gaps in social distance based on race, class, culture, etc.)—while creating strong in-group loyalty and membership—may equally produce strong out-group antagonism (i.e., animosity toward the “other”). Putnam warns of the potential for conflict among homogeneous groups when

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908 Rawls, 1971, p. 126
909 Putnam, 2000, p. 362
910 Ibid.
911 Gutmann as cited by Putnam, 2000, p. 358
912 Putnam, 2000, p. 23
bonding, and not bridging, capital is the societal norm: “a society that has only bonding social capital risks looking like Bosnia or Belfast.”\textsuperscript{913}

We may conclude, therefore, that a society bereft of the presence of bridging capital may serve to ensure that one is born into a society with enmity; born into conflict. We may equally say that such a society would not be “secure.” For the reasons above Briggs concludes that “social bridges resting on inter-group ties have important consequences for individuals and for society, for social equality as well as for democracy.”\textsuperscript{914}

**Refurbished Rawlsian Exercise: Impact on Existing Goods in the Basket**

In addition to the aforementioned qualities thickly constituted selves would desire in the original position, I also submit that meaningful relationships, as an additional primary social good, would influence the nature and effect of the existing goods. Most notably, by adding a relationally-thick characteristic, we change the nature of how the other goods function by creating a “secure autonomy” as Etzioni has described it.\textsuperscript{915}

For example, we may return to Sen’s flute illustration, where three children present a legitimate claim for ownership of the flute based upon a particular, albeit impartial, conception of justice. Sen’s example, however, is not meant to definitively answer “who deserves the flute?” Rather, the purpose of his thought exercise is to demonstrate that justice requires fairness, and fairness requires impartiality, and yet the presence of such attributes in matters of justice does not necessarily provide an unequivocal solution. Sen writes: “The different resolutions all have serious arguments in support of them, and we may not be able to identify, without some arbitrariness, any of the alternative arguments as being the one that must invariably prevail.”\textsuperscript{916} Recall that Sen refers to this as the “problem of a unique impartial resolution” and further notes

\textsuperscript{913} Putnam et al., 2003, p. 279
\textsuperscript{914} Briggs, 2007, p. 265
\textsuperscript{915} Etzioni, 1996, p. 36
\textsuperscript{916} Sen, 2009, p. 14
that this “problem” applies to the discipline of fairness in the Rawlsian original position.\textsuperscript{917} However, the potency of this problem is diminished, I submit, through the addition of relationship. To return to the flute example, we are given limited information and asked to consider the just distribution based upon impartial claims from utilitarian, welfare, and libertarian positions. However, we might consider how the addition of relational information would influence our considerations. For example, supposing the backdrop of this arrangement were an ethos of association and affiliation between the parties, then this would temper other considerations such as rights and liberties so as to ensure that their employment in the exercise would not compromise the integrity of the relationships between the members. Anne (only one who knows how to play the flute) and Carla (spent months making the flute) might desire to preserve a certain relationship with Bob (poor and has no toys of his own). Indeed, they may even gain great utility by denying their claim and conceding the flute to him thus experiencing some form of vicarious joy or satisfaction based upon Bob’s enjoyment of possessing the flute. The point to be made is that the addition of a relationally-based piece of information to this otherwise indeterminable question of justice offers the potential for a solution, and perhaps an undisputed one at that. This is because such an addition changes the nature of the other attributes of justice that were given central consideration before—namely, rights and liberties.

This same principle holds in housing. Sandel describes those persuaded by Rawls and the difference principle as arguing for government to ensure the provision of certain basic needs. This, he contends, would include housing. What this does not sort out, however, are the contemporary problems related to resolving where housing is secured for all citizens (or how citizens are residentially sorted). Members behind a veil of ignorance, endowed with Rawls’ original desire for primary goods, would advocate for a society and social institutions that provide the right to housing because, according to Sandel, “all citizens will be able meaningfully to exercise their basic liberties.”\textsuperscript{918} However, the centrality given to rights and liberties does little to shore up disputes when this “right” is exercised. A good example of this can be found in the Mount Laurel exclusionary zoning case and its subsequent land usage rulings in New Jersey. Holtman (1999) attempts to understand the Mount Laurel disputes through a Kantian framework (similar to the deontology that Rawls exercises). However, this proves problematic when the

\textsuperscript{917} Ibid., pages 12; 15
\textsuperscript{918} Sandel, Michael J. \textit{Justice a Reader}. Oxford [u.a.: Oxford Univ., 2007. Print. (Page 371)
issue of rights and liberty are held paramount. The employment of rights and liberty for equal citizens leads Holtman to conclude: “What renders the justice of exclusionary zoning a difficult question is that there are considerations basic to justice (fundamental interests) on each side.”

In other words, local municipalities had the fair right to establish their own land usage laws locally; they even went so far as to refer to them as an “undeniable good.” Similarly, low-income minorities excluded to otherwise undesirable residential locations had the right to their share of housing so as to enjoy the same public resources and amenities as other citizens.

Holtman summarizes the issue:

One the one hand, if municipalities are allowed to enact exclusionary zoning ordinances, that effectively will prevent certain segments of the nation's population from residing within their boundaries. This exclusion is especially troubling in areas where the ordinances are common, where nearly every well-to-do suburban town has enacted one. For in these areas, the less-well-off are excluded not just from a particular town in which they might, for whatever reason, wish to live, but from the quality schools and other municipal services, not to mention the safe and pleasant surroundings, that often are a benefit of suburban (as opposed to urban or rural) living. On the other hand, to outlaw such ordinances is to prevent the municipality from taking steps it deems necessary to promote what we might well agree is the welfare of its citizenry. And this is a legitimate municipal goal if ever there was one. So there seems to be no way at all to decide which of these perfectly legitimate interests local zoning ordinances ought to serve.

Thus, rights and liberties were appealed to by those doing the “excluding” as well as the “excluded”—both in the name of fairness. However, this was not enough to reach resolution (i.e., the flute problem). To further illustrate the point, one result of the Mount Laurel rulings was the creation of fair-housing obligations by municipalities. One way to circumvent this obligation, however, was to pay a fee to be used for rehabilitation and revitalization in poor

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920 The town advised that the “ordinances were meant to promote the present and future interests of the town and its residents” (Holtman, 1999, pp. 32-33).
921 Haar, 1996, p. 90
922 Holtman, 1999, p. 33
neighborhoods. This payment was referred to as an RCA (Regional Contribution Agreement).\footnote{Localities could “buy” up to 50% of their fair share obligation by paying other towns the money to do the building or renovation for LMI families in that area (and not in theirs). Kirp et al. write: “Some legislators likened [this] ‘cooperation’ strategy to the discredited Civil War practice of allowing rich northerners to buy their way out of the draft.” See Kirp et al., 1997, p. 127} Thus, instead of building their own “fair share” of housing for the poor, municipalities could simply transfer that money to assist in rehabilitating poor neighborhoods. Although this produced over 75 million dollars between 1983 and 1994 and 4,000 new units built or rebuilt in otherwise poor communities\footnote{Ibid., page 161}—it was difficult to label this strategy a success. While economists supported the idea of RCAs for reasons of efficiency, it did not satisfy one of the principle goals of Mount Laurel: social integration in housing. Kirp et al. write: “But those who read Mount Laurel as a civil-rights case that stands for a vital constitutional principle see this commerce in a darker, more Faustian light. The RCAs have undermined one of the goals of the litigation, the racial and economic integration of the suburbs.”\footnote{Ibid., page 162 (Italics theirs)} Therefore, while exercising the right to fund RCAs offered resolution, this strategy further divided racial households and undermined the goal of social integration—a central feature of the Mount Laurel legislation.

To summarize, we see that with the limited criteria of rights, liberties, opportunities and wealth, such attributes have done little to solve the problem of various competing social actors claiming “fairness.” It is no surprise that these disputes often found their resolution or quasi-resolution in a courtroom setting. Consider, in contrast, an appeal to community made by one of the early figures in the Mount Laurel disputes who found herself among the excluded:

The people that I feel sorry for are the powers-that-be in Mount Laurel. They tell you they're Christian people, but they don't want to deal with poor people on earth. They're going to have a hard time in the hereafter. There's poor people in heaven and poor people in hell. God meant for us to live in harmony on earth, or else he'd have made rich and poor communities in the hereafter.\footnote{Ibid., pages 194-195. Quote is by Ethel Lawrence.}

This quote appeals to a deeper sense of solidarity and community reflected in her usage of the term “harmony.” Thus, if agents in the original position were endowed with a sense or desire for meaningful relationships, we might rightly imagine that the “rights” exercised in Mount Laurel
would be bounded so as to avoid compromising communal goods such as harmony among community inhabitants. One counter-response to this line of thinking would suggest that community and harmony were indeed visible outcomes of Mount Laurel—harmony among the white neighborhoods and harmony among the black neighborhoods. However, as mentioned, actors in the original position would desire opportunities for bridging capital as well as bonding capital in order to secure a richer, fuller understanding of themselves, their identity, and their ability to interact and have real and meaningful relationships with various members of society. Further, thickly-constituted selves in the original position would desire security and the minimization of enmity—social features that also necessitate a proper balance of bonding and bridging capital.

To summarize, primary goods such as rights, liberties, opportunities and wealth, while being sought after and exercised for a variety of ends, would be appropriately secured or bounded by the addition of meaningful relationships as a primary good. For example, actors may construct a society where local municipalities can determine land usage—but not at the expense of segregation where social development and the cultivation of identity is limited to one group. Or, actors may construct fair-share institutions such as Regional Contribution Agreements (RCAs)—but such an institution should not serve as a sorting mechanism for white and black neighborhoods risking increased out-group hostility (enmity with the other). The relational nature of meaningful relationships and the social qualities this addition introduces limits the range of usage these various institutions may take on.

These examples are meant to illustrate and suggest that not only would the addition of meaningful relationships to the existing basket of primary social goods offer additional qualities desired by the thickly-constituted self in the original position, but the addition would also secure and bound the existing goods. This boundary would ideally provide for a “secure autonomy” that still allows for the expression and exercise of rights, liberties, and the other primary goods—but in a healthy, functional way that would not trump, but rather support, relationally-based ideals and ends.
Refurbished Rawlsian Exercise: Additional Theory of Justice

Thus far, I have submitted that the addition of meaningful relationships to the existing primary social goods would produce three additional qualities that members in the original position would desire of the societies they aim to inhabit. Moreover, this addition would have a stabilizing effect on the existing primary social goods by allowing for their expression within the boundary of social participation and membership consisting of norms such as reciprocity, trust, and considerations for others. Thus, finally, I propose one additional reasonable change that could be expected in the refurbished Rawlsian approach to justice which relates to Rawls’ two principles of justice that occur as a result of his hypothetical exercise.

Recall Rawls’ first principle of justice: “Each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others.” This principle is given lexical priority over the second because no rational person, according to Rawls, would give up basic liberties for social or economic gains. Before exploring the implications of a more thickly-constituted self on this first principle, I shall give attention to the second principle, which asserts the difference principle and the principle of equal opportunity. Rawls emphasizes the importance of equal opportunity so as to control for the arbitrariness of social inequalities one might be born into. Sandel describes the idea in the metaphor of a race: “Allowing everyone to enter the race is a good thing. But if the runners start from different starting points, the race is hardly fair.” However, even if everyone were brought to the same starting line, Sandel contends, “it is more or less predictable who will win the race—the fastest runners.” But being a fast runner is based upon natural talents and abilities, and is an equally arbitrary factor in the determination of distributing social goods. Hence, the necessity of Rawls’ difference principle. However, as mentioned, the difference principle does allow for unequal shares and gains so long as they are to the advantage of the lowest members of society (“maximin”).

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927 Rawls, 1971, p. 60. Note there is little change to this principle when it is expressed in Rawls’ later work Political Liberalism (1993): “Each person has an equal right to a fully adequate scheme of equal basic liberties which is compatible with a similar scheme of liberties for all” (p. 291).
928 Sandel, 2009, p. 153
929 Ibid., page 154
Rawls’ articulation of desert and the accompanying arbitrariness related to its use highlight one of the more valuable contributions of his theory. Furthermore, the agreement to a rationality of “maximin” in the original position best mirrors a communally-minded principle, although it is proposed less from altruism and more as an avoidance of deprived conditions should one find themselves in a least-advantaged position when the veil is lifted. Nevertheless, I submit that a thickly-constituted person behind a veil of ignorance would maintain Rawls’ second principle as a theory of justice. We might think differently, however, about the first principle.

One implication for the first principle related to the refurbished approach is that the principles of justice are to focus on the distribution of primary social goods. In other words, the idea is that the basic structure will “aim to eliminate structural inequalities in the distribution of primary goods except when a structural inequality works to everyone’s advantage.” Rawls asserts that this applies differently based upon the primary good. For example, the first principle requires that everyone have a scheme of basic liberties and principle 2b mandates equal opportunities, as allowing for inequalities in the distribution of these goods would not work to everyone’s advantage. However, inequalities in the other primary goods may serve to benefit all members of society.

A second implication regarding the first principle relates to Rawls’ understanding of the person. While we may agree with Rawls that “if any principle can be agreed to, it must be that of equal liberty”—it is important to recognize the trajectory of the freedom Rawls takes great pains to protect. Rawlsian liberty, protected at all costs, is a mechanism to allow for one to author their own meaning and pursue their own ends. We can imagine a society, however, completely segregated with little to no interaction across boundaries of race, place, culture, and ethnicity. However, assuming the two principles of justice are met, this would still be considered a just society, although a society of collected individuals free to pursue their given ends hardly resembles the desire for association and affiliation inherent in individuals. Nor would it resemble the collective public intercourse necessary for a healthy democracy. In addition to this, an early criticism of Rawlsian priority to liberty as a good does not account for whether members

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930 Mandel, 2009, p. 49  
931 Ibid.  
932 Rawls, 1971, p. 208
of society can convert such goods into good living. The stress here is not on the distribution of primary goods by societal institutions, but on the capability of societal members to capitalize on such goods. Finally, Sen (2009) points out that “The idea that people will spontaneously do what they agreed to do in the original position is Rawls’ own,” since Rawls declares that “Everyone is presumed to act justly and to do his part in upholding just institutions.” This is the assumption that free people, unconstrained by obligations to other societal members, will “do their part” to uphold just institutions. However, this is a peculiar assumption given the individualism stressed in the Rawlsian rational person. So long as an individual’s possession of the primary social goods is satisfied, it is difficult to conceive why they would uphold the tenets of just institutions so that others may enjoy a similar satisfaction.

Sen gives an appropriate summary, therefore, of how we should understand the liberty principle in Rawls’ theory of justice:

It is indeed possible to accept that liberty must have some kind of priority, but total unrestrained priority is almost certainly an overkill. There are, for example, many different types of weighting schemes that can give partial priority to one concern over another.

In a footnote, Sen elaborates on this suggestion: “There are many different ways of attaching some priority to one concern over another, without making that priority totally unbeatable under any circumstances (as implied by the ‘lexical’ form chosen by Rawls).” This more realistic approach, I submit, can be adopted in the refurbished Rawlsian exercise with the addition of meaningful relationships as a primary social good. Given this additional feature, we might suppose that the first principle of justice would take on the following form:

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933 This is referred to as the capabilities approach, primarily developed by Amartya Sen and Martha Nussbaum as a more appropriate way of measuring justice. This argument, which gained momentum in the 1980s, continues in contemporary political theory.
934 Sen, 2009, p. 61
935 Rawls, 1971, p. 8
936 Sen, 2009, p. 65
937 Ibid.
First Principle of Justice (Refurbished): Institutions in the basic structure should be arranged so as to ensure equal rights to a fully adequate scheme of equal basic liberties compatible with a similar scheme of liberties for all, insofar as such liberties foster social contact, collective mindfulness, and healthy community.

Among other things, we can say the following about this principle of justice: First, it still operates with the second principle to distribute primary social goods (including the social good of meaningful relationships). It should be noted that while rights and liberties, powers and opportunities, and wealth and income can be measurably distributed by social institutions, the good of meaningful relationships is not a similar facility as such, but an attribute that institutions should aim to encourage, foster, and distribute as a basic feature of social institutions. Second, this principle of justice, by adding a relational undertone, would not allow for a completely segregated society partitioned along racial, class, ethnic or cultural lines. Regarding capabilities, a just society would allow for equal liberties, but such liberties would be exercised in social arenas with mindfulness toward others and the cultivation of community. Thus, while members of society may not be capable of employing an equal scheme of liberties and other primary goods to their advantage, this alternative theory of justice would suggest that they would receive assistance from others.938 Finally, while Rawls’ original theory made the assumption that members would uphold the theories of justice—this assumption is better supported by the revised theory of justice since upholding norms of justice is exercised out of reciprocity, consideration of the other, and for the purposes of sustaining communal norms. In other words, when the veil is lifted, a stronger relational fabric would best protect the integrity of the society agreed upon in the original position.

938 It should be noted that this does not necessarily solve the capabilities problem. To illustrate, Sen gives the example of someone disabled who would benefit little from wealth or income or a pregnant woman who needs more nutritional support than someone else not bearing a child—both examples of individuals who would not directly benefit from an increase in primary goods. Sen, therefore, calls for a shift from primary goods to assessments in freedoms and capabilities (Sen, 2009, p. 66). However, while the shift to a more thickly-constituted self may not directly address this issue, it does suggest that additional support would be provided by others for those who do not directly benefit from an equal scheme of the existing primary goods. For example, (ideally) the disabled person finds freedom and capability through the assistance of others in his or her relational network; the pregnant woman is given the necessary nutritional support from her associations and affiliation in larger communal networks to accommodate her pregnancy, etc.
Spatial Implications of the Refurbished Rawlsian Process

The addition of meaningful relationships as a primary good to create a more thickly-constituted self in the original position could appropriately be seen to create, I have argued, three additional features in the Rawlsian exercise. These features include additional qualities that persons in the original position would both desire and require, the tempering or “bounding” of the existing primary goods, and finally a modification to Rawls’ first principle of justice. More germane to this thesis, however, are the spatial implications of these features. While the implications for space are broad, I will give specific attention to the implications for black-white housing arrangements. To state it concisely: space matters.

The spatial features of the refurbished Rawlsian exercise can best be expressed by examining more closely the qualities that persons in the original position would desire and require. This, however, should not dismiss the importance of the other two aforementioned features (bounding of existing primary goods; modified theory of justice). Rather, these two features help to support and substantiate the forthcoming spatial rationale of the three qualities.

Thus, regarding the three qualities, it was first suggested that thickly-constituted persons would desire real, meaningful relationships. This, by its very definition, requires the presence, or opportunity for, proximity. Real and meaningful relationships, whether of a bonding or a bridging nature, require as a general baseline face-to-face engagement and shared space. While work and school environments are “spaces” where such relationships may be built and sustained, housing would also provide space for building community, close-proximity, and opportunity for contact and interaction. Indeed, neighborhood housing and the term “community” are often inter-changeable for this reason: housing offers the prospect of social proximity and subsequent engagement among residents.

One may rightly protest that spatial proximity is a diminishing requirement for achieving real relationships in an age of cyber-technology and its various means for human interaction. Putnam, however, challenges this line of thinking. He refers to computer-based communication
as a “shortcut to civic expression” and points to an array of challenges to “the hope that computer-mediated communication will breed new and improved communities.” In contrast, Putnam cites research suggesting that social capital is a pre-requisite for, as opposed to a consequence of, effective cyber communication. Computer-based interaction, as a substitute for community, must contend with the fact that there are inequalities in access to technology, social cues are more difficult to read between parties online, and the phenomenon of “cyberbalkanization” where our communication is often confined to people who share our own interests. Further, the role of the internet is changing from a communication device to an entertainment mechanism—a shift that could potentially “crowd-out” face-to-face ties. Wellman et al. (2000) provide a helpful summary: “Frequent contact on the Internet is a complement to frequent face-to-face contact, not a substitute for it.”

While spatial proximity is a natural requirement for developing real and meaningful relationships within a social network—this feature alone, however, may only serve to substantiate bonding networks and lead to homogeneous housing patterns. If persons in the original position desire real relationships among themselves in society—and housing plays a key role in assuring the proximity necessary to cultivate those relationships—there is nothing to suggest that the housing arrangements under this criterion would not be racially segregated. In other words, residential integration isn’t necessary to achieve this desired feature. However, the same cannot be said upon considering the second and third feature.

Therefore, consider the second feature, where it was suggested that thickly-constituted persons would understand their identity as being formed and shaped through community and, as a result, would not desire strictly homogeneous relationships which may prohibit the full range of identity cultivation available to them once the veil of ignorance was lifted. Just as an artist desires a palette filled with a wide variety of colors so as to have a full range of expression and possibility in their painting, thickly-constituted persons in the original position would desire a society

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939 Putnam, 2000, p. 174
940 Ibid., page 177
941 Ibid. pages 174-179
942 Wellman et al. (2000) as cited by Putnam, 2000, p. 179
offering a full range of social expressions so as to have the opportunity to form and develop their identity and self-understanding in unrestricted, healthy ways.

Where the first feature (real relationships) would technically only require bonding networks for its realization in society, the desire for a full range of social expressions by which to build and shape one’s identity would require what social theorists refer to as “bridging capital”—or networks that “encompass people across diverse social cleavages.” To realize this desire in the basic structure, institutions should lubricate the grounds for contact among differing individuals on levels such as race, class, or culture. Again, an appropriate arrangement for enhanced contact would likely involve housing. Neighborhoods offer a natural platform for social intercourse through increased contact, shared amenities and goods, and collective responsibility. Such diversity offers a practical means by which to widen my self-identity and understanding, in addition to establishing norms of trust and reciprocity along more diverse lines. Conversely, a segregated neighborhood may serve to limit my ability to aspire to a healthy balance of self-understanding and personality as I would be limited to social development within a limited, and potentially rigid, environment. There are social consequences for such an arrangement, as Stolle et al. (2008) write: “…social interactions among homogeneous individuals may actually make it much harder—or even impossible—for individuals to transfer their in-group trust to the outside world.” Not only would being born in a homogeneous community limit my own self-identity, understanding, and potential—but it would make it very difficult to socially navigate an increasingly diverse world.

The second feature, therefore, supports a society that is residentially integrated. The support of integrated neighborhoods on racial terms will have natural implications for socio-economic and cultural integration as well. Thickly-constituted selves would desire the opportunity to identify with different races so as to have a fuller understanding of themselves and human beings in

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943 Putnam, 2000, p. 22
944 A potential second spatial implication related to the desired quality of identity formation in a diverse community addresses the limits of diversity. If my identity is a function of the relational interaction I have among a diversity of environments and persons—then it is possible that too much diversity may impose too much landscape for the cultivation of a healthy self-understanding.
general. As Putnam writes: “Social distance depends…on social identity: our sense of who we are. Identity itself is socially constructed and can be socially de-constructed and re-constructed.”

Navigating through identities, or what Putnam refers to as the “intentional transformation of identities” requires a “dynamic and evolving society.” Thus, exposure to different races in an integrated neighborhood setting provides a full palette of social expressions by which to identify myself with, which allows me to re-construct my own identity. Putnam offers a practical advantage to this social flexibility: “…adapting over time, dynamically, to immigration and diversity requires the reconstruction of social identities, not merely of the immigrants themselves (though assimilation is important), but also of the newly more diverse society as a whole (including the native born).” In a society of ever-changing ethnic and racial composition—flexibility is a necessary attribute since “the most certain prediction that we can make about almost any modern society is that it will be more diverse a generation from now than it is today.”

Third, and finally, thickly-constituted persons behind a veil of ignorance would desire to maximize security and minimize enmity. The connection between space and conflict is easily visible and the examples are legion. Persons in the original position may offer the following question: “If I was unaware of my race, religion, ethnicity, culture, gender, etc.—would I want to enter a world where I could be born into conflict with a distinct person or group?” For example, an African American born into southern US territory in the mid-1800s is born into conflict with white land-owners. Equally so, being born into gang territory, political territory, or border territory among rival ethnicities or cultures is to inherit a conflict with a distinct “other” upon entering the world. Spatial tension is evident in residentially segregated areas as well. Given our knowledge of the Mount Laurel disputes, one inherits a certain tension with a distinct other whether they are born in the Mount Laurel district or outside of its borders.

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947 Ibid.
948 Ibid., pages 159-160
949 Putnam, 2007, p. 137
950 Regarding political territory, Bill Bishop argues in his book The Big Sort (2008) that political “red” and “blue” spatial clustering has been occurring in the US since the 1970s and that these enclaves of politically like-minded residents are “tearing” the US apart and creating conflict. See Bishop, Bill, and Robert G. Cushing. The Big Sort: Why the Clustering of Like-minded America Is Tearing Us Apart. Boston: Houghton Mifflin, 2008. Print.
As these examples make clear, the “other” is often defined in spatial terms. However, this does not presume that space is the problem—only a mechanism of identification. Indeed, it would be wrong to assume that enmity is absent in integrated spaces. Consider the remarks of Stolle et al.:

A growing body of evidence suggests that localities, neighborhoods, regions or states and even countries with more ethnic, racial and socio-economic diversity experience substantially more problems with the creation of various kinds of social capital, cooperation, trust and support necessary for collective action critical to social welfare programs.951

While this important point will be given more consideration below, there are two points to reflect upon here. First, if there is enmity within space (i.e., integrated space), then it does not necessarily follow that segregation is the solution. This may only make tensions worse by establishing a defined “we” in conflict with a defined “them” and exacerbating out-group hostility. Second, as mentioned, we should not presume that space is the problem. Rather, it may be a symptom of the problem, which is better understood as the absence of healthy contact thus creating more fear and a lack of rationality. We can remark, however, that space and spatial integration is a part of the solution—although not the direct solution. If thickly-constituted agents in the original position desire the maximization of security and the minimization of enmity—then we may say that they desire an integrated society constituted by shared norms and collective mindfulness and responsibility. The achievement of integration of this sort requires, as a baseline, shared space and close proximity. This is a necessary overture toward harmonious community relationships so as to introduce new social dynamics necessary for healthy integration to occur. We may conclude, therefore, that this feature also supports the cultivation of bridging networks and would equally support residential integration as a means of achieving this strand of social capital.

To summarize the three aforementioned features and their spatial implications—space is a necessary component for real relationships, a more comprehensive setting for identity formation,

951 Stolle et al., 2008, p. 57
and for the maximization of security and the minimization of enmity. Moreover, among other things, the spatial implications of the aforementioned features allow for a more concise statement that thickly-constituted agents in the original positions would likely agree upon: they would desire a society that is *socially integrated*. This term, introduced in Chapter 3, makes the important distinction that proximity does not equal acceptance or that shared space does not equal inclusion. In other words, *spatial* integration does not equate with *social* integration. Karst (1985) remarking that there is a difference between physical inclusion and social inclusion (i.e., “belonging”), points out that the problem with racial segregation is that it “excludes [blacks] from full participation in society.”

Thus, where spatial integration may refer to close proximity and shared space, social integration refers to close proximity, shared space, and inclusion, or the idea of social assimilation where trust, cooperation, and collective responsibility define the norms of such membership.

Thus, we have concluded that space is a necessary component for the realization of the societal features agreed upon in the original position by thickly-constituted persons. Second, we understand that these same agents would desire space as a means to achieve social, not simply spatial, integration. Next, while it may appropriately be suggested that the desire for social integration would be pervasive through a variety of institutions in the basic structure, agents behind a veil of ignorance would concede that housing is a key structural mechanism by which to engender and sustain social integration. This is intuitive, as housing has been described as being much more than shelter, it “provides social status, access to jobs, education and other services, a framework for the conduct of household work, and a way of structuring economic, social and political relationships.” Thus, housing provides a natural means to bring about proximity for the purposes of social enrichment or social integration.

We may summarize by stating that thickly-constituted agents in the original position desire a socially-integrated society. They recognize that this has spatial implications, and that housing is a necessary mechanism by which to employ the implications of space to achieve spatial integration. However, the assertion that social integration requires proximity needs to be

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952 Karst, 1985, p. 323
953 Achtenberg and Marcuse in Calmore, 1993, p. 1489
handled with care, as it is at risk of being misinterpreted as suggesting that proximity leads to, or is a cause of, social integration. To properly address this, it is important to make a distinction often presented in social science literature between “contact theory” and “conflict theory”—two opposing theories that have spatial ramifications. Contact theory or “contact hypothesis” (introduced in the Chapter 3 Post-Script) posits that “diversity fosters interethnic tolerance and social solidarity.” In other words, as we have more contact with those unlike us (racially, economically, culturally, etc.), contact erodes some of the initial prejudices marked by fear, distrust, and overall ignorance and are replaced by trust, understanding, and a new sense of awareness. In contrast, “conflict theory” argues that diversity “fosters out-group distrust and in-group solidarity.” Disentangling these two theories is very important as both point to diversity and proximity as substantiating their competing claims.

These theories have a long history with relevant research to substantiate the claims of each. However, recent work has provided more insight into what may actually be occurring. Putnam (2007) asserts that the lack of consensus relates to a shared assumption held by both contact and conflict theorists: the assumption that bonding and bridging capital are inversely correlated in a zero-sum relationship (high bonding capital means low bridging capital, etc.). Putnam challenges this assumption:

…once we recognize that in-group and out-group attitudes need not be reciprocally related, but can vary independently, then we need to allow, logically at least, for the possibility that diversity might actually reduce both in-group and out-group solidarity—that is, both bonding and bridging social capital.

Putnam calls this phenomenon “constrict theory” and after engaging in an extensive multivariate study he concludes that “neither conflict theory nor contact theory corresponds to social reality in contemporary America.” In other words, increasing diversity in a given area seems to suggest increased social isolation as opposed to in-group or out-group division. Putnam

\[954\] Putnam, 2007, p. 141
\[955\] Ibid., p. 142
\[956\] Putnam, 2007, p. 143
\[957\] Ibid., p. 144 (Italics his)
\[958\] Ibid., p. 148 (Italics his)
summarizes his findings: “Diversity, at least in the short run, seems to bring out the turtle in all of us.”\textsuperscript{959} While these findings do not support “conflict theory”—they do seem to suggest that increased diversity in an area lowers social capital and engagement.\textsuperscript{960} However, this does not disprove contact theory—indeed, it may even support it. In a study done subsequent to Putnam’s work, Stolle et al. found that actual degree of contact among neighbors was the key between contact theory and conflict theory. They write:

In short, and in line with the findings in both literatures [contact and conflict theory], while diversity itself (without contact) may push interpersonal trust downwards, interaction and actual experiences with members of other social or racial groups can have counteracting positive effects. It is diversity \textit{without contact} that is most problematic.\textsuperscript{961}

Thus, while their research confirms “recent findings on the negative effect of neighborhood diversity on white majorities”—they also found that social interactions occurring in a neighborhood have a mediating effect on the otherwise inverse relationship between trust and diversity: “Individuals who regularly talk with their neighbors are less influenced by the racial and ethnic character of their surroundings than people who lack such social interaction.”\textsuperscript{962} They point out that this does not necessarily positively promote trust among diverse households, but it does at least “neutralize the negative effect of diversity.”\textsuperscript{963} In short—contact defined by interpersonal interaction is the key. And what is necessary to lubricate social interaction between diverse households? This important question will be considered in the final chapter of this thesis. Suffice to say, however, that whatever is necessary to fertilize the grounds for social interaction and eventual social integration—we can confidently assert that it must include considerations of proximity.

\textsuperscript{959} Ibid., p. 151
\textsuperscript{960} Putnam lists a range of behaviors that accompany the isolation he describes in diverse communities. Inhabitants of diverse communities tend to “distrust their neighbours, regardless of the colour of their skin, to withdraw even from close friends, to expect the worst from their community and its leaders, to volunteer less, give less to charity and work on community projects less often, to register to vote less, to agitate for social reform more, but have less faith that they can actually make a difference, and to huddle unhappily in front of the television” (pp. 150-151).
\textsuperscript{961} Stolle et al., 2008, p. 61 (Italics mine). This links with the literature on “preference formation.”
\textsuperscript{962} Ibid., page 71
\textsuperscript{963} Ibid.
The Ethical Paradigm: What Do We Know?

Given the considerations presented in this chapter regarding the normative argument for residential integration, the Rawlsian approach, the intractable problems with an unreconstructed Rawls, and the refurbished Rawlsian approach, it is appropriate to ask what can reasonably be concluded based upon the exploration of the ethical paradigm in matters of residential integration. Upon reflection of these considerations and their implications, I submit that we can confidently assert, based upon ethical grounds outlined in the refurbished Rawlsian process, that “mix” is good. Secondly, we can assert that proximity matters. The features of society that would be desired by a more relationally-oriented or thickly-constituted person in the original position requires, it has been argued, a society whose basic structure emphasizes and promotes racial integration through social institutions. Persons in the refurbished Rawlsian original position recognize that this would support the qualities of real, meaningful relationships, a healthy presence of bridging capital so as to allow for the cultivation of identity through a diverse social environment (not a limited, homogeneous environment), and the maximization of security and the minimization of enmity through strong bridging and bonding networks where space is shared and defined by collective mindfulness, trust, solidarity, and reciprocity. These qualities are supported through the additional primary good of “meaningful relationships” which “bounds” the other primary goods and provides for a modified theory of justice to include considerations of a more communally minded self. If the output of this process represents a just, ethical society agreed upon in the original position (by thickly-constituted persons)—then we might say that such a society (1) values mix and (2) they recognize the importance of spatial arrangements, including the medium of housing, to promote the mix they value—and what they value is social, not simply spatial, integration where social interaction is marked by both physical and social inclusion.

964 Note here that “mix” is not the same as “mixing” (i.e., engineered mix). This important distinction will be addressed in the next, and final, chapter of the thesis.
We can now make a comprehensive assessment of residential integration based upon the knowledge gained in Chapter 3 (the economic paradigm) and the knowledge gained in Chapter 4 (the ethical paradigm). This assessment shall make up the content of the final chapter.
Chapter 5: Conclusion

In 2007, the University of North Carolina’s School of Law held a conference on housing and social justice. In a discussion regarding residential integration, Charles E. Daye of the *UNC Center for Civil Rights* made the following statement:

[There have been] two theories about social intervention to help people. One is the welfare theory… the premise of which is to do something because it would be good for the people who are suffering these conditions. The other is the social cost approach, which says we ought to do something about this because it is costing us a hell of a lot of money. And I’m thinking those arguments have been around since the 30s, and they haven’t resonated very well. And I’m trying to figure—is there something else we could talk about? Could we change the terms of the conversation in any—ever so slight a way—that might make this outcome arguably different? 

This thesis has endeavored to suggest two unique approaches to this complex social issue as a means to “change the terms” of the conversation for new insight. The first approach is to explore residential segregation through “adverse impacts” occurring in the wake of the subprime financial crisis. Among other things, this provides a unique lens by which to analyze the role “place”—defined in terms of segregated neighborhoods—plays in producing additional disadvantage for already disadvantaged black households. The second approach is to provide an ethical framework by which to consider the issues inherent in residential integration. This framework, described as the normative argument, provides ethical insight on two levels. The first level considers general welfare and is best defined as aiming to achieve social equity among all citizens (both black and white). The second level, more complex than the first, suggests that integration is morally right beyond considerations of the utility produced by integrating black and white households. This second level reflects a plurality of valuation as it relates to

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residential integration, allowing for residential integration to be valued both as a means to an end and as an end in itself.

By exploring residential integration through an economic and ethical lens, this thesis makes a contribution to knowledge by providing, through these paradigms, a distinct and innovative perspective by which to approach this complex social issue (detail forthcoming). After an extensive review of the economic paradigm (Chapter 3) and the ethical paradigm (Chapter 4), we are now ready to answer two questions subsequent to these chapters as a conclusion to this thesis.

1) In exploring the economic paradigm through the lens of adverse impacts and the ethical paradigm through a refurbished Rawlsian model—what do we know? What can we reasonably conclude?
2) What are the implications of these conclusions? What does this mean for the future of residential integration?

**Conclusions**

To begin, we may first appropriately conclude that mix is good. Before elaborating on this point, it is important to point out a distinction between “mix” and “mixing.” First, I understand mix to mean racial diversity occupying the same residential space where there is a broader sense of collective identity and inclusion among residents. The sense of membership, present in communities that display mix, is a product of strong bridging capital which is necessary for a healthy sense of identity, a secure environment, and the opportunity for “reconciling democracy and diversity.”  

To have true mix is to have social integration, which is better understood as representing membership, reciprocity, solidarity and mutual advantage among black and white households within a given neighborhood. Mix, we might say, is an ideal.

“Mixing”—in contrast—is the practical means by which to achieve any or all of the ideals of mix. As Logan (2001) explains it, mixing is a goal of public policy and popular opinion because

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966 Putnam et al., 2003, p. 279
it is seen as the American “ideal” of equal opportunity. More specifically, we might understand mixing as efforts to socially engineer residential integration. Examples of mixing are found in programs such as Gatreaux, MTO, and HOPE VI. If \textit{mix} reflects the ideal of social integration, \textit{mixing} often represents the strategy of engineered spatial integration.

Thus, mix, as defined above, is a social ideal worth endeavoring toward. The refurbished Rawlsian exercise bears out this point. Assuming one accepts the notion of the thickly-constituted self, endowing members in the original position with the primary good of “meaningful relationships” produces additional outcomes with more relational features. Most importantly, these relational features have spatial implications. The implications, however, are not simply for shared space—but for shared space with a greater collective mindfulness toward others inhabiting the same space. To summarize, thickly-constituted persons in the original position, ignorant of the natural and social contingencies they will inherit once the veil of ignorance is lifted, would likely favor an integrated society as an appropriate social and just arrangement. \textbf{Mix is good.}

Secondly, we may appropriately conclude that segregation is not good. More specifically, our exploration of adverse impacts from Chapter 3 revealed that segregated black tracts in Cuyahoga County, Ohio, were more prone to receiving a subprime loan and subsequently foreclosing—a finding consistent with other literature regarding the disparity between segregated white and black residential outcomes in the wake of the subprime financial crisis. However, it could not be proven that black households were targeted as a result of their neighborhood, as certain key variables were missing necessary to make such an assertion. There are, however, two claims that can appropriately be made based upon the empirical study in Chapter 3. First, we see that subprime lending and the inevitable foreclosures that followed were concentrated in Low-Mix Black neighborhoods. Second, we see that the concentration of foreclosures creates a greater

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\footnote{Logan, 2001, p. 1}
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Thus, this study has provided a means by which to view segregation (in Cuyahoga County, Ohio) as exacerbating risk and vulnerability in the wake of a market failure such as the subprime financial crisis for segregated black residents. Moreover, in Chapter 4, the first consideration of the normative argument suggests that such a phenomenon is not only a sub-optimal social arrangement, but it is unethical. Finding support in the Rawlsian hypothetical exercise, rational and mutually disinterested persons in the original position would choose a society where they could maximize the minimum (“maximin”). Therefore, it can appropriately be suggested that they would charge any arrangement where segregated sectors of society are more at risk and vulnerable to market failures as being unjust. Moreover, as discussed in the refurbished Rawlsian exercise, we impoverish ourselves when we are socially segregated by virtue of limiting our contact with distinct and different individuals or groups who may otherwise serve as a source of self-identity and provide “virtuous circles of human connectivity” across a broader social spectrum. Residential segregation, we can conclude, is not good.

Therefore, at the risk of colloquialism, the economic and ethical paradigms given attention in Chapters 3 and 4 of this thesis lead to the suggestion that mix is good and that residential segregation is not good. Prima Facie, these statements may not appear to offer much assistance in furthering the integration discussion. However, I submit that they are necessary foundations by which to appraise “mixing.” If mix is good—and residential segregation is not—does this lead to the suggestion that mixing is good? Is residential “mixing” the bridge necessary to traverse from segregation to “mix?” Not necessarily.

Chapter 2 provided a range of skepticism as it related to residential mixing policies. Such skepticism could be summarized into two primary lines of argument—what I referred to as the Cheshirian position. The first line of argumentation suggested that there was little evidence to suggest that neighborhood effects exist. The second line of argumentation suggested that there

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968 Although it was found that the relationship was a non-linear, upward sloping curve—the “turning point” occurred after housing-values had taken a precipitous drop. While this has implications for measuring social efficiency (as detailed in Chapter 3), it does not deter us from claiming that Low-Mix Black communities experienced magnified disadvantage by being in neighborhoods where foreclosures were concentrated.

969 Oakes, 2004, p. 1929

970 Putnam et al.’s term—2003, p. 270
was little evidence that mixing was beneficial or socially efficient. Given these arguments, efforts to mix are seen as a waste of funds since the costs cannot be substantiated by the program outcomes. As mentioned above, the lens of adverse impacts from the subprime financial crisis allows a counter-response, relating to foreclosures and their asset-depreciating effect when concentrated, to the first line of argumentation in the Cheshirian position. At best, this allows us to sponsor “mixing” on equity grounds. However, as it relates to demonstrating that mixing offers socially efficient benefits, the evidence from Chapter 3 is left wanting. This finding is consistent with the greater body of work in the social sciences given over to exploring benefits that might accompany mixing.

Chapter 3 provided a hypothetical scenario where foreclosure-prone households (or households residing in foreclosure-prone areas) could be redistributed across other neighborhoods as a means to ameliorate the negative impact of foreclosures on property values. While this strategy would benefit Low-Mix Black communities where foreclosures were concentrated, it would not benefit other communities within the region. Moreover, it would provide great dis-benefit to them. In other words, redistribution via mixing would be worse than a zero-sum arrangement—it would magnify home-value losses when spread across space. Further, we might imagine such an arrangement complicating interpersonal relationships between racial categories who occupy the same space. Increased in-group identification and out-group hostility could drive additional enmity between groups, threaten security, and exacerbate conflict. In addition to not meeting the criteria of social efficiency, engineered mixing must still account for the additional problems created as spelled out in the literature. These problems include, but are not limited to, migrating out the best families in a neighborhood (leaving it in worse condition than before), the threatening of a group’s own identity (i.e., their “blackness”) as discussed by John Calmore, the threat of displacement or homelessness that may occur in rehabilitation projects under programs such as HOPE VI, or the phenomenon of social isolation by both black and white residents in diverse communities as evidenced by Putnam (2007). Therefore, we can appropriately conclude: While mix is good and segregation is not, socially-engineered mixing is not necessarily good.

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971 As stated earlier in the thesis—providing a counter-response to the first argument in the Cheshirian position is different than “proving” a specific neighborhood effect—size, scope, and causal mechanisms, etc.
Implications

After considering these conclusions, we can now reflect on their implications. As Nancy Denton writes, “Scholarly work on segregation almost always has integration as its explicit or implicit goal.” In other words, where segregation is measured to be high—integration is given as the necessary solution. Denton writes: “Consider, for example, the studies of the harmful effects of residential and school segregation on African Americans: They imply—even if they do not directly state—that integration would be better because white neighborhoods are safer, have better schools, higher housing values, [and] better amenities.” As intuitive as Denton’s suggestion appears, it is worth considering how we address residential integration with careful attention to the role mixing plays.

To determine whether “mixing” is the answer or an answer, it is appropriate to first know the question being asked. For example, consider a question posed in the MTO discussion: “Does residential mixing offer ‘better housing and safer neighborhoods?’” Or, consider questions relating to improved job opportunities or better schooling for children—would mixing enhance these opportunities? Further, we might consider Cashin’s (2004) assertion that the US should be an integrated society so that people of all races are seen as inherently equal and entitled to the full privileges of citizenship. Would mixing be the appropriate solution to this suggestion? In addition to the aforementioned considerations, questions in the residential integration discussion have been raised regarding neighborhood effects, social efficiency, and a comprehensive set of social benefits that outweigh the public costs to mix.

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973 Ibid.
974 Goering and Feins, 2003, p. 287
975 According to Goering and Feins, employment opportunities were not primary reasons for desiring to move among the treatment group in the sample for the Boston site. Drugs and gangs were listed as either the first or second most important reason for wanting to move for 75 percent of the sample, while improved housing was listed for 58 percent. Contrastingly, better schools for the children and better job opportunities were listed as first or second reasons for moving for 29 percent and 3 percent accordingly. Goering and Feins, 2003, p. 207
976 Cashin, 2004, p. X
These questions, while far from representative of all questions that arise in the residential integration discussion, show a degree of variation. However, they have a common denominator—the underlying belief that “segregation is harmful.” Here, this belief is not disputed and is supported as one of the conclusions of this thesis: segregation is not good. Indeed, it has been said that “few would dispute that racial segregation and concentrated poverty are ongoing challenges.” Naturally, it is suggested, this should lead to efforts for “more balanced, equitable development to replace the ghettos and patterns of uneven development [as a] desirable, if not essential objective.” Segregation is also noted as being “intricately linked” with poverty and, on a more general level, “Bad schools, unemployment, family instability, crime, violence, and decay are the hallmarks of the new segregation.” Thus, the assertion that segregation is not good holds nearly universal agreement among social scientists and a comprehensive review of the literature would only serve to verify this claim. Yet the core of the issue has less to do with whether segregation is not good and more to do with whether mixing is good. If segregation is the problem, is mixing the solution? Here, there is near universal skepticism as it relates to mixing, and this skepticism is supported by the empirical work put forward in Chapter 3 and commented on above.

There will, perhaps, never be a unified voice as it relates to residential integration and mixing. This thesis, however, offers a new window for discussion. I have suggested that the residential integration discussion has been presented and understood under a guise of economic efficacy and the maximization of utility in an aggregate social context—or what I have referred to as the Evaluative Integration Framework. The questions presented above are consistent with this framework, as they seek to de-concentrate citizens for reasons of security, better homes and schools, job opportunities, and a more equal expression of citizenship. If we were only to view these outcomes in a vacuum, we might rightly understand residential segregation as solely an economic problem. However, discussions of residential integration on strictly economic terms can be problematic in itself.

977 Hartman and Squires, 2010, p. 7
978 Ibid.
To illustrate, consider the following story offered by Michael Sandel. He writes:

In the 1970s, when I was a graduate student at Oxford, there were separate colleges for men and women. The women’s colleges had parietal rules against male guests staying overnight in women’s rooms. These rules were rarely enforced and easily violated, or so I was told. Most college officials no longer saw it as their role to enforce traditional notions of sexual morality. Pressure grew to relax these rules, which became a subject of debate at St. Anne’s College, one of the all-women colleges.

Some older women on the faculty were traditionalists. They opposed allowing male guests, on conventional moral grounds; it was immoral, they thought, for unmarried young women to spend the night with men. But times had changed, and the traditionalists were embarrassed to give the real grounds for their objection. So they translated their arguments into utilitarian terms. “If men stay overnight,” they argued, “the costs to the college will increase.” How, you might wonder? “Well, they’ll want to take baths, and that will use more hot water.” Furthermore, they argued, “we will have to replace the mattresses more often.”

The reformers met the traditionalists’ arguments by adopting the following compromise: Each woman could have a maximum of three overnight guests each week, provided each guest paid fifty pence per night to defray the costs to the college.981

Sandel’s point in offering this illustration is that the norms of the argument were given, not on moral terms, but on economic terms—and yet—the discussion had both moral and economic implications. More importantly, by stating the problem in an economic context, they invariably received an economic answer and, moreover, changed the norms of the conversation thus marginalizing the moral implications they found to be important in the discussion. Sandel notes that the parietal rules were predictably waived altogether and concludes: “The language of virtue had not translated very well into the language of utility.”982 While the content of this example appears unrelated, the principle has very relevant implications for our understanding and adoption of mixing.

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981 Sandel, 2009, pp. 48-49
982 Ibid., p. 49
This thesis has argued that the mixing discussion contains within it both an economic and an ethical paradigm. However, as we see above, when segregation is presented solely as an economic problem, it in turn receives a variety of economic answers. One of these answers has been “mixing” or engineered residential integration—and it is a solution found wanting within the economic paradigm. However, this vantage point risks bracketing out the ethical considerations inherent in the argument. In other words, there is not just an economic objection to segregation, there is an ethical objection as well—and both comprise the “real grounds” for the objection to segregation. By including the ethical paradigm in this discussion, we have grounds to state that “mix”—not necessarily “mixing”—is good.

This is important because mixing strategies have occurred as a result of segregation. They have not occurred, however, from the premise that mix is good. The inclusion of this premise (the ethical case for mix) has several helpful implications. First, I would submit that the conclusions above represent an appropriate baseline for any approach to residential integration discussions. Policymakers should be clear on the goals of mixing. If such goals are to increase opportunity and welfare among otherwise marginalized citizens, I would equally argue (based upon the support of Chapter 4) that an important goal of social policy is the achievement of social integration. This is because a society where economic needs are met but black and white households are socially segregated is equally undesirable as a society where black and white households are integrated but there continues to be a stark socio-economic disparity between the two groups. Indeed, social integration is not simply a lofty ethical ideal—it also offers numerous practical benefits and may even be viewed as a necessary element for a democracy with a populace of ever-increasing diversity.

Second, while shared space cannot guarantee that social integration will blossom, it must be understood as a fundamental element. As Putnam et al. remark: “Shared space may be a necessary condition for bridging, but it is not sufficient, as any observer of dining halls in formally integrated U.S. high schools and colleges knows.”

Finally, and perhaps most importantly, if shared space is a necessary condition, but is insufficient in itself, what needs to occur within that space for social integration to be realized? As the

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983 Putnam et al., 2003, p.281
research of Stolle et al. makes clear, it is not simply shared space or diversity within shared space that leads to social integration—it is real, interpersonal contact among the various households within residential neighborhoods that will ameliorate fear and lubricate pathways to trust, collective responsibility, and belonging. I shall refer to this as “the dynamics of space.” While it is beyond the scope of this thesis to exhaust the implications regarding the dynamics of space—I conclude with a brief description of the more salient points of these dynamics, within space, necessary to build connectedness and interpersonal contact—hallmarks of a socially integrated community.

First, such a dynamic requires commonalities among diverse individuals. After reviewing numerous case studies of communities that display strong bridging capital, Putnam et al. conclude:

Crafting cross-cutting identities is a powerful way to enable connection across perceived diversity. That is, bridging may depend on finding, emphasizing, or creating a new dimension of similarity within which bonding can occur.  

As Emerson and Smith (2000) write: “Friendships are formed primarily under two conditions—similarity and proximity.” Similarity among community inhabitants is necessary to establish common interests as well as to presume equality with another. As Wilkinson (2005) writes: “Social status differentials have a huge impact on whether people feel valued, appreciated, and needed or, on the other hand, looked down on, ignored, treated as insignificant, disrespected, stigmatized, and humiliated.” Thus, an ever-present cognizance of status differentiation between diverse residents will do little to promote authentic interpersonal engagement.

Inequality of place, income, and opportunity naturally creates a hierarchical society, making it very difficult for a low-income, minority-segregated household to feel “at home” in a suburban neighborhood. This speaks to the aforementioned point about spatial integration relative to

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984 Putnam et al., 2003, p. 282
985 Emerson and Smith, 2000, p. 131
social integration, and implies that for social integration to occur through mix, an important prerequisite is a boundary of equality. 987

This argument coheres somewhat with Cheshire’s sentiment that concentrated poverty and residential segregation are simply a function of income inequality. Further, Janet Smith writes: “While dispersal is clearly an easy way to quickly get poor minorities out of poor living conditions, it does little to help reduce poverty overall.” 988 The implication is that poverty and overall income inequality fuel the segregation between black and white communities, making efforts to integrate more difficult by exacerbating differences and thus complicating social integration. Cheshire summarizes the implications for policy: “The conclusion for policy is to reduce income inequality in society not build ‘mixed neighbourhoods’ or improve the built environment in such neighborhoods.” 989 Here, in particular, I depart with this sentiment. Cheshire makes the point that we should not address integration but should rather address inequality. I would reconstruct the statement to suggest that we cannot address integration without addressing inequality. Moreover, if “mix” is good—this is a worthy social endeavor. However, to Cheshire’s point, endeavoring toward mix may require consideration toward the problem of income inequality (although it should not necessarily substitute for considerations to mix).

Second, the dynamics of space require not only contact, but a redundancy of contact. Putnam et al. write: “Again and again, we find that one key to creating social capital is to build in redundancy of contact.” They continue: “Common spaces for commonplace encounters are prerequisites for common conversations and common debate. Furthermore, networks that intersect and circles that overlap reinforce a sense of reciprocal obligation and extend the boundaries of empathy.” 990 This speaks to the construction of local amenities and shared space where common interaction and interests can occur. Parks, community centers, local newspapers, sports, and other shared venues provide “redundant multi-stranded” encounters. 991 Putnam et al.

987 I use the term “boundary” because I am not suggesting planned economies for total equality. This poses its own set of economic problems and negates efforts toward social, as opposed to simply spatial, integration.
988 Smith, 2010, p. 235
989 Cheshire, 2007, p. 30
990 Putnam et al., 2003, p. 291
991 Ibid., p. 292
suggest that “webs of encounter” often need to be re-weaved, and this can take place through “innovative uses of technology, creative urban and regional planning, and political will.”

Moreover, shared spaces are often consumed (museum, theater, sports event, etc.). Thus, this speaks to a tighter boundary of income equality, as mentioned above, so as to foster an environment with a more robust sense of equality and a community where shared spaces can be consumed by diverse individuals and serve as an environment for mutual engagement and relationship building.

Third, and finally, the dynamics of space require a fundamental shift in the social ethos. This shift involves not only viewing the norms of social integration as desirable for its economic efficacy and utility maximization (should those be outcomes)—but also viewing social integration as possessing ethical significance. This suggestion, that there is something right about racially integrating neighborhoods, requires an ethical impetus to sustain the pursuit of such an ideal.

This is, perhaps, the most important dynamic of space as it is a necessary starting point for discussions relating to social integration. Moreover, it is the most salient outcome of the inclusion of the normative argument—an ethical ethos that complements the economic paradigm and changes the norms of the discussion. Recall Cashin’s suggestion that integration is necessary for all races to be seen as equal and entitled to the full privileges of society. As important as equality is, however, it cannot be imposed.

Philosopher G.A. Cohen refers to this as equality via “constitution making” and elaborates on the problem based upon justice conceived under the original Rawlsian framework: “[For Rawlsians] Democratic politics must institute principles of an egalitarian kind, or, to be more precise, principles that mandate equality save where inequality benefits those who are worst off in society.”

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992 Ibid., page 294
993 Cashin, 2004, p. X
994 Cohen, 2000, p. 2
However, Cohen calls such “faith” in constitution-building “misconceived.”\textsuperscript{995} Constitution-building cannot create equality, but rather, “constitution-building presupposes a social unity for which equality itself is a prerequisite.”\textsuperscript{996} In other words, defining rules of public order cannot make us a “just” society. If anything, perhaps, such rules make us more efficient. This is why Cohen refers to Rawls’ theory of justice representative of the egalitarian-liberal tradition as being an “economic position.” Cohen suggests that in his own conceptions of justice, he has moved from an economic point of view to a moral one. It is here that he makes an unconventional prescription for the future of a just and equal society:

I now believe that a change in social ethos, a change in the attitudes people sustain toward each other in the thick of daily life is necessary for producing equality.\textsuperscript{997}

Cohen provides a clear articulation as to what he understands to be necessary for distributive justice: “that both just rules and just personal choice within the framework set by just rules are necessary for distributive-justice.”\textsuperscript{998} In other words, “just” rules can only take us so far. There must be a desire, an impetus, to mix as an underlying social ethos to find ourselves in territory resembling residential integration. Moreover, the gap between just rules and personal choice mirrors the gap between mix and mixing. We may rightfully ask: has this gap been widened by emphasizing the economic paradigm and not the ethical paradigm in residential mixing endeavors? Would the inclusion and emphasis of the ethical impetus to integrate help to lubricate the otherwise frictional path between endeavors to mix (due to residential segregation) and integrated communities that display attributes of social integration?

Mix is good. It harbors the economic efficacy, the maximization of utility, and the sense of solidarity and inclusion necessary for a robust democracy with an ever-growing diversity of people. “Mixing,” however, attempts to construct “mix” and this has failed. The attributes necessary for social integration cannot be engineered; they cannot be imposed. We can say with confidence, however, that requirements of space, a tighter boundary of equality, and a greater redundancy of contact is necessary to engender the interpersonal contact among residents

\textsuperscript{995} Ibid.
\textsuperscript{996} Ibid., page 2. He continues: “I would have said that we cannot make a constitution together unless and until we are already equals, unless we are already the equals that only history can make us become.”
\textsuperscript{997} Ibid., page 3
\textsuperscript{998} Ibid., page 3 (italics his)
necessary to build trust, reciprocity, shared responsibility, and inclusion—features of a socially integrated society.

Unfortunately, these are hardly features that the state can engineer or impose. Just as we might expect a stark difference between an arranged marriage and a marriage freely and willingly engaged into—we cannot expect mixing to engender the beneficial social attributes of “mix” when imposed upon society through social construction. The state can, however, fertilize the grounds for the healthy growth and development of these attributes (i.e., the “just rules” Cohen alludes to).

If engineered “mixing” or state-imposed “just rules” are insufficient to bring about social integration, what is the appropriate role of the state? What coordination is necessary to fertilize conditions for organic integration to occur and to prompt the aforementioned “dynamics of space”? Indeed, what would intervention look like for Cuyahoga County, Ohio—a region mired by segregation and subprime damage among its Low-Mix Black segregated population? As disheartening as our study of Cuyahoga County, Ohio, appeared in Chapter 3—there is a useful model of hope 250 miles southwest of the County. Hamilton County, Ohio, was once one of the most segregated regions in the country throughout the 20th Century. From the early 1900s clear to 2000, the dissimilarity index in Hamilton County (containing the Cincinnati metropolitan area) reached excessively high figures—ranking the county among the most segregated in the country at various times.999

However, after 1970, dissimilarity indexes in Hamilton County began to shift. In a comprehensive report, Casey-Leininger (2007) found that otherwise white-segregated neighborhoods that, mid-century, began to slowly grow in their proportion of black households saw dissimilarity indexes drop from a high of 66 in 1970 to a low of 35 in the year 2000.1000 The report contained both a demographic study and an in-depth analysis of individual, integrated communities. Among other things, the demographic study found significant correlations relating to socio-economic status and integration: “the smaller the difference between white and black

1000 Ibid., p. 6
SES indexes, the lower the dissimilarity index." This supports the aforementioned “dynamic of space” which suggests a tighter boundary of income equality for integration to prosper.

Beyond the demographic study, a more in-depth study was undertaken for three communities that reflected racial integration in the Hamilton County region. The authors summarized their findings into 8 key themes they found as a result of using a combination of research methods. These findings are as follows:

1) Opportunity to Learn About Others—participants reported that one of the largest advantages to living in a diverse community was the opportunity to learn about other types of people (different points of view, wider perspective, group learning).

2) Tolerant Citizen Base—diverse neighborhoods work best with neighbors who are open-minded, accepting, friendly, and tolerant of others. Moreover, there is a perception that the “next generation of tolerant citizens is being trained in these communities.”

3) Community Pride—all neighborhoods reflected strong community pride. Members spoke highly of their communities and had a desire to share the benefits with others. Further, no one reported wanting to leave the area where they resided.

4) Diverse Housing Stock—all residents reported that access to affordable housing was “crucial for their neighborhood to retain its diversity.” Further, citizens reported having diverse options in attractive housing stock.

5) Businesses and Support Services—the integrated communities reflected a wide diversity of businesses from food banks to strong private schools. The author emphasized the importance of businesses and services being in the “immediate area” so residents would not look elsewhere.

6) Partnerships with Faith Based Organizations—churches were reported as being segregated, but reinforcing the message of tolerance and acceptance in the community. It was found that many of the participants reported living in the area because of an affiliation to a religious parish.

1001 Ibid., p. 9. They also found the same relationship when viewing median family incomes.
1002 These methods include community group discussions, a Photo-evidence method (images that represent diversity in the community) and follow up interviews with key members of the community. See Green, Erinn L. Stable Integrated Communities: A Report to The Stephen H. Wilder Foundation—Part II. Rep. Cincinnati: Cincinnatus Association, 2007. Print. (Page 3)
1003 Green, 2007, pp. 24-25
1004 This has obvious implications for the aforementioned area of “preference formation.”
7) **Crime**—the residents cited crime as the largest barrier to living in a diverse community. They felt outsiders viewed their communities as “dangerous” because of blighted structures, abandoned homes, or negative media coverage.

8) **Citizen Involvement**—a challenge all three neighborhoods faced related to bringing all citizens together to socialize and make decisions for the community. The report called for increased opportunities for informal social mixing.

In addition to challenging widely held notions that introducing black households in an otherwise white neighborhood creates a “tipping point” or that integration is associated with a decreasing socio-economic status—the Cincinnatus Association report offers important insights that reinforce the “dynamics of space” and suggest opportunities for state and local government to fertilize the grounds for residential mixing to occur and prosper. Strategic policy decisions can assist to help lubricate the conditions for the dynamics of space to occur. This may include addressing income inequality, proximity to businesses and services, bylaws for local public leadership to reflect the racial composition of its members, funds or subsidies for shared space to promote diverse participation, similar interests, and a redundancy of contact. Further, state and local leadership can ban exclusionary policies, apply legal sanctions against discriminatory practices, and discourage public or private endeavors that promote segregation or disincentivize integration. While these suggestions are general in nature, the point to be made is that strategic thought and deliberation can be applied to social structures, their arrangements, and the consequences. Not only *can* such thought be applied, but it *should* be applied since healthy societies that possess strong social capital (bonding and bridging) generate positive externalities.

State coordination and public “fertilization,” however, is not enough. A fundamental shift in attitudes is necessary to lubricate the otherwise frictional transition from “mixing” to “mix.” This groundwork represents the “personal choice” Cohen mentions. Sharing space, tighter social equity, and greater opportunities for contact best flourish when there is a uniform desire for such societal features. This invites an ethical dimension to the discussion. The discussion of residential integration is a discussion of what may be gained from a particular social

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1005 Putnam et al., 2003, p. 269. According to the authors, these include, but are not limited to, lower crime, lower premature births, lower dropout rates, and less violence. They conclude: “Society as a whole benefits enormously from the social ties forged by those who choose connective strategies in pursuit of their particular goals” (p. 269).
arrangement. However, the discussions over social arrangements would be enhanced by not simply discussing what people desire from their society, but what they should desire and why they should desire it (the normative argument).

Integration as an ethically right and socially just feature offers moral rationale as to why residential integration would be a suitable desire. However, when the argument is communicated in the language of the economic paradigm, as we learn from Sandel, we change the norms of the argument and important ethical considerations and features are lost in the translation.

To conclude, residential “mix” is good; residential segregation is not. The solution of mixing, however, is difficult to justify based upon the evidence (or lack thereof). Perhaps, then, a more helpful approach would be to invite ethical deliberation into the discussion. An ethical dimension is important, we may even say necessary, to achieve the social integration (where mix is both a means to an end and an end in itself) that engineered or “imposed” efforts can only aspire to. Citizens who find themselves morally impelled by the ethical argument to mix—in addition to conditions that accommodate the “dynamics of space”—may best cultivate the necessary means that allow for an organic progression of residential, and more importantly, social integration.
Appendices:

Appendix-I:  Statistical Diagnostics for Analysis 1 and Analysis 2 (Chapter 3)

Appendix-II:  The Segregation Parade

Appendix-III:  Segregation Parade Methodology and Data

Appendix-IV:  Listing of Excluded (Screened) Tracts from Chapter 3, Analysis 1
Appendix 1: Statistical Diagnostics for Analysis 1 and Analysis 2 (Chapter 3)

It is important to validate the assumptions in a multiple regression model. Outside of tests that determine the soundness of the model (r-squared and F-test), tests of significance in a regression model are based on assumptions about the error term (ε). However, even with a large value of r-squared, the estimated regression equation should not be used until further assumptions regarding the model have been validated. Thus, there are two important questions that we seek to answer from Analysis 1 and Analysis 2. First, can the models be generalized to other samples? Second, does the model fit the observed data well (or is it influenced by small numbers, etc.)?

Regarding the first question, the data from Analysis 1 and Analysis 2 are not sample data meant to be a point estimate to a population mean or proportion. Rather, when variables such as subprime rate, foreclosure rate, median income, etc., are provided, the observations comprise the population, not samples from the population. The data was strictly analyzed for Cuyahoga County in Ohio and was not meant to be a proxy study for other metropolitan areas throughout the United States (although I have nowhere suggested that Cuyahoga County is unique to other metropolitan areas in America). For these reasons, generalizability is limited to Cleveland. To achieve generalizability in the estimators, a future research design would include random sample census tracts from other metropolitan areas in the United States.

*Analysis 1 and Analysis 2 represent what would be considered “parametric” tests. For output to be considered reliable, parametric tests must meet four primary assumptions—they are as follows:

1) **Normally distributed data**—hypothesis testing requires data that is normally distributed. Thus, if this is not met, assumptions underlying hypothesis testing may be flawed.

2) **Homogeneity of Variance**—this simply means that the variances should be the same throughout the data. A better description provided by Field (2009) reads: “This assumption

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1007 Ibid., page 487
1008 Field, 2009, p. 215
1009 I owe the exposition to Field (2009)—pages 220-221.
means that as you go through levels of one variable, the variance of the other should not change. If you’ve collected groups of data then this means that the variance of your outcome variable or variables should be the same in each of these groups” (page 149).1010 This is often tested by analysis of the error term, as OLS regression makes the assumption that the variance of the error term is constant.1011

3) **Interval Data**—assumes a fixed unit of measurement between the data.

4) **Independence**—for our purposes, this simply assumes that the explanatory variables are independent of one another (in other words, they are not highly correlated with each other). Most authors agree that there will always be some level of “collinearity” between independent variables, but if they are highly correlated, this could lead to problems insofar as interpreting the data.

Recall that Analysis 1 consists of 14 separate regression models and Analysis 2 consists of 3 (same regression equation stratified by racial category). For each model, I will provide a summary of the aforementioned assumptions. Prior to this analysis, a few important notes should be made up front:

1) I will not comment on assumption #3 (Interval Data) as all elements used in A-1 and A-2 meet this criterion.

2) Often, transforming data (from regular data to natural log form) can correct issues related to normally distributed data and the homogeneity of variance, should those assumptions be violated. Indeed, Analysis 1 utilizes transformed data for each model. However, Analysis 2 does not. Rather than apply various tests related to assumptions for each model of A-1 and A-2, I have chosen to use a “robust” test referred to as White Standard Errors. To define this, Field writes: “If a statistical model is still accurate even when its assumptions are broken it is said to be a robust test” (page 155).1012

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1010 Ibid., page 149
1011 The difference between the predicted outcome values and the observed values are known as the residuals. The larger the residual, the more “error” in the model.
1012 Field, 2009, p. 155
In essence, heteroscedasticity can cause the estimated standard errors of the slope coefficients to be biased (not necessarily the slope estimates themselves). This can make the t-tests and the F-test unreliable in a multiple regression model (both tests rely upon accurate standard errors in order to reject the null hypothesis). Although heteroscedasticity does not cause bias in the coefficient estimates, the bias in the standard errors of the estimated coefficients (SE_{B-hat}) is negative. In other words, when heteroscedasticity is present, the model will underestimate the size of the standard errors of the coefficients. Studenmund (2011) describes the consequence: “This tendency of OLS to underestimate the SE_{B-hat} means that OLS typically overestimates the t-scores of the estimated coefficients. Thus, the t-scores printed out by a typical software regression package in the face of heteroskedasticity are likely to be too high.”

The larger the gap between observations values in the dependent variable (Y), the larger the likelihood “that the error term observations associated with them will have different variances and therefore be heteroskedastic.” As the diagnostics below will show, the greatest evidence of heteroscedasticity is found in A-2. Here, the dependent variable is house price (stratified by racial category). Although separate regressions are run for each racial category (High-Mix, Low-Mix White & Low-Mix Black), there is still a great deal of variation in high and low values. This is evident in the table A.1 below:

**Table A.1: House Price Variability by Racial Category**

<table>
<thead>
<tr>
<th></th>
<th>High-Mix</th>
<th>Low-Mix White</th>
<th>Low-Mix Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>N (Block-Groups)</td>
<td>179</td>
<td>593</td>
<td>362</td>
</tr>
<tr>
<td>Mean</td>
<td>$96,385</td>
<td>$162,668</td>
<td>$51,834</td>
</tr>
<tr>
<td>Median</td>
<td>$80,623</td>
<td>$135,300</td>
<td>$39,404</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>$72,778</td>
<td>$1,098,008</td>
<td>$40,500</td>
</tr>
<tr>
<td>Range</td>
<td>$548,313</td>
<td>$1,404,166</td>
<td>$450,000</td>
</tr>
<tr>
<td>Minimum Value</td>
<td>$13,500</td>
<td>$31,667</td>
<td>$0.00</td>
</tr>
<tr>
<td>Maximum Value</td>
<td>$561,813</td>
<td>$1,438,533</td>
<td>$450,000</td>
</tr>
</tbody>
</table>

1013 Studenmund, 2011, p. 345
1014 Ibid., page 340
1015 NOTE: There were three block groups under the “Low-Mix Black” racial category that had values of $0.00. However, removing these three block groups had little effect on the mean, standard deviation, or range.
Finally, to correct for the presence of heteroscedasticity, I utilize below a form of “heteroskedasticity-corrected (HC) standard errors”, as mentioned above. After using White Standard Errors, I compare the coefficients before and after the robust test. Studenmund writes: “The HC procedure yields an estimator of the standard errors that, while they are biased, are generally more accurate than uncorrected standard errors for large samples in the face of heteroskedasticity.” He continues: “Typically, the HC SE\textsubscript{B-hats} are larger than the OLS SE\textsubscript{B-hats}, thus producing lower t-scores and decreasing the probability that a given estimated coefficient will be significantly different from zero.”\textsuperscript{1016}

As the diagnostics below will make evident, t-scores were slightly lower in the A-1 and A-2 regression models after the HC test was applied. However, no p-values were found to be insignificant in the HC regression output that were not already insignificant in the original OLS output. All other values (particularly those of interest for the thesis) were found to be statistically significant at the 95% level and above.

3) Regarding normality, as mentioned, the basic tenets of hypothesis testing (and OLS regression) rely on the assumption of normality in the data. However, even where data is not normal, we can rely upon the Central Limit Theorem to help sustain this assumption (assuming the sample size is large enough). The Central Limit Theorem, or CLT, says: “In selecting simple random samples of size $n$ from a population, the sampling distribution of the sample mean $x$-bar can be approximated by a normal distribution as the sample size becomes large.”\textsuperscript{1017} Thus, the large sample sizes of A-1 and A-2 can appeal, in theory, to this mathematical principle, making the debate “academic in anything other than small samples.”\textsuperscript{1018}

\textsuperscript{1016}Studenmund, 2011, p. 352. Studenmund mentions that the technique was created by Halbert White. His article appeared in Econometrica in May, 1980, and was titled: “A Heteroskedasticity-Consistent Covariance Matrix Estimator and a Direct Test for Heteroskedasticity.”

\textsuperscript{1017}Anderson et al., 2009, p. 271. The authors suggest, from a practitioner’s standpoint, that CLT applies and the sampling distribution of x-bar can be approximated by a normal distribution whenever the sample size is 30 or above. Field (2009) suggests the number 40.

\textsuperscript{1018}Field, 2009, p. 156
4) As mentioned, multicollinearity is the problem of having correlated predictor variables. While the diagnostics below will show that we can safely assume independence among the predictor variables in Analysis 1, Analysis 2, by its nature, should show a large degree of collinearity as the $X_1$ and $X_2$ variables are related. The $X_2$ variable, $FR06to07^2$, is simply $X_1$ squared. Their correlation is revealed in the matrix below:

Figure A.1: Correlation Matrix for Predictor Variables in Analysis 2

<table>
<thead>
<tr>
<th></th>
<th>FR06to07</th>
<th>FR06to07SQ</th>
<th>Median Household Income (1999) by Block Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>$FR06to07$</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>-.530**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.956**</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>1225</td>
<td>1225</td>
</tr>
<tr>
<td>$FR06to07SQ$</td>
<td>Pearson Correlation</td>
<td>.956**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>-.448**</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>1225</td>
<td>1225</td>
</tr>
<tr>
<td>Median Household Income (1999) by Block Group</td>
<td>Pearson Correlation</td>
<td>-.530**</td>
<td>-.448**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>1225</td>
<td>1225</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

As is evident, $FR06to07$ and $FR06to07SQ$ are highly correlated to one another. However, there are a few important responses to this. First, as Wooldridge (2006) points out, the presence of multicollinearity is not a violation of the assumption of independence. The primary threat of collinearity among predictor variables, in a regression analysis, is inaccurate t-scores (which would affect interpretation of significance). In contrast to the problem of heteroscedasticity, which can exaggerate t-scores and thus p-values, multicollinearity threatens to understate these values (because the standard error is increased). As Studenmund puts it: “Perfect multicollinearity ruins our ability to estimate the coefficients because the two variables cannot be distinguished. You cannot ‘hold all the other independent variables constant’ if every time one variable changes, another changes in an identical manner.” However, for the

---

1019 Wooldridge, 2006, p. 102
1020 In essence, the t-score is found by dividing the slope by the standard error of the slope. Thus, if multicollinearity increases the variances and standard errors of the estimates, this will lower the t-score that is found.
1021 Studenmund, 2011, p. 249
purposes of this thesis and, more specifically, for A-2—we need not be concerned with multicollinearity as a threat to the validity of the model. This statement is made for the following reasons:

1) Studenmund writes: “The first step to take once severe multicollinearity has been diagnosed is to decide whether anything should be done at all.”\textsuperscript{1022} This is because remedies for multicollinearity have their own drawbacks for interpretation or model validity.

2) Most importantly, the collinearity among the quadratic regressor and its original form are still statistically significant at the 95\% level. Thus, the presence of multicollinearity has not reduced the t-scores for these predictors enough to make them statistically insignificant. For this reason, Studenmund suggests that a remedy for multicollinearity “should be considered only if the consequences cause insignificant t-scores or unreliable estimated coefficients.”\textsuperscript{1023} As evidenced in the regression output and the forthcoming diagnostics, no t-scores still remain high enough to produce a statistically significant p-value less than $\alpha$, or .05 (for the 95\% confidence level).

Below is a diagnostic summary for each regression model. The summary will include the following:

1) Normality:
   a. A histogram of model residuals
   b. Sample Size

2) Multicollinearity:
   a. Coefficient output with collinearity statistics
      i. Tolerance should be above .20
      ii. Variance Inflation Factor (VIF) should not exceed 10
   b. Correlation coefficient matrix
      i. -1 is a perfectly negative relationship; +1 is a perfectly positive relationship.

\textsuperscript{1022} Ibid., page 261.
\textsuperscript{1023} Ibid.
ii. Values around 0 suggest no relationship

3) Homoscedasticity:
   a. Scatterplot
      i. X-axis: Regression Standardized Predicted Value
      ii. Y-axis: Regression Standardized Residual
   b. P-P Plot of Regression Standardized Residual
   c. Normal Regression Output
      i. R-squared and Standard Error of the Estimate
      ii. Coefficient Table
   d. White Standard Errors Robust Test
      i. R-squared
      ii. Coefficient Table

4) Narrative
   a. Summary of diagnostic findings for the regression model
Analysis 1 Diagnostics

Model #1

Normality:

![Histogram]

Sample Size=446

Multicollinearity:

<table>
<thead>
<tr>
<th>Coefficients*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>LogIncome</td>
</tr>
<tr>
<td>LogEducation</td>
</tr>
<tr>
<td>LogIncomeRatio</td>
</tr>
<tr>
<td>LogPercentWhite</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogSubprime

<table>
<thead>
<tr>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>LogIncome</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>LogEducation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>LogIncomeRatio</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>LogPercentWhite</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogSubprime

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogSubprime
Normal Regression Output:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.867*</td>
<td>.751</td>
<td>.748</td>
<td>.36358</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), %White, LogIncome, LogEducation
b. Dependent Variable: LogSubprime

Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>5.305</td>
<td>.588</td>
<td>9.017</td>
<td>.000</td>
</tr>
<tr>
<td>LogIncome</td>
<td>-.499</td>
<td>.063</td>
<td>-3.26</td>
<td>.000</td>
</tr>
<tr>
<td>LogEducation</td>
<td>-.296</td>
<td>.034</td>
<td>-3.69</td>
<td>.000</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>-.039</td>
<td>.050</td>
<td>-0.21</td>
<td>.428</td>
</tr>
<tr>
<td>LogPercentWhite</td>
<td>-.164</td>
<td>.017</td>
<td>-3.02</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogSubprime

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method
2

Criterion Variable
LogSubpr

Model Fit:

<table>
<thead>
<tr>
<th>R-sq</th>
<th>F</th>
<th>df1</th>
<th>df2</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>.751</td>
<td>317.2254</td>
<td>4.0000</td>
<td>386.0000</td>
<td>.0000</td>
</tr>
</tbody>
</table>

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC) | t    | P>|t| |
|--------|--------|------|------|
| Constant | 5.3050 | .8588 | 6.1770 | .0000 |
| LogIncom | -.4989 | .0906 | -5.5064 | .0000 |
| LogEduca | -.2960 | .0373 | -7.9381 | .0000 |
| LogIncRa | -.0393 | .0533 | -11.9237 | .0000 |
| LogPerce | -.1641 | .0138 | -11.9237 | .0000 |
Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #2

Normality:

Histogram

Dependent Variable: LogSubprime

Sample Size=446

Multicollinearity:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.261</td>
<td>.626</td>
<td>5.207</td>
</tr>
<tr>
<td></td>
<td>LogIncome</td>
<td>-.314</td>
<td>.066</td>
<td>-205</td>
</tr>
<tr>
<td></td>
<td>LogEducation</td>
<td>-.373</td>
<td>.031</td>
<td>-465</td>
</tr>
<tr>
<td></td>
<td>DummyWhite</td>
<td>-.490</td>
<td>.045</td>
<td>-338</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogSubprime

Correlations

<table>
<thead>
<tr>
<th></th>
<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncRatio</th>
<th>DummyWhite</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
<td>1</td>
<td>.782**</td>
<td>.044</td>
<td>.623**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.382</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
</tr>
<tr>
<td>LogEducation</td>
<td>.782**</td>
<td>1</td>
<td>-.018</td>
<td>.505**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.728</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>445</td>
<td>445</td>
<td>391</td>
<td>445</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>.044</td>
<td>-.018</td>
<td>1</td>
<td>.088</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.382</td>
<td>.728</td>
<td>.088</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>392</td>
<td>391</td>
<td>392</td>
<td>392</td>
</tr>
<tr>
<td>DummyWhite</td>
<td>.623**</td>
<td>.505**</td>
<td>.086</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.088</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogSubprime

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogSubprime
Normal Regression Output:

Model Summary:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.875a</td>
<td>.765</td>
<td>.762</td>
<td>.35334</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), DummyWhite, LogIncRatio, LogEducation, LogIncome
b. Dependent Variable: LogSubprime

Coefficients:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.261</td>
<td>.626</td>
<td>.205</td>
<td>5.207</td>
</tr>
<tr>
<td>LogIncome</td>
<td>-.314</td>
<td>.066</td>
<td>-.205</td>
<td>-4.760</td>
</tr>
<tr>
<td>LogEducation</td>
<td>-.373</td>
<td>.031</td>
<td>-.465</td>
<td>-11.877</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>-.109</td>
<td>.047</td>
<td>-.058</td>
<td>-2.328</td>
</tr>
<tr>
<td>DummyWhite</td>
<td>-.490</td>
<td>.045</td>
<td>-.338</td>
<td>-10.832</td>
</tr>
</tbody>
</table>

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method
2

Criterion Variable
LogSubpr

Model Fit:

R-sq   F   df1   df2   p
.7649  275.0907   4.0000   386.0000   .0000

Heteroscedasticity-Consistent Regression Results

B(OLS)   SE(HC)   t   P>|t|
Constant  3.261   .9785   3.3330   .0009
LogIncom  -.3139  .1021  -3.0741  .0023  
LogEduca  -.3731  .0389  -9.5992  .0000  
LogIncRa  -.1094  .0506  -2.1630  .0312  
DummyWhi  -.4900  .0476  -10.2959  .0000  

Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #3

Normality:

Histogram

Dependent Variable: LogSubprime

Sample Size: 446
### Multicollinearity:

#### Coefficients:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.287</td>
<td>.594</td>
<td></td>
<td>5.529</td>
</tr>
<tr>
<td>LogIncome</td>
<td>-.313</td>
<td>.063</td>
<td>-.205</td>
<td>-5.007</td>
</tr>
<tr>
<td>LogEducation</td>
<td>-.348</td>
<td>.031</td>
<td>-4.34</td>
<td>-11.134</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>-.069</td>
<td>.045</td>
<td>-0.37</td>
<td>-1.535</td>
</tr>
<tr>
<td>21% to 40% White</td>
<td>.099</td>
<td>.075</td>
<td>.035</td>
<td>1.318</td>
</tr>
<tr>
<td>41% to 60% White</td>
<td>-.133</td>
<td>.079</td>
<td>-.046</td>
<td>-1.699</td>
</tr>
<tr>
<td>61% to 80% White</td>
<td>-.405</td>
<td>.060</td>
<td>-.200</td>
<td>-6.798</td>
</tr>
<tr>
<td>81% to 100% White</td>
<td>-.624</td>
<td>.056</td>
<td>-.431</td>
<td>-11.166</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: LogSubprime*

#### Correlations:

<table>
<thead>
<tr>
<th></th>
<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncRatio</th>
<th>21% to 40% White</th>
<th>41% to 60% White</th>
<th>61% to 80% White</th>
<th>81% to 100% White</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
<td>Pearson Correlation</td>
<td>r</td>
<td>.782**</td>
<td>.044</td>
<td>-1.35**</td>
<td>-0.94**</td>
<td>-1.69**</td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td>.000</td>
<td>.382</td>
<td>.004</td>
<td>.047</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
</tr>
<tr>
<td>LogEducation</td>
<td>Pearson Correlation</td>
<td>r</td>
<td>.792**</td>
<td>1</td>
<td>-.018</td>
<td>-.016</td>
<td>.006</td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td>.000</td>
<td>.728</td>
<td>.668</td>
<td>.500</td>
<td>.031</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>Pearson Correlation</td>
<td>r</td>
<td>.044</td>
<td>-.018</td>
<td>-.016</td>
<td>1</td>
<td>-.072</td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td>.382</td>
<td>.728</td>
<td>.746</td>
<td>.490</td>
<td>.043</td>
<td>.210</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
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<td>445</td>
</tr>
<tr>
<td>21% to 40% White</td>
<td>Pearson Correlation</td>
<td>r</td>
<td>-.135</td>
<td>-.018</td>
<td>-.016</td>
<td>1</td>
<td>-.072</td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td>.004</td>
<td>.698</td>
<td>.746</td>
<td>.490</td>
<td>.043</td>
<td>.210</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
</tr>
<tr>
<td>41% to 60% White</td>
<td>Pearson Correlation</td>
<td>r</td>
<td>-.204</td>
<td>.036</td>
<td>.035</td>
<td>.072</td>
<td>1</td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td>.047</td>
<td>.900</td>
<td>.490</td>
<td>.129</td>
<td>.024</td>
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</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>445</td>
<td>445</td>
<td>445</td>
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</tr>
<tr>
<td>61% to 80% White</td>
<td>Pearson Correlation</td>
<td>r</td>
<td>-.169</td>
<td>-.102</td>
<td>-.102</td>
<td>-.111</td>
<td>-.107</td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td>.000</td>
<td>.031</td>
<td>.043</td>
<td>.019</td>
<td>.024</td>
<td>.000</td>
<td>.000</td>
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<tr>
<td>N</td>
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<td>445</td>
</tr>
<tr>
<td>81% to 100% White</td>
<td>Pearson Correlation</td>
<td>r</td>
<td>.628**</td>
<td>.505**</td>
<td>.063</td>
<td>-.281**</td>
<td>-.271**</td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
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<td>.000</td>
<td>.210</td>
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<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
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<td>445</td>
<td>445</td>
<td>445</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogSubprime

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogSubprime
Normal Regression Output:

Model Summary:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.890a</td>
<td>.793</td>
<td>.789</td>
<td>.33308</td>
</tr>
</tbody>
</table>

- Predictors: (Constant), 81% to 100% White, LogIncRat, 41% to 60% White, 21% to 40% White, LogEducation, 81% to 80% White, LogIncome
- Dependent Variable: LogSubprime

Coefficients:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant) 3.287 .594</td>
<td>5.529 .000</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LogIncome -313 .063</td>
<td>-205 .000</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LogEducation -348 .031</td>
<td>-434 .000</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LogIncRat -069 .045</td>
<td>-037 .126</td>
<td>.126</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>21% to 40% White .099 .076</td>
<td>-046 .090</td>
<td>.090</td>
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<tr>
<td></td>
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<td>.186</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>61% to 80% White -405 .060</td>
<td>-200 .000</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>81% to 100% White -624 .056</td>
<td>-431 .000</td>
<td>.000</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

2

Criterion Variable

LogSubpr

Model Fit:

R-sq  F  df1  df2  p
.7927 194.3936 7.0000 383.0000 .0000

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC) | t | P>|t| |
|--------|--------|---|-----|
| Constant 3.2866 .9452 3.4771 .0006 |
| LogIncRat -.3134 .0983 -3.1873 .0016 |
| LogEduca -.3478 .0374 -9.3116 .0000 |
LogIncRa  -0.0694  0.0466  -1.4909  0.1368
RaceCatW  0.0990  0.0568  1.7437  0.0820
RaceCa_1  -0.1335  0.0888  -1.5025  0.1338
RaceCa_2  -0.4046  0.0515  -7.8607  0.0000
RaceCa_3  -0.6240  0.0553  -11.2894  0.0000

Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #4

Normality:

Histagram

Dependent Variable: LogSubprime

Sample Size: 446

Multicollinearity:

Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.738</td>
<td>.580</td>
<td>2.997</td>
<td>.003</td>
</tr>
<tr>
<td></td>
<td>LogIncome</td>
<td>-2.246</td>
<td>.958</td>
<td>-1.61</td>
<td>-4.214</td>
</tr>
<tr>
<td></td>
<td>LogEducation</td>
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<td>.028</td>
<td>-.448</td>
<td>-12.782</td>
</tr>
<tr>
<td></td>
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<td>.042</td>
<td>-.037</td>
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<tr>
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<td>LogPercentBlack</td>
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a. Dependent Variable: LogSubprime

Correlations

<table>
<thead>
<tr>
<th></th>
<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncRatio</th>
<th>LogPercentBlack</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
<td>1</td>
<td>.782**</td>
<td>.044</td>
<td>-.622**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.728</td>
<td>.019</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>445</td>
</tr>
<tr>
<td>LogEducation</td>
<td>.782**</td>
<td>1</td>
<td>-.018</td>
<td>-.508**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.728</td>
<td>.019</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>445</td>
<td>445</td>
<td>392</td>
<td>445</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>.044</td>
<td>-.018</td>
<td>1</td>
<td>-.118*</td>
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<tr>
<td>Sig. (2-tailed)</td>
<td>.382</td>
<td>.728</td>
<td>.019</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>392</td>
<td>392</td>
<td>392</td>
<td>392</td>
</tr>
<tr>
<td>LogPercentBlack</td>
<td>-.622**</td>
<td>-.508**</td>
<td>-.118*</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogSubprime

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogSubprime
Normal Regression Output:

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.901a</td>
<td>.812</td>
<td>.810</td>
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</table>

a. Predictors: (Constant), LogPercentBlack, LogIncRatio, LogEducation, LogIncome
b. Dependent Variable: LogSubprime

**Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.738</td>
<td>.580</td>
<td>2.997</td>
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<tr>
<td></td>
<td>LogIncome</td>
<td>-.246</td>
<td>.058</td>
<td>-.161</td>
</tr>
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<td></td>
<td>LogEducation</td>
<td>-.359</td>
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<td>-.448</td>
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<tr>
<td></td>
<td>LogIncRatio</td>
<td>-.070</td>
<td>.042</td>
<td>-.037</td>
</tr>
<tr>
<td></td>
<td>LogPercentBlack</td>
<td>.200</td>
<td>.013</td>
<td>.437</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogSubprime

**White Standard Errors Robust Test (Heteroscedasticity Corrected Test)**

HC Method
2

Criterion Variable
LogSubpr

Model Fit:

R-sq  F  df1  df2  p
.8122 358.3246 4.0000 386.0000 .0000

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC) | t    | P>|t|
|--------|--------|------|------|
| Constant | 1.7379 | .9124 | 1.9047 | .0576 |
| LogIncom | -.2464 | .0932 | -2.6436 | .0085 |
LogEduca  -.3592   .0371   -9.6926  .0000
LogIncRa  -.0698   .0467   -1.4951  .1357
LogPerce  .1997   .0117    17.1174  .0000

**Narrative:**

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #5

Normality:

Multicollinearity:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Beta</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std Error</td>
<td></td>
<td></td>
<td>Tolerance</td>
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<tr>
<td>1</td>
<td>(Constant)</td>
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<tr>
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<td>LogIncome</td>
<td>-.470</td>
<td>.060</td>
<td>-.307</td>
<td>-.775</td>
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<td>LogEducation</td>
<td>-.315</td>
<td>.032</td>
<td>-.393</td>
<td>-.992</td>
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<tr>
<td></td>
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<tr>
<td></td>
<td>DummyBlack</td>
<td>.522</td>
<td>.045</td>
<td>.331</td>
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Note: Dependent Variable: LogSubprime

Correlations:

<table>
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<tr>
<th></th>
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<th>LogEducation</th>
<th>LogIncRatio</th>
<th>DummyBlack</th>
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</thead>
<tbody>
<tr>
<td>LogIncome</td>
<td>1</td>
<td>.782**</td>
<td>.044</td>
<td>-.508**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.382</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
</tr>
<tr>
<td>LogEducation</td>
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<td>1</td>
<td>-.018</td>
<td>-.480**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.728</td>
<td>.000</td>
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<td>445</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>.044</td>
<td>-.018</td>
<td>1</td>
<td>-.169**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.382</td>
<td>.728</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>392</td>
<td>391</td>
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<td>392</td>
</tr>
<tr>
<td>DummyBlack</td>
<td>-.508**</td>
<td>-.480**</td>
<td>-.169**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogSubprime

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogSubprime
Normal Regression Output:

Model Summary:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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<tbody>
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</table>

* a. Predictors: (Constant), DummyBlack, LogIncRatio, LogEducation, LogIncome

b. Dependent Variable: LogSubprime

Coefficients:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.296</td>
<td>.581</td>
<td>7.398</td>
</tr>
<tr>
<td></td>
<td>LogIncome</td>
<td>-.470</td>
<td>.060</td>
<td>-7.775</td>
</tr>
<tr>
<td></td>
<td>LogEducation</td>
<td>-.315</td>
<td>.032</td>
<td>-9.992</td>
</tr>
<tr>
<td></td>
<td>LogIncRatio</td>
<td>-.048</td>
<td>.047</td>
<td>-1.020</td>
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<tr>
<td></td>
<td>DummyBlack</td>
<td>.522</td>
<td>.045</td>
<td>11.483</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogSubprime

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

2

Criterion Variable

LogSubpr

Model Fit:

R-sq  F  df1  df2  p
.7715  274.8909  4.0000  386.0000  .0000

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC) | t | P>|t| |
|--------|--------|---|-----|
| Constant | 4.2957 | .8696 | 4.9400 | .0000 |
LogInc  -.4696   .0891   -5.2728   .0000
LogEduca  -.3151   .0352   -8.9495   .0000
LogIncRa  -.0479   .0493   -.9730   .3312
DummyBla   .5222   .0408   12.7890   .0000

Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #6

Normality:

Histogram

Dependent Variable: LogSubprime

Sample Size: 446
Multicollinearity:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Err</td>
<td>Beta</td>
</tr>
<tr>
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<td>LogEducation</td>
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<tr>
<td>LogIncRatio</td>
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<td>-.030</td>
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<td>.072</td>
</tr>
<tr>
<td>41% to 60% Black</td>
<td>.541</td>
<td>.075</td>
<td>.172</td>
</tr>
<tr>
<td>61% to 80% Black</td>
<td>.703</td>
<td>.070</td>
<td>.242</td>
</tr>
<tr>
<td>81% to 100% Black</td>
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<td>.051</td>
<td>.294</td>
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</tbody>
</table>

a. Dependent Variable: LogSubprime

<table>
<thead>
<tr>
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<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncRatio</th>
<th>21% to 40% Black</th>
<th>41% to 60% Black</th>
<th>61% to 80% Black</th>
<th>81% to 100% Black</th>
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</thead>
<tbody>
<tr>
<td>LogIncome</td>
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<td>.044</td>
<td>-.017</td>
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<tr>
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<td>.088</td>
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<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
<td>446</td>
<td>446</td>
<td>446</td>
</tr>
<tr>
<td>LogEducation</td>
<td>.782*</td>
<td>1</td>
<td>-.016</td>
<td>.026</td>
<td>-.035</td>
<td>.018</td>
<td>-.538*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
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<td>.552</td>
<td>.457</td>
<td>.701</td>
<td>.000</td>
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</tr>
<tr>
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<td>.044</td>
<td>.016</td>
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<td>.026</td>
<td>-.009</td>
<td>-.029</td>
<td>-.164*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.382</td>
<td>.810</td>
<td>.569</td>
<td>.001</td>
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<tr>
<td>N</td>
<td>392</td>
<td>391</td>
<td>392</td>
<td>392</td>
<td>392</td>
<td>392</td>
<td>392</td>
</tr>
<tr>
<td>21% to 40% Black</td>
<td>-.017</td>
<td>.028</td>
<td>.026</td>
<td>1</td>
<td>-.059</td>
<td>-.063</td>
<td>-.124*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.713</td>
<td>.610</td>
<td>.211</td>
<td>.184</td>
<td>.009</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
<td>446</td>
<td>446</td>
<td>446</td>
</tr>
<tr>
<td>41% to 60% Black</td>
<td>-.081</td>
<td>.035</td>
<td>-.008</td>
<td>-.059</td>
<td>1</td>
<td>-.063</td>
<td>-.124*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.457</td>
<td>.869</td>
<td>.211</td>
<td>.184</td>
<td>.009</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
<td>446</td>
<td>446</td>
<td>446</td>
</tr>
<tr>
<td>61% to 80% Black</td>
<td>-.069</td>
<td>.018</td>
<td>-.029</td>
<td>-.063</td>
<td>1</td>
<td>-.063</td>
<td>-.132*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.701</td>
<td>.569</td>
<td>.184</td>
<td>.184</td>
<td>.005</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
<td>446</td>
<td>446</td>
<td>446</td>
</tr>
<tr>
<td>81% to 100% Black</td>
<td>-.497*</td>
<td>-.538*</td>
<td>-.164*</td>
<td>-.124*</td>
<td>-.124*</td>
<td>-.132*</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.001</td>
<td>.009</td>
<td>.009</td>
<td>.005</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
<td>446</td>
<td>446</td>
<td>446</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogSubprime

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogSubprime
Normal Regression Output:

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.892</td>
<td>.795</td>
<td>.792</td>
<td>.33093</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), 81% to 100% Black, 41% to 60% Black, 21% to 40% Black, LogIncRatio, 61% to 80% Black, LogIncome, LogEducation
b. Dependent Variable: LogSubprime

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LogIncome</td>
<td>-390</td>
<td>.059</td>
<td>-.255</td>
<td>6.302</td>
</tr>
<tr>
<td>LogEducation</td>
<td>-364</td>
<td>.031</td>
<td>-.454</td>
<td>-11.622</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>-0.057</td>
<td>.045</td>
<td>-.030</td>
<td>-1.270</td>
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<tr>
<td>21% to 40% Black</td>
<td>.228</td>
<td>.074</td>
<td>.072</td>
<td>3.066</td>
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<tr>
<td>41% to 60% Black</td>
<td>.541</td>
<td>.075</td>
<td>.172</td>
<td>7.175</td>
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<td>61% to 80% Black</td>
<td>.703</td>
<td>.070</td>
<td>.242</td>
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<tr>
<td>81% to 100% Black</td>
<td>.518</td>
<td>.051</td>
<td>.294</td>
<td>10.114</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogSubprime

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

2

Criterion Variable

LogSubpr

Model Fit:

R-sq   F   df1   df2   p
.7954   174.6584   7.0000  383.0000  .0000

Heteroscedasticity-Consistent Regression Results

|      | B(OLS) | SE(HC) | t     | P>|t| |
|------|--------|--------|-------|-----|
| Constant | 3.5539 | .8767 | 4.0535 | .0001 |
| LogIncom | -.3897 | .0900 | -4.3301 | .0000 |
| LogEduca | -.3639 | .0364 | -9.9978 | .0000 |
Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #7

Normality:

Histogram

Dependent Variable: LogSubprime

Sample Size: 446

Multicollinearity:

<table>
<thead>
<tr>
<th>Coefficients*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>1 (Constant)</td>
</tr>
<tr>
<td>LogIncome</td>
</tr>
<tr>
<td>LogEducation</td>
</tr>
<tr>
<td>LogIncRatio</td>
</tr>
<tr>
<td>DummyMixed</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogSubprime

<table>
<thead>
<tr>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>LogIncome</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>LogEducation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>LogIncRatio</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>DummyMixed</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogSubprime

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogSubprime
**Normal Regression Output:**

### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.833*</td>
<td>.694</td>
<td>.691</td>
<td>.40327</td>
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</tbody>
</table>

*a. Predictors: (Constant), DummyMixed, LogIncRatio, LogEducation, LogIncome

b. Dependent Variable: LogSubprime

### Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>6.093</td>
</tr>
<tr>
<td></td>
<td>LogIncome</td>
<td>-.599</td>
</tr>
<tr>
<td></td>
<td>LogEducation</td>
<td>-.391</td>
</tr>
<tr>
<td></td>
<td>LogIncRatio</td>
<td>-.152</td>
</tr>
<tr>
<td></td>
<td>DummyMixed</td>
<td>.040</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: LogSubprime

**White Standard Errors Robust Test (Heteroscedasticity Corrected Test)**

HC Method

2

Criterion Variable

LogSubpr

Model Fit:

R-sq  F  df1  df2  p
.6937 168.6407 4.0000 386.0000 .0000

Heteroscedasticity-Consistent Regression Results

| B(OLS)  | SE(HC) | t    | P>|t| |
|---------|--------|------|-----|
| Constant| .8506  | 7.1635 | .0000 |
Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #8

Normality:

Histogram

Dependent Variable: LogForeclosure

Sample Size: 446

Multicollinearity:

Coefficients*

| Model | Unstandardized Coefficients | Standardized Coefficients | | | Collinearity Statistics |
|-------|-----------------------------|---------------------------|---|---|---|---|
|       | B   | Std. Error | Beta | t   | Sig | Tolerance | VIF |
| 1     |     |             |      |     |     |           |     |
| (Constant) | 4.518 | .861 | 5.249 | 0.000 | 383 | 2.613 |
| LogIncome | -.561 | .092 | -.323 | -6.104 | 0.000 | 367 | 2.728 |
| LogEducation | -.245 | .049 | -.269 | -4.971 | 0.000 | 393 | 1.067 |
| LogIncratio | -.078 | .073 | -.036 | -1.075 | 0.283 | 383 | 1.582 |
| LogPercentWhite | -.179 | .025 | -.290 | -7.051 | 0.000 | 632 | 1.582 |

a. Dependent Variable: LogForeclosure

Correlations

<table>
<thead>
<tr>
<th></th>
<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncratio</th>
<th>LogPercentWhite</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
<td>Pearson Correlation</td>
<td>1.000</td>
<td>.782**</td>
<td>.444</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.382</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
</tr>
<tr>
<td>LogEducation</td>
<td>Pearson Correlation</td>
<td>.782**</td>
<td>1.000</td>
<td>.018</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.055</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>445</td>
<td>445</td>
<td>391</td>
<td>445</td>
</tr>
<tr>
<td>LogIncratio</td>
<td>Pearson Correlation</td>
<td>.444</td>
<td>-.018</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.382</td>
<td>.728</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>392</td>
<td>391</td>
<td>392</td>
<td>392</td>
</tr>
<tr>
<td>LogPercentWhite</td>
<td>Pearson Correlation</td>
<td>.558**</td>
<td>.564**</td>
<td>.196**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>446</td>
<td>445</td>
<td>392</td>
<td>446</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Homoedasticity:

Scatterplot

Dependent Variable: LogForeclosure

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogForeclosure
Normal Regression Output:

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.766a</td>
<td>.587</td>
<td>.583</td>
<td>.53190</td>
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</tbody>
</table>

a. Predictors: (Constant), LogPercentWhite, LogIncRatio, LogIncome, LogEducation
b. Dependent Variable: LogForeclosure

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.518</td>
<td>.861</td>
<td>5.249</td>
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<tr>
<td></td>
<td>LogIncome</td>
<td>-.561</td>
<td>.092</td>
<td>-.323</td>
</tr>
<tr>
<td></td>
<td>LogEducation</td>
<td>-.245</td>
<td>.049</td>
<td>-.269</td>
</tr>
<tr>
<td></td>
<td>LogIncRatio</td>
<td>-.078</td>
<td>.073</td>
<td>-.036</td>
</tr>
<tr>
<td></td>
<td>LogPercentWhite</td>
<td>-.179</td>
<td>.025</td>
<td>-.290</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogForeclosure

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

2

Criterion Variable

LogForec

Model Fit:

R-sq   F   df1  df2  p
.5868  158.5709  4.0000  386.0000  .0000

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC) | t   | P>|t| |
|--------|--------|-----|------|
| Constant | 4.5180 | .8551 | 5.2836 | .0000 |
LogInc  -.5613  .0902  -6.2240  .0000
LogEduca  -.2446  .0510  -4.7957  .0000
LogIncRa  -.0779  .0773  -1.0081  .3140
LogPerce  -.1791  .0196  -9.1373  .0000

Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #9

Normality:

Histogram

Dependent Variable: LogForeclosure

Sample Size: 446

Multicollinearity:

Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>I</th>
<th>Sig</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
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<td>B</td>
<td>Std Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td>.004</td>
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<tr>
<td>LogEducation</td>
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<td>-7.396</td>
<td>.000</td>
</tr>
<tr>
<td>LogIncRatio</td>
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<td>-.066</td>
<td>-2.162</td>
<td>.031</td>
</tr>
<tr>
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<td>.063</td>
<td>-.419</td>
<td>-10.880</td>
<td>.000</td>
</tr>
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</table>

*a. Dependent Variable: LogForeclosure

Correlations

<table>
<thead>
<tr>
<th>Income</th>
<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncRatio</th>
<th>DummyWhite</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.775**</td>
<td>.044</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td>.000</td>
<td>.390</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogEducation</td>
<td>Pearson Correlation</td>
<td>.775**</td>
<td>1</td>
<td>-.018</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td>.000</td>
<td>.728</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>Pearson Correlation</td>
<td>.044</td>
<td>-.018</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td>.390</td>
<td>.728</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>DummyWhite</td>
<td>Pearson Correlation</td>
<td>.609**</td>
<td>.486**</td>
<td>.086</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td>.000</td>
<td>.091</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogForeclosure

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogForeclosure
Normal Regression Output:

Model Summary:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.802a</td>
<td>.643</td>
<td>.639</td>
<td>.49438</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), DummyWhite, LogIncRatio, LogEducation, LogIncome
b. Dependent Variable: LogForeclosure

Coefficients:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.362</td>
</tr>
<tr>
<td>LogIncome</td>
<td>-.266</td>
<td>.092</td>
</tr>
<tr>
<td>LogEducation</td>
<td>-.325</td>
<td>.044</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>-.142</td>
<td>.066</td>
</tr>
<tr>
<td>DummyWhite</td>
<td>-.689</td>
<td>.063</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogForeclosure

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method
2

Criterion Variable
LogForec

Model Fit:
R-sq F df1 df2 p
.6431 166.4562 4.0000 386.0000 .0000

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC) | t | P>|t| |
|--------|--------|---|-----|
| Constant | 1.3619 | .9311 | 1.4628 | .1443 |
LogIncom  -.2660  .0974  -2.7310  .0066
LogEduca  -.3250  .0474  -6.8557  .0000
LogIncRa  -.1421  .0645  -2.2013  .0283
DummyWhi  -.6887  .0641  -10.7431  .0000

Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #10

Normality:

Sample Size: 446
Multicollinearity:

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.413</td>
<td>.875</td>
<td></td>
<td>1.615</td>
<td>.107</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LogIncome</td>
<td>-.268</td>
<td>.092</td>
<td>-.154</td>
<td>-2.911</td>
<td>.004</td>
<td>.324</td>
<td>3.088</td>
</tr>
<tr>
<td>LogEducation</td>
<td>-.311</td>
<td>.046</td>
<td>-.342</td>
<td>-6.769</td>
<td>.000</td>
<td>.357</td>
<td>2.604</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>-.122</td>
<td>.067</td>
<td>-.057</td>
<td>-1.836</td>
<td>.067</td>
<td>.945</td>
<td>1.058</td>
</tr>
<tr>
<td>21% to 40% White</td>
<td>.155</td>
<td>.111</td>
<td>.048</td>
<td>1.398</td>
<td>.163</td>
<td>.756</td>
<td>1.323</td>
</tr>
<tr>
<td>41% to 60% White</td>
<td>-.090</td>
<td>.116</td>
<td>-.027</td>
<td>-.779</td>
<td>.437</td>
<td>.741</td>
<td>1.350</td>
</tr>
<tr>
<td>61% to 80% White</td>
<td>-.316</td>
<td>.088</td>
<td>-.137</td>
<td>-3.606</td>
<td>.000</td>
<td>.625</td>
<td>1.600</td>
</tr>
<tr>
<td>81% to 100% White</td>
<td>-.762</td>
<td>.082</td>
<td>-.464</td>
<td>-9.270</td>
<td>.000</td>
<td>.364</td>
<td>2.751</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: LogForeclosure*

<table>
<thead>
<tr>
<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncRatio</th>
<th>21% to 40% White</th>
<th>41% to 60% White</th>
<th>61% to 80% White</th>
<th>81% to 100% White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.775**, .444, .150**, -0.075, -0.174**, .614**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.390</td>
<td>.003</td>
<td>.139</td>
<td>.001</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogEducation</td>
<td>Pearson Correlation</td>
<td>.775**, 1, -.018, -.034, .029, -.064, .492**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.728</td>
<td>.501</td>
<td>.569</td>
<td>.064</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>Pearson Correlation</td>
<td>.944, -0.018, 1, -.014, .035, 0.107, .063</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.390</td>
<td>.728</td>
<td>.781</td>
<td>.493</td>
<td>.044</td>
<td>.215</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>21% to 40% White</td>
<td>Pearson Correlation</td>
<td>-.150**, -.034, -.014, 1, -.074, -.117**, -.273**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.003</td>
<td>.501</td>
<td>.781</td>
<td>.143</td>
<td>.021</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>41% to 60% White</td>
<td>Pearson Correlation</td>
<td>-.075, .029, .035, -.074, 1, -.113*, -.262**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.139</td>
<td>.569</td>
<td>.493</td>
<td>.143</td>
<td>.028</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>61% to 80% White</td>
<td>Pearson Correlation</td>
<td>-.174**, -.094, .102, -.117, -.113*, 1, -.414**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.064</td>
<td>.044</td>
<td>.021</td>
<td>.026</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>81% to 100% White</td>
<td>Pearson Correlation</td>
<td>.614**, .492**, .063, -.273*, -.262**, -.414**, 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.215</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogForeclosure

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogForeclosure
Normal Regression Output:

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.807*</td>
<td>.652</td>
<td>.646</td>
<td>.69013</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), 81% to 100% White, LogIncRatio, 41% to 60% White, 21% to 40% White, LogEducation, 81% to 80% White, LogIncome

b. Dependent Variable: LogForeclosure

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.413</td>
<td>.875</td>
<td></td>
<td>1.615</td>
</tr>
<tr>
<td>LogInc</td>
<td>-268</td>
<td>.092</td>
<td>-.154</td>
<td>-2.911</td>
</tr>
<tr>
<td>LogEducation</td>
<td>-311</td>
<td>.046</td>
<td>-.342</td>
<td>-6.769</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>-122</td>
<td>.067</td>
<td>-.057</td>
<td>-1.836</td>
</tr>
<tr>
<td>21% to 40% White</td>
<td>165</td>
<td>.111</td>
<td>.048</td>
<td>1.398</td>
</tr>
<tr>
<td>41% to 60% White</td>
<td>-909</td>
<td>.156</td>
<td>-.027</td>
<td>-7.799</td>
</tr>
<tr>
<td>61% to 80% White</td>
<td>-316</td>
<td>.088</td>
<td>-.137</td>
<td>-3.566</td>
</tr>
<tr>
<td>81% to 100% White</td>
<td>-762</td>
<td>.082</td>
<td>-.464</td>
<td>-9.270</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogForeclosure

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

2

Criterion Variable

LogForec

Model Fit:

R-sq  F  df1  df2  p
.6519 104.4764 7.0000 383.0000 .0000

Heteroscedasticity-Consistent Regression Results

<p>|        | B(OLS) | SE(HC) | t     | P&gt;|t| |
|--------|--------|--------|-------|-----|
| Constant | 1.4128 | .9309  | 1.5176 | .1299 |
| LogInc | -.2681 | .0976  | -2.7470 | .0063 |
| LogEduca | -.3112 | .0518  | -6.0114 | .0000 |</p>
<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>T-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncRa</td>
<td>-0.1222</td>
<td>0.0671</td>
<td>-1.8212</td>
<td>0.0694</td>
</tr>
<tr>
<td>RaceCatW</td>
<td>0.1546</td>
<td>0.0921</td>
<td>1.6779</td>
<td>0.0942</td>
</tr>
<tr>
<td>RaceCa_1</td>
<td>-0.0900</td>
<td>0.1375</td>
<td>-0.6546</td>
<td>0.5131</td>
</tr>
<tr>
<td>RaceCa_2</td>
<td>-0.3158</td>
<td>0.0738</td>
<td>-4.2794</td>
<td>0.0000</td>
</tr>
<tr>
<td>RaceCa_3</td>
<td>-0.7623</td>
<td>0.0770</td>
<td>-9.9022</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

**Narrative:**

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #11

Normality:

![Histogram of Log Foreclosure](image)

Sample Size: 446

Multicollinearity:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-5.66</td>
<td>0.27</td>
<td>-6.84</td>
<td>0.495</td>
</tr>
<tr>
<td></td>
<td>LogIncome</td>
<td>-0.189</td>
<td>0.083</td>
<td>-0.108</td>
<td>-2.260</td>
</tr>
<tr>
<td></td>
<td>LogEducation</td>
<td>-0.307</td>
<td>0.040</td>
<td>-0.337</td>
<td>-7.650</td>
</tr>
<tr>
<td></td>
<td>LogIncRatio</td>
<td>-0.099</td>
<td>0.060</td>
<td>-0.042</td>
<td>-1.500</td>
</tr>
<tr>
<td></td>
<td>LogPercentBlack</td>
<td>0.271</td>
<td>0.018</td>
<td>0.522</td>
<td>14.863</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Log Foreclosure

<table>
<thead>
<tr>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
</tr>
<tr>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>LogEducation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>LogIncRatio</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>LogPercentBlack</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogForeclosure

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogForeclosure
Normal Regression Output:

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.839a</td>
<td>.703</td>
<td>.700</td>
<td>.45069</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), LogPercentBlack, LogIncRatio, LogEducation, LogIncome
b. Dependent Variable: LogForeclosure

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-.566</td>
<td>.827</td>
</tr>
<tr>
<td>LogIncome</td>
<td>-.189</td>
<td>.083</td>
</tr>
<tr>
<td>LogEducation</td>
<td>-.307</td>
<td>.040</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>-.090</td>
<td>.060</td>
</tr>
<tr>
<td>LogPercentBlack</td>
<td>.271</td>
<td>.018</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogForeclosure

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method
2

Criterion Variable
LogForec

Model Fit:

<table>
<thead>
<tr>
<th>R-sq</th>
<th>F</th>
<th>df1</th>
<th>df2</th>
<th>p</th>
</tr>
</thead>
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<tr>
<td>.7034</td>
<td>224.5559</td>
<td>4.0000</td>
<td>386.0000</td>
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</tr>
</tbody>
</table>

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC) | t   | P>|t| |
|--------|--------|-----|-----|
| Constant | -.5656 | .8493 | -.6660 | .5058 |
| LogIncom | -.1886 | .0872 | -2.1626 | .0312 |
LogEduca  -0.3068  0.0460  -6.6692  0.0000
LogIncRa  -0.0903  0.0597  -1.5122  0.1313
LogPerce  0.2712  0.0164  16.5076  0.0000

Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #12

Normality:

Histogram

Dependent Variable: LogForeclosure

Sample Size: 446

Multicollinearity:

Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Beta</th>
<th>T</th>
<th>Sig</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tolerance</td>
</tr>
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<td>3.916</td>
<td>.000</td>
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<tr>
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<td>-.303</td>
<td>-5.864</td>
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<tr>
<td></td>
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<td>.000</td>
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<tr>
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<td>DummyBlack</td>
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<td>.068</td>
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</table>

a. Dependent Variable: LogForeclosure

Correlations

<table>
<thead>
<tr>
<th></th>
<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncRatio</th>
<th>DummyBlack</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
<td>1</td>
<td>.775**</td>
<td>.044</td>
<td>-.489**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.390</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogEducation</td>
<td>.775**</td>
<td>1</td>
<td>-.018</td>
<td>-.475**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.728</td>
<td>.000</td>
<td>.001</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>.044</td>
<td>-.018</td>
<td>1</td>
<td>-.168**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.390</td>
<td>.728</td>
<td>.001</td>
<td>.001</td>
</tr>
<tr>
<td>N</td>
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<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>DummyBlack</td>
<td>-.489**</td>
<td>-.475**</td>
<td>-.168**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.001</td>
<td>.001</td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Homoskedasticity:

**Scatterplot**

Dependent Variable: LogForeclosure

**Normal P-P Plot of Regression Standardized Residual**

Dependent Variable: LogForeclosure
Normal Regression Output:

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.780*</td>
<td>.608</td>
<td>.604</td>
<td>.51799</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), DummyBlack, LogIncRatio, LogEducation, LogIncome
b. Dependent Variable: LogForeclosure

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.381</td>
<td>.863</td>
<td>3.916</td>
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<tr>
<td></td>
<td>LogIncome</td>
<td>-.527</td>
<td>.090</td>
<td>-.303</td>
</tr>
<tr>
<td></td>
<td>LogEducation</td>
<td>-.264</td>
<td>.047</td>
<td>-.290</td>
</tr>
<tr>
<td></td>
<td>LogIncRatio</td>
<td>-.085</td>
<td>.070</td>
<td>-.040</td>
</tr>
<tr>
<td></td>
<td>DummyBlack</td>
<td>.579</td>
<td>.068</td>
<td>.324</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogForeclosure

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

2

Criterion Variable

LogForec

Model Fit:

R-sq   F   df1   df2   p
.6082  145.9683  4.0000  386.0000  .0000

Heteroscedasticity-Consistent Regression Results

B(OLS)   SE(HC)   t   P>|t|
<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.3811</td>
<td>.9148</td>
<td>3.6958</td>
<td>.0003</td>
</tr>
<tr>
<td>LogIncom</td>
<td>-.5267</td>
<td>.0952</td>
<td>-5.5350</td>
<td>.0000</td>
</tr>
<tr>
<td>LogEduca</td>
<td>-.2641</td>
<td>.0505</td>
<td>-5.2278</td>
<td>.0000</td>
</tr>
<tr>
<td>LogIncRa</td>
<td>-.0855</td>
<td>.0740</td>
<td>-1.1555</td>
<td>.2486</td>
</tr>
<tr>
<td>DummyBla</td>
<td>.5795</td>
<td>.0600</td>
<td>9.6657</td>
<td>.0000</td>
</tr>
</tbody>
</table>

**Narrative:**

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #13

Normality:

Sample Size: 446
Multicollinearity:

### Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>2.361</td>
<td>.843</td>
<td></td>
</tr>
<tr>
<td>LogIncome</td>
<td>-.416</td>
<td>.088</td>
<td>-.240</td>
</tr>
<tr>
<td>LogEducation</td>
<td>-.332</td>
<td>.047</td>
<td>-.365</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>-.099</td>
<td>.067</td>
<td>-.046</td>
</tr>
<tr>
<td>21% to 40% Black</td>
<td>.339</td>
<td>.111</td>
<td>.095</td>
</tr>
<tr>
<td>41% to 60% Black</td>
<td>.643</td>
<td>.113</td>
<td>.180</td>
</tr>
<tr>
<td>61% to 80% Black</td>
<td>.891</td>
<td>.105</td>
<td>.270</td>
</tr>
<tr>
<td>81% to 100% Black</td>
<td>.561</td>
<td>.077</td>
<td>.280</td>
</tr>
</tbody>
</table>

**a. Dependent Variable: LogForeclosure**

### Correlations

<table>
<thead>
<tr>
<th></th>
<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncRatio</th>
<th>21% to 40% Black</th>
<th>41% to 60% Black</th>
<th>61% to 80% Black</th>
<th>81% to 100% Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
<td>1</td>
<td>.775**</td>
<td>.044</td>
<td>.001</td>
<td>-.050</td>
<td>-.086</td>
<td>-.467**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.390</td>
<td>.983</td>
<td>.321</td>
<td>.088</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogEducation</td>
<td>.775**</td>
<td>1</td>
<td>-.018</td>
<td>.055</td>
<td>.069</td>
<td>.006</td>
<td>-.525**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.728</td>
<td>.983</td>
<td>.321</td>
<td>.198</td>
<td>.011</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>.044</td>
<td>.018</td>
<td>1</td>
<td>.026</td>
<td>.006</td>
<td>.029</td>
<td>-.164**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.390</td>
<td>.728</td>
<td>.913</td>
<td>.240</td>
<td>.198</td>
<td>.011</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>21% to 40% Black</td>
<td>.001</td>
<td>.055</td>
<td>.026</td>
<td>1</td>
<td>-.060</td>
<td>-.065</td>
<td>-.129*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.983</td>
<td>.276</td>
<td>.513</td>
<td>.240</td>
<td>.198</td>
<td>.011</td>
<td></td>
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<td>391</td>
<td>391</td>
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<td>391</td>
<td>391</td>
</tr>
<tr>
<td>41% to 60% Black</td>
<td>-.050</td>
<td>.069</td>
<td>-.006</td>
<td>-.060</td>
<td>1</td>
<td>-.065</td>
<td>-.128*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.321</td>
<td>.174</td>
<td>.913</td>
<td>.240</td>
<td>.198</td>
<td>.011</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
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<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>61% to 80% Black</td>
<td>-.066</td>
<td>.006</td>
<td>-.029</td>
<td>-.065</td>
<td>1</td>
<td>-.065</td>
<td>.140**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.068</td>
<td>.908</td>
<td>.566</td>
<td>.198</td>
<td>.198</td>
<td>.006</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>81% to 100% Black</td>
<td>-.467**</td>
<td>-.525**</td>
<td>-.164**</td>
<td>-.128*</td>
<td>-.128*</td>
<td>.140**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.001</td>
<td>.011</td>
<td>.011</td>
<td>.006</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).**

* Correlation is significant at the 0.05 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogForeclosure

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: LogForeclosure
Normal Regression Output:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.803*</td>
<td>.645</td>
<td>.639</td>
<td>.69486</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), 81% to 100% Black, 41% to 60% Black, 21% to 40% Black, LogIncRatio, 61% to 80% Black, LogIncome, LogEducation

b. Dependent Variable: LogForeclosure

<table>
<thead>
<tr>
<th>Coefficientsa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>LogIncome</td>
</tr>
<tr>
<td>LogEducation</td>
</tr>
<tr>
<td>LogIncRatio</td>
</tr>
<tr>
<td>21% to 40% Black</td>
</tr>
<tr>
<td>41% to 60% Black</td>
</tr>
<tr>
<td>61% to 80% Black</td>
</tr>
<tr>
<td>81% to 100% Black</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogForeclosure

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

2

Criterion Variable

LogForec

Model Fit:

R-sq    F    df1    df2    p
.6452   100.0399 7.0000 383.0000 .0000

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC) | t     | P>|t| |
|--------|--------|-------|------|
| Constant | 2.3610 | .8919 | 2.6473 | .0084 |
| LogIncom | -.4165 | .0935 | -4.4530 | .0000 |
| LogEduca | -.3324 | .0520 | -6.3927 | .0000 |
| Variable | Estimate | Std. Error | t-value | Pr(>|t|) |
|----------|----------|------------|---------|---------|
| LogIncRa | -.0987   | .0691      | -1.4273 | .1543   |
| RaceCatB | .3387    | .1283      | 2.6400  | .0086   |
| RaceCa_1 | .6427    | .1222      | 5.2616  | .0000   |
| RaceCa_2 | .8905    | .0812      | 10.9641 | .0000   |
| RaceCa_3 | .5607    | .0669      | 8.3795  | .0000   |

**Narrative:**

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Model #14

Normality:

Histogram

Dependent Variable: LogForeclosure

![Histogram Image]

Sample Size: 446

Multicollinearity:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Beta</th>
<th>T</th>
<th>Sig</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| (Constant) | 4.968                       | .931                      | 5.336           | .000 | .368 | .090
| LogIncome | -.626                       | .999                      | -.360           | -6.316 | .000 | .368 | 2.720
| LogEducation | -.372                       | .052                      | -.408           | -7.163 | .000 | .368 | 2.719
| LogIncRatio | -.213                       | .075                      | -.099           | -2.846 | .005 | .982 | 1.018
| DummyMixed | .187                        | .087                      | .078            | 2.149  | .032 | .913 | 1.095

a. Dependent Variable: LogForeclosure

<table>
<thead>
<tr>
<th>Correlation</th>
<th>LogIncome</th>
<th>LogEducation</th>
<th>LogIncRatio</th>
<th>DummyMixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>LogIncome</td>
<td>1</td>
<td>.775**</td>
<td>.044</td>
<td>-.090</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.390</td>
<td>.076</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogEducation</td>
<td>.775**</td>
<td>1</td>
<td>-.018</td>
<td>.098</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.728</td>
<td>.053</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>LogIncRatio</td>
<td>.044</td>
<td>-.018</td>
<td>1</td>
<td>.068</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.390</td>
<td>.728</td>
<td>.180</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
<tr>
<td>DummyMixed</td>
<td>-.090</td>
<td>.098</td>
<td>.068</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.076</td>
<td>.053</td>
<td>.180</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>391</td>
<td>391</td>
<td>391</td>
<td>391</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: LogForeclosure

Normal P-P Plot of Regression Standardized Residual!n

Dependent Variable: LogForeclosure
Normal Regression Output:

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.734*</td>
<td>.539</td>
<td>.534</td>
<td>.56177</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), DummyMixed, LogIncRatio, LogEducation, LogIncome

b. Dependent Variable: LogForeclosure

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.968</td>
<td>.931</td>
<td>5.336</td>
</tr>
<tr>
<td></td>
<td>LogIncome</td>
<td>-.626</td>
<td>.099</td>
<td>-.360</td>
</tr>
<tr>
<td></td>
<td>LogEducation</td>
<td>-.372</td>
<td>.052</td>
<td>-.408</td>
</tr>
<tr>
<td></td>
<td>LogIncRatio</td>
<td>-.213</td>
<td>.075</td>
<td>-.099</td>
</tr>
<tr>
<td></td>
<td>DummyMixed</td>
<td>.187</td>
<td>.087</td>
<td>.078</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LogForeclosure

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

2

Criterion Variable

LogForec

Model Fit:

R-sq  F  df1  df2  p
.5391 103.6783 4.0000 386.0000 .0000

Heteroscedasticity-Consistent Regression Results

B(OLS)  SE(HC)  t  P>|t|
Constant     4.9678      .9329     5.3252      .0000
LogIncom     -.6259      .0996    -6.2819     .0000
LogEduca     -.3716      .0549    -6.7719     .0000
LogIncRa     -.2129      .0778    -2.7358     .0065
DummyMix     .1867      .0932     2.0022     .0460

Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: No Tolerance below .20 and no VIF above 10. Further, the correlation coefficient matrix does not show any relationship above or below .8 or -.8.
- White Standard Errors Test shows similar output to original test and continues to be a significant model with the same statistically significant parameters as the original model.
Analysis 2 Diagnostics

**Model #1: High-Mix**

**Normality:**

![Histogram](image)

Sample Size: 179

**Multicollinearity:**

<table>
<thead>
<tr>
<th>Coefficients*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1 (Constant)</td>
</tr>
<tr>
<td>FR06b07</td>
</tr>
<tr>
<td>FR06b07SQ</td>
</tr>
<tr>
<td>MedIncome</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Med06to08

**Correlations**

<table>
<thead>
<tr>
<th>FR06b07</th>
<th>FR06b07SQ</th>
<th>MedIncome</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR06b07</td>
<td>1</td>
<td>.947**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>179</td>
<td>179</td>
</tr>
<tr>
<td>FR06b07SQ</td>
<td>.947**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>179</td>
<td>179</td>
</tr>
<tr>
<td>MedIncome</td>
<td>-.416**</td>
<td>-.326**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>179</td>
<td>179</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).**
Homoskedasticity:

![Scatterplot](image)

**Dependent Variable: Med06to08**

![Normal P-P Plot of Regression Standardized Residual](image)

**Dependent Variable: Med06to08**
Normal Regression Output:

Model Summary:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.774*</td>
<td>.599</td>
<td>.592</td>
<td>46495.61904</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), MedIncome, FR06to07SQ, FR06to07

b. Dependent Variable: Med06to08

Coefficients:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>83709.596</td>
<td>15796.956</td>
<td>-756</td>
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<tr>
<td></td>
<td>FR06to07</td>
<td>-12911.604</td>
<td>2729.487</td>
<td>-.756</td>
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<tr>
<td></td>
<td>FR06to07SQ</td>
<td>401.841</td>
<td>137.364</td>
<td>-.450</td>
</tr>
<tr>
<td></td>
<td>MedIncome</td>
<td>2.057</td>
<td>.207</td>
<td>.538</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Med06to08

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

3

Criterion Variable

Med06to0

Model Fit:

R-sq   F  df1   df2   p
.5987  78.9672  3.0000  175.0000  .0000

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC)  | t     | P>|t| |
|--------|---------|-------|------|
| Constant | 83709.5956  | 20847.5993  | 4.0153 | .0001|
| FR06to07 | -12911.604  | 3249.6262  | -3.9733 | .0001|
| FR06to07SQ | 401.8409  | 139.0141  | 2.8906  | .0043|
| MedIncome | 2.0574     | .2272     | 9.0560  | .0000|
Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: Appearance of collinearity between foreclosure regressors (See Diagnostic Notes)
- White Standard Errors Test shows higher Standard Error (meaning larger confidence interval) with slight decrease in power of t-values. The t-values, however, remain statistically significant at the 95% level.
Model #2: Low-Mix White

Normality:

![Histogram](Image)

Sample Size: 593

Multicollinearity:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>44467.387</td>
<td>11694.829</td>
<td>.115</td>
<td>3.802</td>
<td>.000</td>
</tr>
<tr>
<td>FR06to07</td>
<td>-22758.311</td>
<td>3848.341</td>
<td>-.458</td>
<td>-5.914</td>
<td>.000</td>
</tr>
<tr>
<td>FR06to07SQ</td>
<td>1468.450</td>
<td>383.886</td>
<td>.285</td>
<td>3.825</td>
<td>.000</td>
</tr>
<tr>
<td>MedIncome</td>
<td>3.062</td>
<td>.125</td>
<td>.681</td>
<td>24.581</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: MED06to08

<table>
<thead>
<tr>
<th>Correlations</th>
<th>FR06to07</th>
<th>FR06to07SQ</th>
<th>MedIncome</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR06to07</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.941**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>593</td>
<td>693</td>
<td>593</td>
</tr>
<tr>
<td>FR06to07SQ</td>
<td>Pearson Correlation</td>
<td>.941**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>593</td>
<td>593</td>
<td>593</td>
</tr>
<tr>
<td>MedIncome</td>
<td>Pearson Correlation</td>
<td>-.416**</td>
<td>-.328**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>593</td>
<td>593</td>
<td>593</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
Homoskedasticity:

Scatterplot

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: MED06to08
Normal Regression Output:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.801a</td>
<td>.642</td>
<td>.640</td>
<td>65883.64660</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), MedIncome, FR06to07SQ, FR06to07
b. Dependent Variable: MED06to08

Coefficients:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>44467.387</td>
</tr>
<tr>
<td>FR06to07</td>
<td>-22758.311</td>
<td>3848.341</td>
</tr>
<tr>
<td>FR06to07SQ</td>
<td>1468.450</td>
<td>383.886</td>
</tr>
<tr>
<td>MedIncome</td>
<td>3.062</td>
<td>.125</td>
</tr>
</tbody>
</table>

a. Dependent Variable: MED06to08

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method
2

Criterion Variable
MED06to08

Model Fit:

R-sq  F  df1  df2  p
.6418 123.2021 3.0000 589.0000 .0000

Heteroscedasticity-Consistent Regression Results

| B(OLS) | SE(HC) | t   | P>|t| |
|--------|--------|-----|-----|
| Constant | 44467.3875 | 30174.6723 | 1.4737 | .1411 |
| FR06to07 | -22758.311 | 4156.6385 | -5.4752 | .0000 |
| FR06to_1 | 1468.450 | 402.1999 | 3.6510 | .0003 |
| MedIncome | 3.062 | .4924 | 6.2193 | .0000 |
Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: Appearance of collinearity between foreclosure regressors (See Diagnostic Notes)
- White Standard Errors Test shows slightly higher Standard Error (meaning larger confidence interval) with slight decrease in power of t-values (particularly in Median Income). The t-values, however, remain statistically significant at the 95% level, although y-intercept is no longer statistically significant.
Model #3: Low-Mix Black

Normality:

Histogram

Dependent Variable: MED06to08

Sample Size: 362

Multicollinearity:

Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>86536.339</td>
<td>9453.482</td>
<td>9.154</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>FR06to07</td>
<td>-13276.365</td>
<td>1666.011</td>
<td>-1.369</td>
<td>-7.674</td>
<td>.000</td>
</tr>
<tr>
<td>FR06to07SQ</td>
<td>481.188</td>
<td>75.553</td>
<td>1.124</td>
<td>6.369</td>
<td>.000</td>
</tr>
<tr>
<td>MedIncome</td>
<td>1.643</td>
<td>.151</td>
<td>.484</td>
<td>10.862</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: MED06to08

Correlations

<table>
<thead>
<tr>
<th></th>
<th>FR06to07</th>
<th>FR06to07SQ</th>
<th>MedIncome</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR06to07</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.969**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>362</td>
<td>362</td>
<td>362</td>
</tr>
<tr>
<td>FR06to07SQ</td>
<td>Pearson Correlation</td>
<td>.969**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>362</td>
<td>362</td>
<td>362</td>
</tr>
<tr>
<td>MedIncome</td>
<td>Pearson Correlation</td>
<td>-.203**</td>
<td>-.264**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>362</td>
<td>362</td>
<td>362</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
Homoskedasticity:

Scatterplot

Dependent Variable: MED06to08

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: MED06to08
Normal Regression Output:

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.610*</td>
<td>.372</td>
<td>.366</td>
<td>32241.96885</td>
</tr>
</tbody>
</table>

- a. Predictors: (Constant), MedIncome, FR06to07, FR06to07SQ
- b. Dependent Variable: MED06to08

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>86536.3387</td>
<td>9453.482</td>
<td>9.154</td>
</tr>
<tr>
<td></td>
<td>FR06to07</td>
<td>-13276.365</td>
<td>1686.011</td>
<td>-1.369</td>
</tr>
<tr>
<td></td>
<td>FR06to07SQ</td>
<td>481.188</td>
<td>75.553</td>
<td>6.369</td>
</tr>
<tr>
<td></td>
<td>MedIncome</td>
<td>1.643</td>
<td>.151</td>
<td>10.862</td>
</tr>
</tbody>
</table>

- a. Dependent Variable: MED06to08

White Standard Errors Robust Test (Heteroscedasticity Corrected Test)

HC Method

2

Criterion Variable

MED06to0

Model Fit:

R-sq      F       df1     df2     p
.3715     33.1278  358.000  358.0000  .0000

Heteroscedasticity-Consistent Regression Results

<table>
<thead>
<tr>
<th>B(OLS)</th>
<th>SE(HC)</th>
<th>t</th>
<th>P&gt;│t│</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>86536.3387</td>
<td>30330.9475</td>
<td>2.8531</td>
</tr>
<tr>
<td>FR06to07</td>
<td>-13276.365</td>
<td>5262.7141</td>
<td>-2.5227</td>
</tr>
<tr>
<td>FR06to07SQ</td>
<td>481.1876</td>
<td>207.0019</td>
<td>2.3246</td>
</tr>
<tr>
<td>MedIncome</td>
<td>1.6425</td>
<td>.2158</td>
<td>7.6115</td>
</tr>
</tbody>
</table>
Narrative:

- Residuals have the appearance of normality (accompanied by a large sample size).
- Multicollinearity: Appearance of strong collinearity between foreclosure regressors (See Diagnostic Notes).
- White Standard Errors Test shows much higher Standard Error (meaning larger confidence interval) with significant decrease in power of t-values. The t-values, however, remain statistically significant at the 95% level.
Appendix II: Segregation Parade

The Segregation Parade

As the data above suggest, the phenomenon of spatial isolation among African American households is well supported empirically. Further, there is a significant body of evidence pointing to the perils of segmented housing arrangements among white and black households. However, Wolff (2006) reminds us that raw statistics, though useful, “often fail to sink in.”1024

In other words, while raw data often speak to the existence and persistence of a particular phenomenon, the severity of the situation is often lost in the translation. It was Jan Pen whose 1971 work *Income Distribution* sought to convey, in a unique way, the disproportionate levels of income distribution in the United Kingdom. To do this, he described an imaginary parade, where the entrants to the parade are ordered, single file, by income and proceed as such. The low-income earners are in the front of the parade while the highest income earners are in the back. The parade is to last exactly one hour. As Wolff explains, “the peculiar feature of the parade is that everyone’s height is determined by their pre-tax income. That is, the more one earns, the taller one is.”1025 Those who earn an average wage, therefore, will be an average height. The skewed distribution of UK income is particularly evident when Pen begins to describe the details of the parade. The procession begins with those who have a negative height (lost money), and moves on to parade entrants the size of cigarettes. In the first half-hour, observers of the parade (of average height) would not be able to look the parade participants in the eye. It is not until the parade is three quarters of the way to completion that a person considered to be of average stature would first enter the parade. Finally, in the last six minutes (the arrival of the top 10 percent), the height jumps to 6’6 and quickly gives way to giants upwards of 20 yards tall. The parade concludes with persons whose height is measured in miles.1026 Wolf summarizes: “It is hard to read through the account without thinking that there must be something wrong with any society so unequal.”1027 Thus, we might describe Pen’s depiction of the income parade

---

1025 Ibid.
1026 Ibid., pages 136-137
1027 Ibid., page 137 (Italics his)
successful insofar as conveying the data of income distribution in the UK while punctuating the severity of its disproportion.

In this spirit, the reader is invited to participate in a similar exercise: the segregation parade. This parade, however, varies from Pen’s in a few distinct ways. First, where Pen’s parade included numerous participants, this parade is unique as it has only two floats. One float is white, and one float is black. Further, the floats are separated from one another based upon their level of residential segregation. This is not a singular parade, but a parade that could take place in all counties or metropolitan areas throughout the United States. Finally, while Pen equated average height to average income, the segregation parade begins with the assumption that the average distance between floats in a parade is 50 feet and is therefore characterized by an ideally integrated area, where the percentage of the minority group that would have to move to be distributed similar to the white population is less than 1%.

With these assumptions in mind, segregation parades across the United States, based upon 2000 census data, would produce varying results. A parade of this nature in Pewaukee city, Wisconsin, would display a procession where the white float and a black float stand exactly 50 feet apart. However, this would be the only “normal” parade to speak of. Of the 1091 eligible “places” in the US, approximately 50 parades would have floats separated anywhere from 20 minutes to an hour. Approximately 150 parades, however, would have floats with distances anywhere from three to six miles apart—making for an extraordinarily lengthy parade. Even more striking is the fact that nearly 200 parades across the United States would last anywhere from two to four hours, all based upon the distance between the white and black floats. Finally, over 60 parades would register float times ranging from four hours to over five and a half hours. Naples City, Florida, tops the list as the longest parade. The distance between the

---

1028 Segregation Parade data and methodology can be found in the Appendix.  
1029 Pen uses height as his average benchmark as stature, for a population, would be normally distributed. However, the distribution of dissimilarity in the US would not be normally distributed (highly skewed). Therefore, as opposed to height, I have chosen to use an ideally integrated area (dissimilarity index ≤ 1.0) as my reference point.  
1030 While the US has over 3,000 counties, the US Census.gov data collection does not retrieve data for counties or areas that have less than 10 census tracts, a population of less than 10,000, or a minority population of less than 100. The areas that meet these criteria are referred to as a “place” by the census department. The total is 1092 “places.” Data was initially retrieved from http://www.census.gov/hhes/www/housing/housing_patterns/excel_place.html.  
1031 However, this may very well be attributed to the fact that Pewaukee city, according to the 2005-2009 American Community Survey, has a population less than 12,500 and only 1.1% of that population is African American. Data retrieved from http://factfinder.census.gov/home/saff/main.html?lang=en.
floats in Naples City is nearly 17 miles apart and would equate to five and a half hours of time between white and black floats.

In response to this, some might point to recent census work as evidence that the trend of residential segregation is changing; the “segregation parade” times are shortening. Frey (2010) in reviewing interim census data drawn from 2005 to 2009, reports that progress has been made, although he refers to it as “slow and steady.” Analysis of the 2005 to 2009 American Community Survey reveals that residential segregation between blacks and whites decreased in 61 of the 100 largest metropolitan areas since the year 2000. Further, in the 39 metropolitan areas where segregation increased, 15 of the 39 areas had no change. As promising as these shifts appear, most major population centers in the United States would still be considered residentially segregated to an alarming degree.

According to Frey’s findings, if we were to utilize the same “segregation parade” methodology on the largest 100 metropolitan areas in the United States based upon updated 2005-2009 data, we are likely to find little evidence of integration based upon the distance and time between white and black floats. If a person wanted to attend the shortest parade (i.e., the least segregated metro) they would choose El Paso, Texas. However, the time it would take the black float to catch up to the white float would still be over two hours as their distance would extend beyond seven miles. The majority of the parades, however, would have floats distanced 10 to 12 miles apart. Finally, we would see parades in Detroit, Michigan, and Milwaukee, Wisconsin, with floats separated by over 15 miles in distance and over five hours in duration.

---


1033 Frey, William H. "Segregation Scores: ACS 2005-9." *Population Studies Center at the University of Michigan.* 2011. Web. 28 Apr. 2011. <http://www.psc.isr.umich.edu/dis/census/segregation.html>. These scores were based on dissimilarity indices (referred to as “segregation indices”) where a score of 0 refers to complete integration between blacks and whites and a score of 100 where “the value indicates the percentage of the minority group that needs to move to be distributed exactly like whites.”
Appendix III: Segregation Parade Methodology

Steps:

1) Stack Rank 100 Largest Metros by value of dissimilarity (smallest to largest).

2) Assumption of ideal metro: .5 dissimilarity index

3) Assumption of distance between floats: 50 feet. Thus, 50 feet is expressed as 0.00947 miles (because we are converting to miles).

4) Take dissimilarity figure for a given metro, and multiply by 50 feet (expressed as a mile). Next, take this figure and divide by the “ideal” dissimilarity index of .05.
   a. \[
   \text{Dissimilarity/Distance} = \frac{0.05}{0.00947} = 37.3/X
   \]

5) Next, I want to convert distance (found in #4) to time. I first do this by computing mph. I am assuming that the average float will travel at 3mph...thus, I simply take the distance found in #4 and divide by 3 (3mph).

6) After finding mph—I next want to convert this into an hourly rate. Suppose my figure is 2.35. While this would appear to be two hours and thirty-five minutes, actually, the .35 needs to be converted (0.35)*60=21 minutes...thus, the time would actually be two hours and 21 minutes.
   a. The first step is to take the whole number (in the previous example, this would be 2) and separate it from the decimal portion (.35). In a new column, I would use the formula “=INT(cell)” to split the decimal figure into an integer.
   b. In the next column, I would create a formula to take the original value and subtract the integer—this should provide the decimal amount in the column.
   c. Example:

<table>
<thead>
<tr>
<th>Distance/3mph</th>
<th>INTEGER</th>
<th>DECIMAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.35</td>
<td>2.00</td>
<td>0.35</td>
</tr>
</tbody>
</table>

7) Next, I create a column to convert the decimal to minutes in an hour (decimal value x 60).

8) Finally, in the last column, I add this value back to the original integer for the expression of time (In Bold).
   a. Example:

<table>
<thead>
<tr>
<th>Distance/3mph</th>
<th>INTEGER</th>
<th>DECIMAL</th>
<th>Convert to minutes per hour</th>
<th>Time (Converted to Hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.35</td>
<td>2.00</td>
<td>0.35</td>
<td>0.2</td>
<td>2.21</td>
</tr>
</tbody>
</table>
Appendix IV: Listing of Excluded Tracts from Chapter 3, Analysis 1

**Pre-Analysis DATA SCREENING:** (Due to the nature of the study (mortgage loans), the following data screening took place prior to analysis)

1) Excluded Tracts where conventional mortgages were less than 75% of total loans. Fortunately, there were no tracts where conventional loans were less than 75% of total HMDA loans for the years 2004-2006 (both for home purchase and home refinance—the two categories I have chosen to explore in this study).

2) Tracts with 35 originations or less were excluded as such a small sample of mortgages could skew the percentage of subprime loans to regular prime loans. This number, 35, is the lower 10% of all conventional home purchase and subprime originations from 2004 to 2006.

**Pre-Analysis identified Outliers from points #1 and #2:**

```
1047.01 1072 1073 1074 1075 1076 1078 1079 1081 1082 1085 1086 1091 1092 1096 1097 1098 1099 1101 1102 1103 1104 1127 1131 1132 1139 1142 1147 1186.01 1191 1192.01 1915 1047.01 1072 1073 1074 1075 1076 1078 1079 1081 1082 1085 1086 1091 1092 1096 1097 1098 1099 1101 1102 1103 1104 1127 1131 1132 1139 1142 1147 1186.01 1191 1192.01 1915 1037 1056.01 1077 1083 1089 1093 1106 1111 1113 1129 1137 1143 1144 1148 1233 1954
```

3) Tracts where rental units comprised over 90% of the total available households were excluded.

**Pre-Analysis Identified Outliers from point #3:** (Listing of those not already deleted for reasons #1 or #2)

```
1033 1071 1088 1138 1410 1721.03 1801.04
```


