Residential segregation and socioeconomic outcomes
When did ghettos go bad?

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Abstract

Cutler and Glaeser (1997) show that urban residential segregation has a strong adverse effect on labor market and social outcomes of young African-Americans relative to whites. We show that this effect is a fairly recent historical phenomenon. There is little evidence of such an effect from 1940 to 1970; rather, it emerged between 1970 and 1980, and it grew stronger during the 1980s.

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1. Introduction

Racially or ethnically segregated communities of minorities may either promote or hamper the economic well-being of their residents (Cutler and Glaeser, 1997). By maintaining neighborhoods that are integrated across income groups, ghettos could benefit lower-income minorities who would otherwise be residentially isolated (Handlin, 1959; Glazer and Moynihan, 1963; Wilson, 1987). On the other hand, such physical separation could impede a group’s economic progress through adverse cultural, peer, or neighborhood effects, spatial mismatch between jobs and residential locations, and inadequate provision of local public goods (Kain, 1968; Case and Katz, 1991; Borjas, 1995; Glaeser et al., 1996).

In the end, whether ghettos are ‘good’ or ‘bad’ is an empirical question. Using census data for 1990, Cutler and Glaeser (1997) find substantial adverse effects of segregation on a variety of socioeconomic outcomes for African-Americans. In this paper we apply Cutler and Glaeser’s

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Following Cutler and Glaeser, we use the term ‘ghetto’ to refer to racially or ethnically segregated minority communities.
methodology to census data from 1940 to 1980. In contrast to their results, we generally find little or no evidence that segregation was associated with idleness or single motherhood prior to 1970; rather, the ‘bad’ effects of ghettos appear to have emerged in the 1970s, and then intensified in the 1980s.2

2. Data and Results

Following Cutler and Glaeser, we focus our attention on socioeconomic outcomes of people between 20 and 30 years of age who reside in metropolitan areas. For 1940, 1950, 1970, 1980, and 1990 we extracted people of those ages from the IPUMS (Integrate Public Use Microdata Series) samples of census data.3 The outcomes of interest are idleness, annual income, and children born to never-married women.4 For comparability, our specification mimics that of Cutler and Glaeser (1997). We regress an outcome variable on a variety of metropolitan area characteristics (proportion of labor force in manufacturing, proportion of population that is black, median household income, size of population, and level of segregation), interactions of each of the metro area variables with race (black \(= 1\)), and age dummies.5 The key coefficient is the interaction of the segregation measure and race, the sign of which indicates whether segregation has a significantly different effect (positive or negative) on blacks relative to whites. Although it is plausible on a priori grounds that the segregation measure is endogenous, Cutler and Glaeser (1997) demonstrate that ordinary least squares (OLS) and instrumental variable estimates of the interaction effect are virtually identical. Consequently, only OLS results are reported in this paper.6

Table 1 reports the coefficients of the interaction variable for the different socioeconomic outcomes. Panel A includes all cities for which information on the metro variables is available, whereas Panel B includes only those cities (42 in number) for which Cutler, Glaeser, and Vigdor (1999) report segregation indices in every year. For discrete outcomes (idleness, single motherhood) we report

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2 After this paper was submitted for publication, we became aware of Vigdor (1999) which also argues that the adverse effects of ghettos are a relatively recent phenomenon.

3 The 1960 microdata sample does not identify metropolitan areas and so that year cannot be used in this paper.

4 Individuals are ‘idle’ if they are neither in school nor employed. We do not analyze educational attainment because a large proportion of blacks resided in areas other than those in which they were educated, especially in the 1940 and 1950 data. For the analysis of income, we restrict the sample to wage and salary workers who were employed during the census week, not in school, and who reported positive wage and salary income in the previous year. Because the 1940 census only reports wage and salary income, we use this income measure in each year for the sake of comparability. The results for the other years are similar if total income is used instead. Single mothers are those who have never been married but have had a child. Data to construct this variable are not available in 1940 and 1950.

5 See Table 1 for data sources. Segregation is measured using a dissimilarity index based on the distribution of people across census tracts within a city or metropolitan area. The measure lies between 0 and 1, and higher values correspond to higher levels of segregation.

6 Given that we are most interested in the coefficient’s change over time, only a changing OLS bias would confound our interpretation of the findings. There are three slight differences between our approach and Cutler and Glaeser's: first, our samples include only whites and blacks (not Asians or other nonwhites); second, our samples include only men or only women, not both; and third, we group 20–30-year-olds together whereas Cutler and Glaeser separate 20–24-year-olds from 25–30-year-olds. The substantive findings are not affected by these differences.
Table 1
Segregation and socioeconomic outcomes: Coefficients of black × segregation interaction

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<tr>
<td><strong>Panel A: All available cities</strong></td>
<td></td>
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<tr>
<td>Idleness</td>
<td>−0.1264</td>
<td>−0.1949</td>
<td>0.0529</td>
<td>0.2095</td>
<td>0.5287</td>
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<tr>
<td>(0.1508)</td>
<td>(0.2390)</td>
<td>(0.0785)</td>
<td>(0.0636)</td>
<td>(0.0580)</td>
<td></td>
</tr>
<tr>
<td>Wage and salary income</td>
<td>−0.3151</td>
<td>−0.4058</td>
<td>0.0622</td>
<td>−0.1146</td>
<td>−0.5649</td>
</tr>
<tr>
<td>(0.1778)</td>
<td>(0.3215)</td>
<td>(0.1560)</td>
<td>(0.1093)</td>
<td>(0.1237)</td>
<td></td>
</tr>
<tr>
<td>Single motherhood</td>
<td>n.a.</td>
<td>n.a.</td>
<td>0.0255</td>
<td>0.1760</td>
<td>0.4573</td>
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<tr>
<td></td>
<td>(0.0479)</td>
<td>(0.0547)</td>
<td>(0.0414)</td>
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</table>

| **Panel B: Overlapping sample of cities** |       |       |       |       |       |
| Idleness         | −0.1211 | −0.4062 | 0.0556 | 0.0805 | 0.3010 |
| (0.1667)         | (0.3089) | (0.1055) | (0.1245) | (0.1121) |       |
| Wage and salary income | −0.3916 | −1.0024 | −0.1467 | −0.1517 | −0.7371 |
| (0.1697)         | (0.3552) | (0.1790) | (0.2280) | (0.3657) |       |
| Single motherhood | n.a.   | n.a.   | −0.0786 | −0.0390 | 0.5136 |
|                  | (0.0788) | (0.1096) | (0.0686) |       |       |

*Notes: The table reports the coefficients and standard errors (in parentheses) on the black × segregation interaction from a series of regressions. Each regression also includes: the metropolitan area’s proportion of labor force in manufacturing, proportion of population that is black, segregation level, and median family or household income; interactions of each metropolitan area variable with the black indicator; and dummies for each year of age. In 1950, 30 year-olds are excluded because the school attendance variable is available only for those under 30. In 1940, 1950, and 1990, person weights from the IPUMS are used in the regressions; 1970 and 1980 samples do not require weights. According to availability, median family wage and salary income is used to calculate each city’s ‘median income’ in 1940; median family total income is used in 1950 and 1970; median household total income is used in 1980 and 1990. The ‘overlapping sample’ of cities are those cities for which segregation and population measures are available for every year from Cutler et al., 1999. Standard errors are adjusted for heteroskedasticity and clustering within metropolitan areas. From 1940 to 1980 top-coded incomes are multiplied by 1.4. In 1990, for each observation with top-coded income, the IPUMS assigns the median value of top-coded incomes in the state of residence. The full set of regression results are available upon request. Sources: Individual data are from the IPUMS (Ruggles and Sobek). Some metropolitan area variables (percent black, median income, and manufacturing) are calculated using the IPUMS samples. Other metropolitan area variables (dissimilarity indices for segregation, city population figures) are from Cutler, Glaeser, and Vigdor (1999). Metropolitan area codes from Cutler, Glaeser, and Vigdor (1999) are amended when necessary (and possible) to match the metropolitan area codes of the IPUMS.

linear probability estimates of the coefficients. The analysis of idleness and incomes reported in this paper is restricted to males.

For all three outcomes we were able to confirm Cutler and Glaeser’s (1997) findings for 1990; namely, higher levels of segregation were associated with greater idleness, lower incomes, and an increased incidence of single motherhood among African-Americans. However, the results for the other census years are generally quite different. Except for incomes in 1940 and 1950 in the Panel B sample of cities, there is little or no evidence that segregation was positively related to idleness and single motherhood prior to 1980. By 1980, however, segregation was positively associated with

7Probit analysis yields similar results.
idleness and single motherhood, though the effects are statistically significant only in the Panel A sample.

3. Discussion

The primary purpose of this paper has been to document that the ‘ghettos-are-bad’ conclusion is a comparatively recent historical phenomenon. Here we speculate about some of the factors that may have caused the correlation between segregation and socioeconomic outcomes to reverse direction, leaving a fuller analysis of causality to future work.

Ironically, the Civil Rights Movement and its attendant anti-discrimination legislation may be one such factor. Prior to the ending of de jure and customary segregation in public accommodations, restaurants, and access to retail establishments in the 1960s, African-Americans in urban areas conducted most of their economic transactions in racially segregated markets that were essentially coterminous with racially segregated residential neighborhoods. The demise of segregation in economic life greatly widened the consumption choices available to (middle-class) blacks, but also reduced the demand for the services of black-owned businesses and, eventually, the (relative) demand for urban black labor.

‘Role model’ effects that are correlated with segregation may be a second factor. Partly as a consequence of the positive correlation between income and suburban residence, the average black person may now have less contact with better educated people (of both races) than previously.

Consistent with this hypothesis, Cutler and Glaeser (1997), p. 862, show that an index of ‘education exposure’ for blacks (greater than zero if blacks are residentially concentrated with more educated people, and negative if the reverse were true) in 1990 was higher in cities with lower levels of segregation.

Third, post-war suburbanization may have increased average commuting times for blacks, which Cutler and Glaeser show is positively correlated with idleness and negatively correlated with wages (1997, p. 863). Jackson (1985) and Collins and Margo (2000) discuss the role of government policy in promoting suburban residence and home ownership for whites relative to blacks.

Increases over time in the proportion of single mothers may have important intergenerational consequences, as Cutler and Glaeser (1997), p. 863, have shown that a higher incidence of single motherhood among older black women raises the incidence among younger black women (see also Wilson, 1987). Also over time, increases in crime, particularly crime associated with illegal drugs, may have been an important factor behind the emergence of a positive correlation between idleness and segregation. Another factor worth investigating is rising wage inequality. It is well-known that rising wage inequality has been associated with a slowdown in black–white wage convergence and declining labor force participation among males in the 1980s (Juhn et al., 1991).

Finally, our results suggest that whatever the explanatory power of any of the factors listed above, a full explanation will have to account for the somewhat different timing of change between the Panel A and Panel B samples of cities. That is, for a constant sample of relatively large cities (Panel B), ghettos turn ‘bad’ in the 1980s, whereas adding new cities to the sample in each census year (Panel A) suggests that the negative effects of segregation emerged in the 1970s.
Acknowledgements

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References