**Estimating the Long-Term Socio-Economic Effects of Slum Eviction:**

**Evidence from the Eradication of Kowloon Walled City in Hong Kong**

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Slum-like areas account for a significant share of urban land use in the cities of developing countries. Yet, little is known on the local and aggregate effects of slum policies, in particular land titling programs, slum upgrading programs, and in the case of this paper slum eradication policies.

Eradicating a slum can have positive effects on surrounding areas, as urban blight typically has negative externalities and slums can be hotbeds of crime. At the same time, slums generate economic activities and provide labor for surrounding areas. Eradicating a slum can also lead crime to other social ills to “spread” to the surrounding areas, making it more difficult to control. The net local and aggregate effects of slum eradication policies are thus ambiguous and must be studied.

One issue with conducting such analyses is the lack of associated data, especially in the long-run as the local as well as aggregate effects of slum eradication may change over time.

This paper addresses these issues by exploiting a natural experiment that led to the demolition of the Kowloon Walled City (KWC) in Hong Kong in the late 1980s. KWC was a “vertical” slum that housed a large population of low-income individuals in over 500 low-quality low-rise buildings. With a density of 1.25 million people per square kilometer, KWC was the densest slum in human history, nearly three times denser than Dharavi in Mumbai, nine times denser than the Lower East Side in 1910, and over three hundred times denser than Skid Row in Los Angeles today. Due to its high crime rate and unappealing appearance, the British Hong Kong government decided to demolish KWC in January 1987. Populations were then relocated to other areas.

We employ panel data available every five years or so from 1981 to 2016, both at the neighborhood level (tertiary planning unit) and at the street block level (large street block group), to estimate the short- and long-term local effects of KWC's demolition on various socioeconomic outcomes.

Such outcomes include population density, income, employment, industry shares, occupational shares, education, migration, housing market transactions, and measures of crimes.

The absence of pre-trends at the neighborhood level indicates that the timing of the policy was exogenous. Indeed, discussions of the eradication policy were kept confidential until the final decision was taken to eradicate the slum, which then surprised residents. Preliminary analyses at the neighborhood level suggests a significant shock for both population density and total income in KWC as well as neighboring areas immediately after the demolition of KWC. Three decades later, we then observe an increase in per capita incomes, suggesting gentrification. We are now working on getting the block-level data and results ready. Receiving feedback on the neighborhood-level analysis would be really helpful before we start the block-level analysis.[[1]](#footnote-1)

1. Ultimately, it is our goal to add a quantitative spatial model that would allow us to study aggregate effects. [↑](#footnote-ref-1)