Inside the Black Box of ‘White Flight’: The Role of Suburban Political Autonomy and Public Goods

Abstract: Why did white households relocate to the suburbs in response to black immigration, despite the abundance all-white neighborhoods within segregated cities? By moving to the suburbs, residents could avoid compromising with black arrivals on property taxes and public expenditures and sending their children to diverse public schools. I reveal the marginal willingness to pay for this suburban autonomy by comparing prices for housing units on either side of city-suburban borders in 1970 and the change in these cross-border price gaps from 1960 to 1970. Identification arises from the fact that the local electorate and/or school system changes discretely at these borders, while housing and neighborhood quality shift more continuously. Preferred estimates suggest that housing prices in diverse jurisdictions are worth 3-5 percent less than their suburban neighbors. This “homogeneity premium” can be attributed to the correlation between race, poverty rates, and property taxes, and to the demand for white classmates in local high schools. Riot activity augmented the aversion to living in diverse jurisdictions.