The Rise and Decline of the American Ghetto
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Testing
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The Rise and Decline of the American Ghetto
There is lots of evidence that neighbors affect outcomes.

Racial segregation in the US has changed over time.

The history of segregation can be broken into three periods.

Why have these patterns of segregation developed and evolved?

How do the characteristics of three cities tell the story of segregation in the US?
The authors use two measures of segregation: dissimilarity and isolation.

- Dissimilarity is high when blacks disproportionately reside in some areas of a city relative to whites.

\[
\text{index of dissimilarity} = \frac{1}{2} \sum_{i=1}^{N} \left| \frac{\text{black}_i}{\text{black}_{\text{total}}} - \frac{\text{nonblack}_i}{\text{nonblack}_{\text{total}}} \right|
\]

- Isolation is high when blacks and whites have little or no contact.

\[
\text{index of isolation} = \frac{\sum_{i=1}^{N} \left( \frac{\text{black}_i}{\text{black}_{\text{total}}} \cdot \frac{\text{black}_i}{\text{persons}_i} \right) - \left( \frac{\text{black}_{\text{total}}}{\text{persons}_{\text{total}}} \right)}{\min\left( \frac{\text{black}_{\text{total}}}{\text{persons}_i}, 1 \right) - \left( \frac{\text{black}_{\text{total}}}{\text{persons}_{\text{total}}} \right)}
\]
A city has a ghetto (as defined by the authors) if the index of dissimilarity is over 0.6 and the index of isolation is over 0.3.

While there are other measures used commonly in the literature, many of them are highly correlated with each other.
The analysis begins in 1890 and uses decennial census data for cities and MSAs with at least 1,000 blacks. In 1900 the sample contained 54 cities. In 1990, 313 MSAs were included.

- The authors use the results to define three major periods in the development of the American ghetto.
- Segregation rose from 1890 through 1940, giving birth to the idea of the urban ghetto.
- Levels of segregation leveled off between 1940 and 1970.
- From 1970 through 1990, segregation has declined.
Fig. 1.—Index of dissimilarity, 1890–1990. Matched sample segregation is normalized to unmatched mean in 1990. The 1970 value for central city only segregation presents the first crossing point.
Fig. 2.—Index of isolation, 1890–1990. Matched sample segregation is normalized to a scale of 1 in 1990. The 1970s show the peak underlining the situation.
At the end of the 19th century, blacks were concentrated in certain parts of cities, but there were so few blacks that the areas could not be called ghettos (high dissimilarity, but low isolation).

Large cities in the Northeast and Midwest were the most segregated.

After WWI, there was dramatic black migration from the rural South to the North.
**Region and City Size**

**Fig. 3.**—Dissimilarity by region and city size

**Fig. 4.**—Isolation by region and city size

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The Rise and Decline of the American Ghetto
Birth (through 1940)

- Dissimilarity and isolation both rose (20 and 15%, respectively).
- Only one city (Norfolk, VA) had a ghetto in 1890. By 1940, 55 cities had ghettos.
- The spatial racial distribution has not changed dramatically since 1940.
- What do we know about the relationship between the migration north and the rise of segregation?
  - Increasing black population, city growth in general, high existing segregation...
  - Ghetto growth is strongly related to increases in the black population.
  - City growth in general does not exhibit a relationship with rising ghetto-ization.
After WWII, there was another wave of migration from the South to the North.

A general migration from rural to urban areas was also observed.

Dissimilarity and isolation both increased again (5 and 4%, respectively).

Automobile use and the proliferation of the highway system also allowed greater mobility, i.e., whites were able to move out of central cities towards the suburbs.
Expansion (1940-1970)

Region and City Size

Fig. 3.—Dissimilarity by region and city size

Fig. 4.—Isolation by region and city size
Do we see the same relationships between city characteristics and ghettos?

- Increases in black population lead to increases in dissimilarity and isolation.
- At this point, black populations were large enough that some areas of cities were becoming predominantly black.

### TABLE 4

**Distribution of Percentage Black in Census Tracts**

<table>
<thead>
<tr>
<th>Number of tracts</th>
<th>1940: City</th>
<th>1960 City</th>
<th>1960 Suburbs</th>
<th>1990 City</th>
<th>1990 Suburbs</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,113</td>
<td>13,310</td>
<td>9,378</td>
<td></td>
<td>16,664</td>
<td>27,183</td>
</tr>
<tr>
<td>Percentage of tracts with black share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exactly zero</td>
<td>21.2</td>
<td>19.6</td>
<td>22.3</td>
<td>7.3</td>
<td>14.7</td>
</tr>
<tr>
<td>0–1</td>
<td>39.1</td>
<td>36.2</td>
<td>48.0</td>
<td>10.2</td>
<td>25.0</td>
</tr>
<tr>
<td>1–5</td>
<td>15.6</td>
<td>12.4</td>
<td>13.3</td>
<td>23.7</td>
<td>30.0</td>
</tr>
<tr>
<td>5–15</td>
<td>8.3</td>
<td>8.8</td>
<td>8.2</td>
<td>18.8</td>
<td>13.3</td>
</tr>
<tr>
<td>15–25</td>
<td>3.6</td>
<td>4.2</td>
<td>2.9</td>
<td>7.4</td>
<td>5.3</td>
</tr>
<tr>
<td>25–50</td>
<td>4.2</td>
<td>5.4</td>
<td>2.9</td>
<td>9.4</td>
<td>4.9</td>
</tr>
<tr>
<td>50–75</td>
<td>3.2</td>
<td>4.6</td>
<td>1.3</td>
<td>7.0</td>
<td>2.4</td>
</tr>
<tr>
<td>75–90</td>
<td>1.9</td>
<td>3.4</td>
<td>.6</td>
<td>5.0</td>
<td>1.1</td>
</tr>
<tr>
<td>90–98</td>
<td>1.8</td>
<td>3.1</td>
<td>.3</td>
<td>6.5</td>
<td>.9</td>
</tr>
<tr>
<td>98–100</td>
<td>1.0</td>
<td>2.3</td>
<td>.2</td>
<td>4.8</td>
<td>.4</td>
</tr>
</tbody>
</table>

*Note.—The sample is census tracts with at least some population.*
What is the urban ghetto like in 1970?

- For the average MSA, almost 80% of the black population would have to relocate to a different census tract to achieve racial integration.
- The average black lived in a census tract that was 68% black.
- Using the authors’ definition, 127 of the 211 MSAs had a ghetto.
The decline is primarily observed in the South and West, but also throughout the country.

Both dissimilarity and isolation have fallen by 17%.

By 1990, only 98 of 313 MSAs had a ghetto.

How have the relationships changed?

- Increases in black populations are associated with increases in isolation but not dissimilarity.
- Increases in nonblack populations are related to decreases in segregation.
- Most of the integration is observed in changes to the predominantly nonblack sections of cities.
- Predominantly black tracts still increased in this time period!!
It is important to note that the relative segregation across cities is very stable over time. Of the five most segregated cities in 1890, three are still in the top five today (Chicago, Cleveland, and Detroit)!

- Larger and denser cities have higher levels of segregation.
- In later years, the share of the city that is black is positively related to isolation, but not dissimilarity.
- Levels of foreign-born population are generally unrelated except in 1990 w.r.t. large Hispanic populations.
- Regional effects exist in the later periods.
Ghettos are established to help migrants assimilate to a new environment.

- The authors recognize the difference between the black and immigrant experiences, but many accounts of black migration include this motivation for location choice.
- Especially for recent migrants, there is a strong preference to live among members of one’s own ethnic group.
Ghettos are established somewhat deliberately in an effort by the majority to enforce separation.

- This is the idea of ‘red-lining’ districts.
- Racial zoning and restrictive property covenants were used (before they were made illegal) to keep neighborhoods segregated.
- Evidence shows that these institutional arrangements were effective in maintaining segregation in the early periods of analysis.
Ghettos, once established, are maintained when racism motivates white households to live among other white households.

- This can be linked to a ‘tipping’ model.
- Under the strongest form of this model, neighborhoods will eventually become completely segregated.
The most interesting (in my opinion) method for testing these theories against each other uses differences in housing costs to differentiate between which forces are at work.

- The authors set up a model where individuals choose residential location to minimize housing and discrimination costs.
- For blacks, there is an added cost (according to the CRT) for living in a white neighborhood.
- Discrimination causes the neighborhood of one race to have housing costs that are higher than the citywide average and the neighborhood of the other race to have housing costs that are lower than the citywide average.
- Comparing housing costs in black areas to costs in white areas will reveal what forces are in effect.
The authors use a variety of this general approach to understand the power of the various theories in explaining segregation.

- How does the black-white housing price difference vary across cities when the level of segregation varies?
- Here the authors seem to mix the ideas of segregation and discrimination.
- An increase in discrimination will cause more blacks to move to black neighborhoods and whites to white neighborhoods.
- If discrimination (segregation?) is driven by either POE or CRT, demand for the black neighborhood will rise by more than the demand for the white neighborhood and house prices will follow accordingly.
- If discrimination is driven by white racism, then demand for the white neighborhood will rise and house prices will follow accordingly.
Summarized in a table:

<table>
<thead>
<tr>
<th>Relation between Segregation and:</th>
<th>Theory</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Port of Entry</td>
</tr>
<tr>
<td>House prices</td>
<td>Blacks pay more (esp. migrants)</td>
</tr>
<tr>
<td>Attitudes toward integration</td>
<td>Blacks prefer segregation (esp. migrants)</td>
</tr>
</tbody>
</table>

Table 6: Predictions of Alternative Theories
\[ \ln(\text{housing cost}) = \alpha_{city} + \beta_1 \text{structural controls} + \beta_2 \text{black} + \beta_3 \text{black(structural controls)} + \beta_4 \text{black} \cdot \text{dissimilarity} + \epsilon \]

- \( \beta_4 \) will be positive if segregation is attributable to the port of entry or centralized racism theories.
- \( \beta_4 \) will be negative if segregation is attributable to decentralized white racism.
Results for 1940:

- Blacks pay less for rental and owned housing than whites.
- However, higher levels of segregation mean higher rental payments for blacks relative to whites.
- This points to either the port of entry theory or collective action racism.
- The authors add interactions for new residents.
- There is no difference between new migrants and longtime residents, so segregation seems to be due to collective action racism rather than a port of entry effect.
Results for 1970:

- The authors were able to add new supply controls and additional structural characteristics.
- Collective action racism had a smaller impact on housing costs than in 1940.
- The authors also added census tract controls to further isolate the cause of segregation.

\[
\ln(\text{housing cost}) = \alpha + \beta_1(\text{structural controls}) + \beta_2(\text{tract controls}) + \beta_3(\text{black}) + \beta_4(\text{percentage black in the tract}) + \epsilon
\]

- Is \( \beta_4 \) positive or negative?
- As house prices and rental costs increase as the percentage black increases.
- These results again point to either centralized racism or the port of entry theory.
Results for 1990:

- More supply variables are added.
- Now the coefficient of interest is negative!!!
- Blacks in segregated cities pay less for housing (both ownership and rental) than whites.
- These results point to the decentralized racism theory.
- With the improved data, the authors add within MSA controls and re-estimate the model for central-city residents only to account for variation in supply and demand characteristics.
- The segregation discount falls (and loses significance, I think) for both renters and owners.
In the middle of the 20th century, segregation stemmed from collective actions taken by whites.

We see the result of these (sometimes) legitimized actions in the higher prices blacks paid for housing in segregated cities.

These collective actions became less important (and more illegal) over the next 50 years.

Segregation then resulted from decentralized white racism and white preference to live in white neighborhoods.

The result of this decentralized preference exercise is lower housing prices for blacks in segregated cities.
Segregation in the US seems to be going through a period of decline.

However, segregation across cities is very persistent and cities with high levels of segregation tend to stay high.

Larger cities also tend to exhibit higher levels of segregation.

In the middle of the century, the collective action racism theory explains much of the segregation (as opposed to the port of entry theory).

Later in the century, decentralized racism took over as barriers to integration were lifted and white households preferring to live in white neighborhoods had to bear the cost of their preferences in higher housing costs.