

# Public Housing Isn't Wasted on the Poor

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In the 1930s, when U.S. started to build public housing, it was focused in the inner cities, because that's where lots of poor people lived and worked. In recent decades, public housing is more about giving poor people vouchers, which allows them to move into the suburbs. As a result, poverty in the U.S. is no longer mainly an urban phenomenon.

But some people label public housing a failure. Is that true? Does building places for poor people to live actually hurt them by concentrating poverty and allowing social ills such as drugs and crime to proliferate?

There's reason to believe that the latter could happen. Many social problems have so-called network effects. An extortionist needs to be able to walk over and beat up multiple victims in the same day or week, and take advantage of an aura of fear that gets spread by local word of mouth. A burglar needs to be able to rob multiple houses, which is easier when the houses are close together. A gang needs most of its members to be live nearby. Since poor people are more likely to be victimized by gangs, burglars and extortionists, as well as other nefarious characters, this means that concentrating poverty makes victimization that much easier. Also, poor people probably don't provide the best role models for other poor people -- if they lived around middle-class people, poor folks might be inspired to climb into the middle class, or might better understand how to achieve upward mobility.

That's the thinking behind initiatives like the Moving to Opportunity program, which gives incentives for poor people to relocate to higher-income neighborhoods. Research shows that Moving to Opportunity has had some success -- kids who participate in the program grow up less poor. It turns out that poverty isn't just a function of individual characteristics like natural ability or personal preferences -- your likelihood of staying poor depends on who your neighbors are. Network effects matter.

But public housing isn't just about where you live. It provides a material benefit to the people who receive it. That benefit allows poor folks to use their money for other things -- they can work fewer hours and spend more time with kids, they can feed their children more and better food, they can get more education and they can even start small businesses. These are all forms of investment, and investment pays off in terms of higher future income.

Plenty of conservatives are skeptical of this benefit. Some believe that extra income from the government, whether in the form of welfare benefits or public housing, will result merely in higher consumption, not in valuable investment. If poor people spend their money on fancy clothes, drugs or video games instead of investing in their own earning potential and their children's futures, public housing won't help their children out of poverty.

But there's evidence to show that public housing really does benefit poor kids -- a lot. A new paper by a team of six economists studies the benefits that kids receive from their parents' public housing.

This is a hard thing to study. If you just look at the correlation between public housing and life outcomes, you'll think housing actually *hurts* poor people. But this is wrong, because of a selection effect -- poorer people are the ones who are more likely to receive the housing benefit in the first place. So the authors of this paper use a clever approach -- compare siblings within families, who live in public housing for different amounts of time. Now, once selection effects are controlled for, the effect of housing programs looks strongly positive:

*The estimates imply that each additional year of voucher (during early childhood) housing increases female and male earnings [at age 26] by 4.7 and 2.6 percent, respectively, while an additional year of public housing increases female and male earnings [at age 26] by 4.9 and 5.1 percent, respectively.*

The authors also find that public housing reduces the chance of incarceration later in life by a modest amount.

This is a large income benefit. According to this estimate, 10 years of public housing would raise a kid's future income by about 50 percent! This means that the parents who get these housing benefits aren't just wasting the money -- it really helps.

So while many people look at housing projects and see disaster areas, what they're really just seeing is the negative effects of poverty itself. Both housing projects and the newer voucher system really make it easier for poor people to invest in their kids' futures. Over time, these programs help the U.S.'s most destitute citizens the boost they need to climb out of their bad situations.

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