Housing Markets, Government Programs, and Race during the Great Depression

The housing market was among the markets hit hardest by the Great Depression as home ownership rates fell sharply and housing prices plummeted. The black population experienced more than their share of unemployment and reduction in wages. When the New Deal began in 1933, the Roosevelt administration sought to prop up the housing market and improve the quality of housing with several programs, including the Home Owners’ Loan Corporation, the Federal Housing Administration, and the construction of new public housing projects. In the process, the federal government sought to make the administration of such programs color-blind. In this thesis, I examine how blacks and white fared in housing markets during the Great Depression, the impact of race and migration on neighborhood housing values, and the impact from the introduction of public housing on neighborhoods using a series of new datasets that I have compiled from new sources combined with information from the U.S. Census and other databases.

The Impact of African American Migration on Housing in New York City Neighborhoods during the Great Depression

The composition of urban areas changed over the 20th century as African Americans migrated en masse from the southern countryside. Nearly all of the quantitative work to date on race and housing has focused on segregation after World War II (see Cutler and Glaeser (1997)). No papers to my knowledge have examined the earlier influence of black migration which has influenced urban migration patterns for nearly a century. I have compiled and digitized a new dataset based on previously classified surveys of neighborhoods by the Home Owners’ Loan Corporation in 1938 that show housing values, ethnic composition, occupational structure, and amenities for over 600 neighborhoods in New York City. I then use the data to investigate how the movement of blacks into neighborhoods influenced housing values in both their neighborhoods and the surrounding area.

The analysis is based on a spatial two-stage least squares estimator. The instrument combines information on outflows of black migrants from other states to New York with neighborhood-level data on the birth states of African Americans living in New York City. The strength of this instrument comes from the propensity for people to migrate to areas with pre-existing populations of their peers. While housing values declined throughout much of New York City
during the Great Depression, the results indicate little evidence that black movement in a neighborhood led to further declines in housing values. The results also highlight the importance of controlling for spatial dependence between neighborhoods in hedonic models of housing values.

The New Deal, Race, and Housing in the 1930s
(with Price Fishback)

This paper examines the relationship between the federal government, homeownership, and race during the Great Depression. The Federal Government created housing initiatives such as the Federal Housing Administration (FHA) and the Home Owners’ Loan Corporation (HOLC) to strengthen the housing industry and reverse the declining homeownership rate. However, claims by some researchers have suggested that these programs may not have been effective, or possibly counterproductive, in helping African Americans alleviate the 20 percent gap in homeownership at the beginning of the Great Depression.

The analysis sheds light on this issue by examining the role of federal spending on the household’s tenure choice, the values of owned homes, and rents paid. The dataset consists of a pseudo-panel of households compiled from repeated cross-sections of the 1% sample of the Integrated Public-Use Microdata Series (IPUMS) from 1920 through 1940. This data is matched to information on government programs and market-level characteristics for 460 U.S. housing markets. The effects of government programs on rents and housing values are estimated after controlling for selection into renting or owning using a two-step Heckman selection model. Following techniques developed by Yun (2004) and Neuman and Oaxaca (2004), decompositions are used in both steps of the model to examine how much of the black-white difference in homeownership, rents, and housing values are each due to variations in government programs across housing markets.

The preliminary results suggest that the two main housing programs active in the 1930s, the FHA and HOLC, differentially influenced both the gap in homeownership and housing values. We find that the FHA was associated with higher homeownership rates, but had no statistically significant effect on rents and housing values. However, the HOLC was associated with lower homeownership rates, but higher rents and housing values. These results also translate into differing influences across races and highlight how funding is allocated can significantly influence household’s tenure decisions.
A pervasive image of a city in the 19th century is one of large, windowless tenements with poor ventilation and covered in soot. It was this image that Edith Elmer Wood and reformers sought to eradicate during the early 20th century with municipal (and later federal) government support. Several small efforts to build affordable housing for the poor were attempted, but the first large-scale housing projects were built in the mid-1930s by the Public Works Administration. This public housing was meant to be of better quality than the low cost housing or apartment structures it replaced. Predictions by proponents of the housing projects suggested the housing would have spillover benefits in raising the value of housing in nearby neighborhoods. On the other hand, neighborhood residents resisted the projects on the grounds that they would contain dense pockets of low income households. Over the long run, it appears that public housing has led to negative spillover effects, but it is not clear that this was true at the time the housing was built.

I examine public housing between 1940 and 1960 to establish what the short-run consequences of the construction of public housing projects on housing values and contract rents. I have compiled a rich new dataset for five cities across the United States from the Home Owners’ Loan Corporation City Surveys of neighborhoods combined with the Real Property Inventory conducted in 1934 to establish a baseline for neighborhoods prior to the construction of public housing projects. I then merge this neighborhood data with housing values available at the census tract level provided by the National Historical Geographic Information System (NHGIS) to examine housing values over time. The impact of public housing is then estimated using a differences-in-differences estimator as well as a matching estimator. I have compiled the neighborhood dataset which has taken several years to complete, and I am in the process of matching it with the 1960 data with expectations of preliminary results in January 2011.