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Exploring Changes in Low-Income Neighborhoods in the 1990s

Forthcoming, in Neighborhood and Life Chances: How Place Matters in Modern America, edited by Harriet Newburger, Eugenie L. Birch, and Susan M. Wachter.

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While there has been much talk of the resurgence of lower-income urban neighborhoods in the United States over the past ten to fifteen years, there has been surprisingly little empirical examination of the extent and nature of the phenomenon. Were lower-income urban neighborhoods during the 1990s any more likely to experience gains in income than they were during the 1970s and 1980s? And to the extent that patterns in fact differed during the 1990s, we know even less about what may have driven those differences.

Our chapter aims to address these key questions. In the first half, we undertake a broad empirical investigation of income changes in low-income neighborhoods in U.S. cities during the 1990s, comparing them to the changes that occurred during the two previous decades. In brief, we find a dramatic reversal in the frequency of income gain for our lowest-income urban neighborhoods during the 1990s. In the previous two decades, such neighborhoods were three times more likely to experience a large loss than a large gain. In the 1990s, this pattern was nearly reversed, with very low-income urban neighborhoods over two and a half times more likely to experience a large gain than a large loss.

In the second half of the chapter, we explore some reasons why the fortunes of lower-income urban neighborhoods improved during the 1990s. We focus on three possible explanations: income gains among lower-income households triggered by expansions of the Earned Income Tax Credit and other poverty policies enacted during the 1990s; investments in place-based housing programs, such as the significant investments made by the Low Income Housing Tax Credit Program; and finally, reductions in urban crime.