Neighborhood stigma affects online transactions, researchers find

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Credit: George Hodan/public domain

The stigma associated with particular neighborhoods has a direct impact on economic transactions, a team of New York University sociologists has found.

Their study, which appears in the journal *Proceedings of the National Academy of Sciences*, shows that when sellers are seen as being from an economically disadvantaged neighborhood, they receive fewer responses to advertisements placed in online marketplaces.

"Advertisements identifying the seller as a resident of a lower-income neighborhood received significantly fewer responses than advertisements identifying the seller as a resident of a more affluent neighborhood," study author Max Besbris, an NYU doctoral student, explains. "Where an individual resides thus plays a critical role in their success as participants in economic exchanges—which, of course, affects their ability to make a living."

Besbris suggests that the reason for the lower response rate to sellers from disadvantaged neighborhoods might be "because buyers used residence to infer the seller's race or ethnicity, economic status, trustworthiness, or dependability. There are plenty of characteristics that get ascribed to individuals based simply on where they live."

The study's other authors were: Jacob Faber and Peter Rich, both NYU doctoral candidates, and Patrick Sharkey, an associate professor in NYU's Department of Sociology.

In their experiment, the researchers investigated the effects of neighborhoods— determined to be either economically advantaged or disadvantaged—on responses to advertisements posted for used iPhone 5's in 12 cities. The study used a large national online classified market where sellers post ads based on city and commonly list their neighborhood as well as the desired location for the transaction.

The study identified disadvantaged and advantaged communities by aggregating census data on racial composition and poverty to Zillow neighborhood boundaries, which define neighborhoods in U.S. cities by name. Zillow neighborhood names were cross-referenced with frequency of search results in news articles on LexisNexis to confirm that they are commonly used neighborhood names and that the selected neighborhoods are generally portrayed as either advantaged or disadvantaged.

The researchers placed two advertisements per week in each city over a 3-4 day period, with price controlled to match regional marketplaces. Researchers randomly designated the sellers for each ad, posting as either residing in a disadvantaged or advantaged neighborhood, as well as the desired meeting place, either the seller's neighborhood or a high-traffic area of the city (e.g., downtown).

The results showed that advertisements from disadvantaged neighborhoods received approximately 16 percent fewer responses than did advertisements from advantaged neighborhoods. Moreover, this disparity was greater—approximately 21 percent fewer responses—for black, disadvantaged neighborhoods. However, there was no discrepancy for disadvantaged neighborhoods that were majority Latino.

The researchers believe this study demonstrates that the perceptions other people hold affect the opportunities individuals encounter. Besbris explains that it is not merely the existing economic conditions within a neighborhood that affected residents.

"In this study, even the perceptions, true or false, that potential buyers had of a neighborhood influenced their likelihood to respond to an ad, and thus limited the economic opportunities of the seller," he observes.

The studied cities were the following: Atlanta, Baltimore, Boston, Chicago, Los Angeles, Philadelphia, Phoenix, San Antonio, Seattle, Washington, D.C. In addition, the researchers considered two New York State boroughs—Manhattan and Brooklyn—as separate geographic entities.

More information: Effect of neighborhood stigma on economic transactions, *PNAS*, www.pnas.org/cgi/doi/10.1073/pnas.1414139112

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