



Online Magazin IAB-Forum

“Eviction creates Poverty”

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In an interview Matthew Desmond, Professor of Sociology at Princeton University, gives insights into the situation of renters in the US, shows the consequences of the eviction crisis to society and outlines how to stabilize housing in order to reduce poverty. In doing so, he also sheds light on the interactions between housing and the labor market.

What is the central issue of the eviction crisis?

For the past 20 years, the incomes for renters in the United States have been stagnant. Incomes have actually fallen when adjusted for inflation, but housing costs have soared. Rent everywhere in the US has increased drastically and the government hasn't stepped in to help. Only about 1 in 6 renters who qualify for housing assistance actually receive support. The vast majority don't receive any federal help to meet their rent. This creates an acute and painful housing crisis, such that today most families below the poverty line who are renting pay at least half of their income on rent. That's the fundamental building block of the eviction crisis.

Who is most affected?

The face of the eviction epidemic is moms with kids. If you spend any time in an eviction court in America, you see lots of kids running around. There is also a strong racial aspect to the eviction crisis. African-American women – and mothers in particular – are evicted at incredibly high rates. The eviction rate for black renters in general is double that of white renters; and it is black women, who are disproportionately bearing the brunt of the eviction crisis.

How does an eviction work in the US?

You can be evicted for many reasons, such as property damage, but also for no reason at all. Most evictions are for missed or late rent payments. The landlord serves the tenant a “pay or quit” notice, which basically means that the tenant has to pay or get out. Tenants usually have 3 to 5 days to satisfy the notice and if they don’t, the landlord goes to court and starts a proceeding against them, which can start within two or three weeks. Initiating this proceeding costs anywhere from 15 to about 300 dollars.

In most places in America, families that are subject to eviction have no right to an attorney, so there’s no legal representation for those families. Many of those families don’t even show up to court, because the process is stacked against them. If they lose the case, they have to be out of the rented property by a certain date. If they’re not out by then, the landlord can summon the sheriff’s department to physically remove the family, often including their belongings, which are piled on the sidewalk or taken to storage.

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What happens if the landlord is a rental company?

Corporate landlords seem to use eviction more than smaller “mom and pop” landlords. It’s almost like eviction by algorithm, where all tenants who are behind on rent get an eviction notice. The tenants often have to pay late fees and court fees to stay in their home, which, by our estimates, increases their housing costs by 20 percent. One reason those tenants fall behind on payments is that the housing market and the job market have become misaligned in America: Many renters aren’t paid monthly. Assume a waitress and a software developer live in the same building. They might even get paid the same annual income, but the waitress gets paid in tips and biweekly, whereas the software developer gets paid monthly. The software developer is able to make the

monthly rent payment, but the waitress is not. She starts the month behind on rent with a late fee. This seems pretty unfair, especially if an eviction court is used as a court of first resort instead of as a court of last resort.

You say that eviction creates poverty. What do you mean by that? People assume it's the other way around.



[Matthew Desmond](#) is the Maurice P. Durning Professor of Sociology at Princeton University and founder of the Eviction Lab.

People who are evicted are incredibly poor and vulnerable members of American society. But eviction makes their lives a lot harder. They not only lose their home; they also lose their kids' school, their connection to teachers and guidance counselors, their neighborhood and all the ties and social connections around that. They often also lose their belongings: beds, food, medical devices, and so on. Those items are piled on the street or taken by removal companies. Families have to pay to get them out of storage and many just can't afford it. They have to really start over from scratch.

An eviction is a legal process and it comes with a court record. This can prevent someone from moving into a good neighborhood or into a safe home, because many property owners see that court record and say no. It can prevent people from moving into public housing, because the state also counts eviction as a mark against someone's application. The US system systematically denies housing assistance to the families that need it the most. We not only push them into homelessness; we also push them into dangerous neighborhoods and dangerous housing. Studies also show that

eviction causes job loss more than the other way around, because it's a stressful event. It can cause people to make mistakes at work and lose their footing in the labor market.

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Eviction also has health effects, for example on long-term depression and even on infant health. Babies of pregnant moms who get evicted are born with more problems than the same moms' babies that are born when they are not going through that process. This has been shown to have lifelong or even generational effects on those babies. If you take all that into account, we have to conclude that eviction is a cause of poverty and not just a consequence of it.

What are the financial and economic consequences to society when people don't have stable housing?

The consequences are massive. In the US, the top 5 percent of emergency room users consume half of all hospital costs. They are usually homeless people with serious medical conditions. Neighborhoods with higher levels of crime are often neighborhoods with higher levels of eviction. Eviction seems to tear apart the social fabric, the stuff that helps neighborhoods maintain public safety. Eviction forces kids to go to different schools, year after year, which has consequences for their prospects and earnings later in life. Then there are the shelter costs of eviction and the support system that has to step in for those families to get them food and basic shelter for the night. I think eviction exerts an incredible moral cost on the American public, but there are true financial costs of evictions, too.

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We might also take a step back and ask how much people are getting evicted for. I hear a lot of stories from landlords that families haven't paid rent in 8 or 9 months. But if you look at the data, that's really rare. Only about 2 percent of evictions are for more than 6 months' worth of back rent. The average eviction is for 2 months' worth of rent. About a third of evictions in America are for less than a month's worth of rent. The last time we looked, one in ten evictions in the state of Virginia were for less than 335 dollars. My students probably pay more in textbooks every year.

If you want to make a purely financial case, it certainly makes a lot more sense to intervene early and shallowly to keep a family housed, than it does to triage eviction on the backend.

Is it too expensive for the United States to provide people with stable housing?

America is the richest country on the planet. It could effectively end domestic homelessness – and even poverty – tomorrow, without increasing its deficit. The money is there and in housing the hypocrisy is deep. We spend 46 billion dollars on direct housing assistance to the needy every year, yet we spend 109 billion yearly on homeowner tax subsidies. Most of those benefits go to rich families with at least six figure incomes. That’s our social contract right now. Do we know how to address the problem? Absolutely. We have programs that work well already, but they are massively under-funded.

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Can you give an example of a program that works well but is under-funded?

One program is called “eviction diversion”. When a family comes to eviction court, a neutral third party tries to adjudicate the case. In Philadelphia, for instance, before you start an eviction, you have to go through “diversion”, a kind of mediation. For example, if a renter is five-hundred dollars behind in payments, the parties could agree to a payment plan. At its best, it’s a win-win situation, because the landlord is paid and the tenant is housed. Diversion programs often enable families to remain housed years after the intervention. It is a low-touch, humane and effective way to intervene in the eviction crisis.

Are there also market-based solutions?

New Jersey has a law that requires every jurisdiction to build its fair share of affordable housing. This might not sound radical in Germany, because you have embraced mixed-income housing and -neighborhoods as a pro-social good. But the US has not. We are still a very segregated society along the lines of race and socio-economics. The law in New Jersey says municipalities have to build their fair share of affordable housing. If a town doesn’t do this, the courts can redraw their zoning laws to incentivize developers. This has enabled developers to build multi-family units which have a quota of affordable housing. Developers make more money building multi-housing units than the giant American-style single houses we have. New Jersey has been able to build a lot of affordable housing without a dime of state money. But this solution requires tackling segregation and a lot of towns and cities have been incredibly resistant to that, including professed liberal places.

Is there a connection between the American history of “redlining” and the current eviction crisis?

Redlining was one of many mechanisms America used to systematically displace black people from the land. Redlining occurred when the government refused to guarantee mortgages in predominantly Black neighborhoods. This meant banks did not lend to African American families.

Following on its heels was the GI Bill that came after World War II, which was the biggest social provision program the US has ever had. A big part of it was veteran mortgages. A couple of years after the GI bill passed, 40 percent of mortgages were veteran mortgages. It really drove the American homeownership society, but black veterans were excluded, since the federal law was enforced at the local level. You had to go to your local Veterans Administration, which was often racist, and you had to go to your local bank, which was practicing redlining.

Most white families in America own their home and most black families do not.

That history matters today, because most white families in America own their home and most black families do not. One of the reasons for that is this inherited history. A lot of white families were able to afford the down-payment on their home, because their parents refinanced their home to pay for it. You can clearly see the multigenerational consequences of practices like redlining on the differentiation between owners and renters. And if you are a renter you are exposed to the rental crisis and eviction; if you are a homeowner you are immune from those crises.

Should housing be a for-profit business at all? Could exploitation play a role in the eviction crisis?

Poor families and particularly poor black families in America don't have a lot of choice about where to live. They are shut out of the mortgage market for historical reasons and they experience modern-day discrimination in the banking sector. They are shut out of the mortgage market, even if their credit or income would allow them to access it. They are shut out of public housing and subsidized housing, because there is not enough of it to go around. And they are prevented from moving into more affluent neighborhoods, either because those neighborhoods have zoned out affordable housing, or because they face current market discrimination.

Landlords in poor neighborhoods earn about double what landlords in middle class neighborhoods in America earn.

This means they have one option: to live in segregated, poor neighborhoods. And when you don't have a lot of options, market actors exploit you. You overpay for something you shouldn't. This isn't just a theoretical point. We ran the numbers on this and found that landlords in poor neighborhoods earn about double what landlords in middle class neighborhoods in America earn. The reason for this is that expenses are a lot lower in poor neighborhoods: taxes are lower, mortgages are lower, but rents are not that much lower. This suggests that there is real evidence of overcharging – or what we would call exploitation.

How has the market for landlords evolved?

Being a landlord wasn't ever conceived as being a main job, but as a side hustle, a passive income. The last 40 years in the American labor market have been a time of uncertainty, volatility and really low returns on productivity for people at the bottom half of the distribution. Especially for folks who don't have a college education, the American labor market just is not working for them today. Many of them, including folks who do have a college education, don't want a conventional job. If they have a little money, they may start investing as a landlord, making it their full-time job. This means that a lot more people are stressing and squeezing the asset. So, I think there is a connection between labor-market stagnation and housing-market inflation in a way that doesn't just have to do with the disconnection between rising costs and stagnant wages, but also with a lot of people being pushed into full-time property ownership as a job or as a retirement plan. To a greater extent than you would have seen mid-twentieth-century, when the labor market was delivering a lot more for workers.

What can Europe or Germany learn from the American experience?

Timing matters. You really have to start building housing early and often and think about what kinds of housing to build. Even if both parties – the local authority and property developers – agree to build, you won't see the social benefits of that until 10 to 15 years later. I also think there's a lot of overconfidence in America about what is driving the housing crisis. For example, there's a story that we lack housing supply and that's driving up the cost: that's not untrue, but it's also very curious that there are cities like Syracuse, Baltimore and Cleveland, which have double digit vacancies, yet have still experienced serious increases in rents. So, what is going on? We need to be very data driven and rigorous and not just accept the normal stories about the housing crisis as doctrine.

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One thing the Eviction Lab at Princeton University has done is create transparency. The Federal Government doesn't collect data on eviction. This is equivalent to us not knowing how many kids dropped out of high school. It's a massive social problem which we previously didn't know anything about. I think that by collecting hundreds of millions of eviction records and making them public, we've elevated the problem on the American scene.

What would the ideal housing policy look like?

I really value the deep investment Germany has made in social housing. That is something America could learn from. Some countries even include the right to housing in their constitutions. The right to housing matters, as does a recognition that humans cannot flourish without stable shelter. And

that right needs to be backed up by deep investment. America used to do this. There was a time when the budget for the Department of Housing and Urban Development (HUD) was second only to the department of defense. This was until President Reagan slashed HUD's budget by almost 70 percent and we never recovered. I think we should also look at our own history and remember who we used to be as a country.

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America is a home-ownership society. There is no reason we can't expand home-ownership opportunities to more low-income families. About 27 percent of homes sold last year in America were for under one hundred thousand dollars; but only 23 percent were financed with a mortgage. Most of them were bought with cash from real estate speculators and turned into rental properties. Banks have no incentive to get involved, because a small mortgage and a big mortgage cost the same to originate, but banks get a lot more for the big mortgage. The government could of course correct that, too.

Without stabilizing housing there is no chance for real poverty reduction.

How important is it to stabilize housing?

Fundamentally, if we don't address this crisis – even if we addressed all the other issues facing low-income families – we are not going to get anywhere. We see this when states or cities pass minimum wage increases. It helps a little bit, but landlords then recoup costs and increase rents. In America today, rent inflation has accompanied wage inflation, and families are just running to stay still. Without stabilizing housing there is no chance for real poverty reduction.

Your research is heavily based on storytelling and ethnography. What can stories tell us that numbers don't?

I wanted to get as close to the problem as possible and I think there is real power in investing and trying to tell someone's story. It allows you to get a reader to a different place than you would if you only presented an argument or a statistical table. For me in my work it's the intimacy between numbers and stories. I was living in a mobile home park and this family got evicted. Their names appear in the eviction record. I asked them what it was like to go through an eviction. The wife replied that they didn't get evicted. To her, an eviction was when the sheriff comes and kicks you out. But they were totally evicted. The landlord forced them to leave. It made me wonder, if I'm going to collect big data on this, how do I even ask people if they've been evicted? I think that getting an intimacy with the problem is really important. So, we did things differently. We asked people a ton of questions, not just if they had been evicted. We asked questions like "Has the

landlord served you with a notice?”, “What did you do afterwards?”, “Did you go to court?”, and so on. Many questions that we asked in surveys and big data were based on my field notes and reporting.

It is a way of observing and experiencing things – and then going to the numbers to see if you can verify them. Stories can obviously tell us a lot, but data can, too. For me it’s a bit of a dance.

Personal details

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