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# POLARIZATION, PLACE, AND RACE

GEORGE C. GALSTER\*

Horatio Alger lies dead in the city. For millions of Americans, the rags-to-riches fable has been reduced to ashes as surely as many neighborhoods in South Central Los Angeles. Prospects for resurrection appear to these masses increasingly dim. For none has this been more true than for racial-ethnic minority groups living in the central cities of our larger metropolitan areas. Economic opportunity increasingly has become a myth for these groups, because they have had to confront the massive industrial dislocations of the last two decades while bearing the twin burdens of place and race.

In a fundamental sense the success of the American experiment in democracy depends upon widespread public belief in both the principle and the presence of equal opportunity. Opportunity provides an ethical justification for inequality of economic outcomes. It encourages diligence, investment, and perseverance. It provides a source of optimism about the efficacy of individual efforts and the prospects for intergenerational social mobility. It legitimizes the entire social order.

Unfortunately, for too many of our inner-city residents, especially members of racial-ethnic minority groups, equal opportunity has become a sham due to intensifying and apparently permanent socioeconomic polarization. This Essay examines aspects of urban polarization along racial-ethnic lines, and considers how this polarization results both from place and race and what can be done about it.

The Essay begins by illustrating the extent and intransigence of racial polarization through a review of data on education, employment, and earnings from the last two decades.<sup>1</sup> The source of this polarization is explored by positing a conceptual model of individual decisionmaking

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1. When it is not awkward to do so, I will refer to racial-ethnic differences, not merely racial ones, in recognition of the fact that Hispanics may be of any race. This Essay focuses on differences among African Americans, Hispanics, and Anglos (non-Hispanic whites), because they are the predominant racial-ethnic groups in most American metropolitan areas. I will employ the aforementioned language whenever possible. When citing governmental statistics, however, I will employ their terminology: blacks, Hispanics, and whites. When the data so specify I will note whether whites are confined to Anglos or not. Finally, I recognize that the term Hispanic encompasses a wide array of national origins and groups of varied socioeco-

about crucial life choices. Central to this model is the notion that choices are rationally made within the constraints perceived by the decision maker. Thus, observed behaviors (educational attainment, labor force participation, etc.) that contribute to current and future socioeconomic status are not merely a product of a person's values and aspirations, but also of the personal and contextual constraints within which decisions are made. In the context of this model, metropolitan areas are complex webs of interrelated constraints—what I call the “opportunity structure.” The impact of the opportunity structure on any individual is mediated by the “place-race lens”: The severity of constraint depends on an individual's place of residence and his racial-ethnic status. Evidence on how both place and race affect opportunity will therefore be presented. Finally, the Essay outlines a policy approach that attempts to respond seriously to the problem diagnosed by the conceptual model of opportunity structure.

## I. RACIAL POLARIZATION IN EDUCATION, EMPLOYMENT, AND EARNINGS

Polarization among groups defined by racial and ethnic status can be measured along many dimensions. This Essay focuses on three crucial and interrelated dimensions of socioeconomic status: education, employment, and earnings. Each dimension embodies not only current wide interracial disparities, but also, typically, inequities that have persisted or even grown over the last two decades. The disparities are particularly striking in metropolitan areas.

### A. *Education*

Fundamental changes have taken place in the nation's economy in the past two decades, most dramatically the decline in high-wage manufacturing employment and the growth in both low- and high-wage service-sector employment. The burgeoning service-sector employment appears bifurcated: Jobs either provide inadequate pay, benefits, and chances for advancement, or they require considerable skill or substantial educational credentials.<sup>2</sup> Considering the increasing importance of edu-

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conomic success. Unfortunately, Census and other readily available data rarely disaggregate the Hispanic category, so I have been forced to follow a similar convention.

Editor's Note: The contributors to this symposium have used the terms “African American,” “black,” and “black American,” often interchangeably, in their articles. The *North Carolina Law Review* has elected to defer to its contributors' choices in the absence of any universally accepted racial or ethnic designation.

2. For more on industrial restructuring and its effects on educational requirements, see

cation, the statistics concerning interracial disparities in schooling are sobering.

Table 1 shows sixteen to nineteen year old secondary school dropout rates for whites, blacks, and Hispanics during the last two decades. While dropout rates for both whites and blacks have declined modestly, those for Hispanics have remained roughly the same. Interracial disparities in dropout rates can be seen either by taking ratios of figures or their differences; both are presented in this and subsequent tables. In both relative and absolute terms the black versus white gap in dropout rates narrowed slightly from 1972 to the mid-1980s, but has remained constant since then: By both measures it has widened progressively between Hispanics and whites. Today, black youths are 60% more likely and Hispanic youths are 290% more likely to drop out of secondary school than whites.

The situation is especially bleak for students in large, central city school districts. As shown in Table 2, the dropout rates in such districts are well above the national average of eleven percent. Indeed, the dropout rate in the nation's forty-seven largest urban school districts combined is almost twice the national average.<sup>3</sup> Not surprisingly, all these districts enrolled large majorities of nonwhite students.<sup>4</sup>

College completion rates, as shown in Table 3, also exhibit wide, rigid disparities. Higher fractions of all three racial-ethnic groups graduate from college now than twenty years ago. The fraction has grown in absolute terms more rapidly for whites, however, resulting in an ever-increasing disparity in completion rates for higher education, especially between whites and Hispanics.<sup>5</sup> The interracial differences in secondary school dropout rates explains this gap partially, but not completely. Even among high school graduates, college completion rates differ widely between races. For example, by 1989 only 11.8 % of black high school graduates had also graduated from college; the corresponding percentage

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John D. Kasarda, *Urban Industrial Transition and the Underclass*, 501 ANNALS AM. ACAD. POL. & SOC. SCI. 26 (1989).

3. See Mary Jordan, *Ills of Big-City Schools Tied to Lower Spending: Urban Districts Need More, Have Less*, WASH. POST, Sept. 23, 1992, at A3 (citing data from the Council of Great City Schools).

4. For a more complete analysis of contemporary conditions facing minorities in inner-city schools, see Edward W. Hill & Heidi M. Rock, *Race and Inner-City Education*, in THE METROPOLIS IN BLACK AND WHITE: PLACE, POWER, AND POLARIZATION 108, 108-27 (George C. Galster & Edward W. Hill eds., 1992) [hereinafter BLACK AND WHITE].

5. The apparent narrowing of the gap when expressed in relative terms is misleading here, because whites and Hispanics began with such a small base percentage in 1970.

for all persons was 21.1.<sup>6</sup>

### B. *Employment*

As in the case of educational attainment, conventional indicators of labor market activity have shown significant and steadfast racial-ethnic disparities over the past two decades. Table 4, for example, illustrates that for all three racial-ethnic groups, the percentage of their population sixteen years and older who are gainfully employed gradually has increased.<sup>7</sup> The gap between whites and Hispanics has remained around two percentage points throughout the period; an even larger gap of seven percentage points has persisted between whites and blacks.

Employment disparities appear even more dramatic when unemployment rates are examined. Table 5 shows, for example, that Hispanics' absolute unemployment rates consistently have remained at least three percentage points higher than the rates for whites. This translates into a relative difference of over 70%. The gap for blacks has been twice as large in both absolute and relative terms.<sup>8</sup>

Some of these differences in labor market activity are, of course, related to the aforementioned gaps in educational attainment. This is hardly the complete story, however, as Table 6 suggests. The upper panel of Table 6 shows that blacks and Hispanics of either gender have higher unemployment rates than whites of the same educational attainment. For black and Hispanic men, the gap in unemployment rates grows relatively higher as the educational attainment category increases. Place of residence also matters, as data in the bottom panel of Table 6 indicate. For black men and women and Hispanic women, the unemployment gap with whites is substantially higher among central city residents than among suburbanites.

### C. *Earnings*

For many Americans today, the socioeconomic bottom-line is represented by the third dimension of interracial polarization: earnings. Table 7 portrays the severe and amazingly persistent pattern of income

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6. BUREAU OF CENSUS, U.S. DEP'T OF COMMERCE, NO. 223, STATISTICAL ABSTRACT OF THE UNITED STATES: 1991, at 138 (111th ed.) [hereinafter STATISTICAL ABSTRACT 1991].

7. Note that those not employed may either be unemployed but looking for work, or not participating in the labor force.

8. John Blair and Rudy Fichtenbaum provide a more complete analysis of black-white differences in unemployment, underemployment, discouraged workers, and, especially, how they relate to the most disadvantaged subgroup of all: black male youth. See John P. Blair & Rudy H. Fichtenbaum, *Changing Black Employment Patterns*, in BLACK AND WHITE, *supra* note 4, at 72.

inequality among whites, blacks, and Hispanics. Consistently throughout the past two decades the median household income (in inflation-adjusted terms) of blacks has remained at about 59% of that earned by whites; the median figure for Hispanic income is 72% of that earned by whites. In absolute dollar differences, the black-white median income gap stands at over twelve thousand dollars, the Hispanic-white gap at over eight thousand dollars. Both gaps have grown in real terms during the past two decades.

Statistics on poverty rates paint a similar portrait. Table 8 shows that black families have maintained a poverty rate that is roughly three-and-a-half times (twenty percentage points higher than) the poverty rate of white families. By comparison, the Hispanic rate is roughly three times higher (sixteen percentage points more) than that of whites.

Once again, some of these interracial disparities can be traced to differences in educational attainment, but crucial gaps remain. In their pathbreaking study of earnings changes over the last decade, Harrison and Gorham found that the number of high-school educated blacks who worked in jobs paying less than the poverty level increased by 34%; for comparable whites, the figure was only 24%. Among college graduates, 20% of blacks in 1987 still earned under the poverty line, whereas only 17% of such whites did; 13% of blacks, as compared with 26% of whites, earned over \$35,000 annually.<sup>9</sup>

Taken collectively, the foregoing statistics paint a sobering picture of severe and persistent racial-ethnic disparities in the key educational, employment, and earnings factors affecting socioeconomic status. The following sections explore the cause of this situation.

## II. LIFE CHOICES: A CONCEPTUAL FRAMEWORK FOR UNDERSTANDING ACHIEVED STATUS

The central claim of this essay is that persistent racial-ethnic polarization in our metropolitan areas can be illuminated by positing a conceptual model of individual decisionmaking about crucial issues affecting socioeconomic status, a model of what I call "life choices." Central to this model is the notion that decisions are made rationally within the context of the constraints perceived by the decision maker. Thus, observed behaviors that contribute to current and future socioeconomic status (for example, labor force participation) are not merely a product of values and aspirations, but also of the personal and contextual constraints within which those decisions are made.

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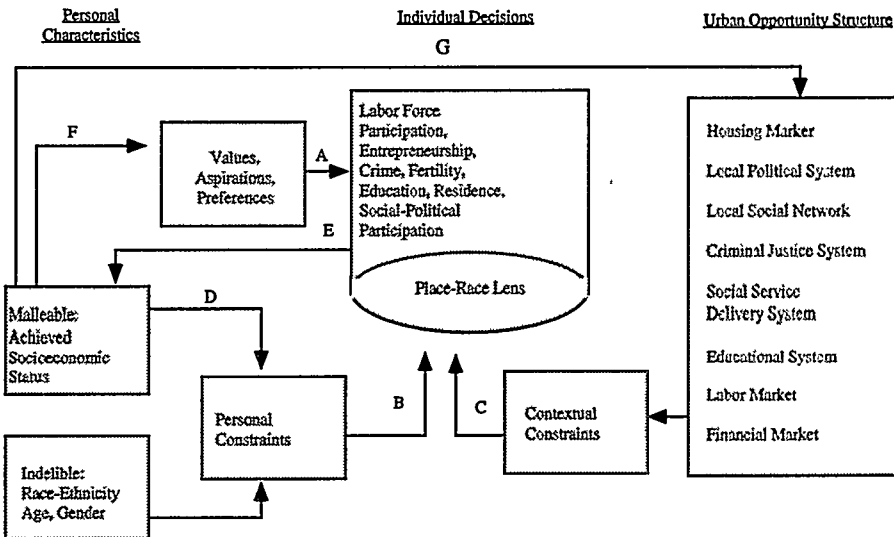
9. Bennett Harrison & Lucy Gorham, *What Happened to African-American Wages in the 1980s?*, in *BLACK AND WHITE*, *supra* note 4, at 56, 66.

This section first sketches a model of life decisions in which place and race form the primary constraints on individuals' feasible choices and on the payoffs they can reap from these choices. It next provides introductory descriptions of both place (the urban opportunity structure) and race (lingering racial-ethnic discrimination) dimensions of the urban scene.<sup>10</sup> The self-reinforcing aspects of the phenomenon are then considered. Finally, a realistic scenario illustrates the model.

A. Overview of Conceptual Framework

To improve their socioeconomic status and that of their children, individuals make many decisions relating to education, marriage, fertility, labor force participation, illegal activities, residential location, and socio-political participation. In making these life choices, individuals draw upon their values, aspirations, and preferences.<sup>11</sup> Factors such as honesty, diligence, respect for authority and traditional institutions, risk-aversion, and ability to plan and sacrifice for the future are relevant to these decisions.

Figure 1  
A Model of Life Decisions within Personal and Contextual Constraints



Personal and contextual constraints determine the feasibility of choosing certain options and the prospective benefits associated with

10. More detailed, quantitative analyses of place and race follow in Sections III and IV; see *infra* notes 23-114 and accompanying text.

11. See *infra* fig. 1, arrow A.

each feasible option.<sup>12</sup> Some personal constraints are indelible: age, gender, immigrant status, and especially race and ethnicity. Others are more malleable in that they are the product of previous choices (even though, once acquired, these attributes may no longer be malleable), such as employment, criminal activity, and education.<sup>13</sup>

Contextual constraints refer to the metropolitan structure as a whole and include such factors as local politics, social networks, criminal justice and social service systems, education, labor, housing, and financial markets.<sup>14</sup> This structure operates in dramatically varied ways across and within metropolitan areas, enhancing or eroding opportunities for socioeconomic advancement depending on one's place of residence.

Given their values, aspirations, preferences, and a set of perceived personal and contextual constraints, individuals make a series of life choices. In combination with the possible payoffs from those choices permitted by the constraints, the particular combination of choices made will produce some level of achieved socioeconomic status.<sup>15</sup>

Past choices and achievements may, in turn, reshape individuals' current aspirations and preferences. For example, the choice to raise children may intensify one's aversion to risky entrepreneurial ventures or one's weighing of school quality when searching for a different place to live. Similarly, if prior choices to seek legitimate employment consistently have been frustrated, one's ability to plan and invest for the future and one's respect for civil authority may wane.<sup>16</sup>

Finally, the urban opportunity structure itself is malleable over time. For example, the quality of the local public school system serving an individual's neighborhood constrains that individual's ability to gain skills. Yet, if many individuals decide to participate in a collective political process, the result may be a reallocation of fiscal resources to improve the local schools. The educational background of the parents of students living in the district also comprises an important element of constraint on school outcomes. Better-educated parents create more intellectually stimulating home environments, monitor more effectively the completion of homework, and demonstrate more interest in what goes on in school; hence the quality of the classroom environment should be improved for all students. If, therefore, in response to inferior public education, better-educated parents move out of the district or enroll their

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12. See *supra* fig. 1, arrows B and C.

13. See *supra* fig. 1, arrow D.

14. See *supra* fig. 1, arrow C.

15. See *supra* fig. 1, arrow E.

16. See *supra* fig. 1, arrow F.



children in private schools, the constraint on all parents who remain in the public school system tightens.<sup>17</sup>

*B. An Illustration of the Framework*

To render the model less abstract, consider the following illustration. Individuals derive income from three sources: earnings, transfers from household members, and government transfer payments. The amount and composition of income from these sources depend on life decisions about work, education, and family structure. Decisions about work are the first critical decisions that affect socioeconomic status. Most people who decide to participate in the labor force find jobs, but a small fraction enter unemployment, which usually lasts a few months.<sup>18</sup> Others suffer long spells of unemployment or drop out of the labor force entirely. Some of these people, and workers who earn very low wage rates, receive strong incentives to participate in criminal activities.

The particular labor force outcome will be influenced by the personal traits that the individual offers prospective employers. Those with less experience and fewer credentials are less likely to be hired for the better-paying positions and more likely to face unemployment. Moreover, women or racial minorities may have their experience and credentials subjectively downgraded in a discriminatory labor market.

Outcomes will also be influenced by residence. An individual's neighborhood may be distant from job opportunities, or may contain few role models of success achieved through diligent activities in the legal economy. Local social networks may be ineffective in transmitting information about potential jobs, and inferior local public services and schools may impair the health and education of potential workers.

A second set of life decisions that determine socioeconomic status are decisions about education. Success in finding high paying, full-time employment depends upon both the attributes applicants bring to the labor market and their educational credentials. Attainment of basic reading, writing, communication, and critical thinking skills also significantly affects earnings. Recent studies not only illustrate increases in wage premiums for workers with college degrees and work experience, but also show that earnings inequality has increased among workers with the same level of schooling and experience.<sup>19</sup> This suggests that employers

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17. See *supra* fig. 1, arrow G.

18. BUREAU OF CENSUS, U.S. DEP'T OF COMMERCE, NO. 635, STATISTICAL ABSTRACT OF THE UNITED STATES: 1992, at 399 (112th ed.).

19. Frank Levy & Richard J. Murnane, *U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Proposed Explanations*, 30 J. ECON. LITERATURE 1333, 1364 (1992).

are evaluating not only credentials, but also the quality of the learning students obtain in school and the quality of the experience young workers obtain in their first jobs.

Of course, one's choice of educational level depends on a host of personal and contextual constraints. The perceived payoff from any educational credential will be less for those who believe that their only feasible educational institutions are of low quality or that they will face discrimination in the labor market once they graduate.<sup>20</sup> Moreover, the feasible choice set of post-secondary educational institutions will be determined by the given state's and locality's investments in public higher education, availability of scholarships from public and private sources, and parental wealth.

Decisions about fertility comprise the third set of life decisions directly or indirectly affecting socioeconomic status. The direct effect occurs because fertility determines the number of dependents who rely on earnings and other sources of income (for example, government transfer payments). The indirect effect occurs because early fertility may reduce a parent's (usually the mother's) educational attainment<sup>21</sup> and work experience.

As with other life decisions, those regarding fertility are shaped by personal and contextual constraints. The individual's values and local cultural norms undoubtedly play a role. But the spatial context that specifies educational and employment opportunities also can be influential. A teenage girl may choose childbearing (coupled with welfare support) as the optimal course for personal fulfillment and socioeconomic stability if she believes there are no legitimate, well-paying job opportunities even for those who complete high school.

### C. *The Framework Applied to Racial-Ethnic Polarization*

Within the context of this overview of the conceptual framework, I return to the focus of this Essay: place, race, and urban polarization. Members of racial-ethnic minority groups disproportionately face an urban opportunity structure that substantially constrains their mobility across socioeconomic strata. Some of the most important place-based constraints include segregated housing; lack of positive role models as neighbors; limitations on capital; inferior public services; lower quality

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20. Even if expected earnings after discrimination would be higher with some particular educational credential than without it, discrimination may so lower its marginal benefit that it appears inferior to its marginal cost, especially relative to other alternatives.

21. Dawn M. Upchurch & James McCarthy, *The Timing of First Birth and High School Completion*, 55 AM. SOC. REV. 224, 231-32 (1990).

public education; more violent, drug-infested neighborhoods; and impaired access to employment and job-related information networks. As if these spatial penalties were not enough, racial-ethnic minorities face the additional burdens of discrimination in a variety of markets. Some forms of discrimination tend to lock minorities into particular spatial niches; others tend to erode the socioeconomic payoffs from certain choices and preclude other choices altogether. Put differently, minorities generally lag behind Anglos because the life choices they make, and the socioeconomic payoffs they gain from such choices are subjected to a more restrictive set of constraints. I call this phenomenon the "place-race lens."<sup>22</sup> To substantiate this claim, I develop more fully in the following section the notions of place and race in the context of the conceptual framework.

### III. PLACE: THE URBAN OPPORTUNITY STRUCTURE

As we have seen, "opportunity structure" means the geographically varying set of contextual constraints in a metropolitan area that limit personal and intergenerational socioeconomic advancement. This opportunity structure has eight key components: the housing market, political system, social system, criminal justice system, social service delivery system, educational system, labor market, and finance market.<sup>23</sup> Each of these components is considered below in the context of the constraints they may present disproportionately to racial-ethnic minorities.

#### A. *Housing Market*

The housing market component of the opportunity structure involves the construction, maintenance, alteration, and pricing of housing, local land use and building codes, and systems for the marketing and transfer of residential properties. Where one lives is perhaps the most fundamental component of the opportunity structure because it significantly influences every other component. Unfortunately, the racial dimension of American metropolitan housing markets may be summarized with two words: segregation and centralization.

Conventionally, segregation is measured with a "dissimilarity index" that shows how evenly various racial-ethnic groups are spread across neighborhoods within metropolitan areas. A score of zero on this index indicates that the proportion of any particular group is the same across all neighborhoods ("integration"); a score of 100 indicates that every neighborhood has residents of only one particular group ("com-

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22. *See supra* fig. 1.

23. *See supra* fig. 1.

plete segregation"). As Table 9 shows, virtually all of our major metropolitan areas where large numbers of minorities live are highly segregated. Although there have been modest reductions in white-black and Anglo-Hispanic segregation since 1980, there has been little change since 1960.<sup>24</sup>

Moreover, minorities not only tend to live apart from whites, but their residences tend to cluster in or near the older, core municipality of the metropolitan area. Even though more minorities than ever live in suburban areas, they remain relatively as clustered near the core as ever, because whites have increasingly moved out of the core and inner-ring suburbs into metropolitan fringes.<sup>25</sup>

The causes of this phenomena are complex. Suffice it to note here that interracial economic disparities, housing stocks increasingly separated into homogeneous value or rent groupings, most Anglos' preferences for predominantly Anglo neighborhood racial composition, and illegal racial discrimination all contribute.<sup>26</sup>

More importantly, both segregation and centralization erect distinct obstacles to the socioeconomic advancement of minorities. Segregation can contribute to inter-group disparities in at least four ways.<sup>27</sup> First, separate informal networks and formal institutions serving the minority community, because they have a narrower scope and base of support, will have fewer financial, informational, and human resources upon which to draw; therefore, they will offer inferior options for the development of human capital and the discovery of alternative employment possibilities. Second, isolation can encourage and permit the development of distinct subcultural attitudes, behaviors, and speech patterns that may impede success in the mainstream world of work, either because they are counterproductive in some objective sense or because they are perceived to be so by prospective white employers. Third, an identifiable, spatial labor market may be formed in the minority community and attract employers offering only irregular, low-paying, dead-end jobs. Fourth, inter-

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24. Compare *infra* tbl. 9 with A COMMON DESTINY: BLACKS AND AMERICAN SOCIETY 78-79 tbls. 2-5 (Gerald Jaynes & Robin Williams eds., 1989) [hereinafter A COMMON DESTINY].

25. George C. Galster, *Black Suburbanization*, 26 URB. AFF. Q. 621, 625-26 (1991).

26. For a more complete discussion of these causes and a review of the evidence, see George C. Galster, *Research on Discrimination in Housing and Mortgage Markets: Assessment and Future Direction*, 3 HOUSING POL'Y DEBATE 639 (1992) [hereinafter Galster, *Research on Discrimination*].

27. For a more complete discussion of these four factors, including supporting empirical evidence, see George C. Galster, *A Cumulative Causation Model of the Underclass: Implications for Urban Economic Development Policy*, in BLACK AND WHITE, *supra* note 4, at 190 [hereinafter Galster, *A Cumulative Causation Model*].

racial competition and suspicions are abetted, encouraging the formation of discriminatory barriers in many markets, as we shall see below.

The primary means by which the centralized pattern of minority residence affects minority well-being are two-fold. First, minorities' employment opportunities will be restricted in light of progressive decentralization of jobs (especially those paying decent wages with only modest skill requirements) in metropolitan areas. The ability of minorities both to learn about and commute to jobs declines as proximity to them declines.<sup>28</sup> Second, as discussed below, minorities living in central cities more likely confront financially distressed municipalities and public school systems. This means that inferior public services and high tax rates may be the unenviable situation facing centralized minorities.

The statistical evidence makes clear that the constraints imposed by segregation and centralization significantly affect minority households. One study estimated, for example, that racial segregation increases by as much as 33% the probability that a young black man does not work, and by as much as 43% the probability that a young black woman heads a single-parent family.<sup>29</sup> Other studies found that if segregation were cut by 50%, the median income of black families would rise 24%,<sup>30</sup> the dropout rate would fall by over three-fourths, and poverty rates for black families would drop 14%.<sup>31</sup>

### B. Political System

The political system refers to the structure of local political jurisdictions, their fiscal capacities, and the types of power exerted in them by minority groups. A notable feature of most American metropolitan areas is their jurisdictional fragmentation: numerous municipalities, school districts, counties, and special-purpose districts subdividing the landscape into a complex, sometimes overlapping patchwork of jurisdictional boundaries.

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28. For a recent review, see John F. Kain, *The Spatial Mismatch Hypothesis: Three Decades Later*, 3 HOUSING POL'Y DEBATE 371 (1992).

29. Douglas S. Massey et al., *Segregation, the Concentration of Poverty, and the Life Chances of Individuals*, 20 SOC. SCI. RES. 397, 415 (1991).

30. George C. Galster & W. Mark Keeney, *Race, Residence, Discrimination, and Economic Opportunity*, 24 URB. AFF. Q. 87, 108 (1988).

31. George C. Galster, *Housing Discrimination and Urban Poverty of African-Americans*, 2 J. HOUSING RES. 87, 113 (1991) [hereinafter Galster, *Housing Discrimination*]; see also Richard Price & Edwin Mills, *Race and Residence in Earnings Determination*, 17 J. URB. ECON. 1 (1985) (providing estimates on the effects of segregation). Earlier studies have also identified correlations between segregation, centralization, and black-white occupational disparities. See George C. Galster, *Residential Segregation and Interracial Economic Disparities: A Simultaneous Equations Approach*, 21 J. URBAN ECON. 22 (1987), and the literature reviewed therein.

This fragmentation constrains minorities primarily by intensifying income-class spatial segregation and attendant fiscal disparities among jurisdictions. Middle-income and upper-income suburbs limit the residential options of lower-income households by adopting restrictive land-use and housing policies. This residential segregation of income classes by jurisdiction creates large disparities in fiscal capacity, especially when coupled with increasingly aggressive competition for employment among districts.<sup>32</sup> In turn, because of the economic polarization between whites and minorities, income-class segregation in the context of jurisdictional fragmentation ultimately constrains the quality of education and other public services and the number of municipal employment options available to minorities. The coincidence of race and class segregation produces powerful racial effects as well, as we shall see below.

The political coalitions that control local governments can have significant influences on urban opportunities through their hiring practices, regulations, and contract awards. Minority power in urban governance varies dramatically from city to city. Further, the ability of minorities to convert power into avenues for economic advancement for large numbers of their constituents also varies widely across cities.<sup>33</sup>

### C. *Social Systems*

Social systems consist of voluntary associations and social institutions at the neighborhood level, interpersonal networks, and community norms and values. An individual's neighborhood can provide a variety of institutional and interpersonal contacts that promote social mobility. Informally, neighbors can provide both information about educational or employment opportunities and also implicit support for norms and behaviors conducive to advancement. Formal association within the community can play an important role in stabilizing and mobilizing economic, social, and psychological resources for advancement.

Quantification of local social systems is problematic. Nevertheless, numerous qualitative studies have concluded that, in minority neighborhoods of many metropolitan areas, these social systems have become (or are rapidly becoming) dysfunctional.<sup>34</sup> In these areas, kin, friends, and

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32. Daphne A. Kenyon, *Interjurisdictional Tax and Policy Competition: Good or Bad for the Federal System?* (Feb. 29, 1988) (Paper submitted to the U.S. Advisory Comm. on Intergovernmental Relations, Feb. 1988).

33. See RUFUS BROWNING ET AL., *PROTEST IS NOT ENOUGH* (1984); Georgia A. Persons, *Racial Politics and Black Power in Cities*, in BLACK AND WHITE, *supra* note 4, at 166.

34. This appears most strongly to be the case in large central cities of the Northeast and Midwest, and in African-American areas. See George E. Peterson & Adele V. Harrell, *Introduction: Inner-City Isolation and Opportunity*, in DRUGS, CRIME AND SOCIAL ISOLATION:

community organizations are becoming less able to provide the material assistance needed to prevent serious spells of poverty, or even hopelessness, in times of temporary financial distress.<sup>35</sup> Some researchers envision an exodus of middle-income minority residents from neighborhoods inhabited by lower-income residents, leaving the latter bereft of role models to raise aspirations and legitimize participation in the labor force.<sup>36</sup> Others see crack cocaine as debilitating many potential role models and overwhelming extended kinship support networks.<sup>37</sup>

In their pathbreaking investigation, Fernandez and Harris analyzed data on a variety of social contacts by African Americans living in Chicago census tracts in which 20% or more of the residents were classified as poor.<sup>38</sup> They found that, independent of an individual's economic status, the percentage of poor residents in a neighborhood provided an important determinant of a variety of social contacts. African-American women living amid concentrations of low income people had fewer church contacts, less frequent and deep interpersonal contacts, and a smaller percentage of "mainstream" friend—those who were well-educated, employed, and not on public assistance. African-American males demonstrated a similar relationship for contacts with political and social institutions and "mainstream" friends.<sup>39</sup> As an illustration of the magnitude of these powerful neighborhood effects, nonworking poor men and women who lived in a tract with no other poor individuals had roughly a quarter of their friends on public assistance. If they lived in a tract comprised completely of poor individuals, however, nearly two-thirds of their friends were on public assistance.<sup>40</sup>

The foregoing points to the importance of concentrations of low-income people—regardless of an individual's own income—in shaping local social networks. Because of increasing spatial concentrations of lower-income minority populations, minorities comprise a disproportion-

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BARRIERS TO URBAN OPPORTUNITY 1, 10-12 (George E. Peterson & Adele V. Harrell eds., 1992) [hereinafter DRUGS, CRIME AND SOCIAL ISOLATION].

35. Robert Taylor et al., *Parents, Children, Siblings, In-Laws and Non-Kin as Sources of Emergency Assistance to Black Americans*, 37 FAM. REL. 298 (1988).

36. WILLIAM J. WILSON, *THE TRULY DISADVANTAGED* 7-8 (1987).

37. Eloise Dunlap, *The Impact of Drugs on Family Life and Kin Networks in the Inter-City African-American Single-Parent Households*, in DRUGS, CRIME AND SOCIAL ISOLATION, *supra* note 34, at 181, 203-04; Ansley Hamid, *Drugs and Patterns of Opportunity in the Inner-City: The Case of Middle-Aged, Middle-Income Cocaine Smokers*, in DRUGS, CRIME AND SOCIAL ISOLATION, *supra* note 34, at 209, 238.

38. Roberto M. Fernandez & David Harris, *Social Isolation and the Underclass*, in DRUGS, CRIME AND SOCIAL ISOLATION, *supra* note 34, at 257, 265-69.

39. *Id.* at 288 tbl. 9.16.

40. *Id.* at 279 tbl. 9.11. Note that all classes had aspects of their social interaction diminished by increased neighborhood poverty concentrations. *Id.*

ate share of socially isolated neighborhoods.<sup>41</sup> Put differently, urban minorities are much more likely to have more low-income neighbors than urban whites, even when the minorities and whites are of the same socioeconomic status. This means a greater erosion of social networks for minorities, and thus a more limiting set of constraints on their ability to use networks to achieve gains in socioeconomic status. Deleterious effects on the local school systems also result, as discussed in subsection F.

#### D. Criminal Justice System

The criminal justice component of the urban opportunity structure includes police and court procedures and resources, local legal sanctions, sentencing practices, and community-based security efforts. The criminal justice system in many urban neighborhoods seems to be caught in a dilemma, either branch of which constrains the economic opportunities of some individuals. On the one hand, police and community efforts have failed to control rampant violence, most often associated with the drug trade. Such violence can erode social networks and discourage residents from working because of fear of leaving their homes. On the other hand, concentrated policing of such areas and subsequent stiff sentencing practices may have criminalized many (particularly youthful) offenders who should have been treated less harshly. By exposing offenders to the brutality of the prison system and branding them with criminal records, the criminal justice system may severely limit the future life choices of these individuals. Consider more fully both sides of the dilemma.

African Americans and Hispanics have been disproportionately victimized by crimes against persons for at least the past two decades.<sup>42</sup> In 1988 roughly eight out of 100,000 white males were the victim of a homicide, while 58 out of 100,000 black males were victims. The comparable figures for white and black females were 3 and 13, respectively.<sup>43</sup>

The above statistics can be traced to a complex amalgam of deprivation, unravelling social networks, gang-related activities, and the use and trafficking of drugs, especially crack cocaine.<sup>44</sup> Indeed, the spatial coincidence of minority poverty concentrations, violent crimes, and criminal drug use and trafficking is notable. In Washington, D.C., for example,

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41. John D. Kasarda, *The Severely Distressed in Economically Transforming Cities*, in DRUGS, CRIME AND SOCIAL ISOLATION, *supra* note 34, at 45, 51-56; Douglas Massey & Mitchell Eggers, *The Ecology of Inequality*, 95 AM. J. SOC. 1153 (1990); Peterson & Harrell, *supra* note 34, at 1.

42. *See infra* tbl. 10.

43. STATISTICAL ABSTRACT 1991, *supra* note 6, No. 297, at 179.

44. Jeffrey Fagan, *Drug Selling and Elicit Income in Distressed Neighborhoods*, in DRUGS, CRIME AND SOCIAL ISOLATION, *supra* note 34, at 99, 137.



arrests for drug use or possession in 1980 were six times higher per capita in neighborhoods having more than 40% of their residents below the poverty line than in nonpoverty areas. From 1980 to 1988 the increase in per capita drug arrest rates was eight times greater in the former areas. Violent crime rates in these concentrated poverty neighborhoods were three times higher than those in nonpoverty neighborhoods in 1980; the increase in such crimes in the poverty areas was almost five times greater from 1980 to 1988.

The confluence of violence and drugs in certain minority-occupied neighborhoods creates a host of interlocking constraints on residents' ability to enhance their socioeconomic status through legitimate means. As noted above, isolation from middle class role models increases as "old heads" (middle-aged males formerly working full time in the legitimate economy) are siphoned off into the world of crack dependency, at the same time that new role models come to the fore as wealthy, glamorous drug lords. Kin networks are shredded by prolonged exposure to members who abuse drugs; perversely, some kin networks serve as conduits for teaching drug-culture norms to youths.<sup>45</sup> Other residents of these crime-ridden neighborhoods limit their social contacts and labor force participation out of fear of violent crimes. Still others have their accumulated financial and human resources pillaged by property and personal crimes. There thus appears to be an urgent need to fight crime and drugs. Unfortunately, the way our society has chosen to carry out the fight—selective neighborhood police sweeps coupled with stiff mandatory prison sentencing—has produced unintended consequences that impose almost insuperable constraints on many minority youths.

A variety of studies have documented the staggering racial differentials in arrest and incarceration rates. In New York State in 1990, for example, 23% of African-American males aged eighteen to thirty-five were under criminal justice supervision (in jail, awaiting trial, being sought for arrest, or on probation or parole); the comparable figure for white males was 3%.<sup>46</sup> In major urban areas the figures are even more dramatic: 42% of the eighteen to thirty-five year-old African-American men in the District of Columbia and 56% of them in Baltimore were under criminal justice supervision on an average day during 1991.<sup>47</sup> Sev-

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45. Dunlap, *supra* note 37, at 181.

46. Jason DeParle, *DC's Black Men Swept Up By Criminal Justice System*, CLEV. PLAIN DEALER, Apr. 19, 1992, at A12 (citing Study by Correctional Association of New York and New York State Coalition for Criminal Justice); see also A COMMON DESTINY, *supra* note 24, at 498 (finding that "[b]lacks have much higher arrest rates, convictions, and imprisonment rates than whites for criminal offenses").

47. See DeParle, *supra* note 46, at A12; see also *Baltimore Report Lambastes U.S. Drug*

enty-three percent of those booked by the Cook County (Chicago) Department of Corrections in 1989 were blacks and 9% were Hispanics. During 1989, 29% of the county's black male population aged twenty to twenty-nine were jailed at least once, compared to 6% of Hispanics, and 4% of white males of similar ages.<sup>48</sup>

The psychological consequences of prolonged incarceration and stigmatization are probably profound, although difficult to measure. More easily quantified is the employment effect. Freeman's analysis of 1980 National Youth Survey data revealed that 50% of those sampled who were in jail or on probation were employed in at least one month during the six months prior to incarceration, but only 10% were employed during any of the three months afterward.<sup>49</sup>

### E. Social Service Delivery System

The social service delivery system consists of public and private charities, bureaus, and the social welfare benefit systems they administer. Primarily ignited by the work of Murray,<sup>50</sup> a debate has raged about whether welfare systems have produced the perverse, unintended consequence of encouraging choices that lead to poverty. Murray argued that 1960s-era welfare programs (especially AFDC) encouraged out-of-wedlock childbearing, discouraged women from marrying, and discouraged men from accepting low-pay/low-benefit jobs. Although Murray's analysis has been convincingly criticized, subsequent investigations indicate that at least some of his conclusions are supported, especially for urban African Americans.

Of most relevance for the present purpose is the work of Eggers and Massey, who construct a structural model of welfare, labor force participation, family formation, and earnings across a 1980 sample of large metropolitan areas.<sup>51</sup> They find both strikingly similar and dissimilar relationships for whites, blacks, and Hispanics. Higher welfare payments seemed to raise whites' and Hispanics' male and female employment rates, lower blacks' male and female employment rates, and increase the

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War, ASSOCIATED PRESS, Sept. 2, 1992, at D7 (noting that at least one commentator views the "War on Drugs" as racially biased) [hereinafter *Baltimore Report*].

48. Gary Orfield, *Urban Schooling and the Perpetuation of Job Inequality in Metropolitan Chicago*, in URBAN LABOR MARKETS 161 (George Peterson & Wayne Vroman eds., 1992).

49. A "control" group had no change in employment during the period. See Richard B. Freeman, *Crime and the Employment of Disadvantaged Youths*, in URBAN LABOR MARKETS, *supra* note 48, at 201.

50. CHARLES MURRAY, *LOSING GROUND: AMERICAN SOCIAL POLICY, 1950-1980* (1984).

51. Mitchell Eggers & Douglas Massey, *The Structural Determinants of Urban Poverty*, 20 SOC. SCI. RES. 217, 232-52 (1991).

proportion of female-headed families for all three groups. The last effect was about five times greater for blacks and four times greater for Hispanics than among whites, however. A metropolitan area with a \$1,000-higher annual welfare benefit package would be predicted to have a two percentage point-higher rate of minority female-headed families. In turn, an increase by 10% in the rate of female headship translated into \$2,900, \$1,500, and \$2,900 declines in median family incomes for whites, blacks, and Hispanics, respectively. When all employment and family effects were combined, however, the impact of the value of welfare benefits on the proportion of poverty was virtually nil for Hispanics, somewhat positive for whites, and most positive for blacks. The relative magnitudes of these effects were 1:2:5, respectively.<sup>52</sup>

This study strongly suggests that the social service delivery system is an important element shaping constraints and incentives in the urban opportunity structure, although it does not reveal precisely what behaviors it influences. Other studies suggest that welfare has little impact on fertility decisions, but that it can discourage remarriage after divorce, increase the probability of divorce among women with children, and raise the propensity of unwed mothers to form independent households.<sup>53</sup> Furthermore, the evidence implies that the effects of the social service delivery system are not uniform, but can help explain durable racial-ethnic inequalities in socioeconomic status.

#### F. Educational System

The educational system includes public and private elementary and secondary schools, and their associated bureaucracies and parent-teacher organizations. Education is a complicated channel for upward mobility. Numerous schooling choices exist, and different subgroups of the urban population favor different paths. It appears that choices of public versus private schools, various public school districts, and courses of study within a particular school all affect academic achievement and the likelihood of labor market success.<sup>54</sup> The possibility of exercising choice (by migration to the suburbs, enrollment in a private school, selection of a more academically oriented curriculum) often seems remote for urban

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52. *Id.* at 235.

53. *See id.* at 252 (reviewing recent studies).

54. *See* Karl Alexander & Aaron Pallas, *School Sector and Cognitive Performance*, 58 SOC. EDUC. 115 (1985); Eric Hanusheck, *The Economics of Schooling*, 24 J. ECON. LITERATURE 114 (1986); Thomas Hoffer, *Achievement Growth and Catholic Schools*, 58 SOC. EDUC. 74 (1985).

minority groups, however.<sup>55</sup> The result is a set of educational constraints profoundly differentiated by race and ethnicity.

Enrollment patterns reveal one dimension of this differentiation. Dissimilarity indices of the degree of segregation between school districts for selected metropolitan areas for the 1989-1990 school year are presented in Tables 11 and 12. These figures reveal that black students are generally more unevenly distributed across districts than are Hispanic students, but that both minority groups are highly segregated from Anglos across school districts, in rough correspondence to their degree of residential segregation.<sup>56</sup> But where are minority students predominantly concentrated? Nationally, two-thirds of African-American students and nearly half of other minority students attend primary and secondary schools in central city districts, whereas less than a quarter of white students do so.<sup>57</sup> In the Chicago metropolitan area in 1990, three of every four black children and two of every three Hispanic children attended the Chicago public schools; only one in twenty white children did so.<sup>58</sup>

Thus, the educational constraints facing the vast majority of white students are quite different from those facing African-American and Hispanic students. Moreover, the educational opportunities of African-American and Hispanic students are intimately connected to inner-city districts in the largest metropolitan areas. Unfortunately, these districts tend to be racially, economically, and socially isolated as well as inferior providers of education on several counts.

Today in the forty-seven largest central city school districts, whites comprise only 25% of the student population, on average, while African Americans comprise 42% and Hispanics 27%. Although the student population in these districts accounts for only 13% of the nation's enrollment, it includes 25% of students from homes below the poverty level and 32% of those for whom English is a second language.<sup>59</sup> Across metropolitan Chicago high schools, there was a .92 correlation in 1986 between the percentage of African-American and Hispanic students and the percentage of students from low-income households. Although no

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55. See A COMMON DESTINY, *supra* note 24, at 329-89; Joe Darden et al., *Civil Rights in Metropolitan America*, 14 J. URB. AFF. 476-81 (1992); Hill & Rock, *supra* note 4, at 108.

56. The metropolitan areas with the two lowest levels of school segregation (Charlotte, North Carolina and Jacksonville, Florida) were subject to court-ordered, cross-district integration plans. See GARY ORFIELD, PUBLIC SCHOOL DESEGREGATION IN THE U.S., 1968-1980, at 180 tbl. 21 (1983) [hereinafter PUBLIC SCHOOL DESEGREGATION].

57. Hill & Rock, *supra* note 4, at tbl. 7.3.

58. Orfield, *supra* note 48, at 163-64.

59. Jordan, *supra* note 3, at A3 (citing data from Council of Great City Schools).

predominantly white elementary schools in the area had as many as one-third low-income students, nine-tenths of elementary schools that were over 90% African-American or Hispanic had a majority of low-income students.<sup>60</sup>

Thus, racial and economic segregation in the housing market is producing racial and economic segregation in the educational system and social systems. These systems place greater limits on the educational achievement and attainment of poor children from African-American and Hispanic families because these children have less contact with children from nonpoor families.<sup>61</sup> Racial segregation makes it more difficult for nonpoor minority children to build on their parents' progress toward upward social mobility, because the critical mass that influences their education and social systems is more heavily influenced by children from poor families.<sup>62</sup>

Finally, race and income segregation in housing markets and in the education and social systems also can make it harder for minority children to acquire the "soft skills" valued in the labor market. These skills, especially styles of communication and methods of relating interpersonally, likely are derived from social patterns prevailing in white, middle-class culture. Children first may learn communication and interpersonal skills from family members and neighbors. Schools give children a second chance to learn these skills, however, because students interact with schoolmates from other families and neighborhoods. The opportunity structure appears to provide poor white children with opportunities for economic integration in the school and neighborhood, but typically to deny these opportunities to minority children. That is, minority children have little exposure at home or in school to patterns that set the standard for workplace communication and interpersonal relationships. These children may therefore develop alternative patterns that may serve them well on the streets, but hinder them in the workplace.<sup>63</sup>

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60. Orfield, *supra* note 48, at 165.

61. See Christopher Jencks & Susan Mayer, *The Social Consequences of Growing Up in a Poor Neighborhood*, in *INNER-CITY POVERTY IN THE U.S.* 187 (Laurence Lynn & Michael McGeary eds., 1990); Ronald Mincy, *Underclass Variations by Race and Place*, in *NEW PERSPECTIVE ON RACIAL ISSUES IN METROPOLITAN AREAS* (Jerome Kaufman & Karl Taubman eds., forthcoming 1993).

62. Wilson argues that, ironically, the involuntary confinement of middle class minorities in the ghetto, while harming them, may aid their lower income brethren. WILSON, *supra* note 36, at 1-10, 46-62. For an empirical test of this, see Galster, *Housing Discrimination*, *supra* note 31, at 87.

63. Eileen Blechman, *Mentors for High-Risk Minority Children* (Jan. 1991) (Paper presented at the Conference on Mentoring Program Structures for Young Minority Males, Urban Institute, Washington, D.C.); Katherine Neckerman, *What Getting Ahead Means to*

Inner-city schools are inferior in other resource dimensions as well. Compared to suburban districts, the forty-seven largest urban districts spend \$873 less per pupil,<sup>64</sup> fiscal disparities between individual districts can be even more dramatic.<sup>65</sup> Inner-city students' teachers are, on average, less well-prepared, come from inferior colleges, and are fewer in number in several critical subject areas. The same is true of guidance counselors.<sup>66</sup>

In combination, the aforementioned limitations on social, financial, and human resources produce the expected inferior performance outcomes. For example, the "nonselective segregated high schools" serving about two-thirds of Chicago's students graduated only 8% of their students with a reading ability at the national norm level.<sup>67</sup> Nine out of ten Cleveland students (the vast majority of whom are minorities) failed the state proficiency exam in 1991.<sup>68</sup> Not surprisingly, disproportionate numbers of minority students find dropping out to be a rational decision in light of such school quality, as demonstrated in Table 2. Perhaps most damning of all, many employers appear to be writing off graduates of inner-city school systems as prospective employees. Minority students who pursue college find the combination of inferior training and limited exposure to whites a deterrent to remaining in college. Thus, not only have the gaps between African-American and Hispanic college entrance rates been rising during the 1980s, but so have the gaps in college completion rates.<sup>69</sup>

### G. Labor Market

The labor market component of the urban opportunity structure refers to the number of jobs and the distribution of employment by industrial and occupational category, location, skill requirements, advancement potential, on-the-job training, wages, and benefits. The metropolitan labor markets have been characterized in recent decades by de-industrialization and decentralization.

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Employers and Disadvantaged Workers (1991) (Paper presented at the Urban Poverty and Family Life Conference, University of Chicago, Chicago, Illinois).

64. Jordan, *supra* note 3, at A3.

65. JONATHAN KOZOL, *SAVAGE INEQUALITIES* (1991).

66. Orfield, *supra* note 48, at 166-70.

67. *Id.* at 166.

68. Norman Krumholz, *Developing Nightmare*, CLEV. PLAIN DEALER, June 3, 1992, at C3. In 1980, 67% of Cleveland public school children were African-American; 4% were Hispanic. PUBLIC SCHOOL DESEGREGATION, *supra* note 56, at 77 tbl. 20.

69. Orfield, *supra* note 48, at 170-72. Orfield also notes that both the rates of entrance and completion for blacks and Hispanics fell during the 1960s while they were rising for whites. *Id.*

Fundamental changes have taken place in the nation's economy in the last two decades, most dramatically represented by the decline in high-wage manufacturing jobs and the growth in both low- and high-wage service-sector employment. From 1967 to 1987, for example, Chicago lost 60% of its manufacturing jobs, Detroit lost 51%, New York City 58%, and Philadelphia 64%. These four cities have the most severe concentrations of minority poverty. In these same central cities, moreover, service-sector job growth was dramatic.<sup>70</sup> A concomitant rise in the educational requirements of many jobs has reduced the demand for low-skilled labor. The same cities cited above experienced a similarly severe loss of jobs held by those with only a high school diploma or less.<sup>71</sup>

Given that African Americans and Hispanics are concentrated in the lower end of the educational distribution, the burdens of this industrial restructuring have fallen most heavily on them.<sup>72</sup> In large North-eastern central cities in 1968-70, only 19% of black males age sixteen to sixty-four without high school diplomas were not working; by 1986-88 this figure had risen to 44%. The comparable figures for whites were 15% and 36%, respectively.<sup>73</sup> In large Midwest central cities the percentage of black males with no diploma who were not working rose from 24% in 1968-70 to 58% in 1986-88; the comparable figures for whites were 12% and 39%, respectively.<sup>74</sup>

The decentralization aspect of the urban labor market refers to the fact that the remaining manufacturing jobs progressively have shifted to suburbs and small towns. These shifts, coupled with the continuing concentration of minorities near the urban cores, has created a spatial mismatch on top of the skills mismatch. Potential minority workers' opportunities both to learn about and commute to jobs declines as their proximity to them declines, as noted above. Minorities living in the suburbs apparently have overcome this mismatch problem. As evidence of this, the rate of joblessness among black males with no diploma actually

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70. Sunbelt cities generally experienced smaller losses in center city manufacturing employment. See James H. Johnson, Jr. & Melvin L. Oliver, *Structural Changes in the U.S. Economy and Black Male Joblessness: A Reassessment*, in URBAN LABOR MARKETS, *supra* note 48, at 122-33; Kasarda, *supra* note 41, at 67-74.

71. Kasarda, *supra* note 41, at 77 tbl. 3.13.

72. For a more complete review of the evidence, see Philip Moss & Chris Tilly, *Why Black Men Are Doing Worse in the Labor Market: A Review of Supply-Side and Demand-Side Explanations* 32-79 (July 1991) (Paper prepared for the Social Source Research Council, Subcommittee on Joblessness and the Underclass).

73. The cities were Boston, Newark, New York, Philadelphia, and Pittsburgh. Kasarda, *supra* note 41, at 78 tbl. 3.14.

74. The cities were Cleveland, Chicago, Detroit, Milwaukee, and St. Louis. *Id.*

decreased from 1980 to 1986 in the suburbs of the same Northeast and Midwest metropolitan areas cited above.<sup>75</sup> Although the empirical significance of the mismatch hypothesis has been much debated,<sup>76</sup> there seems little doubt that labor market opportunities are becoming more strongly differentiated over space in ways that place African Americans and Hispanics in ever-more disadvantageous positions.

#### H. Finance Market

The final component of the urban opportunity structure involves the institutions that make loans for starting, expanding, or acquiring businesses, or buying, building, or renovating residential properties. One strategy for enhancing socio-economic status that skirts the urban labor market is self-employment in small business. Successful pursuit of this route depends critically on the entrepreneur's education and personal financial resources, and therefore it is no surprise that rates of self-employment are much lower for minorities.<sup>77</sup> Capital constraints, however, remain the single largest obstacle to African Americans and Hispanics starting businesses; Asian-American entrepreneurs appear to have fewer capital constraints.<sup>78</sup>

Part of the limitation on capital is, of course, due to the aforementioned inferiority in education and personal assets. Even taking into account for those and other differences, however, it appears that bankers are less willing to lend to a borrower whose business is located in a minority community.<sup>79</sup> Additional lending barriers have been created by the numerous recent bank mergers, because many smaller operators located in minority communities that were prime sponsors of new businesses have been eliminated. Banks that remain in these communities but are owned by large conglomerates may have less sensitivity or commitment to local entrepreneurs.<sup>80</sup> In sum, it appears that the commercial

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75. *Id.*

76. See, e.g., Harry Holzer & Wayne Vroman, *Mismatches and the Urban Labor Market*, in URBAN LABOR MARKETS, *supra* note 48, at 81, 86-91; Johnson & Oliver, *supra* note 70, at 113-49; Kain, *supra* note 28, at 373-452.

77. See TIMOTHY BATES, MAJOR STUDIES OF MINORITY BUSINESS (1990); Timothy Bates & Constance R. Dunham, *Facilitating Upward Mobility Through Small Business Ownership*, in URBAN LABOR MARKETS, *supra* note 48, at 239, 249-69.

78. Bates & Dunham, *supra* note 77, at 266-68 tbls. 7.8-7.9.

79. Timothy Bates, *Small Business Viability in the Urban Ghetto*, 29 J. REGIONAL SCI. 625, 635-37 (1989).

80. Joint Ctr. for Political and Economic Studies, *Can America Solve its Biggest Problems?*, 20 FOCUS 2, 2-10 (1992) (citing Jennifer Henderson, Center for Community Change).



finance market offers a different set of opportunities for entrepreneurs depending on the race of the owner and the location of the operation.

The ability to accumulate wealth in the form of home equity depends similarly on the availability of mortgage loans. The mortgage market (in combination with the housing market) will determine the degree to which renters can become homeowners, and homeowners can make capital gains and move up to higher-priced homes. Access to such residential options not only influences the likelihood of acquiring an asset that will appreciate,<sup>81</sup> but also influences access to neighborhoods possessing social networks, good public education, and job opportunities that promote upward social mobility.

Many studies have shown that African-American and Hispanic neighborhoods receive a disproportionately small flow of mortgage loans, even controlling for a variety of factors that serve as proxies for the residential financing demand.<sup>82</sup> There are numerous reasons for this.<sup>83</sup> Lenders may not be effective in developing loan products, marketing them, and locating branch offices in ways that attract minority applicants. Minority mortgage applicants tend to have smaller down payments and weaker employment and credit histories than their white counterparts, resulting in their higher rates of denial.<sup>84</sup> Underwriting standards employed by lenders may disproportionately impact minority borrowers by discouraging loans in transitional neighborhoods and those with mixed land uses.<sup>85</sup> And, as discussed below, there is mounting evidence of intentional racial-ethnic discrimination in the underwriting process. Again, these factors coalesce to present spatially differentiated opportunities to obtain financing.

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81. For evidence on differential home appreciation rates depending on neighborhood racial composition, see John Simonson & Barbara Lipman, *Home Price Appreciation in Central City Low-Income Neighborhoods: Closing Off an Avenue of Upward Mobility?* (May 1991) (The Urban Institute Conference Paper, presented at the Conference on Housing Markets and Residential Mobility, Airlie, Virginia, May 20-21, 1991).

82. See Katharine Bradbury et al., *Geographic Patterns of Mortgage Lending in Boston, 1982-87*, 1989 *NEW ENG. ECON. REV.* 3, 18-39; Anne B. Shlay et al., *Racial Barriers to Credit: Comment on Hula (UAQ 27:249-67)*, 28 *URB. AFF. Q.* 126, 127-37 (1992); Anne B. Shlay, *Not in that Neighborhood: The Effects of Population and Housing on the Distribution of Mortgage Finance Within the Chicago SMSA*, 17 *SOC. SCI. RES.* 137, 144-60 (1988).

83. Ronald E. Wienk, *Discrimination in Urban Credit Markets: What We Don't Know and Why We Don't Know It*, 3 *HOUSING POL'Y DEBATE* 217, 218-38 (1992).

84. ALICIA H. MUNNELL ET AL., *MORTGAGE LENDING IN BOSTON: INTERPRETING HMDA DATA 24-40* (Federal Reserve of Boston Working Paper No. 92-7, Oct. 1992).

85. Ann B. Schnare, *Secondary Market Business Practices and Mortgage Credit Availability* (1992) (Paper presented at the Federal National Mortgage Association Annual Housing Conference, Washington, D.C.).

## IV. RACE: DISCRIMINATION IN MULTIPLE MARKET CONTEXTS

The previous section demonstrated how each of the eight key components of the urban opportunity structure varied across space in the degree to which it constrained socioeconomic achievement, and in such a pattern that African Americans and Hispanics were more severely hindered by their location. This section considers an additional factor: race itself. Independent of their metropolitan location, minorities' racial-ethnic status represents a personal constraint that further impedes their chances for success because of discrimination in multiple market contexts. This section briefly considers evidence of discrimination in several components of the urban opportunity structure defined above: the housing market, criminal justice system, labor market, and finance market.<sup>86</sup>

A. *Housing Market*

Incontrovertible evidence of the persistence, extent, and magnitude of racial-ethnic discrimination in metropolitan housing markets has been provided by dozens of studies employing paired testers who pose as home- or apartment-seekers. Gaining initial prominence during the Department of Housing and Urban Development- (HUD-) sponsored Housing Market Practices Survey of forty metropolitan areas in 1977, paired testing became a common investigative tool during the 1980s, culminating in the HUD-sponsored Housing Discrimination Study of twenty-five metropolitan areas in 1989.<sup>87</sup> This research reveals that: (1) housing discrimination against both African-American and Hispanic home-seekers and apartment-seekers occurs in roughly half of the instances in which these persons interact with an agent; (2) typically this discrimination is subtle in nature and therefore difficult for the individual to detect; and (3) the frequency of housing discrimination appears not to have changed noticeably since 1977.<sup>88</sup>

As noted before, one of the most serious consequences of such discrimination is increased racial-ethnic segregation. A variety of econometric models suggest that if discrimination were to be eliminated

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86. For a more complete analysis of discrimination in America, see CLEAR AND CONVINCING EVIDENCE: MEASUREMENT OF DISCRIMINATION IN AMERICA 53-364 (Michael Fix & Raymond J. Struyk eds., forthcoming 1993) [hereinafter CLEAR AND CONVINCING EVIDENCE].

87. For a more complete review of housing discrimination research, see Galster, *Research on Discrimination*, *supra* note 26, at 641-73.

88. Margery A. Turner, *Discrimination in Urban Housing Markets: Lessons from Fair Housing Audits*, 3 HOUSING POL'Y DEBATE 185, 197-204 (1992). Discrimination in the marketing of homes has also been observed. See Galster, *Research on Discrimination*, *supra* note 26, at 645-58.

from metropolitan areas where it now assumes its national average level, segregation would decline by at least one-fourth and perhaps by nearly one-half.<sup>89</sup>

### B. Criminal Justice System

Although the evidence of racial bias in the criminal justice system is more circumstantial and qualitative than in the area of housing markets, it nonetheless suggests that the criminal justice system focuses its police efforts disproportionately on minorities and treats minority offenders more harshly once they are apprehended. The intensified "War on Drugs," an effort that, according to one commentator, is "racially biased on all fronts and has made young black men its enemy," has spawned much of the recent controversy.<sup>90</sup>

The anti-drug effort has focused on police sweeps in selected drug-trafficking neighborhoods. Typically these neighborhoods are heavily minority occupied; not surprisingly, the sweeps net a preponderance of minority offenders, especially African Americans. For example, in Baltimore during 1991, more than 11,000 of the approximately 13,000 people arrested on drug charges were African Americans; 1,304 African-American youths were charged with drug sales, whereas only thirteen white youths were so charged.<sup>91</sup>

These differences cannot be attributed to greater drug use by African Americans. Whites make up 77% of all illegal drug users, African Americans 15%, and Latinos 8%, roughly equal to their proportions in the population.<sup>92</sup> For males in high school, rates of marijuana or cocaine use have been consistently higher for whites than African Americans since 1976.<sup>93</sup>

Once arrested, African-American offenders face an even tougher panoply of mandatory sentencing laws, typically excluding nonincarceration or treatment options. It has been estimated, for example, that 70% of Atlanta's anti-drug resources are directed toward punishment, with only 30% for treatment.<sup>94</sup> The consequence, as noted above, is a generation of African-American youths indelibly stamped by incarceration,

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89. For a more complete review of the evidence, see Galster, *Research on Discrimination*, *supra* note 26, at 658-70.

90. See *Baltimore Report*, *supra* note 47, at D7 (quoting Jerome G. Miller, President of the National Center on Institutions and Alternatives).

91. *Id.*

92. *Id.*

93. Joint Ctr. for Political and Economic Studies, *supra* note 80, at 2-10.

94. *Id.* at 7 (quoting Judge Thelma Cummings).

with the concomitant distortion of their labor market opportunity structure.

### C. Labor Market

Much evidence indicates that racist practices in the hiring, compensation, training, and promotion of minorities persist in metropolitan labor markets, reducing the minorities' chances of obtaining jobs and limiting their occupational options once they obtain employment.<sup>95</sup> In the conventional analysis of wage discrimination, the earnings of minority and white workers are compared when other factors serving as proxies for their productivity are controlled for statistically. Any unexplained residual between the groups constitutes evidence of such discrimination. Statistical evidence based on this methodology shows declines over time in unexplained wage gaps for both African Americans and Hispanics, although there remain significant variations across subgroups according to region and education.<sup>96</sup>

Wage comparisons ignore intergroup variations in unemployment, underemployment, and characteristics of employment. As with wage disparities, employment disparities that cannot be accounted for by differences in productive characteristics provide statistical evidence of labor market discrimination. Here, the evidence for reduced discrimination is considerably weaker. For example, as shown in Table 6, with rare exception, black and Hispanic men and women experience higher unemployment than whites at all levels of schooling. Thus, black and Hispanic men who have graduated from college are more than twice as likely to be unemployed as white college graduates. Relative patterns of minority underemployment parallel those of unemployment.

In addition to higher unemployment and underemployment, minorities are more likely than whites to be in jobs offering fewer opportunities for career growth. Controlling for characteristics such as education and marital status, Thomas Boston finds that the probability that black men and women will move from secondary sector jobs (jobs characterized by low levels of training) to primary sector jobs offering more training is about one-half the corresponding probability for whites.<sup>97</sup>

Beyond the statistical record, controlled experiments using paired testers have investigated hiring discrimination. In these experiments, mi-

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95. See, e.g., Blair & Fichtenbaum, *supra* note 8, at 72, 72-83; Darden et al., *supra* note 55 (1992); George E. Peterson & Wayne Vroman, *Urban Labor Markets and Economic Opportunity*, in URBAN LABOR MARKETS, *supra* note 48, at 1, 3-8.

96. Darden et al., *supra* note 55, at 481-86 (1992).

97. Thomas D. Boston, *Segmented Labor Markets: New Evidence From A Study of Four Race-Gender Groups*, 44 INDUS. & LAB. REL. REV. 99, 102-14 (1990).

nority job applicants are paired with Anglo applicants. The applicants are given similar backgrounds and are chosen and trained to be as similar as possible in job-related characteristics such as appearance, articulateness, and apparent energy level. How the minority applicants are treated in job applications can then be observed and compared with the treatment received by their Anglo "twins."

One study of entry level jobs, involving 360 paired male applicants for randomly selected employers, found that foreign-looking and -sounding Hispanics were thirty-three percentage points less likely to receive interviews and fifty-two percentage points less likely to receive job offers than their matched Anglo counterparts.<sup>98</sup> Another study targeted at entry level jobs concluded that in one of five paired tests, the Anglo male applicant was able to advance farther through the hiring process than his equally qualified African-American counterpart.<sup>99</sup> Such experiments provide irrefutable evidence of pervasive hiring discrimination.

The type of discrimination that hiring tests measure might be referred to as applicant discrimination; minority applicants are treated differently from Anglo applicants. Unfortunately, even if this type of discrimination were eradicated, minorities would still continue to experience higher unemployment and underemployment than non-Hispanic whites. The reason is that employers hire using informal networks that are discriminatory in effect.

The existence of network or word-of-mouth hiring has been documented from jobs at the very highest levels of corporate employment to jobs requiring little or no training. Recent studies of the "glass ceiling" document network hiring for highly skilled corporate positions and unskilled employment.<sup>100</sup> Waldinger and Bailey describe how informal networks exclude minorities from work in construction.<sup>101</sup> Word-of-mouth hiring has the advantage that it is less costly in terms of time and money than advertising, and it ensures a certain type of applicant who will mesh with other employees. By trying to replicate their current work force through word-of-mouth hiring, many employers are simply following a common human trait of sticking with the tried and true. The societal

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98. HARRY CROSS ET AL., *EMPLOYER HIRING PRACTICES: DIFFERENTIAL TREATMENT OF HISPANIC AND ANGLO JOB SEEKERS* 61-62 (1990).

99. MARGERY AUSTIN TURNER ET AL., *OPPORTUNITIES DENIED, OPPORTUNITIES DIMINISHED: RACIAL DISCRIMINATION IN HIRING* 37-41 (1991).

100. U.S. DEP'T OF LABOR, *A REPORT ON THE GLASS CEILING INITIATIVE* 12-25 (1991); Joleen Kirschenman & Kathryn M. Neckerman, "We'd Love to Hire Them, But . . .": *The Meaning of Race for Employers*, in *THE URBAN UNDERCLASS* 203, 217-30 (Christopher Jencks & Paul E. Peterson eds., 1991).

101. Roger Waldinger & Thomas Bailey, *The Continuing Significance of Race: Racial Discrimination in Construction*, 19 *POL. & SOC'Y* 291, 291-323 (1991).

problem with this type of hiring, however, is that it excludes applicants outside employers' familiar domains. Both overt hiring discrimination and seemingly benign hiring techniques, therefore, contribute to the lower earnings, limited employment, and occupational/industrial segregation of minorities.

#### D. Finance Market

Over a decade ago, a handful of studies analyzed various unpublished data categorizing mortgage loan application dispositions by characteristics of the borrower. These statistical studies revealed that race had statistical significance in explaining high minority denial rates in most of the metropolitan areas investigated, even when other legitimate financial characteristics were controlled.<sup>102</sup> After a long hiatus, the method recently was replicated by the Federal Reserve Bank of Boston in its analysis of over 3,000 mortgage loan underwriting decisions made by 131 Boston-area banks, savings and loans, mortgage companies, and credit unions during 1991.<sup>103</sup> Its statistical analysis revealed that African Americans and Hispanics, in general, had more indebtedness, lower down payments, and weaker credit histories than typical white applicants, and that these factors did explain a substantial share of the observed 2.7-to-1 ratio of minority-to-white denial rates.<sup>104</sup> Even controlling for all such differences, however, minorities were 60% more likely to be denied.<sup>105</sup> This appeared to be the case for large- and small-scale lenders equally.

This important study not only provides "conclusive evidence of *de facto* discrimination,"<sup>106</sup> but it also hints at the reasons for this outcome. Minorities with unblemished credentials were not denied. But the majority of borrowers—of any group—were not perfect, and thus lenders had considerable discretion about how seriously they would assess the imperfections and whether offsetting factors might be present. It was in this "gray area" that whites were favored systematically.

A dramatic illustration of systematic differential treatment of minorities by a mortgage lender is provided by the recently settled suit, *U.S. Department of Justice v. Decatur (GA) Federal Savings and Loan Associ-*

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102. For a more complete review, see Galster, *Research on Discrimination*, *supra* note 26, at 11-14.

103. See MUNNELL et al., *supra* note 84, at 42-44.

104. *Id.*

105. *Id.* at 44.

106. Paul Wiseman, *Bankers Grumpy Despite Strong Profits*, USA TODAY, Oct. 19, 1992, at B6 (quoting Federal Reserve Governor John LaWare).

ation.<sup>107</sup> The Department of Justice concluded that Decatur discriminatorily denied mortgages to at least forty-eight African Americans between January, 1988, and May, 1992. The lender redefined its market service area to exclude large proportions of the African-American population, rarely advertised its products in media oriented toward this community, and employed a virtually all-white staff of commissioned account executives who frequently solicited business from real estate agents operating in white neighborhoods, but rarely from those operating in African-American ones. As a result, 95% of its loans were originated in white neighborhoods.<sup>108</sup>

Additional evidence has been culled from three experiments conducted between 1988 and 1991 that employed paired testers to probe behavior of lenders before formal applications were made. These experiments, conducted in Louisville, Kentucky, Chicago, Illinois, and New York City,<sup>109</sup> revealed incidents in which loan officers provided more information, assistance, and encouragement to the white tester and tended to direct the minority tester toward government-insured loans.<sup>110</sup>

The foregoing discussion has dealt with discrimination in terms of illegal differences in treatment based on a protected classification such as color, race, or national origin. Given precedents established in other contexts, such as housing and employment, however, discrimination can also be defined in terms of disparate impact: evenhanded treatment that results in adverse consequences for legally protected classes. A New York State Banking Department examination of ten savings banks found four promulgated standards (such as high minimum down payment ratios and loan sizes) that could adversely affect minority neighborhoods. The report was critical of all ten banks' failure to offer FHA-insured mortgages and of six banks' inadequate outreach activities in local communities.<sup>111</sup>

Beyond mortgage lending, there is also some evidence that discrimination exists in the commercial lending market. Faith Ando analyzed

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107. *Department of Justice Settles First Race Discrimination Lawsuit*, U.S. DEP'T OF JUST. NEWS RELEASE (U.S. Dep't of Just., Washington, D.C.), Sept. 17, 1992.

108. For more citations of suits alleging lending discrimination, see Cathy Cloud & George C. Galster, *What Do We Know About Racial Discrimination in Mortgage Markets?* 11-15 (rev. Oct. 1992) (Paper prepared for the Consumer Advisory Council, Board of Governors of Federal Reserve, June 1992).

109. For a complete review, see George C. Galster, *Use of Testers in Investigating Discrimination in Mortgage Lending and Insurance*, in *CLEAR AND CONVINCING EVIDENCE*, *supra* note 86, at 259, 278-85.

110. *Id.* at 281.

111. ERNEST KOHN ET AL., *ARE MORTGAGE LENDING POLICIES DISCRIMINATING?* (New York State Banking Dept., Consumer Studies Division, 1992).

the experiences of minority and white owners who had been in business at least two years and who had applied for loans during a three-year period in the early 1980s.<sup>112</sup> White-owned firms had 90% of their applications approved; 87% of Hispanic-owned and only 62% of black-owned firms' applications were approved.<sup>113</sup> Controlling for business experience, firm size, credit rating, industry, marital status, and collateral, black borrowers were still less likely to be approved.<sup>114</sup>

## V. CONCLUSION AND IMPLICATIONS FOR AN URBAN STRATEGY

The preceding discussion demonstrates that deep, multi-dimensional, and persistent polarization among whites, African Americans, and Hispanics in our metropolitan areas exists, and that this polarization can be traced to different constraints on socioeconomic advancement. Some of these constraints are associated with the racial-ethnic identity of the individual; others with the place in which that individual resides—that person's "opportunity structure." The evidence presented demonstrates that polarization is, indeed, a result of race and place.

If we take this analysis seriously, clear policy implications emerge.<sup>115</sup> To combat constraints based on race, a toughening of anti-discrimination policy is required. This does not mean merely enhancing penalties for violators, increasing outreach to inform victims of their rights and remedies, improving the speed of case adjudication, and expanding civil rights training of all those involved in the various urban market contexts where discrimination occurs, although all such efforts are to be applauded. Rather, it requires a completely different enforcement strategy, based on matched testing investigations conducted by civil rights agencies, that creates a viable deterrent to discrimination.

The current civil rights enforcement approach is flawed in that it relies on the victim to recognize and to complain formally about suspected acts of discrimination. Given the subtlety of discrimination as typically practiced today, such reliance is misplaced. As a result, there is

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112. Faith Ando, *Capital Issues and Minority-Owned Business*, REV. BLACK POL. ECON., Spring 1988, at 77, 93-109.

113. *Id.* at 102-04.

114. *Id.* at 100.

115. In this Essay, I have provided only an outline of these implications. For a more in depth analyses, see Darden et al., *supra* note 55, at 474-76, 481, 487-89 (1992); Don DeMarco & George C. Galster, *Prointegrative Policy: Theory and Practice*, 15 J. URB. AFF. (forthcoming 1993); Galster, *A Cumulative Causation Model*, *supra* note 27, at 190; George C. Galster, *Federal Fair Housing Policy: The Great Misapprehension*, in BUILDING FOUNDATIONS 137 (Langley C. Keyes & Denise DiPasquale eds., 1990) [hereinafter Galster, *Federal Fair Housing Policy*].



little chance that violators will fear detection or litigation; thus, there is no realistic possibility of deterrence.

What is needed is a transfer of resources to empower private and governmental fair housing agencies to conduct ongoing enforcement testing programs, employing pairs of matched investigators who pose as housing-, mortgage-, or job-seekers. These programs would not merely respond to complaints of alleged victims, but would provide an ongoing presence either in areas rendered "suspicious" by other evidence or, resources permitting, randomly throughout the market. Only through such a comprehensive enforcement testing policy can people be deterred from using race to constrain the opportunities of others.<sup>116</sup>

Combatting constraints based on place poses even more controversial and complex problems. Some have suggested that current residential patterns can remain static if access to good jobs and schools is enhanced through new transportation schemes, enterprise zones, or school choice vouchers, for example.<sup>117</sup> I argue that such schemes are inferior to those that aim directly at expanding the spatial extent of residential choices and desegregating communities by class and by racial-ethnic composition.<sup>118</sup> Unless the iron grip of residence is released, all other ameliorative efforts will necessitate inefficient subsidies and distortions of the market, and will be blunted by elements of the opportunity structure that cannot be ruptured easily from the residential nexus: local social networks, political systems, and the criminal justice system.

What is needed is an intensified effort to expand geographically the housing choices for the less-well-off through voucher-like subsidies coupled with affirmative efforts to market residential areas that might be unfamiliar to subsidy recipients and, perhaps, with ongoing supportive counseling services, to smooth recipients' transitions into new environments. Prototypical efforts associated with the Gautreaux Program in Chicago are representative of this strategy and have demonstrated their efficacy in enhancing opportunities for participants without deleterious effects on their neighbors.<sup>119</sup>

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116. Galster, *Federal Fair Housing Policy*, *supra* note 115, at 142-52. Recent actions by the Departments of Justice and Housing and Urban Development to support such tests are to be commended. Similarly, pioneering efforts at enforcement testing in the field of employment have been conducted recently by the Massachusetts Commission Against Discrimination.

117. See generally HOUSING MARKETS AND RESIDENTIAL MOBILITY (Thomas Kingsley & Margery Turner eds., 1993) (addressing alternative strategies for rebuilding cities).

118. Galster, *A Cumulative Causation Model*, *supra* note 27, at 202-08.

119. James E. Rosenbaum, Black Pioneers: Do Their Moves to Suburbs Increase Economic Opportunities for Mothers and Children? 25-27 (May 1991) (Paper presented at LaFollette Institute's Conference on Housing Policy and Economic Opportunity, Madison, Wisconsin).

More broadly, comprehensive policies should be instituted to encourage the movement of all households into neighborhoods where their racial-ethnic group is under-represented. By developing strategies aimed both at lower levels of government and at individuals, the federal government should take the lead in such policy development.

Federal programs should be designed to encourage lower levels of government to adopt coordinated prointegration programs that fit their local contexts. The careful tailoring of intergovernmental transfers could provide this encouragement. Federal bonus funds to states might, for instance, be provided for establishing and/or supporting regional fair housing organizations (either public or private) that enforce anti-discrimination laws and promote neighborhood racial integration in their metropolitan areas. Similarly, direct federal financial aid to municipalities for any number of activities might be awarded for formal cooperation with such a regional organization. Awards might be given to school districts progressing toward integration targets.

States and localities have at their disposal several examples of successful prointegration efforts.<sup>120</sup> The Leadership Council in the Chicago area, the East Suburban Council for Open Metropolitan Communities in the Cleveland area, and the Center for Integrated Living in the Milwaukee area, for example, provide additional information to minority and white home-seekers about options in neighborhoods in which they would not traditionally have searched. In addition, state and local governments could provide a variety of financial incentives to encourage integration. Oak Park, Illinois, for instance, provides rehabilitation subsidies to landlords who have integrated apartment complexes. Southfield, Michigan, and Shaker Heights, Ohio, grant low interest mortgages to home buyers making prointegrative moves. The state of Ohio allocates a share of its revenue bond funds to provide below-market rate mortgages to first-time home buyers making such moves.<sup>121</sup>

Federal integration incentives could also be directed toward individuals. Those who make moves that promote integration could be rewarded with a tax credit based on their moving expense deduction. Individuals receiving housing vouchers or Section 8 certificates might be encouraged to make prointegrative moves by appending special bonus subsidies.

While I recognize that enforcement testing, dispersal of low-income

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120. DeMarco & Galster, *supra* note 115, at 14-15.

121. Mittie O. Chandler, *Obstacles to Housing Integration Program Efforts*, in BLACK AND WHITE, *supra* note 4, at 286, 292-300; George C. Galster, *The Case for Racial Integration*, in BLACK AND WHITE, *supra* note 4, at 270, 279-92.

populations, and pro-integration schemes are not widely popular policy options, they are nonetheless necessary. The potential unpopularity of these efforts suggests that courageous national leadership will be required. Perhaps the key to political palatability rests with stressing that these policies are not about massive transfers of resources or "handouts," but rather are about creating pre-conditions for more equal opportunities. Without such political will, place and race will continue to distort constraints in ways that maintain racial-ethnic polarization: The hallowed premise of an "equal opportunity society" will remain a hollow promise for many of America's minority citizens.

TABLE 1  
SECONDARY SCHOOL DROPOUT RATES  
BY RACIAL-ETHNIC GROUP, 1972-1991

Period	White	Black	Black/ White	Black- White	Hispanic*	Hispanic/ White	Hispanic- White
1972-74	12%	21%	1.8	9%	34%	2.8	22%
1975-77	12	20	1.7	8	32	2.7	20
1978-80	12	20	1.7	8	34	2.8	22
1981-83	11	18	1.6	7	33	3.0	20
1984-86	10	15	1.5	5	30	3.0	20
1987-89	10	15	1.5	5	32	3.2	22
1990-91	9	14	1.6	5	35	3.9	26

Source: U.S. DEP'T OF EDUC., DROPOUT RATES IN THE U.S.: 1991, cited in Sari Horwitz & Mary Jordan, *D.C. Dropout Rate Among Worst in U.S.*, WASH. POST, Sept. 17, 1992, at A7, A14.

\* Hispanic persons may be of any race.

TABLE 2  
SECONDARY SCHOOL DROPOUT RATES AND STUDENT  
RACIAL COMPOSITION, BY SELECTED CENTER  
CITY SCHOOL DISTRICTS

Racial-Ethnic Composition of Students (1980)

School District	Dropout Rate (1991)	White	Black	Hispanic*
Baltimore	22.8%	21	78	0
Los Angeles	21.9	24	23	45
St. Louis	20.7	21	79	0
Dallas	20.0	30	49	19
Washington	19.1	4	93	2
Detroit	18.8	12	86	2
Miami	18.5	32	30	38
Chicago	17.0	19	60	19
Denver	16.8	41	23	32
Philadelphia	15.7	29	63	7
New York	13.1	26	39	31

Source of school racial composition data: GARY ORFIELD, PUBLIC SCHOOL DESEGREGATION IN THE U.S., 1968-1980, at 26-27 tbl. 20 (1983).

Source of dropout data: *See supra* tbl. 1.

\* Hispanic persons may be of any race.

TABLE 3  
 PERCENT OF PERSONS 25 YEARS AND OLDER COMPLETING  
 FOUR OR MORE YEARS OF COLLEGE  
 BY RACE-ETHNICITY, 1970-1989

Year	White	Black	Black/ White	Black- White	Hispanic*	Hispanic/ White	Hispanic- White
1970	11.3%	4.4%	.39	-6.9%	4.5%	.40	-6.8%
1980	17.1	8.4	.49	-8.7	7.6	.44	-9.5
1989	21.8	11.8	.54	-10.0	9.9	.45	-11.9

Source: BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, No. 224, STATISTICAL ABSTRACT OF THE UNITED STATES, 1991, at 138.

\* Hispanic persons may be of any race.

TABLE 4  
 EMPLOYMENT RATES,\* BY RACE-ETHNICITY, 1980 TO 1990

Year	White	Black	Black/ White	Black- White	Hispanic**	Hispanic/ White	Hispanic- White
1980	60.0%	52.2%	.87	7.8%	57.6%	.96	2.4%
1986	61.5	54.1	.88	7.4	58.5	.95	3.0
1988	63.1	56.3	.89	6.8	61.9	.98	1.2
1990	63.6	56.2	.88	7.4	61.6	.97	2.0

Source: BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, No. 635, STATISTICAL ABSTRACT OF THE UNITED STATES, 1991, at 386.

\* Defined as civilian employed as percent of civilian non-institutional population aged 16 years and older.

\*\* Hispanic persons may be of any race.

TABLE 5  
 UNEMPLOYMENT RATES, BY RACE-ETHNICITY,  
 1970 TO 1990 (CIVILIAN NONINSTITUTIONAL  
 POPULATION 16 YEARS AND OLDER)

Year	White	Black	Black/ White	Black- White	Hispanic**	Hispanic/ White	Hispanic- White
1970	4.5%	N/A	N/A	N/A	N/A	N/A	N/A
1980	6.3	14.3%	2.27	8.0%	10.1%	1.60	3.8%
1986	6.0	14.5	2.42	8.5	10.6	1.77	4.6
1988	4.7	11.7	2.49	7.0	8.2	1.74	3.5
1990	4.7	11.3	2.40	6.6	8.0	1.70	3.3

Source: BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, No. 635, STATISTICAL ABSTRACT OF THE UNITED STATES, 1991, at 386.

\* Hispanic persons may be of any race.

N/A: Not Available

TABLE 6  
RATIOS OF PERCENTAGE UNEMPLOYED,  
BY RACE-ETHNICITY, GENDER, EDUCATION,  
AND RESIDENCE, 1980

<u>Educational Attainment</u>	<u>Black/White</u>		<u>Hispanic/White</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
Not High School Grads.	1.5	1.8	0.9	1.5
High School Graduates	2.1	2.4	1.1	1.3
Some College	2.5	2.4	1.3	1.8
College Graduate	3.4	1.3	2.4	1.2

<u>Residence</u>	<u>Black/White</u>		<u>Hispanic/White</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
Central City	2.3	2.6	1.3	2.0
Suburb	1.9	2.2	1.4	1.6
Metropolitan Area	2.0	2.0	1.3	2.5

Source: U.S. COMM'N ON CIV. RTS., UNEMPLOYMENT AMONG BLACKS, HISPANICS AND WOMEN 30 tbl. 4.1, 43 tbl. 5.1 (1982).

TABLE 7  
MEDIAN HOUSEHOLD INCOME IN CONSTANT (1989)  
DOLLARS, BY RACE-ETHNICITY, 1970-1989

<u>Year</u>	<u>White</u>	<u>Black</u>	<u>Black/ White</u>	<u>Black- White</u>	<u>Hispanic*</u>	<u>Hispanic/ White</u>	<u>Hispanic- White</u>
1970	\$29,073	\$17,696	.61	\$-11,377	N/A	N/A	N/A
1976	28,960	17,221	.59	-11,739	\$20,853	.72	\$-8,107
1978	29,783	17,898	.60	-11,885	22,447	.75	-7,336
1980	28,117	16,198	.58	-11,919	20,543	.73	-7,574
1982	27,135	15,379	.57	-11,756	19,503	.72	-7,632
1984	28,222	16,077	.57	-12,145	20,279	.72	-7,943
1986	29,614	17,061	.58	-12,553	20,763	.70	-8,851
1988	30,168	17,198	.57	-12,970	21,340	.71	-8,828
1989	30,406	18,083	.59	-12,323	21,921	.72	-8,485

Source: BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, NO. 722, STATISTICAL ABSTRACT OF THE UNITED STATES, 1991, at 449.

\* Hispanic persons may be of any race.

N/A: Not available

TABLE 8  
 PERCENT OF FAMILIES BELOW POVERTY LEVEL,  
 BY RACE-ETHNICITY, 1970-1989

Year	White	Black	Black/ White	Black- White	Hispanic*	Hispanic/ White	Hispanic- White
1970	8.0%	29.5%	3.69	21.5%	N/A	N/A	N/A
1976	7.1	27.9	3.93	20.8	23.1%	3.25	16.0%
1978	6.9	27.5	3.99	20.6	20.4	2.96	13.5
1980	8.0	28.9	3.61	20.9	23.2	2.90	15.2
1982	9.6	33.0	3.44	23.4	27.2	2.83	17.6
1984	9.1	30.9	3.40	21.8	25.2	2.77	16.1
1986	8.6	28.0	3.26	19.4	24.7	2.87	16.1
1988	7.9	28.2	3.57	20.3	23.7	3.00	15.8
1989	7.8	27.8	3.56	20.0	23.4	3.00	15.6

Source: BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, No. 751, STATISTICAL ABSTRACT OF THE UNITED STATES, 1991, at 465.

\* Hispanic persons may be of any race.

N/A: Not available

TABLE 9  
 INDICES OF RESIDENTIAL SEGREGATION\* FOR SELECTED  
 METROPOLITAN AREAS WITH LARGE MINORITY  
 POPULATION, 1990

Metropolitan Area	Index of Segregation of Non-Hispanic Whites with:		
	% of Minority Population	Blacks	Hispanics
<b>Northern and Western Areas</b>			
Boston	15%	72	59
Buffalo	15	84	60
Chicago	38	87	65
Cincinnati	15	79	36
Cleveland	23	86	57
Columbus	15	71	34
Detroit	25	89	42
Gary-Hammond	28	91	53
Indianapolis	16	78	32
Kansas City	17	75	42
Los Angeles-Long Beach	59	74	63
Milwaukee	19	84	58
New York	52	83	68
Newark	36	84	67
Philadelphia	25	81	65
St. Louis	20	80	29
San Francisco	42	66	51
<b>Southern Areas</b>			
Atlanta	30	71	39
Baltimore	29	75	35
Birmingham	28	77	37
Dallas	33	68	54
Greensboro-Winston-Salem	21	66	35
Houston	44	71	53
Memphis	42	75	41
Miami	70	72	52
New Orleans	41	72	34
Norfolk-Virginia Beach	33	55	33
Tampa-St. Petersburg	17	74	47
Washington	37	67	43

Source: *By The Numbers, Tracking Segregation in 219 Metro Areas*, USA TODAY, Nov. 11, 1991, at 3A.

\* Dissimilarity Index: 100=complete segregation, with no mixing of races in same census tract.



TABLE 10  
 VICTIMIZATION RATES FOR CRIMES AGAINST PERSONS,  
 1973-1988 (RATES PER 1,000 PERSONS,  
 12 YEARS AND OLDER)

Year	White	Black	Black/ White	Black- White	Hispanic*	Hispanic/ White	Hispanic- White
1973	32	42	1.31	10	36	1.13	4
1980-81	32.5	45.5	1.40	13	39.5	1.22	7
1982-83	31.5	42.5	1.35	11	39	1.24	7.5
1982-83	31.5	42.5	1.35	11	39	1.24	7.5
1984-85	29.5	39.5	1.34	10	32.5	1.10	3
1986-87	28	37.5	1.34	9.5	33	1.18	5
1988	28	40	1.43	12	35	1.25	7

Source: BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, No. 302, STATISTICAL ABSTRACT OF THE UNITED STATES, 1991, at 181.

\* Hispanic persons may be of any race.

TABLE 11  
 ANGLO-BLACK DISSIMILARITY INDICES OF INTER-DISTRICT SCHOOL  
 SEGREGATION, 1989-90, SELECTED METROPOLITAN AREAS WITH  
 LARGE PERCENTAGES OF BLACK STUDENTS

<u>MSA</u>	<u>% of MSA Students Who are Blacks</u>	<u>Dissimilarity Index</u>
Baltimore, MD	30%	69
Charlotte, NC	28	33
Chicago, IL	30	77
Cleveland, OH	26	79
Dallas, TX	23	65
Detroit, MI	26	90
Ft. Lauderdale, FL*	26	49
Gary, IN	25	91
Houston, TX	23	59
Jacksonville, FL*	23	21
Los Angeles, CA	12	63
Louisville, KY*	19	37
Memphis, TN	56	66
Miami, FL	33	56
Milwaukee, WI	20	70
Mobile, AL	36	51
Montgomery, AL	43	34
Nashville, TN*	20	47
Newark, NJ	27	81
New Orleans, LA	50	64
New York, NY	34	66
Philadelphia, PA	30	72
Washington, DC	25	65

Source: Unpublished calculations by Maris Mikelsons, Urban Institute, based on U.S. Department of Education statistics; Anglo persons are non-Hispanic whites.

\* City-Suburban desegregation orders in effect.

TABLE 12  
 ANGLO-HISPANIC\* DISSIMILARITY INDICES OF INTER-DISTRICT  
 SCHOOL SEGREGATION, 1989-90, SELECTED METROPOLITAN AREAS  
 WITH LARGE PERCENTAGES OF HISPANIC STUDENTS

<u>MSA</u>	<u>% of MSA Students Who Are Hispanic</u>	<u>Dissimilarity Index</u>
Albuquerque, NM	40%	44
Chicago, IL	14	69
Corpus Christi, TX	60	46
Dallas, TX	15	53
El Paso, TX	78	51
Fresno, CA	39	40
Houston, TX	22	50
Jersey City, NJ	45	56
Los Angeles, CA	45	55
Miami, FL	46	48
Midland, TX	24	21
New York, NY	15	54
Odessa, TX	36	23
Pueblo, CO	42	22
San Antonio, TX	56	59
San Diego, CA	25	44
Stockton, CA	23	33
Tucson, AZ	33	47

Source: Unpublished calculations by Maris Mikelsons, Urban Institute, based on U.S. Department of Education statistics.

\* Hispanic persons may be of any race; Anglo persons are non-Hispanic whites.