

## **Extended Abstract: Do Stated Racial Preferences Match Residential Mobility Behavior?**

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### **Overview**

In an open housing market, relatively small differences between racial groups in their preferences for neighborhood racial mixing can lead to complete residential segregation (Schelling 1971). Preferences have received substantial attention as suspects in sustaining residential segregation. However, for racial preferences to affect patterns of segregation, at least some groups must be able to move to neighborhoods that match their race based neighborhood preferences. Unfortunately, little work has explicitly explored the relationship between racial preferences and residential mobility. We examine the correspondence between racial preferences and neighborhood attainments using two types of data: “Stated preference” (SP) data in which individuals rate hypothetical neighborhoods according to racial composition, and “revealed preference” (RP) data on the racial compositions of neighborhoods in which people live.

We pursue four research questions. First, we ask whether individuals’ stated racial preferences align with the racial composition of their actual neighborhoods. Second, are some racial and ethnic groups better able to match attainments to preferences than other groups? Third, are differences between neighborhood outcomes and preferences accounted for by income, wealth, or education? Finally, is the relationship between neighborhood circumstances and stated preferences stable over time? We investigate these questions with data from the Los Angeles Family and Neighborhoods Survey (L.A.FANS). This data set provides a unique opportunity to examine the relationship between neighborhood preferences and residential mobility because it contains both SP data from a hypothetical choice experiment and longitudinal RP data based on respondents’ residential histories. To answer our research questions, we develop innovative discrete choice models that combine SP and RP data. We view racial preferences and residential locations as mutually determined and thus model these outcomes simultaneously.

### **Current Approaches to Detecting Race Based Neighborhood Preferences**

Race based neighborhood preferences are typically assessed in one of two ways. The “stated preference” (SP) approach uses hypothetical choice experiments to assess neighborhood racial preferences. Variants of this approach deploy survey based instruments that solicit respondents’ opinions of hypothetical neighborhoods of varying racial compositions (Farley et al. 1978; 1993; Lewis, Emerson, and Klineberg 2011). SP data generally indicate that whites deem a narrow range of neighborhood racial compositions acceptable, with most unwilling to consider moving to or remaining in neighborhoods exceeding a 20 percent black threshold. In contrast, blacks express tolerance of neighborhoods over a broader range of neighborhood racial compositions, preferring 50-50 black-white neighborhood mixes, but expressing concern about neighborhoods with strong white majorities.

The “revealed preference” (RP) approach focuses on actual residential choices made by individuals and families in real housing markets. This approach typically assumes that neighborhoods are delineated by administrative boundaries such as Census tracts. An individual is assumed to have “chosen” the neighborhood whose boundaries contain her residential address. Models based on the resulting neighborhood choice data incorporate measures of neighborhood racial composition and respondents’ racial identifications to estimate the role that race plays in residential mobility (Bayer and McMillan 2008; Bayer and Timmins 2007; Crowder, Pais, and South 2012; Harris 1999; Mare and Bruch 2003; South and Crowder 1998). Studies using these

models show, for instance, that whites are more likely to leave and less likely to enter neighborhoods with larger proportions of black residents. Inter-group differences in preferences uncovered by both the SP and RP approaches appear sufficient to sustain high levels of black-white segregation (Bruch and Mare 2006; Fossett 2006).

The SP and RP approaches have complementary strengths and weaknesses. With the SP approach respondents express preferences unconstrained by other housing market forces. In the RP data, observed mobility is a product of preferences and constraints. If some sources of constraint (e.g., financial limitations, housing market discrimination, spatially patterned family obligations etc.) cannot be fully accounted for in the RP data, then it becomes unclear if results pertaining to the effects of neighborhood racial composition on residential choice reveal racial preferences, or if race and racial composition variables capture unobserved constraining mechanisms. In this sense, the SP measures may provide purer depictions of preferences. However, the SP approach often ignores other aspects of neighborhoods, such as their socioeconomic composition or crime rates, that are associated with their racial makeup. In SP data this association may affect responses if individuals respond to neighborhood racial composition with other characteristics in mind, absent any true preference for racial mixing (Krysan et al. 2009). In some SP studies, researchers attempt to address this issue by providing respondents with more complex vignettes that identify nonracial aspects of neighborhoods. These attempts add to the cognitive load involved in comprehending hypothetical scenarios, potentially increasing response error (Krysan et al. 2009; Lewis et al. 2011). In addition, SP approaches may also be susceptible to social desirability bias when some respondents deliberately misstate their willingness to live in some types of neighborhoods. RP data, in contrast, measure individuals' responses to real neighborhoods that vary in racial composition and other characteristics. RP analyses that account for the full set of preference and constraint mechanisms can accurately represent how race affects the housing selection process, net of other variables.

The complementary strengths of the SP and RP approaches suggest that, where possible, both approaches should be combined to provide a more complete assessment of the relationships among preferences, individual behavior, and segregation patterns. Owing mainly to a lack of adequate data, researchers have made limited attempts to do this (Charles 2006). We bridge this gap using data from the Los Angeles Survey of Families and Neighborhoods (L.A.FANS), a unique survey featuring both SP and RP reports from the same respondents. These data enable us to deploy discrete choice models of residential behavior that incorporate both RP and SP information and that reveal agreement and discrepancies between preferences and behavior.

### **L.A.FANS: RP and SP Data Combined**

The L.A.FANS is a multistage probability sample of adult respondents living in Los Angeles County (Pebley and Sastry 2011; Sastry et al. 2006). The study consists of two waves. Wave 1 was gathered from 2000-2002. Respondents who remained within LA County were re-interviewed in Wave 2 between 2006 and 2008, with new respondents added to account for the out-migration of Wave 1 respondents. Respondents reported on residential histories for the two years prior to their interview, and for all years between their first and second interview. In Wave 2, respondents were also administered two versions of a show-card based neighborhood preferences instrument. These instruments resemble those administered in the Multi-City Study of Urban Inequality (Farley, Fielding, and Krysan 1997). We use information from 1,254

respondents who provided SP data. Our sample includes 320 non-Hispanic white, 732 Latino, 127 Black, and 75 Asian or Pacific Islander respondents.

### **Analyses: Models for Comparing Revealed and Stated Preferences**

Using these data, we conduct three analyses. First, we characterize the joint distribution of stated and revealed preferences among LAFANS respondents. We generate both descriptive statistics and use log-linear modeling techniques in conjunction with a multi-ethnic neighborhood classification scheme (Holloway et al. 2011) to uncover patterns of association. We examine joint distributions for non-Hispanic whites, blacks, and Latinos separately.

Second, we model SP and RP data simultaneously using variants of discrete choice models (Ben-Akiva and Lerman 1985; Ben-Akiva et al. 1994; Bruch and Mare 2012; Louviere, Hensher, and Swait 2000; McFadden 1978). In discrete models of neighborhood choice, individuals are presented with a neighborhood choice set from which they select one neighborhood. Within the choice set, neighborhoods have varying characteristics. In the SP case, the researcher has control over the choice set. In the RP case, individuals choose from a set of available, real neighborhoods. In our RP data, we presume that individuals choose from among all the neighborhoods in Los Angeles County. These models predict the (actual or stated) neighborhoods that individuals choose to live in as a function of neighborhood characteristics (such as their ethnic or socioeconomic makeup) and the characteristics of the individuals themselves (such as their own ethnicity or socioeconomic position) (e.g., Bruch and Mare [in press]). In the present study our models combine nested and mixed effects, appropriately accounting for the fact that SP and RP reports come from the same respondents. By modeling SP and RP data jointly, we can test for the equality of racial composition effects on choices in the stated and revealed preference segments of the models, both between and within racial groups. If coefficients on neighborhood racial composition are the same for both SP and RP responses, this suggests that preferences match behaviors and that individuals behave consistently with their stated preferences for neighborhoods. Statistically different coefficients, on the other hand, would suggest that unobserved processes are inhibiting individuals from matching their residential situation to their preferences. Given that Latinos and blacks face discrimination in the housing market (Turner et al. 2002), we expect that whites should have more success in matching behaviors to preferences.

Third, we extend our model to account for additional RP observations within individuals. Using our models, we ask if the effect of neighborhood racial composition on neighborhood choice reflects stated preferences in the same way regardless of the timing of these choices relative to the statement of preferences. We consider whether choices converge to, diverge from, or are stable relative to stated preferences over time. If the relationship between stated and revealed preferences changes over time, either preferences are unstable or other unobserved processes make it more or less difficult for individuals to match their residential mobility decisions to their residential preferences.

Our results speak to a crucial concern about the links between racial segregation and race based neighborhood preferences. If we do not show significant differences between how racial composition affects mobility behaviors and hypothetical neighborhood ratings, this would imply that direct, institutional discrimination in the housing market is of secondary importance in determining neighborhood outcomes, at least in Los Angeles. Of course this would not rule out the possibility that preferences themselves result from society-wide or context specific histories of racial hostility or prejudice (Krysan 2002b; 2002a; Krysan and Farley 2002). In addition, if

our results show that previous residential choices do not match subsequently stated racial preferences, net of other determining factors, this could imply that preferences themselves are not stable and that micro-simulation models of segregation processes should more carefully consider the possibility that preferences themselves are dynamic.

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