

## abstract

Israel is characterized by a very high degree of residential segregation along ethnic (Arab/Jewish) lines. This paper is the first to explore the role of discrimination in creating this pattern. Using a large-scale correspondence study in the online market for rental housing, I show that Jewish landlords are 2.4 times (or 49 percentage points) more likely to confirm the availability of a posted property when receiving a query from a Jewish rather than an Arab potential renter. A nominally independent survey of these landlords reveals that discrimination is mainly driven by tastes, as reflected in their political orientation. Further analysis suggests that social pressure from neighbors may also affect landlords' decisions.