

Editors' Introduction

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Equal opportunity—the fundamental principle of America's democratic system—remains an unfulfilled promise for millions of our nation's citizens. The central reason is that equal opportunity is a sham in a society segregated along lines of race and income.

The geographic segregation of groups creates a host of objective differences between the opportunities of suburban youth and those of youth in deprived inner-city neighborhoods. Decent-paying jobs requiring only modest skills are increasingly moving out of central cities. Local public school systems are beset by numerous problems, not the least of which are a paucity of financial resources and the lack of the stabilizing effect of nonpoor children in the classroom. As a consequence, a growing cadre of inner-city youth are persuaded to make decisions that ultimately lock them into deprivation.

But the dysfunctional choices of these youth not only belie equal opportunity. They also handicap us in the international business arena. A region noted for its welfare-dependent, undereducated, crime-prone populace cannot retain or attract a capital base that is increasingly mobile. National economic growth and competitiveness depend on redesigning our metropolitan areas so that youth are persuaded to make decisions that are more productive, from both personal and societal standpoints. Such redesigning will require nothing less than restructuring the geography of opportunity.

The 1994 Fannie Mae Annual Housing Conference, held in cooperation with The Urban Institute, sought to understand the impact of geographic segregation and isolation on urban lives. The articles in this conference issue should be read in conjunction with those from the 1993 Fannie Mae Annual Housing Conference, published in *Housing Policy Debate* 4(3), which developed a better understanding of the nature, characteristics,

origins, and extent of distressed urban neighborhoods. The policy research partnership formed between the Office of Housing Research and The Urban Institute for the 1994 conference also built on the institute's Urban Opportunities research program, which seeks to understand fundamental changes in the role of American cities as centers of opportunity.

The conference was held on May 4, 1994, and brought together more than 400 national leaders in housing and urban policy to hear and discuss a series of research papers commissioned by the Fannie Mae Office of Housing Research. These papers focused on a series of vexing questions: What does equal opportunity mean in a metropolitan context, and how does opportunity vary across cities? How unequally are opportunities in housing and mortgage markets, social services, and other local institutions and markets distributed? Faced with unequal opportunities, how do urban residents—particularly youth—make decisions about key life choices, such as participation in education and the labor force as well as having children? Do the operations of key markets and institutions, such as the housing and mortgage markets and government institutions and programs, increase or decrease geographic disparities in opportunity? Finally, what are the best approaches for redressing unequal opportunities in American cities?

Galster and Killen begin by providing a conceptual framework. They argue for a new vision of opportunity, one that considers "equal opportunity" as more than the equal treatment of equals by the institutions and markets with which they come into contact. Equal opportunity must also include a geographic dimension: that markets and institutions have equivalent resources throughout the metropolitan area or that households have equal ability to reside in locations where they deem these markets and institutions most desirable. Galster and Killen then develop a model of youth's decision making in which choices are based on values and aspirations, subject to the perceived constraints represented by the "metropolitan opportunity structure": the social systems, markets, and institutions that aid upward mobility. These values and aspirations, and the information affecting perceptions of the opportunity structure, are influenced by the "local social network," which is also part of the opportunity structure and is modeled as varying across space.

Building on their review of the psychological literature, Galster and Killen hypothesize that the method of decision making varies according to the range of opportunities being considered: Those choosing among more limited options adopt a less

considered method wherein mistakes and short-term focus are more likely. Thus, neighborhoods manifesting more limited opportunities induce youth to make dysfunctional choices not only because of more binding perceived constraints, but also because a different style of decision making is encouraged.

Having established a conceptual foundation, the issue next presents two articles that lay an empirical foundation. Abramson, Tobin, and VanderGoot quantify how geographically isolated the poor are in American metropolitan areas and whether patterns have changed since 1970. Their sobering conclusion is that poor households have become 13 percent more segregated from 1970 to 1990 in our 40 largest metropolitan areas. Today, on average, 36 percent of the metropolitan poor would need to exchange residential locations with nonpoor people for a metropolitan area to become completely desegregated. Galster and Mikelsons focus on Washington, DC, and demonstrate how such segregation produces profound differences in the environments in which youth develop. Compared with white youth (under age 15), black youth in Washington face, in the average census tract in which they live, 11 times the rate of Aid to Families with Dependent Children payments, 7 times the rate of out-of-wedlock births, 6 times the rate of drug use, 3 times the rate of property crime, and twice the rate of dropping out of high school.

Given this foundation regarding the spatially varying nature of metropolitan opportunity and its consequences, the next set of articles turns to a discussion of causes. Vandell begins by examining the ways the housing market forces of supply, demand, and equilibrium price adjustments can contribute to the clustering of households by income, race, and other characteristics. He demonstrates with powerful theoretical arguments that the housing market will tend to produce segregation through its responses to both demand-side preferences and supply-side economies of production, without intervention by nonmarket forces or countervailing incentives. Schill and Wachter then discuss how local and federal regulatory policies, as well as housing market discrimination by both the public and private sectors, are contributing to the residential segregation of the American population by income and race. While unable to quantify the contributions made by these various forces, the authors conclude that as a whole they remain significant determinants of residential opportunities. A third analysis of the causes of segregation is available in draft form from the Fannie Mae Office of Housing Research and will be published separately from this issue of *Housing Policy Debate*. The authors, Megbolugbe and Chinloy,

review the literature on the causes of racial and income segregation and the historical role of the Federal Housing Administration in abetting such segregation. They argue that the operations of both primary and secondary mortgage markets continue to encourage segregation. Finally, they offer a new “hedonic” mortgage instrument that offers promise of overcoming the present segregating effects of the mortgage market.

The third set of articles confronts head on the daunting programmatic challenges raised by the foregoing analyses. The articles tackle the difficult task of marshaling evidence from a wide range of policy experiments and research initiatives in an attempt to discern which set of public policies might respond most effectively to the contemporary metropolitan geography of inequality. Vidal begins by reviewing what we know about the inferior opportunities facing inner-city poverty neighborhoods that policy must address. She then provides a critical examination of three currently debated strategies for developing enhanced opportunities within these communities—enterprise zones, community development financial institutions, and community development corporations—and concludes that only the third offers promise of responding appropriately to the needs of distressed inner-city neighborhoods. Rosenbaum assembles the array of studies he and his colleagues have conducted over the years related to Chicago’s Gautreaux program, which uses Section 8 certificates and counseling to help black Chicago public housing residents move to better neighborhoods. Rosenbaum’s work shows that important improvements in the economic outcomes of parents and the educational outcomes of children are associated with enhanced opportunities in neighborhoods less severely impacted by poverty. Rosenbaum concludes by discussing the components necessary to replicate the success of the Gautreaux program in other metropolitan areas.

Hughes discusses a strategy that he claims offers many of the advantages and few of the political liabilities of the previous two approaches: a “mobility” strategy. This approach is designed to create transportation linkages—either by rerouting of public transit lines or by entirely new, private transportation innovations—that efficiently connect potential workers in distressed inner-city neighborhoods with burgeoning job centers in the distant suburbs.

It is clear from the articles in this issue that spatial variation in opportunity can and must be attacked with a multifaceted approach. We would therefore emphasize a theme shared by all authors in this issue and the editors: Policies aimed at inner-city

revitalization, deconcentrating central-city poor residents, and connecting central-city residents with suburban jobs should not be viewed as mutually exclusive or competitive. Rather, they should be viewed as potentially complementary and tailored to fit local circumstances. These policies and others, such as regional tax-base sharing and fair-share housing plans, hold promise for reshaping the geography of metropolitan opportunity and should be investigated further. Given the central role of housing and mortgage markets, major market players must work in partnership with the public and nonprofit sectors to broaden access to housing choice. For its part, Fannie Mae is committed to breaking down discriminatory barriers and providing broader housing opportunities for all Americans through its "Showing America a New Way Home" initiative.

We conclude by suggesting that one of the most enduring contributions of the research presented at this conference is the development of a conceptual framework for empirically measuring and analyzing the competing claims of whether "nature" or "nurture" creates the problems seen in concentrated poverty neighborhoods. Cooperative research to further develop this model continues between the Office of Housing Research and The Urban Institute. With the current major reassessment of federal policies toward cities and the poor, it is critical that the policy debate move beyond the polarized positions of exclusively blaming either the environment or individuals to reach a new level of discussion reflecting the complexities facing urban residents as they make critical life choices. Broader recognition and understanding of these realities are critical for federal policy makers, or else for too many of our inner-city residents the hallowed premise of equal opportunity will remain a hollow promise.

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