Neighbors and Neighborhoods

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Abstract

We present a model of segregation in which individuals have preferences over both their neighbors (types) and neighborhoods (location-specific characteristics). Instead of “tipping points”, the model generates “tipping sets”: there are many threshold ratios at which an influx of newcomers to a neighborhood tips the population from integrated to segregated and vice versa. This means that a neighborhood can be tipped without a change in the Schelling ratio, but simply by a change in the absolute number of types in a neighborhood. If integration is the desired social outcome then the optimal policy is clear: make desirable neighborhoods even more desirable. Revitalizing less desirable neighborhoods (gentrification) never leads to integration, it can only lead to resegregation. Further, achieving integration through improving desirable neighborhoods is more cost-effective than attempting to reduce intolerance. Integration achieved through decentralized social engineering is always Pareto efficient and welfare-maximizing. Our model is able to reconcile conflicting results in the empirical literature and also generates new predictions that have yet to be tested.

Keywords: segregation; evolutionary game theory; polarization; gentrification

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