Improving Access to Opportunity: 
Housing Vouchers and Residential Equilibrium*

JoonYup Park 
Duke University 

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Abstract
This paper examines the effects of improving low-income households’ access to high-rent, high-opportunity neighborhoods on the residential equilibrium. In the context of pervasive residential segregation, the Small Area Fair Market Rents enables housing voucher recipients to relocate to high-opportunity neighborhoods by setting the rent ceiling at a finer geographic level. I find that it catalyzed a more polarized rental market, rendering expensive neighborhoods more costly and low-rent, low-opportunity neighborhoods cheaper. In contrast, it fostered a more egalitarian residential equilibrium in terms of income and racial composition within neighborhoods. This new equilibrium entailed a modicum of welfare losses for high-income non-voucher households facing increased living costs in higher-opportunity neighborhoods. It also generated notable welfare gains for low-income non-voucher households with decreased rent prices in low-opportunity neighborhoods. However, I find that the voucher program itself led to a substantial welfare loss for low-income households, the very population this program aims to assist. This research illustrates the broader implications of housing vouchers, underscoring the need to balance affordable housing, socioeconomic and demographic integration, and overall welfare.

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