We study the cost of ethnic discrimination for the landlords in the housing market. The growing body of correspondence studies like Ewens et al. 2014, Hanson and Hawley 2011, Carlsson and Eriksson 2014, Edelman et al. 2017 discover that discrimination occurs in rental apartment markets in different countries and cities. The gap is expressed in lower response rate for the ethnic minorities. The correspondence studies are very helpful for identifying the causal effects but lack the explanation of mechanism, facilitating the discrimination (Guryan and Charles 2013). Russia is one of the countries with widespread everyday xenophobia. In the absence of legal penalties or fines for the discrimination, landlords can articulate their ethnic preferences without any fig-leaf. Therefore, we have an uncommon opportunity to study directly the decisions whether to discriminate or not – by the text analysis of advertisements.

To address this question we use a unique cross-section dataset from the leading Russian online platform for housing transactions. We collect all available data concerning the apartments characteristics, geographical allocation, listing prices and preferences of landlords to discriminate explicitly, concentrating on the two biggest Russian cities: Moscow and St.Petersburg.

Thus, we find that almost quarter of internet advertisements in Moscow contains explicit nationality-based constraints. "No Caucasians", "No Asians" are widespread, but the most common is "Slavs only". In some districts, the share of such discriminating ads can reach 50%. Moreover, according to Levada-center (the leading sociological think-tank in Russia), 39% of Russian citizens are loyal to that slang and this share reaches 63% in Moscow. Discriminating landlords prefer to avoid even negotiation with minorities.
We cannot exclude the presence of discrimination directly at the meeting with a potential tenant. In other words, they even do not try to observe the quality of the counteragent.

We find that after controlling for all apartment characteristics ethnic discrimination is associated with a significantly lower price. The decrease in price remains significant after the robustness check via matching. We treat this reduction in price as a price of prejudice (Hedegaard and Tyran 2018). Its magnitude has considerable geographical variation and is negatively associated with the density of discriminators in Neighborhood. In the typical area on the outskirts like Zuzino, where every fifth ethnically discriminate, landlord’s text ‘Slavs only’ is not connected with the price at all. In contrast, the same representative apartment in central Meshchansky District (only 3% discriminatory ads) with the same text cost less for 28.3%.

\[ P = \alpha + \beta X + \gamma D + \varepsilon \] (1)

Equation 1 shows our OLS-model. Where \( P \) is the rent per month. \( X \) for the set of control variables: area, number of rooms, type of rooms, amenities of an apartment, type of building, repair, number and type of balconies, parking, district affiliation. \( D \) is the discriminatory proxy and variable of interest.

Figure 1: Moscow Map of Ethnic Discrimination Density
Figure 1 demonstrates that ethnic discrimination appears rarely in the center of Moscow. Figure 2 shows that high negative $\gamma$’s are associated with the discrimination proxy in districts with low level of discrimination. The lower the density of discrimination in the administrative division, the higher the price of prejudice is, because discriminative agents limit the demand for their own flats in a competitive market. At the same time, coefficients are near zero or higher in administrative divisions with a significant level of discrimination.

Our study contributes, on the one hand, to the empirics of ethnic discrimination and, on the other hand, to the literature on social norms in a segmented society. In the unique setting, we find the support to Becker’s theory of taste-based discrimination (Becker 1957). In contrary to Arrow’s well-known claim that it predicts the absence of the phenomenon it was designed to explain we discover the persistent discrimination clearly in line with Becker model.

References


