

Pursuing Poverty Deconcentration Distracts From Housing Policy Reforms That Would Have a Greater Effect on Poverty Alleviation

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The federal government has multiple housing policies to pursue multiple goals. For example, it promotes homeownership primarily through provisions of the individual income tax. If the federal government were to promote poverty deconcentration, it would almost surely do it through its low-income housing programs. Therefore, I focus on whether these programs should be altered to promote this objective.

Low-income housing programs certainly could be modified to promote poverty deconcentration. The Moving to Opportunity for Fair Housing (MTO) demonstration did it by offering one treatment group a housing voucher on the condition that recipients live in a neighborhood with a poverty rate of less than 10 percent for at least 1 year. The U.S. Department of Housing and Urban Development's (HUD's) current Small Area Fair Market Rent Demonstration Program is doing it by offering higher subsidies in its housing voucher program in ZIP Codes within a metropolitan area that have a higher median gross rent. Higher subsidies could be based on the area's poverty rate. The federal government could also promote poverty deconcentration through its programs that subsidize the construction of privately owned housing projects by giving weight to the poverty rate in the proposed neighborhood in deciding which projects to fund.

The primary reason that many have argued that poverty deconcentration should be a leading goal of federal housing policy is their belief that it would greatly benefit the poorest people. For example, it would enable children from poorer families to attend better schools and this access would lead to better outcomes for them as adults. Many share the goal of helping these people. The question is how to pursue it.

A recipient of assistance has a simple answer to this question. He or she prefers a cash grant without any restrictions on its use. The recipient generally prefers an unrestricted cash grant to any program that contains special incentives to make particular choices. To justify assistance with restrictions or incentives for particular choices, nonrecipients must prefer it to an unrestricted cash grant for some reason.

Because nonrecipients bear the cost of providing assistance, their preferences are relevant for deciding on its nature. The traditional argument for low-income housing assistance has been that people with higher incomes want to help low-income families and believe that the decisionmakers in some of these families undervalue housing for themselves or their children. This argument calls for providing assistance that induces these recipients to occupy better housing than they would choose if they were given equally costly unrestricted cash grants. The existence of minimum housing standards in all low-income housing programs reflects this sentiment. Another important argument is that people with higher incomes care about the children in these households and think that their parents devote too little of the family's resources to their children. Providing housing assistance rather than unrestricted cash grants to these families directs more of the assistance to the children. Similar arguments could be used to justify providing incentives for recipients of low-income housing assistance to live in low-poverty neighborhoods.

The evidence that has been offered in support of government action to promote poverty deconcentration does not address the key questions; for example, it does not address whether low-income households undervalue the advantages of living in a neighborhood with a lower poverty rate. Instead the evidence deals with the magnitudes of certain effects of living in such a neighborhood. To the best of my knowledge, no attempt has been made to compare the estimated magnitudes of these effects with perceptions of these magnitudes held by low-income individuals.

Even when low-income individuals have correct perceptions of the effects of living in a low-poverty neighborhood, individuals with higher incomes might think that they undervalue the benefits of doing it. It is not at all clear, however, that many higher income individuals share this sentiment. Many may recognize the advantages of living in a high-poverty neighborhood that offset its disamenities for those who live there. A high-poverty neighborhood might be closer to friends and relatives; for example, it may be much closer to a relative who takes care of a young child while the mother is at work or might be closer to a particular person's best job option. Importantly, identical housing in a low-poverty area costs more and hence requires occupancy of worse housing or less consumption of other goods.

The best evidence suggests that the benefits to low-income households of living in a low-poverty neighborhood are small. The most directly relevant evidence comes from a comparison of the outcomes of MTO's two randomly selected treatment groups. MTO offered members of one group regular Section 8 housing vouchers and members of the other group the same vouchers with the additional restriction that the recipient must live in a census tract with a poverty rate of less than 10 percent for the first year. MTO studied a wide range of outcomes—labor earnings, educational achievement, mental and physical health, risky and criminal behavior, and others. The differences in outcomes between the two groups were modest (Orr et al., 2003; Sanbonmatsu et al., 2011). Other studies of the highest quality and excellent recent surveys of the literature reach similar conclusions (Ellickson, 2010; Levy, McDade, and Bertumen, 2013; Oreopoulos, 2003). One reason for the minimal benefit to low-income households of living in a low-poverty neighborhood is that interactions among residents with different incomes have been very limited (Levy, McDade, and Bertumen, 2013).

I conclude that poverty deconcentration should not be a leading objective of federal housing policy because its benefits to the poor are modest, it is highly controversial, and it distracts attention

from important reforms of low-income housing policy that would provide substantial help to low-income households. Instead of devoting scarce attention to new objectives of limited value, the federal government should be trying to achieve its original objectives in a more cost-effective and equitable manner. Pursuing this new objective distracts from the main task at hand, namely, delivering more help to the poorest members of society with the limited resources available. Low-income housing assistance is fertile grounds for such reforms (Olsen, 2008).

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