

Accepted Manuscript

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Patrick Bayer, Hanming Fang, Robert McMillan

PII: S0094-1190(14)00043-6

DOI: <http://dx.doi.org/10.1016/j.jue.2014.05.002>

Reference: YJUEC 2935

To appear in: *Journal of Urban Economics*

Received Date: 8 May 2012

Revised Date: 9 May 2014

Please cite this article as: Bayer, P., Fang, H., McMillan, R., *Separate When Equal?* Racial Inequality and Residential Segregation, *Journal of Urban Economics* (2014), doi: <http://dx.doi.org/10.1016/j.jue.2014.05.002>

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Separate When Equal?

Racial Inequality and Residential Segregation*

Patrick Bayer[†]Hanming Fang[‡]Robert McMillan[§]

May 8, 2014

Abstract

This paper sets out a new mechanism, involving the emergence of middle-class black neighborhoods, that can lead segregation to increase as racial inequality narrows in American cities. The formation of these neighborhoods requires a critical mass of highly educated blacks in the population and leads to an increase in segregation when those communities are attractive for blacks who otherwise would reside in middle-class white neighborhoods. To assess the empirical importance of this “neighborhood formation” mechanism, we propose a two-part research design. First, inequality and segregation should be negatively related in cross section for older blacks if our mechanism operates strongly, as we find using both the 1990 and 2000 Censuses. Second, a negative relationship should also be apparent over time, particularly for older blacks. Here, we show that increased educational attainment of blacks relative to whites in a city between 1990 and 2000 leads to a significant rise in segregation, especially for older blacks, and to a marked increase in the number of middle-class black communities. These findings draw attention to a negative feedback loop between racial inequality and segregation that has implications for the dynamics of both phenomena.

Keywords: Segregation, Racial Inequality, Neighborhood Formation, Negative Feedback Loop.

JEL Classification Numbers: H0, J7, R0, R2.

*We are grateful to Editor Stuart Rosenthal and two anonymous referees, whose numerous suggestions helped us improve the paper considerably. We would also like to thank Joe Altonji, Victor Couture, Christoph Esslinger, Richard Freeman, Roland Fryer, Mike Gilraine, Ed Glaeser, Caroline Hoxby, Matt Kahn, Larry Katz, Robert Moffitt, Derek Neal, Steve Pischke, Richard Rogerson, Kim Rueben, Olmo Silva, Will Strange, Matt Turner, Chris Udry, Jacob Vigdor, Bruce Weinberg, and seminar/conference participants at Harvard, LSE, Minnesota, Penn State, Toronto, UBC, USC, UVA, Washington University at St. Louis, Yale and the NBER for useful comments and suggestions. Branko Boskovic, Jon James, and Hugh Macartney provided excellent research assistance. The U.S. Department of Education, the NSF, and SSHRC provided financial support for this research. All remaining errors are our own.

[†]Department of Economics, Duke University, 213 Social Sciences Building, Box 90097, Durham, NC 27708 and the NBER. Email: patrick.bayer@duke.edu

[‡]Department of Economics, University of Pennsylvania, 3718 Locust Walk, Philadelphia, PA 19104 and the NBER. Email: hanming.fang@econ.upenn.edu

[§]Department of Economics, University of Toronto, 150 St. George Street, Toronto, ON M5S 3G7, Canada and the NBER. Email: mcmillan@chass.utoronto.ca

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