

What's in a Label?

On Neighbourhood Labelling, Stigma and Housing Prices

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Abstract

Place-based policies that allocate resources to specific areas inadvertently also designate these areas as needing assistance, potentially leading to the development of neighbourhood stigma. The common coupling of resource allocation and area designation makes it difficult to measure the stigma effect. However, the Swedish police's listing of "vulnerable" neighbourhoods, initially introduced in 2015, lacked accompanying resources, offering a unique opportunity to examine the isolated impact of place-based policies on stigma. We study the stigma from unfavourable area labels through an analysis of how the police list affected housing prices - a reliable measure of location value. Employing the synthetic control method, we find that the list resulted in an average price decrease of 3.7% within one year and 6.5% within six years in the designated neighbourhoods. In line with ideas of racial stigma, we also find that areas with a higher proportion of minority residents prior to classification experienced more pronounced negative effects.

Keywords: Neighbourhoods; Place-based policies; Police lists; Stigmatisation; House prices

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