

American Society and Public Policy

Fall 2020

Lecture 3

September 14, 2020

Changes since 1970s

- Measurement of Race and Ethnicity
- Changes in the Race/Ethnic Composition of US
- Changes in the Family and Inequality
- Inequality in Income and Poverty by Race
- Inequality in Opportunity

BOTH Question 8 about Hispanic
about race. For this census, Hisp
c, Latino, or Spanish origin?
Latino, or Spanish origin
an Am., Chicano

8. Is Person 1 of Hispanic, Latino, or Spanish origin?

- ☐ No, not of Hispanic, Latino, or Spanish origin
- ☐ Yes, Mexican, Mexican Am., Chicano
- ☐ Yes, Puerto Rican
- ☐ Yes, Cuban
- ☐ Yes, another Hispanic, Latino, or Spanish origin – *Print, for example, Salvadoran, Dominican, Colombian, Guatemalan, Spaniard, Ecuadorian, etc.* ↗

[illegible]

9. What is Person 1's race?

Mark ☒ one or more boxes **AND** print origins.



White – Print, for example, German, Irish, English, Italian, Lebanese, Egyptian, etc. ☞

[illegible]

Black or African Am. – *Print*, for example, African American, Jamaican, Haitian, Nigerian, Ethiopian, Somali, etc.

[illegible]

American Indian or Alaska Native – Print name of enrolled or principal tribe(s), for example, Navajo Nation, Blackfeet Tribe, Mayan, Aztec, Native Village of Barrow, Inupiat Traditional Government, Nome Eskimo Community, etc. 

[illegible]

Chinese



Vietnamese



Native Hawaiian



Finding



Korean



Samoa


Asian Indian



Japanese



Chamorro

Other Asian –
Print, for example,
Pakistani, Cambodian,
Hmong, etc. 



Other Pacific Islander –
Print, for example,
Tongan, Fijian,
Marshallese, etc. ☐

[illegible]

Some other race – Print race or origin. 7

[illegible]

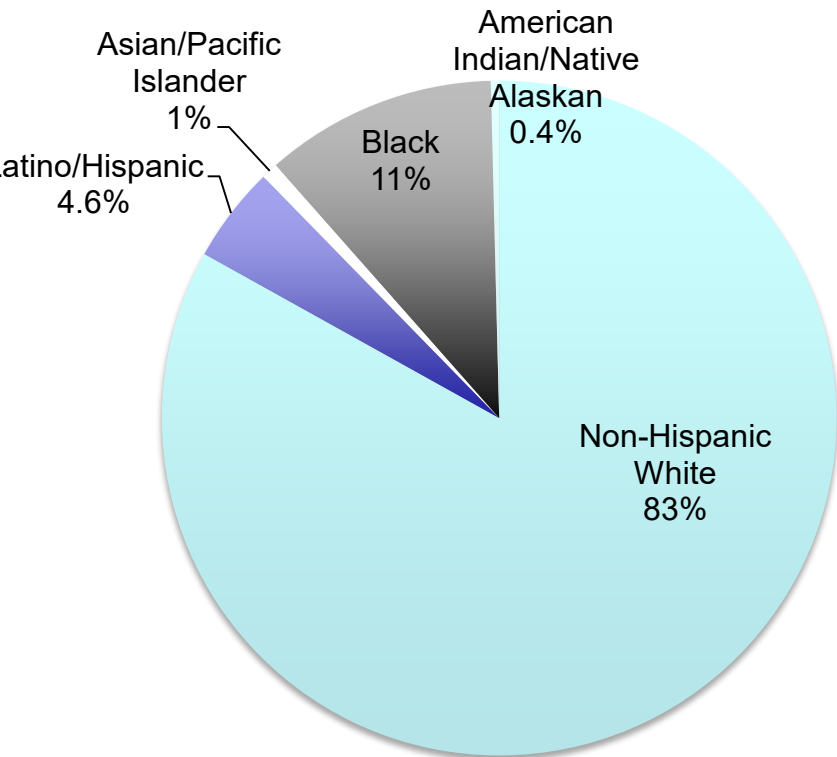
Breakout Rooms

- What are the issues you see with the race ethnicity questions in census?

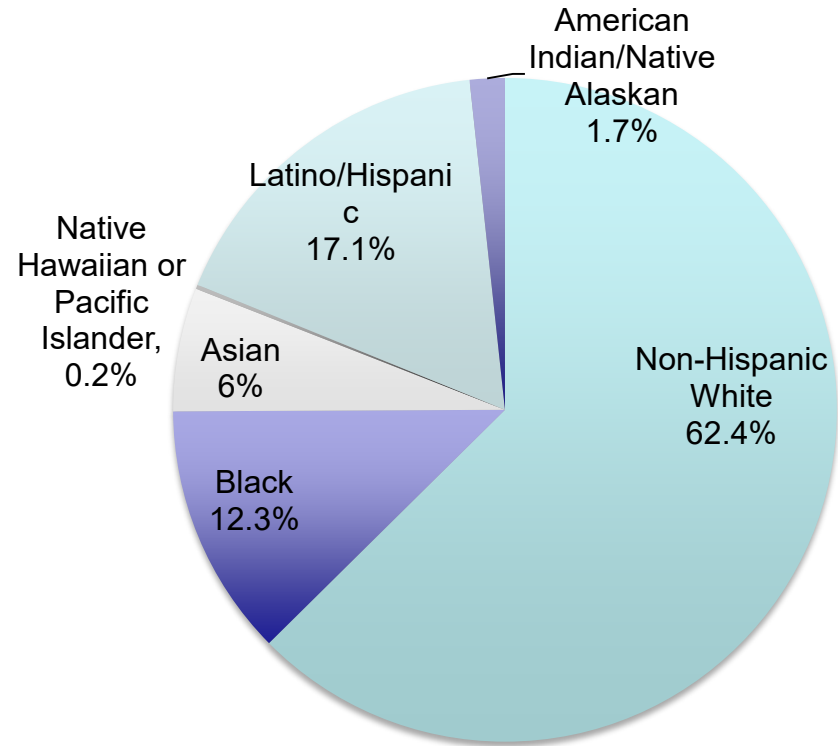
Demographic Changes in US

- There are 41 million immigrants (first generation), and 37.1 million children of immigrants (second generation) in the US.
- Together they make up about one quarter of US population.
- Hispanics have been the largest group among immigrants until 2008. Now Asians are more numerous.

Effects of Immigration on Society: Demographic Change



1970

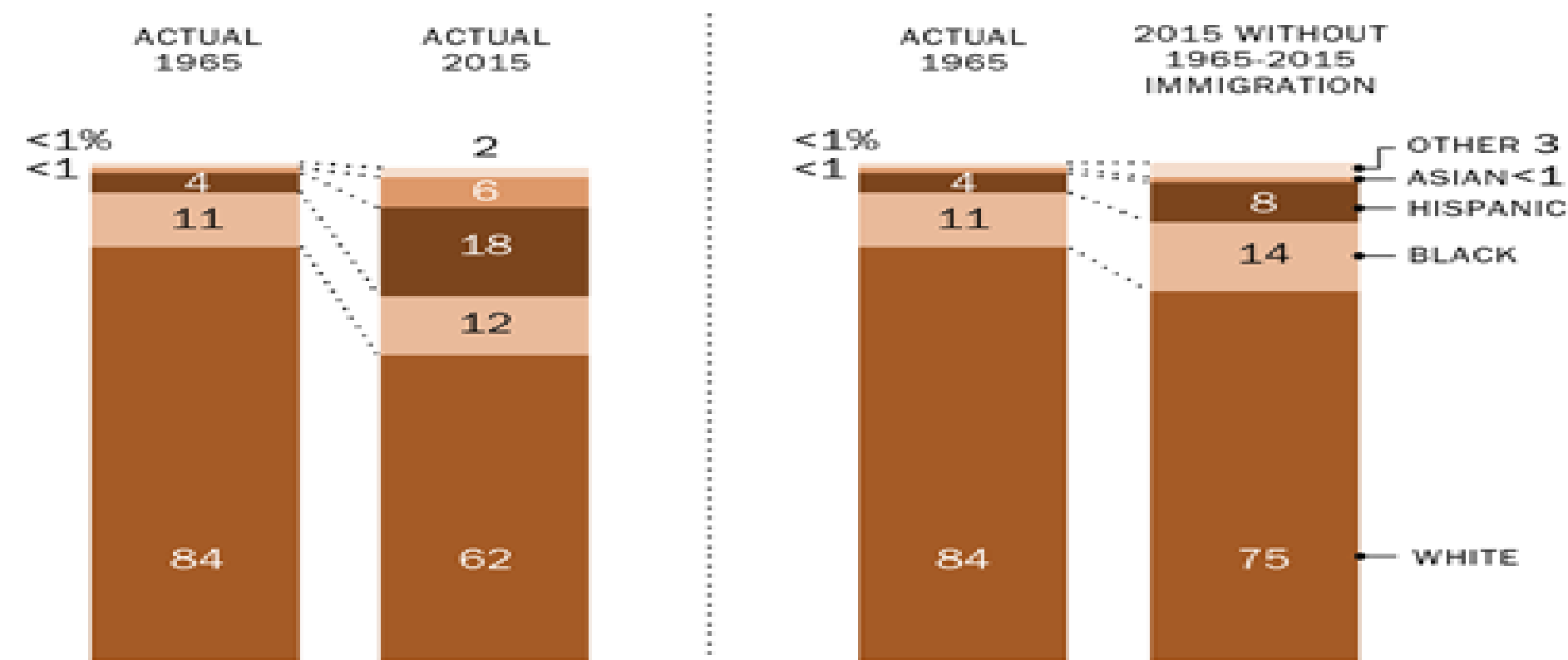


2013

FIGURE 4

Post-1965 Immigration Wave Reshapes America's Racial and Ethnic Population Makeup

% of U.S. population



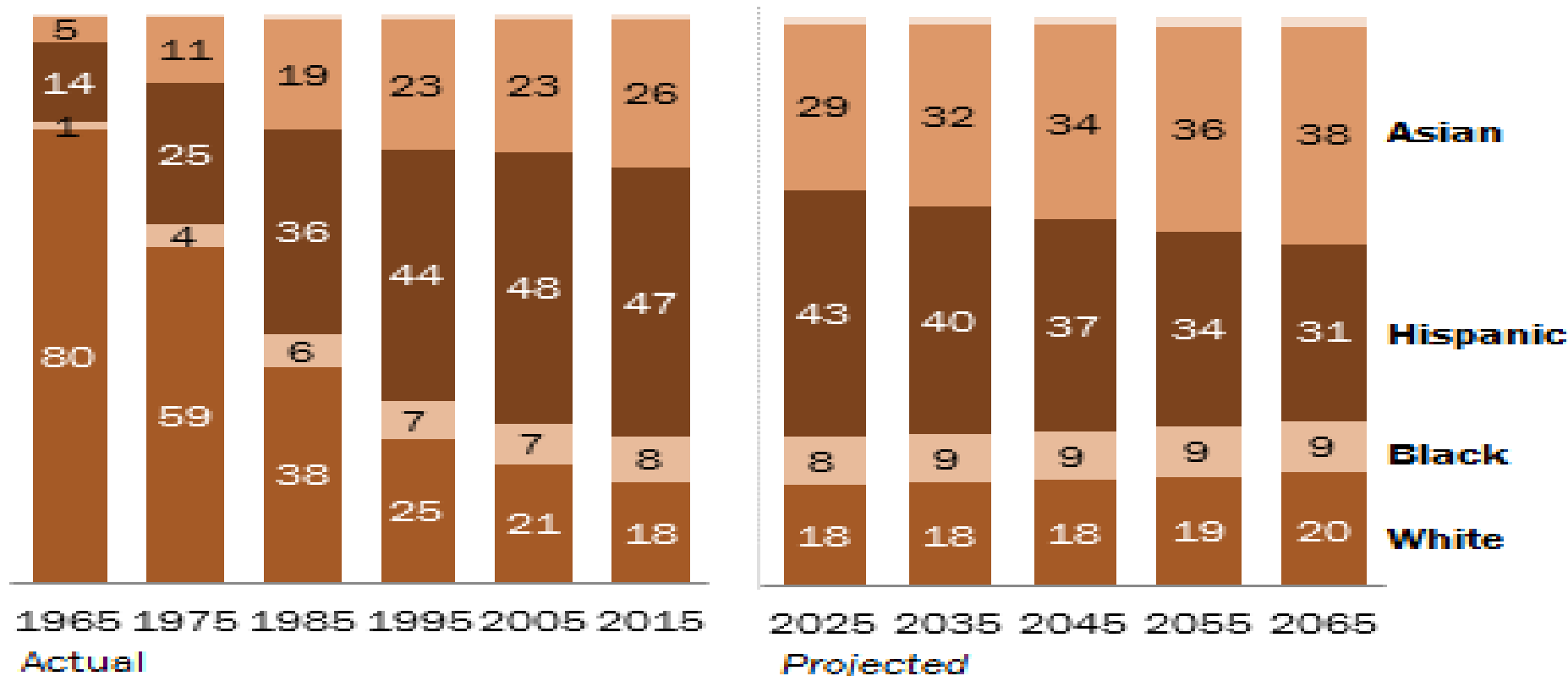
Note: Whites, blacks and Asians include only single-race non-Hispanics. Asians include Pacific Islanders. Hispanics are of any race. Numbers for "2015 without 1965-2015 immigration" exclude immigrants arriving from 1965 to 2015 and their descendants.

Source: Pew Research Center estimates based on adjusted census data

FIGURE 5

Asians Projected to Become the Largest Immigrant Group, Surpassing Hispanics

% of immigrant population



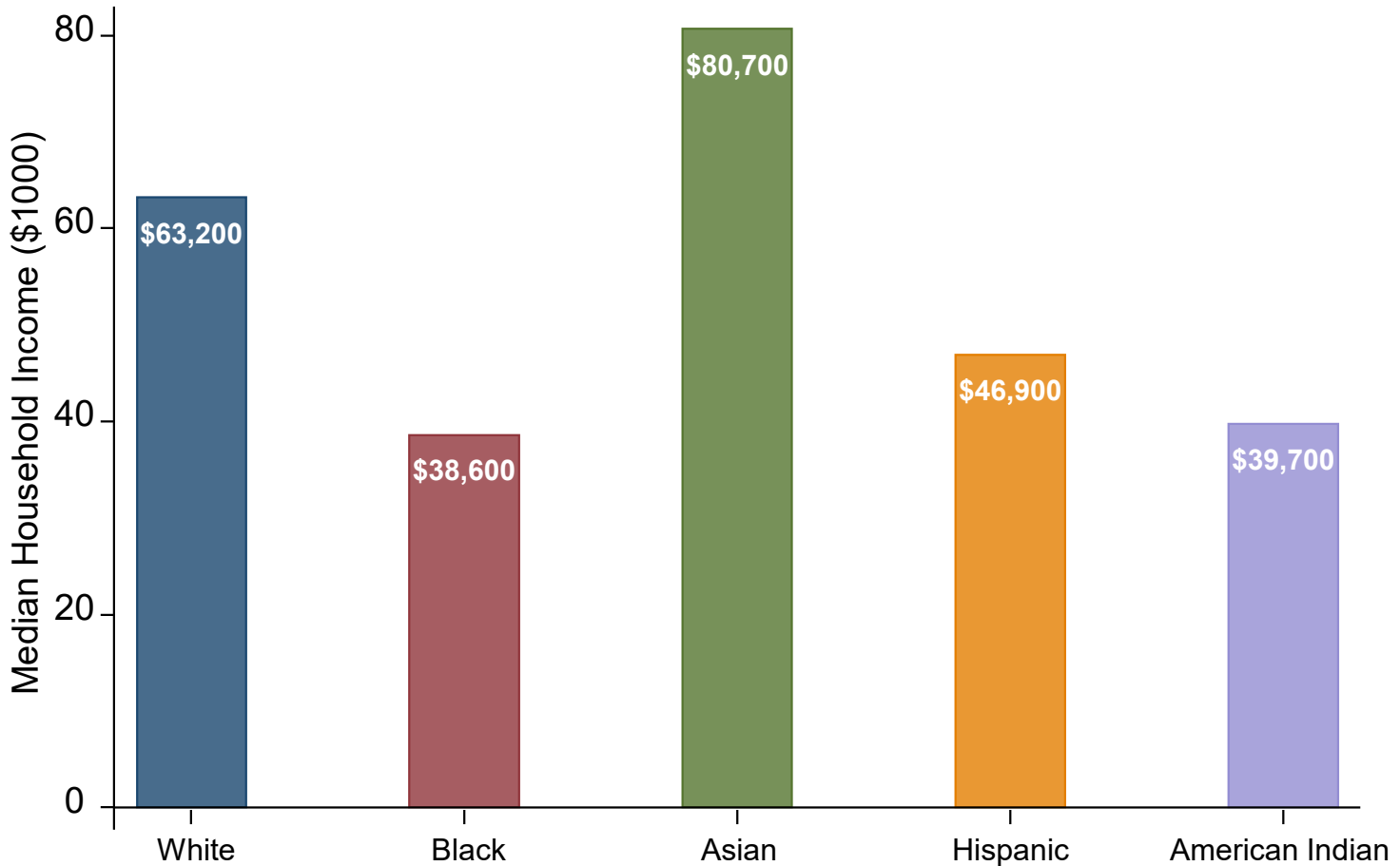
Note: Whites, blacks and Asians include only single-race non-Hispanics. Asians include Pacific Islanders. Hispanics are of any race. Other races shown but not labeled.

Source: Pew Research Center estimates for 1965-2015 based on adjusted census data; Pew Research Center projections for 2025-2065

Differences in Income by Race Ethnicity

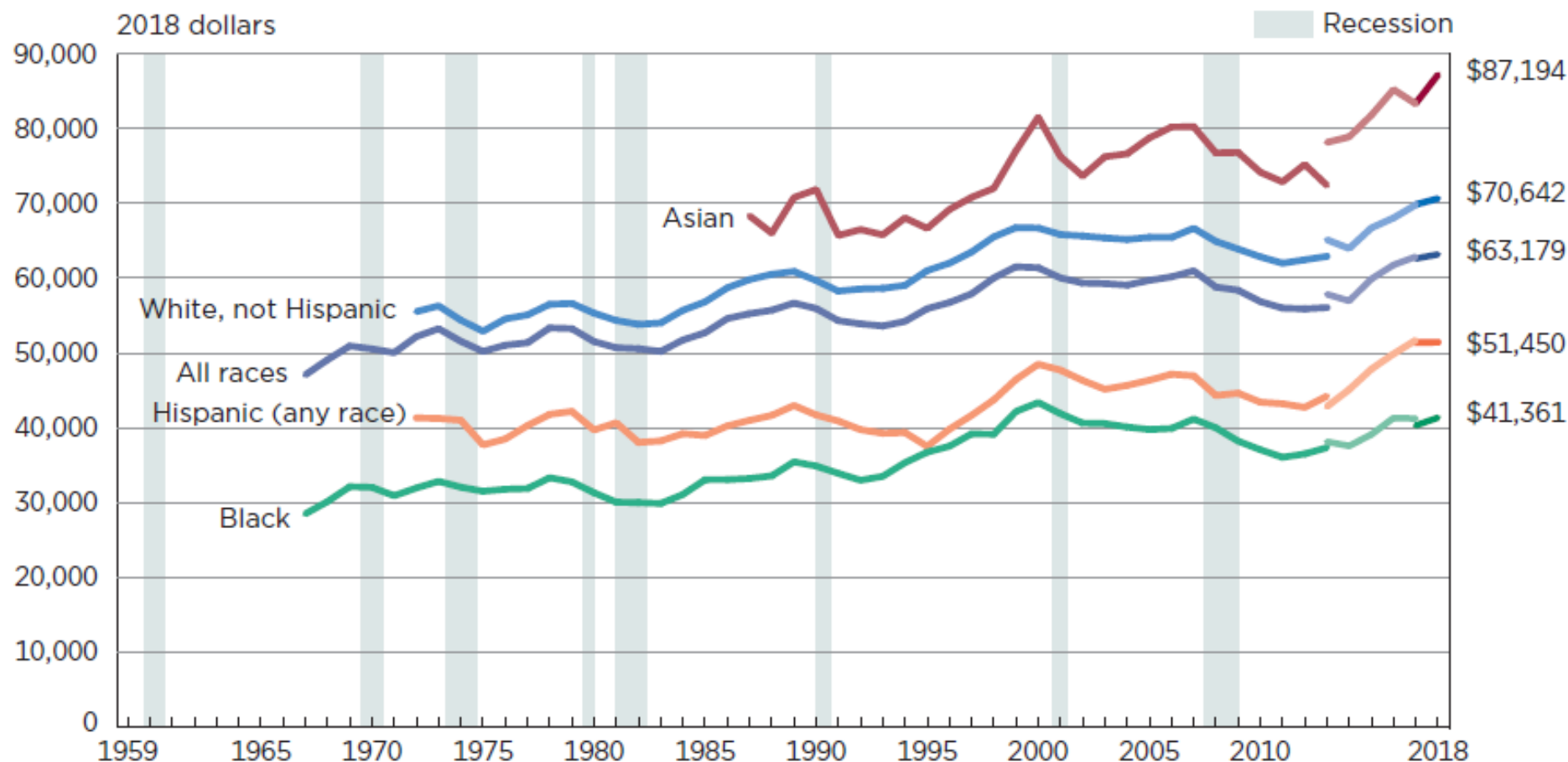
- Interact with Education
- Interact with Family Structure
- Affected by Mass Incarceration
- Affected by Immigration and Undocumented Status

Median Household Income by Race and Ethnicity in 2016



Note: We focus here and in subsequent analyses on four non-Hispanic single-race groups (white, black, Asian, American Indian and Alaska Native) and Hispanics. Source: American Community Survey 2016.

Figure 2.
Real Median Household Income by Race and Hispanic Origin: 1967 to 2018



Notes: The data for 2017 and beyond reflect the implementation of an updated processing system. See Appendix D for more information. The data for 2013 and beyond reflect the implementation of the redesigned income questions. See Table A-2 for historical footnotes. The data points are placed at the midpoints of the respective years. Median household income data are not available prior to 1967. For more information on recessions, see Appendix A. For more information on confidentiality protection, sampling error, nonsampling error, and definitions, see <<https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar19.pdf>>.

Source: U.S. Census Bureau, Current Population Survey, 1968 to 2019 Annual Social and Economic Supplements.

Poverty by Race

Overall Poverty Rate	11.8%
White Poverty Rate	10.1%
White Non Hispanic Rate	8.1%
Black Non Hispanic Rate	20.8%
Asian Poverty Rate	10.1%
Hispanic Poverty Rate	17.6%

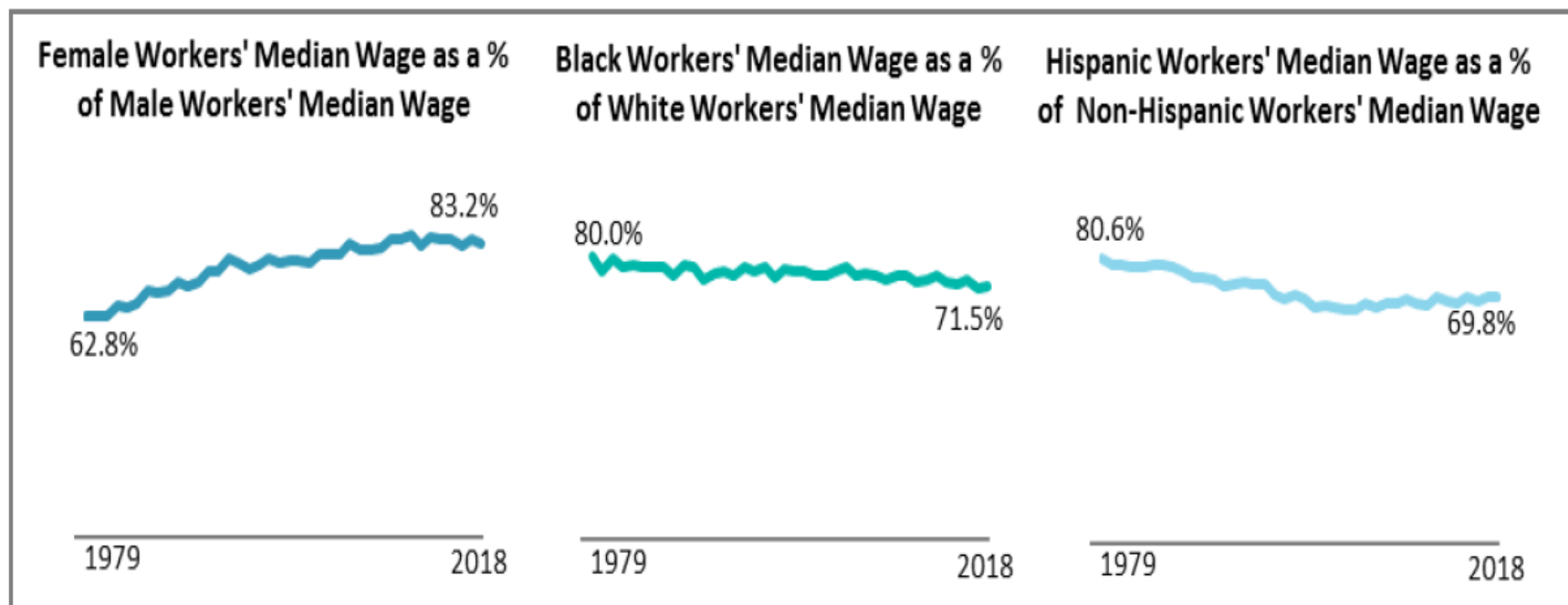
Poverty by Education

College and College Plus	4.4%
Some College	8.4%
High School Grad	12.7%
Black Non Hispanic Rate	20.8%
No High school	25.9%

Poverty by Family Type

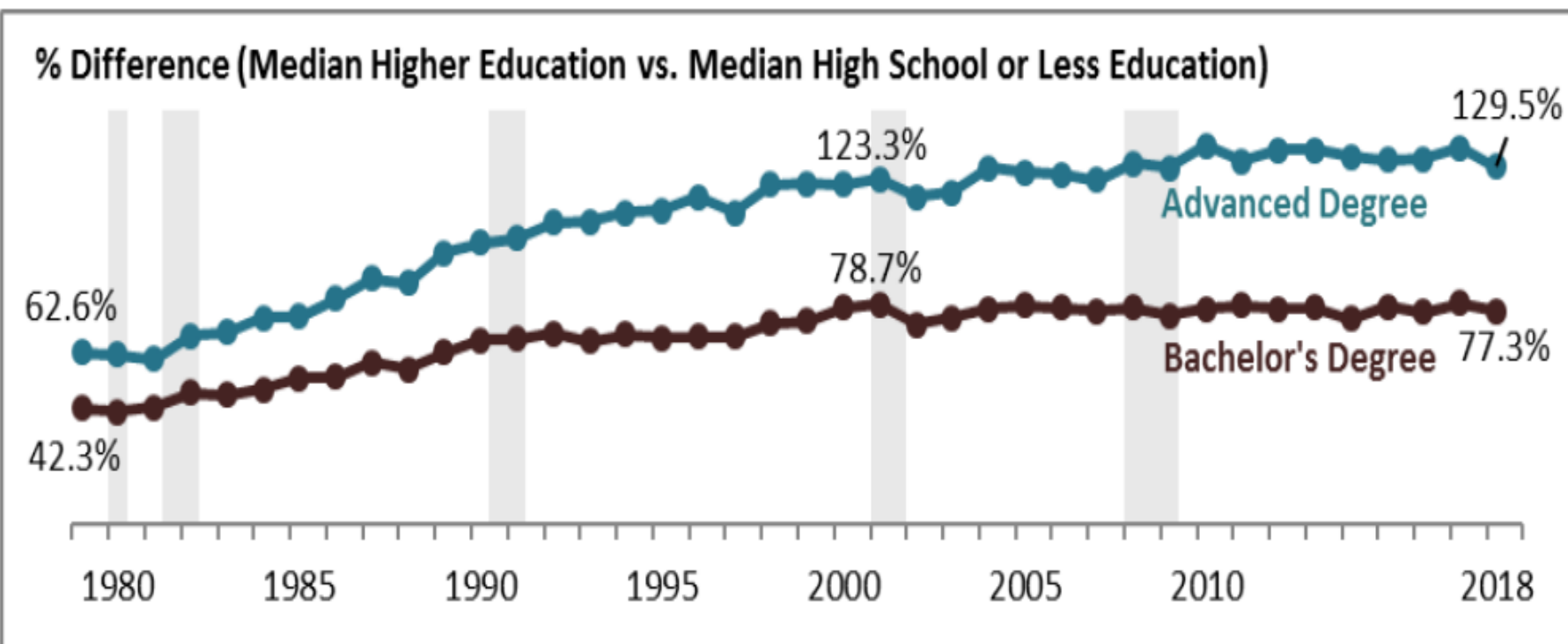
Married Couple Families	5.4%
Married Couple Families kids under 6	7.8%
Female Head No spouse	26.8%
Female Head No Spouse kids under 6	47.7%
Male Head No Spouse	13.1%%
Male Head no Spouse kids under 6	13.1%
People Not in Families	20.2%
Male	17.7%
Female	22.6%

Figure 3. Median Wage Ratios, 1979-2018



Source: CRS estimates using Current Population Survey Outgoing Rotation Group data for 1979-2018.

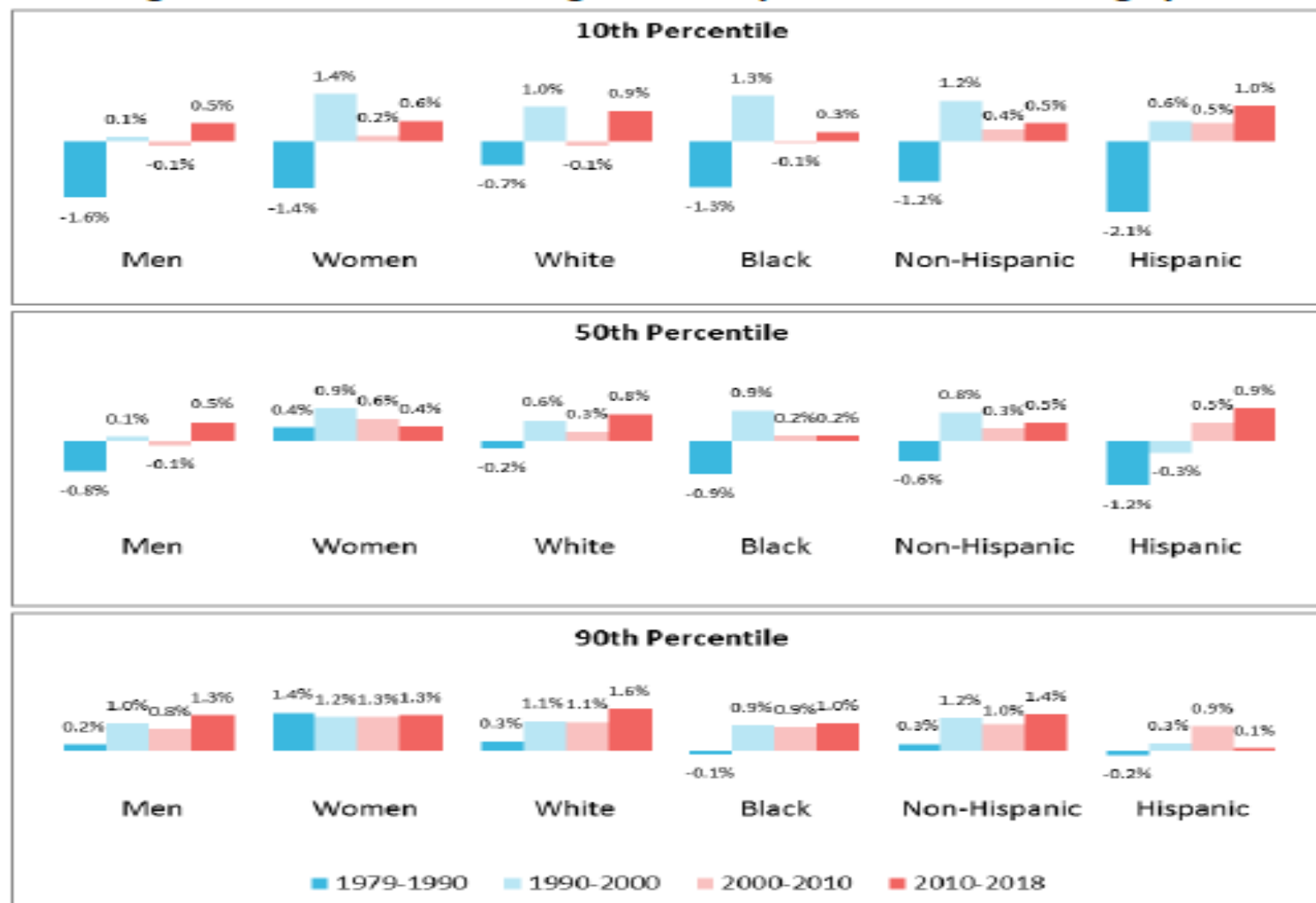
Figure 5. College Degree Wage Premium and Advanced Degree Wage Premium, Relative to a High School Education or Less



Source: CRS estimates using Current Population Survey Outgoing Rotation Group data for 1979-2018. Recession data (in gray) are from the National Bureau of Economic Research, at <http://www.nber.org/cycles.html>.

Notes: Sample comprises nonfarm wage and salary workers who are 25-64 years old and provide sufficient information to compute an hourly wage. Periods of recession are shaded in gray. Dollar amounts are adjusted for inflation using the CPI-U.

Figure 1. Annualized Real Wage Growth by Percentile and Demographic



Source: CRS estimates using Current Population Survey Outgoing Rotation Group data for 1979-2018.

Notes: Sample comprises nonfarm wage and salary workers who are 25-64 years old and provide sufficient information to compute an hourly wage. Dollar amounts are adjusted for inflation using the Bureau of Labor Statistics Current Price Index for All Urban Consumers (CPI-U); <https://www.bls.gov/cpi/>.

Table I. Real Wage Trends over 1979-2018, by Selected Demographic Characteristics

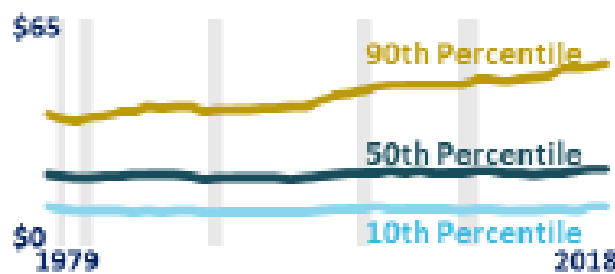
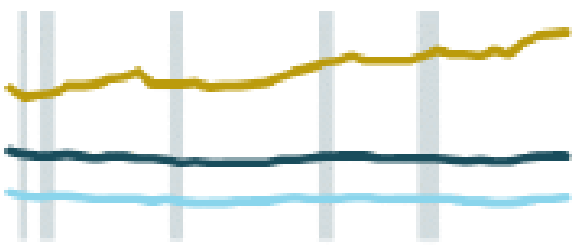
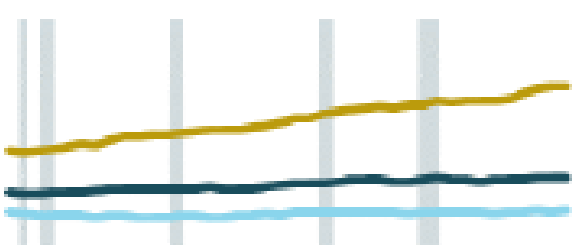
Demographic	Real Wage Trends	Cumulative % Change in Real Wages		
	<i>Shaded Bars = Recessions</i>	<i>10th percentile</i>	<i>50th percentile</i>	<i>90th percentile</i>
Overall		1.6%	6.1%	37.6%
Men		-13.3%	-5.1%	36.4%
Women		4.8%	25.7%	66.7%

Table 1. Real Wage Trends over 1979-2018, by Selected Demographic Characteristics

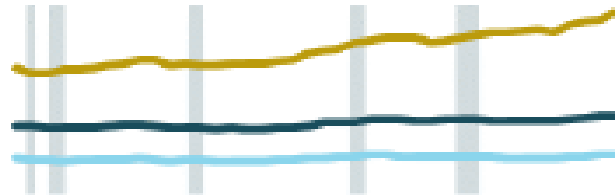
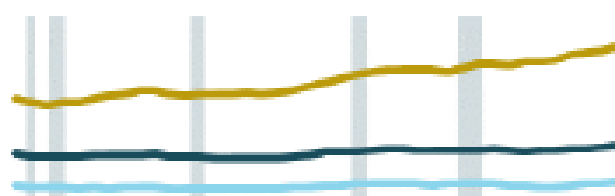
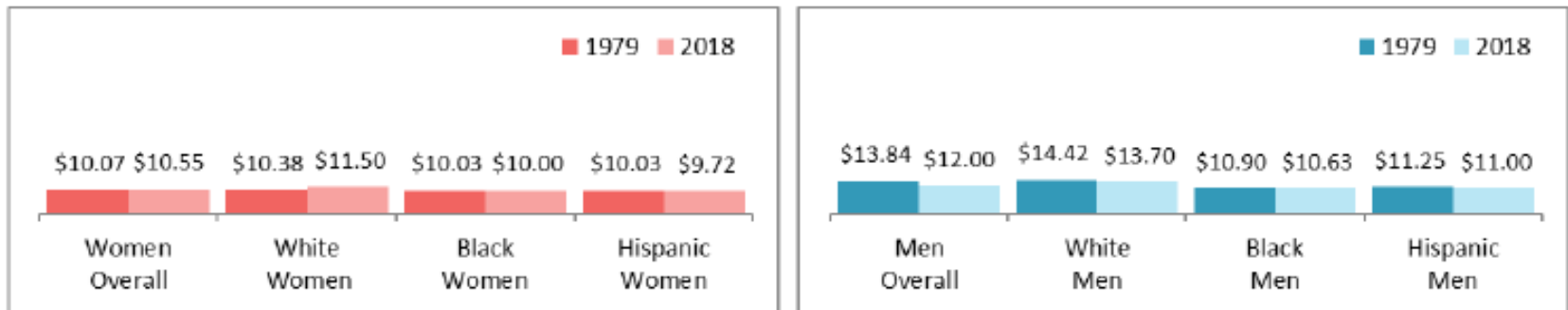
Demographic	Real Wage Trends	Cumulative % Change in Real Wages		
	<i>Shaded Bars = Recessions</i>	<i>10th percentile</i>	<i>50th percentile</i>	<i>90th percentile</i>
White (Non-Hispanic)		8.2%	13.2%	45.6%
Black (Non-Hispanic)		-0.3%	1.2%	28.5%
Hispanic		-3.7%	-4.6%	11.4%
Non-Hispanic		6.7%	10.1%	42.7%

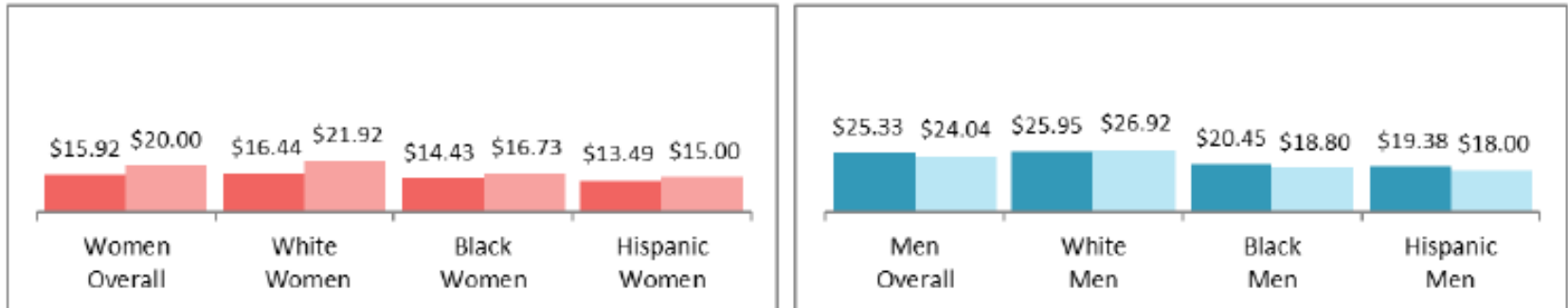
Figure 2. Wages at Selected Percentiles, by Sex, Race, and Ethnicity, in 1979 and 2018

Wages in 2018 dollars

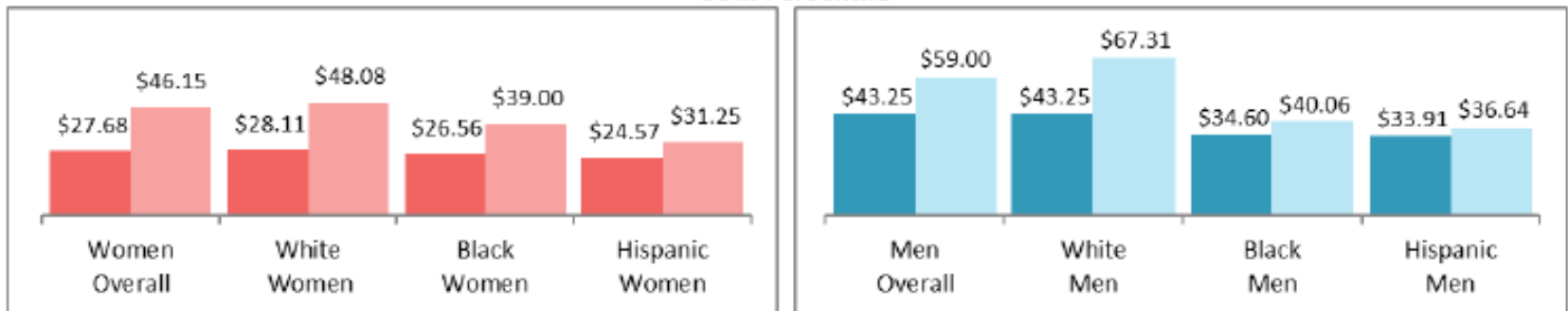
10th Percentile



50th Percentile



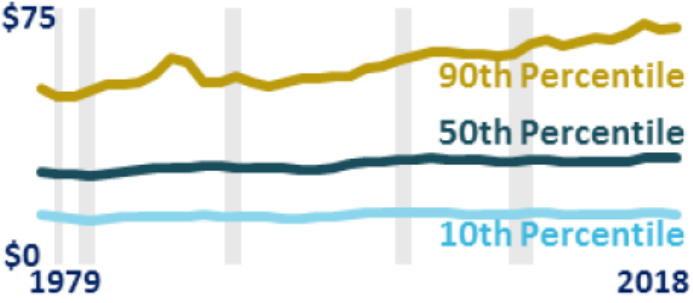
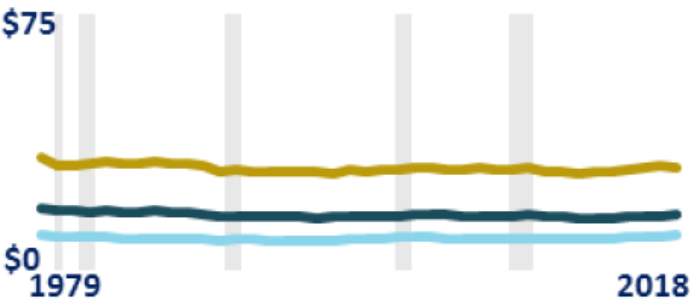
90th Percentile



Source: CRS estimates using Current Population Survey Outgoing Rotation Group data for 1979-2018.

Notes: White and black worker groups refer to non-Hispanic white and non-Hispanic black workers, respectively. Dollar amounts are adjusted for inflation using the CPI-U.

Table 2. Wage Trends by Education and the Higher-Education Wage Premium

Education Group	Real Wage Trends	Cumulative % Change in Real Wage Levels over 1979-2018		
		10 th percentile	50 th percentile	90 th percentile
	<i>Shaded Bars = Recessions</i>			
College Degree Holders		4.0%	14.4%	34.3%
High School Diploma or Less Education		-3.7%	-12.3%	-9.7%

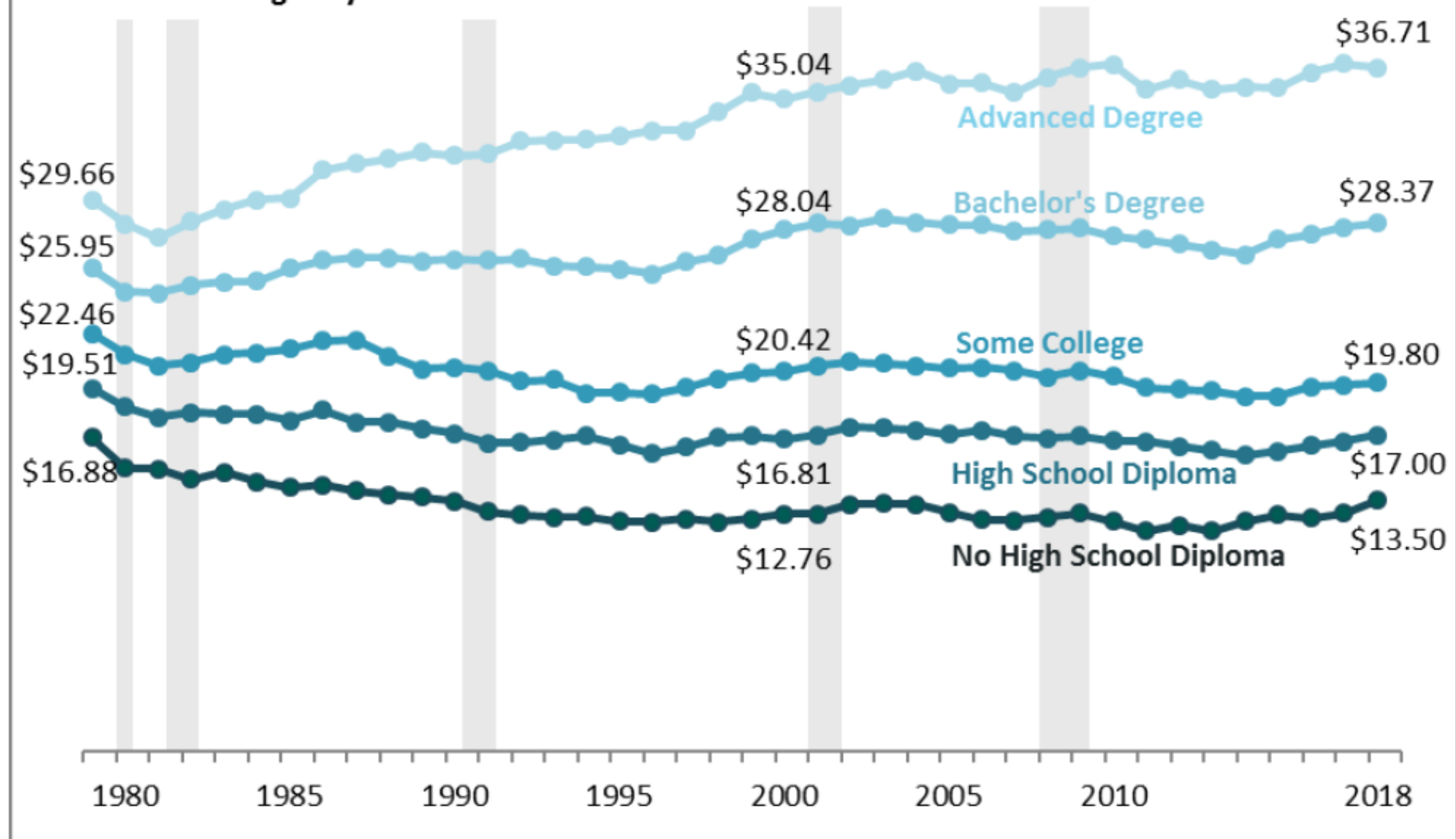
Source: CRS estimates using Current Population Survey Outgoing Rotation Group data for 1979-2018. Recession data (in gray) are from the National Bureau of Economic Research, at <http://www.nber.org/cycles.html>.

Notes: Sample comprises nonfarm wage and salary workers who are 25-64 years old and provide sufficient information to compute an hourly wage. Periods of recession are shaded in gray. Dollar amounts are adjusted for inflation using the CPI-U.

Figure 4. Median Wage by Educational Attainment

Wages in 2018 dollars

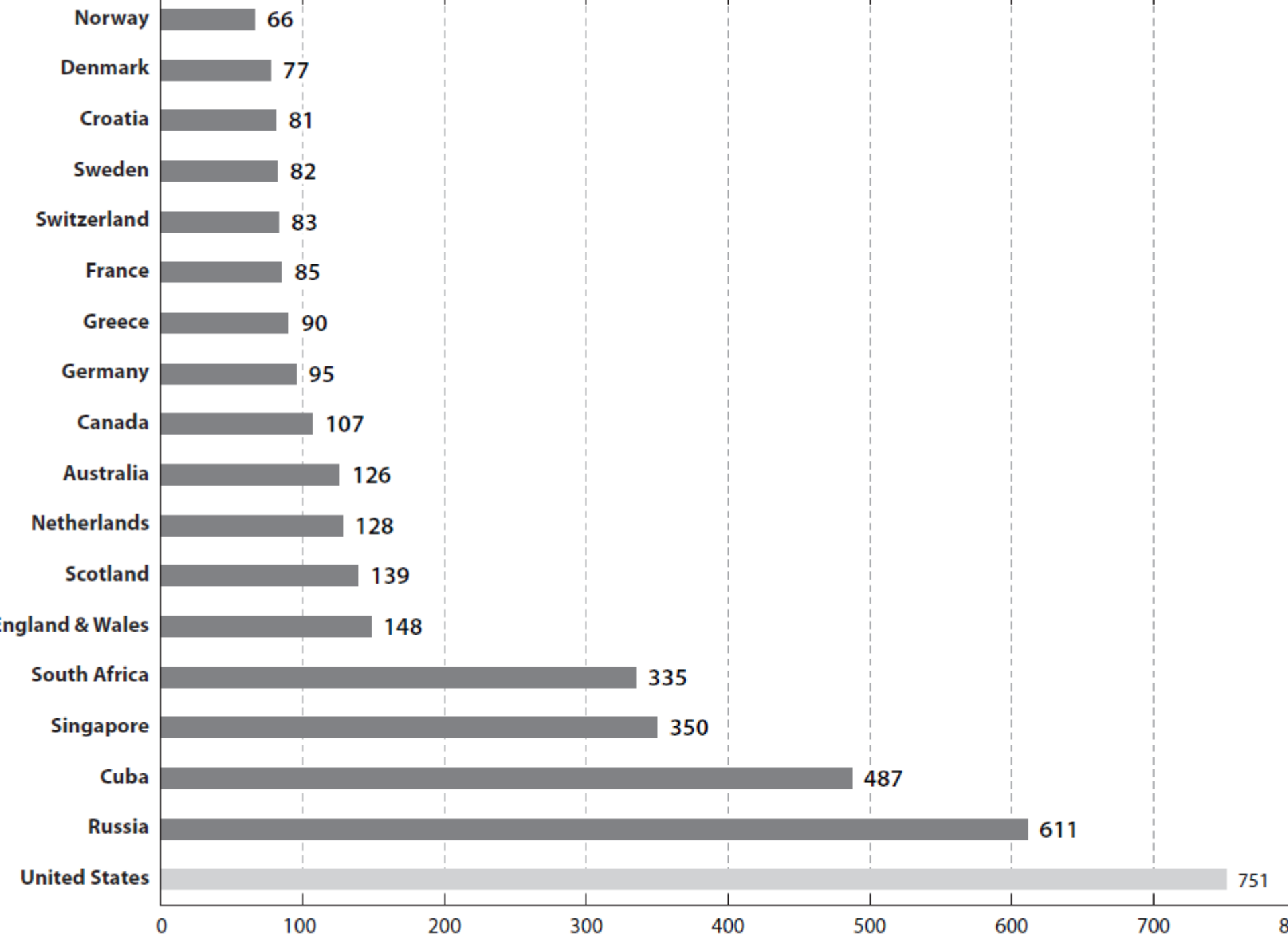
Median Real Wages by Educational Attainment



Source: CRS estimates using Current Population Survey Outgoing Rotation Group data for 1979-2018. Recession data (in gray) are from the National Bureau of Economic Research, at <http://www.nber.org/cycles.html>.

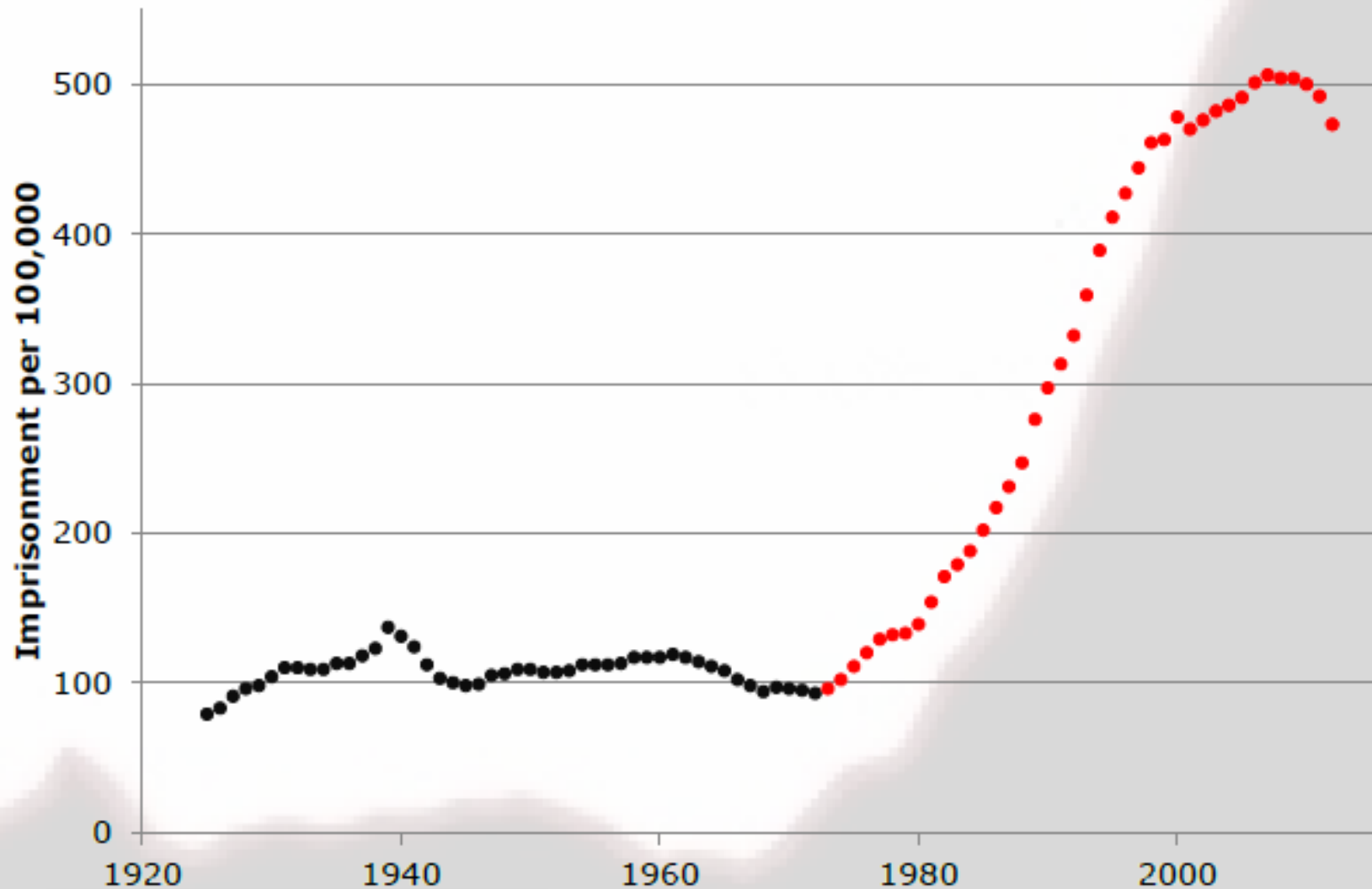
Incarceration and Inequality

- The growth of the imprisoned population is part of inequality in the United States, and affects measurement of poverty, unemployment and income.



2006 selected nations incarceration rate per 100,000

U.S. Incarceration Rate, 1925-2012



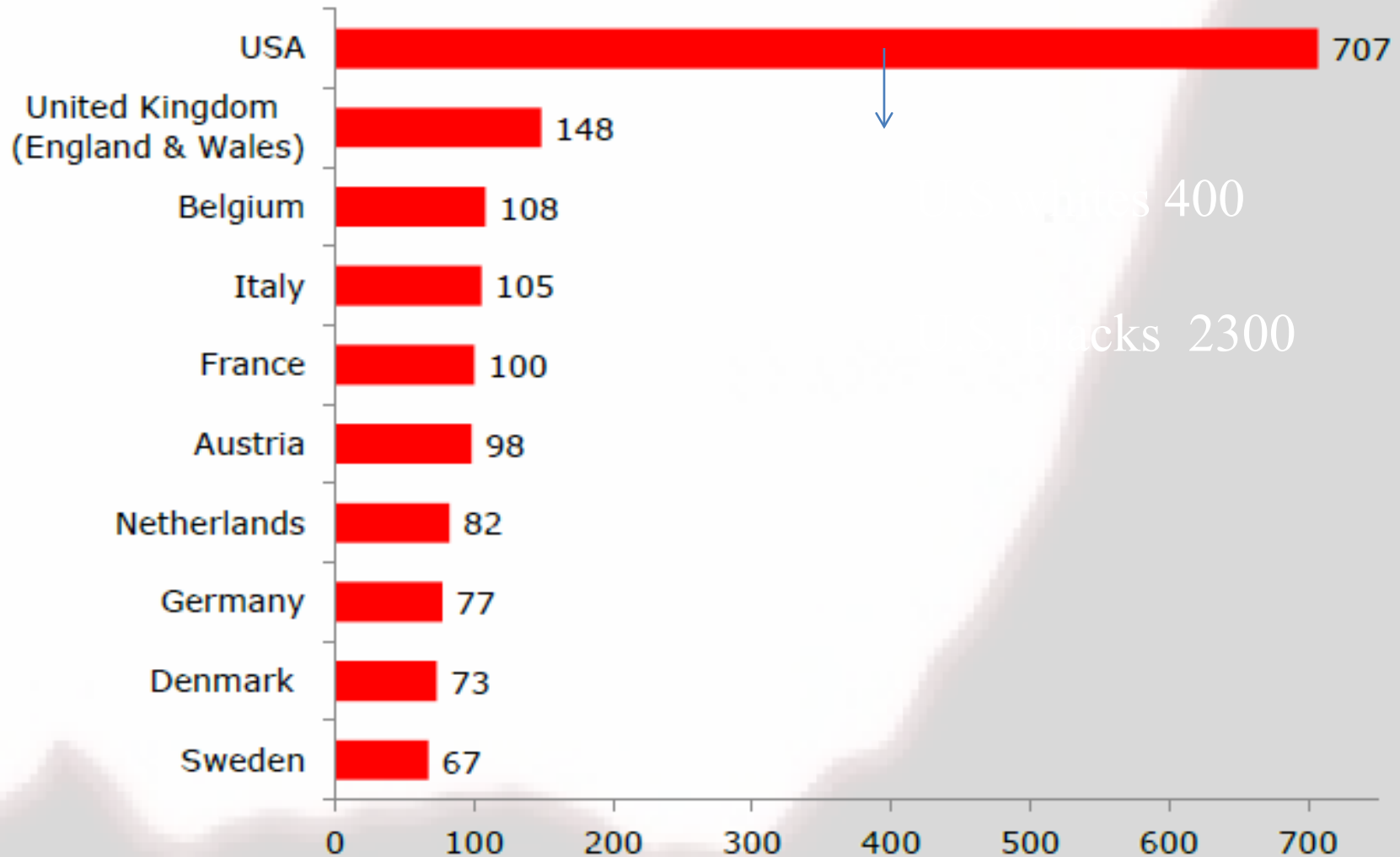
THE NATIONAL ACADEMIES

Advisers to the Nation on Science, Engineering, and Medicine

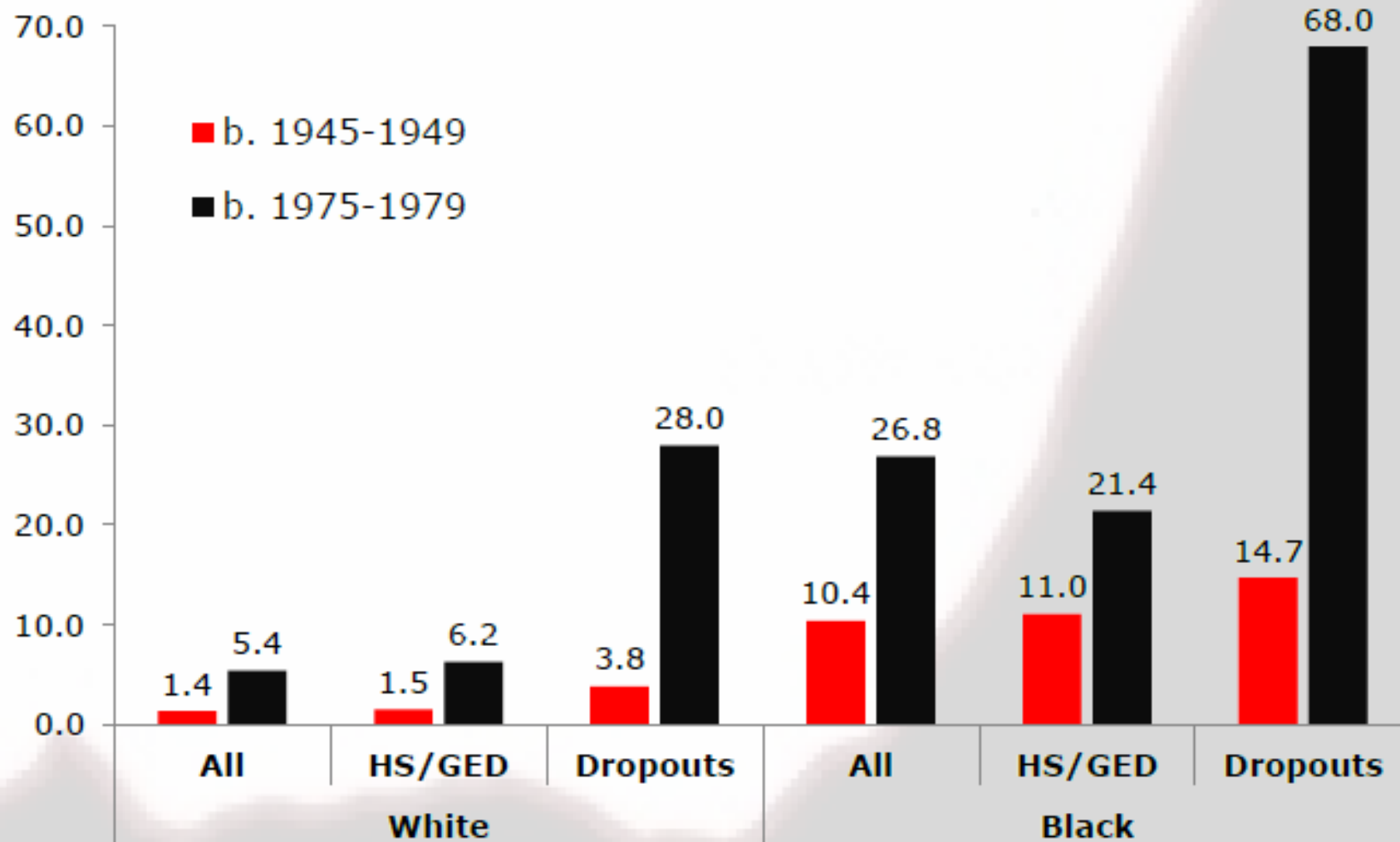
Note: Incarceration rate is state and federal prison population per 100,000

Incarceration in U.S. and Europe, 2012-2013

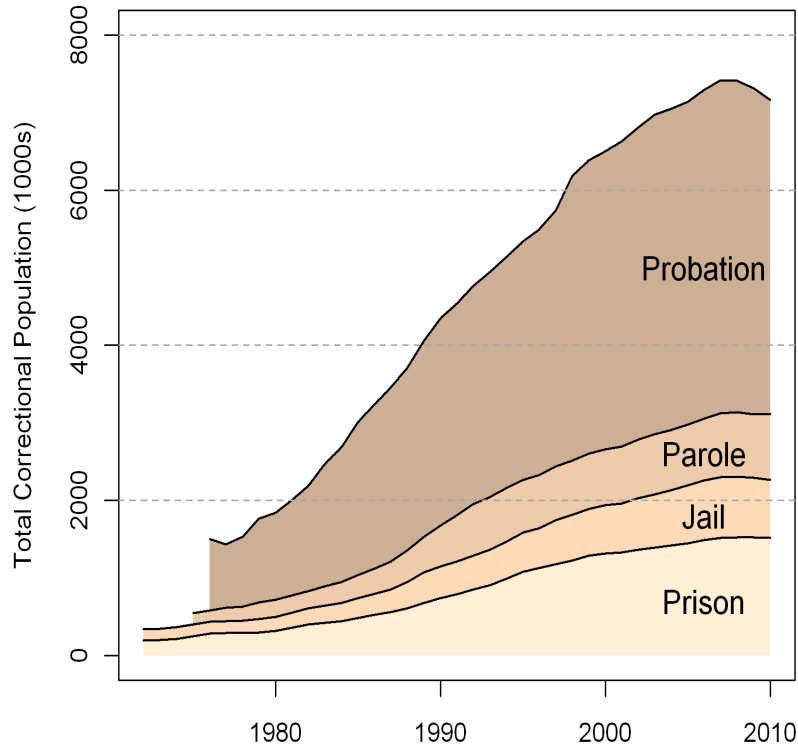
per 100,000 population



Imprisonment Risk Extraordinary for Young Less Educated Black Men



7 million people under supervision 2010



- 2.23 million people in jail or prison
- 851,000 people on parole
- 3.94 million people on probation
- Adds up to 1 in 33 adults.

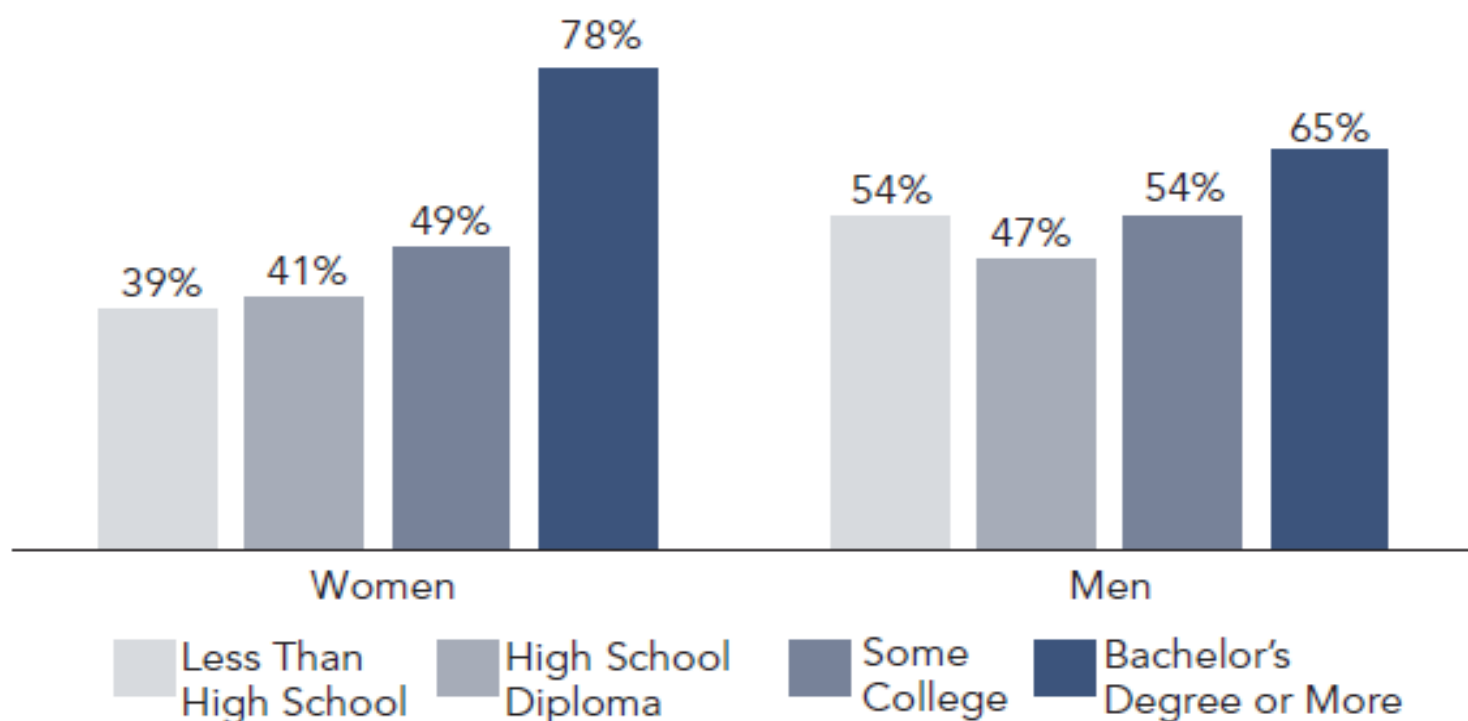
Family Changes

- Educated have more stable marriages and continue to have kids within marriage
- Some college and below have less stable or no marriage and kids outside marriage

FIGURE 11

College Graduates Are Most Likely to Have Long-Lasting Marriages.

Probability That First Marriages Will Remain Intact for 20 Years, by Education Level, Women and Men Ages 22-44, 2006-2010 (percent)

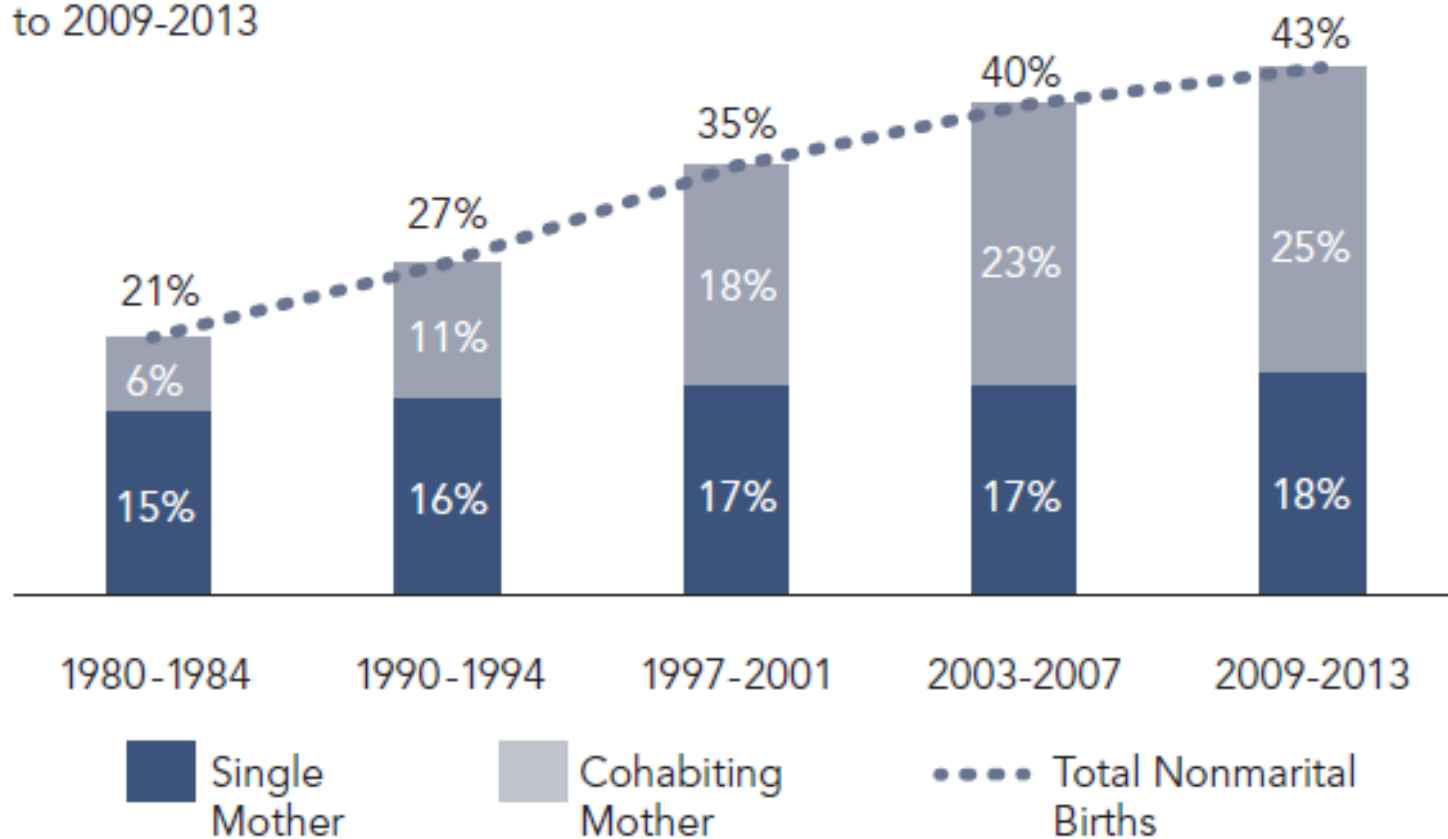


Note: Probabilities are converted to percentages to ease readability.

Source: Casey Copen et al., "First Marriages in the United States: Data From the 2006-2010 National Survey of Family Growth," *National Health Statistics Report* 49 (2012).

An Increasing Share of Nonmarital Births Are to Cohabiting Couples.

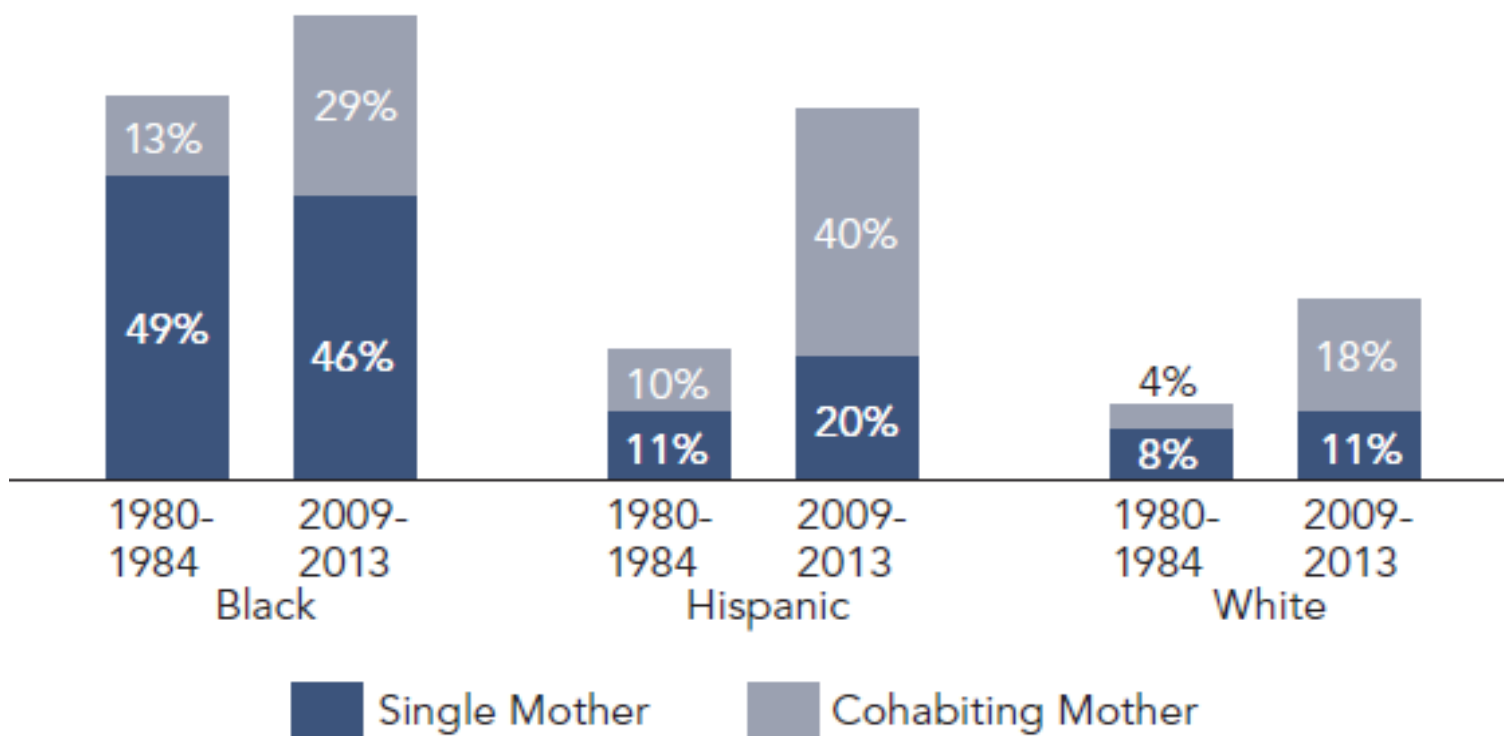
The Share of All Births by Relationship/Union Context at Birth, 1980-1984 to 2009-2013



Source: Wendy D. Manning, Susan L. Brown, and Bart Stykes, "Trends in Birth to Single and Cohabiting Mothers, 1980-2013," National Center for Family and Marriage Research Family Profile FP-15-03 (2015); Larry Bumpass and Hsien-Hen Lu, "Trends in Cohabitation and Implications for Children's Family Contexts in the United States," *Population Studies* 54, no. 1 (2000): 29-41; and Sheela Kennedy and Larry L. Bumpass, "Cohabitation and Children's Living Arrangements: New Estimates From the United States," *Demographic Research* 19, no. 47 (2008): 1663-92.

Blacks Continue to Have the Highest Rate of Nonmarital Births, Especially Births to Single Mothers.

Nonmarital Births by Relationship/Union Context at Birth and Race/Ethnicity, 1980-1984 and 2009-2013

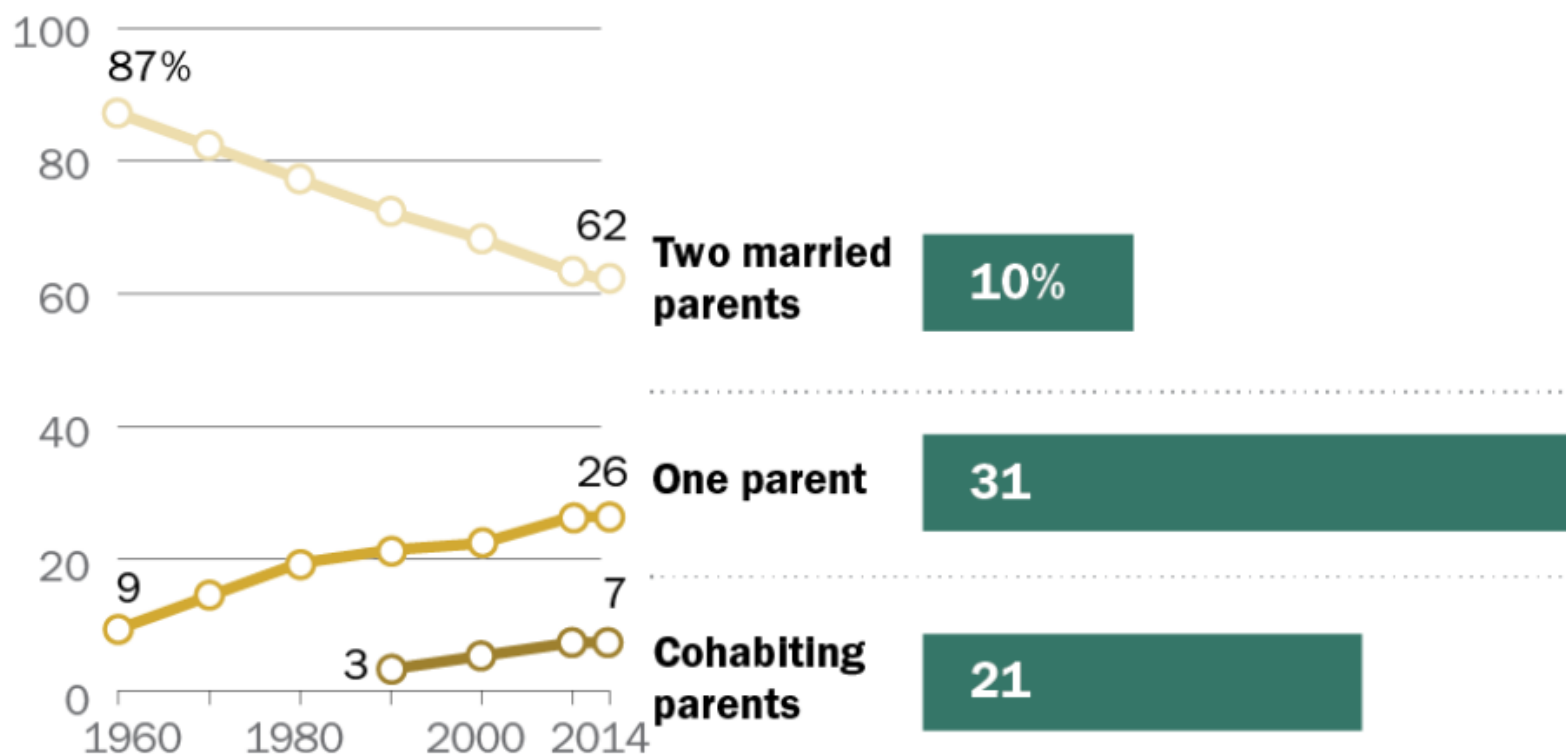


Source: Wendy D. Manning, Susan L. Brown, and Bart Stykes, "Trends in Birth to Single and Cohabiting Mothers, 1980-2013," National Center for Family and Marriage Research Family Profile FP-15-03 (2015); and Larry Bumpass and Hsien-Hen Lu, "Trends in Cohabitation and Implications for Children's Family Contexts in the United States," *Population Studies* 54, no. 1 (2000): 29-41.

For U.S. kids, strong link between parents' marital status and likelihood of living in poverty

% of children living with ...

% of children living in poverty



Note: Based on children under 18. Data regarding cohabitation are not available prior to 1990; in earlier years, cohabiting parents are included in "one parent." Poverty is measured using the Supplemental Poverty Measure (SPM) and not the Official Poverty Measure.

Source: Pew Research Center analysis of 1960-2000 decennial census, 2010 and 2014 American Community Survey and 2014 Current Population Survey (IPUMS)

Opportunity and Race

- Raj Chetty Opportunity Insights

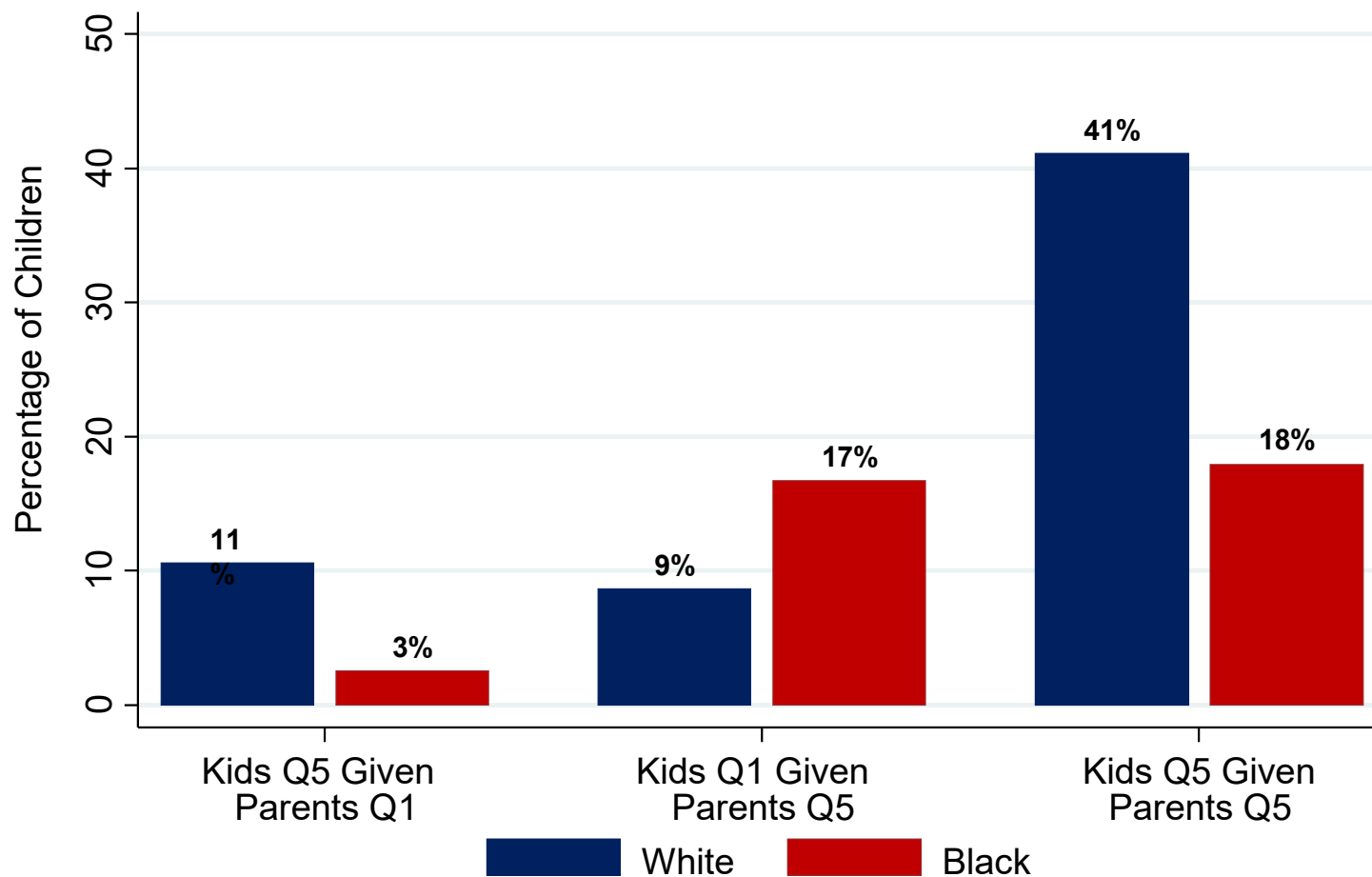
Income Measures

- Parents' pre-tax household incomes: mean Adjusted Gross Income from 1994-2000, assigning non-filers zeros
- Children's pre-tax incomes measured in 2014-15 (ages 31-37)
 - Non-filers assigned incomes based on W-2's (available since 2005)
 - Begin with household income, then turn to individual (own) income
- Focus on percentile ranks: rank children relative to others in their birth cohort and parents relative to other parents

Data and Sample Definitions

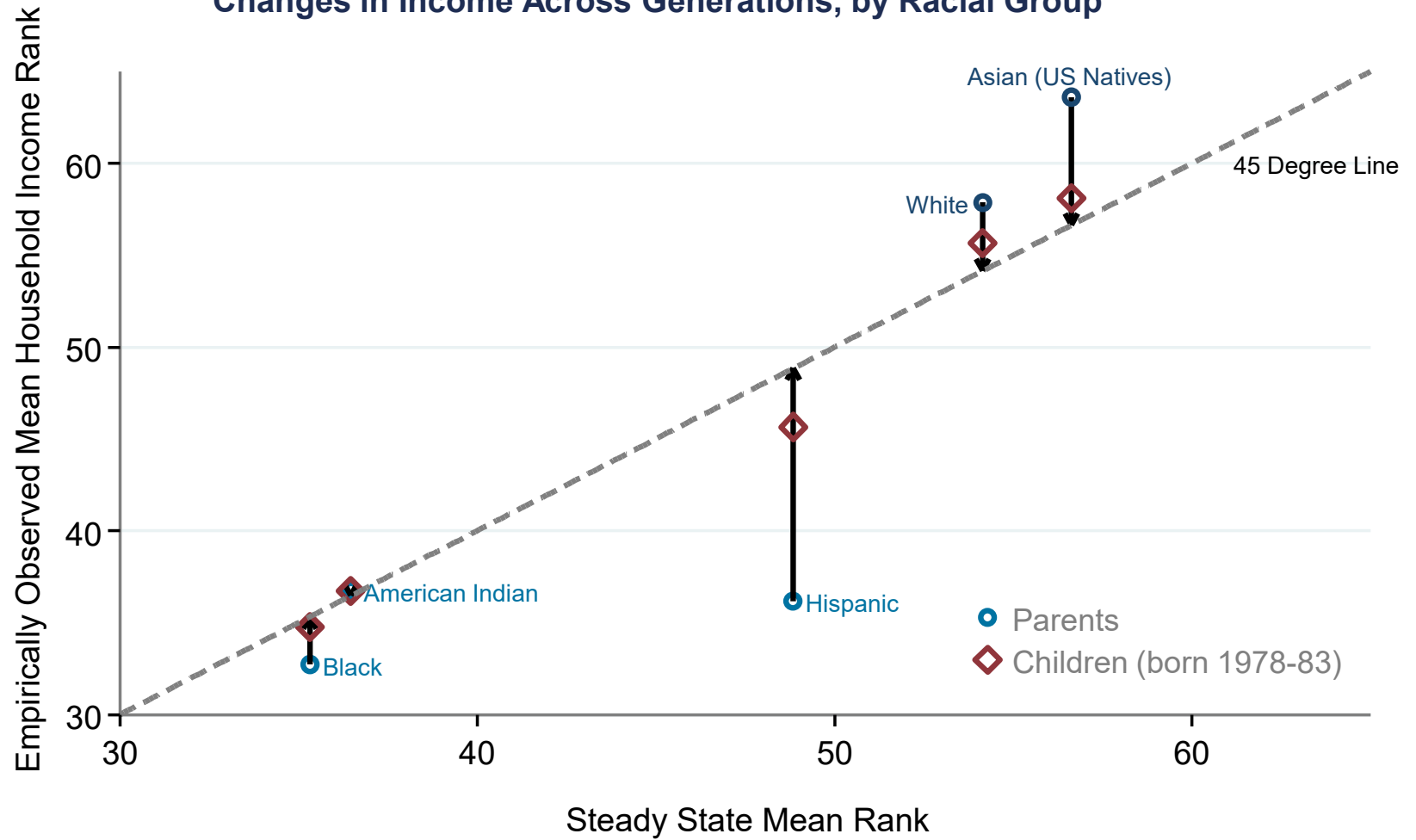
- Data sources: Census data (2000, 2010, ACS) covering U.S. population linked to federal income tax returns from 1989-2015 [Akee, Jones, and Porter 2017]
- Intergenerational linkage: Children linked to parents who first claim them as a dependent on a tax return
- Target sample: Children in 1978-83 birth cohorts who were born in the U.S. or are authorized immigrants who came to the U.S. in childhood
- Analysis sample: 20 million children, 94% coverage rate of target sample

Rates of Upward and Downward Mobility: Blacks vs. Whites



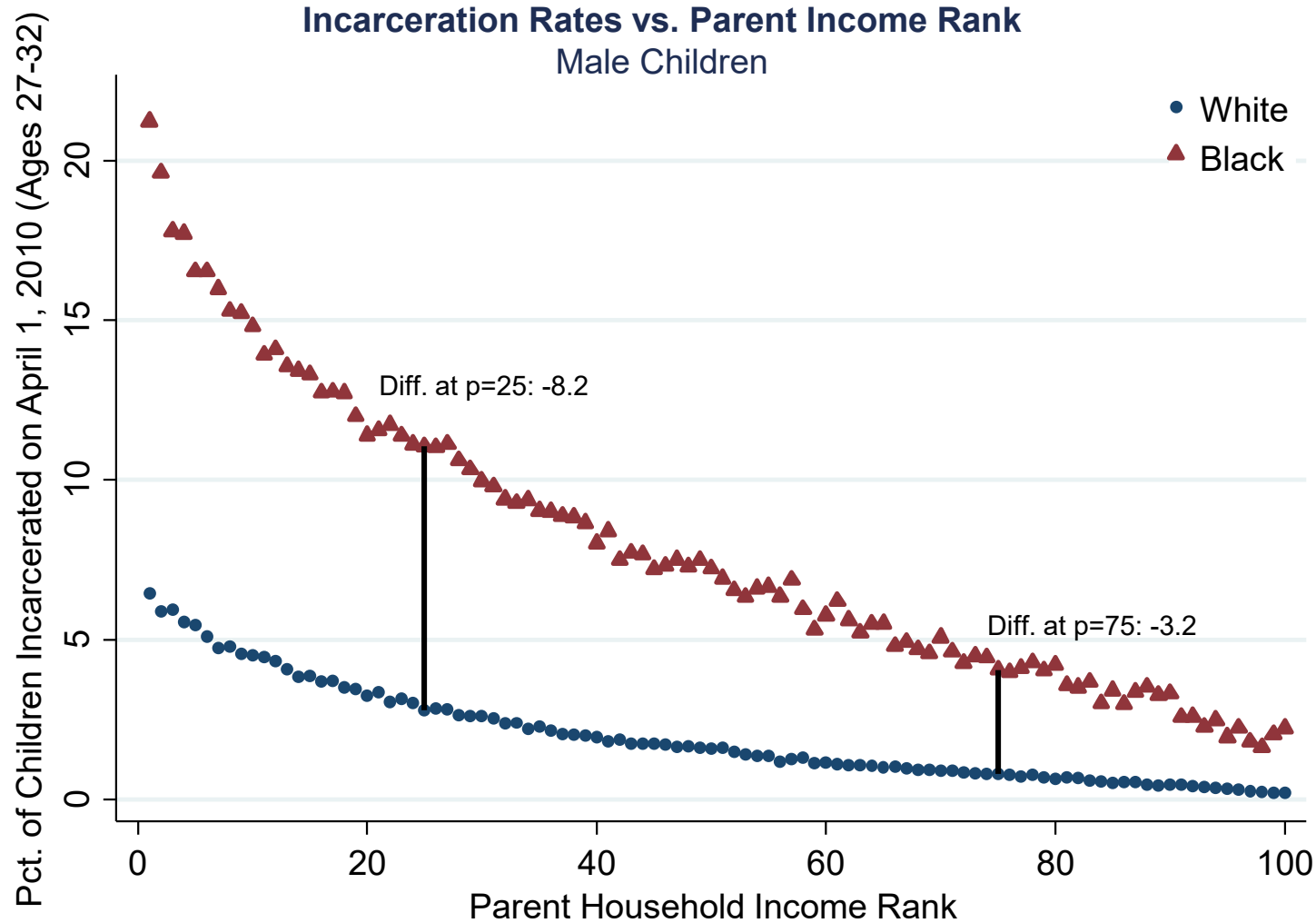
Click [here](#) to view an interactive depiction of these transition rates

Changes in Income Across Generations, by Racial Group



Intergenerational Persistence of Racial Disparities: Summary

- All racial groups in the U.S. have similar rates of *relative* mobility → will converge rapidly to their steady state (if mobility rates stay fixed)
- Key driver of disparities is therefore intergenerational gap in absolute mobility, e.g. between blacks and whites
 - Why do black children have lower incomes than white children *conditional* on parent income?
- Rest of the talk: test a range of explanations for black-white intergenerational gaps



Incarceration and Intergenerational Gaps

- Differences in incarceration rates are substantial, but unlikely to “mechanically” explain entirety of black-white income gap for males
 - Income gaps remains substantial even among children in the highest-income families
 - Incarcerated individuals have low earnings even prior to incarceration
[Looney and Turner 2018]
- We treat incarceration as an outcome determined by the same processes that shape labor market outcomes

Gender Differences in Racial Disparities: Summary

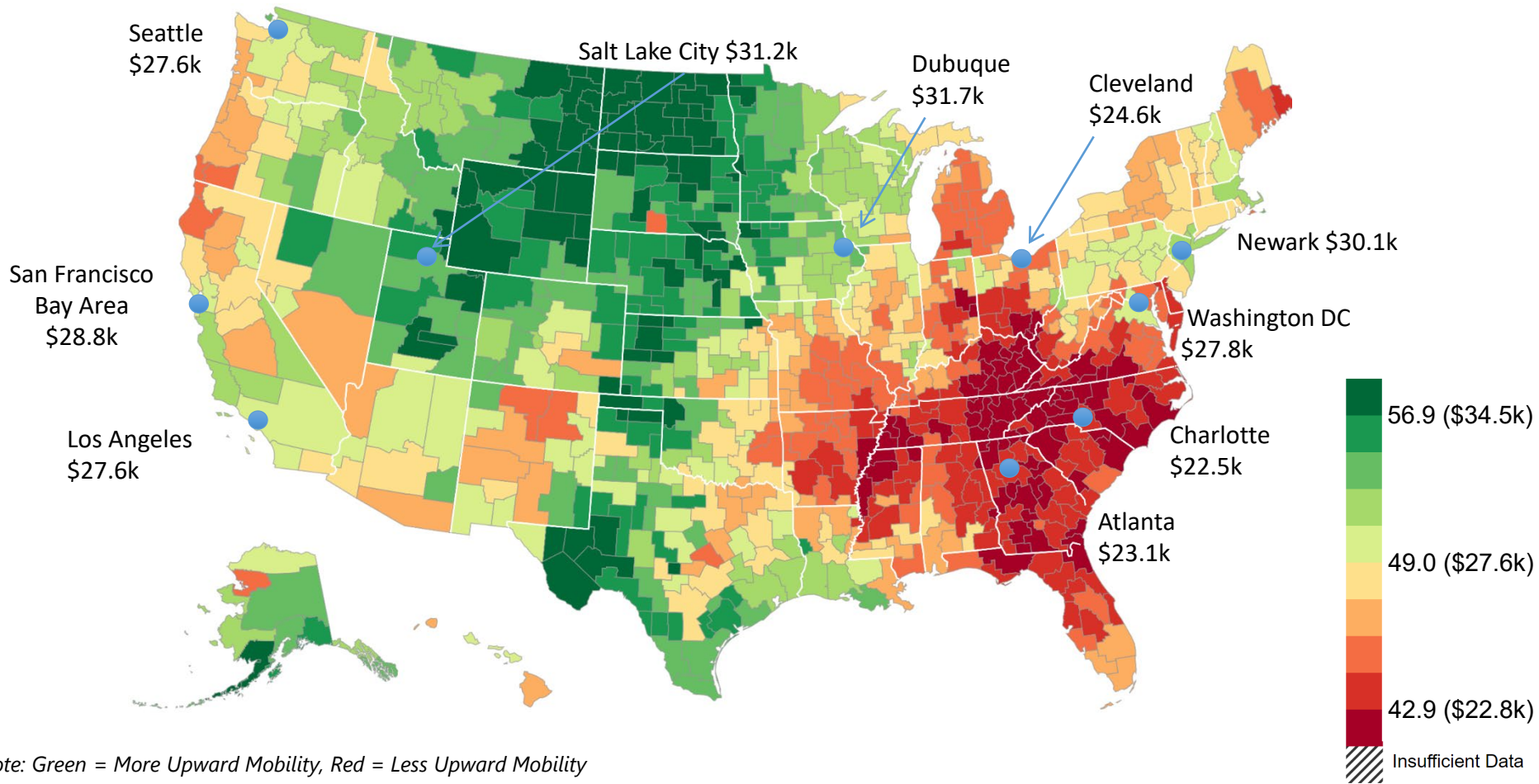
- Black-white gaps in earnings conditional on parental income are large for men, but small for women
- Does not imply that black women have the same level of welfare as white women
 - Black women have lower *household* income, conditional on parent income
- Also does not mean that incomes of black women will converge to those of white women across generations
 - Black women grow up in lower-income households in each generation
- But does suggest that addressing the unique challenges faced by black men may ultimately raise the incomes of both black men and women

Neighborhood Environments and the Black-White Gap

- Do blacks have worse outcomes than whites because they live in different neighborhoods?
- Begin by examining broad geographic variation across commuting zones [Chetty, Hendren, Kline, and Saez 2014]
 - Assign children to locations in proportion to the fraction of their childhood that they spent in each CZ
- Estimate expected rank of children with parents at the 25th percentile of national income distribution using linear regression within each CZ

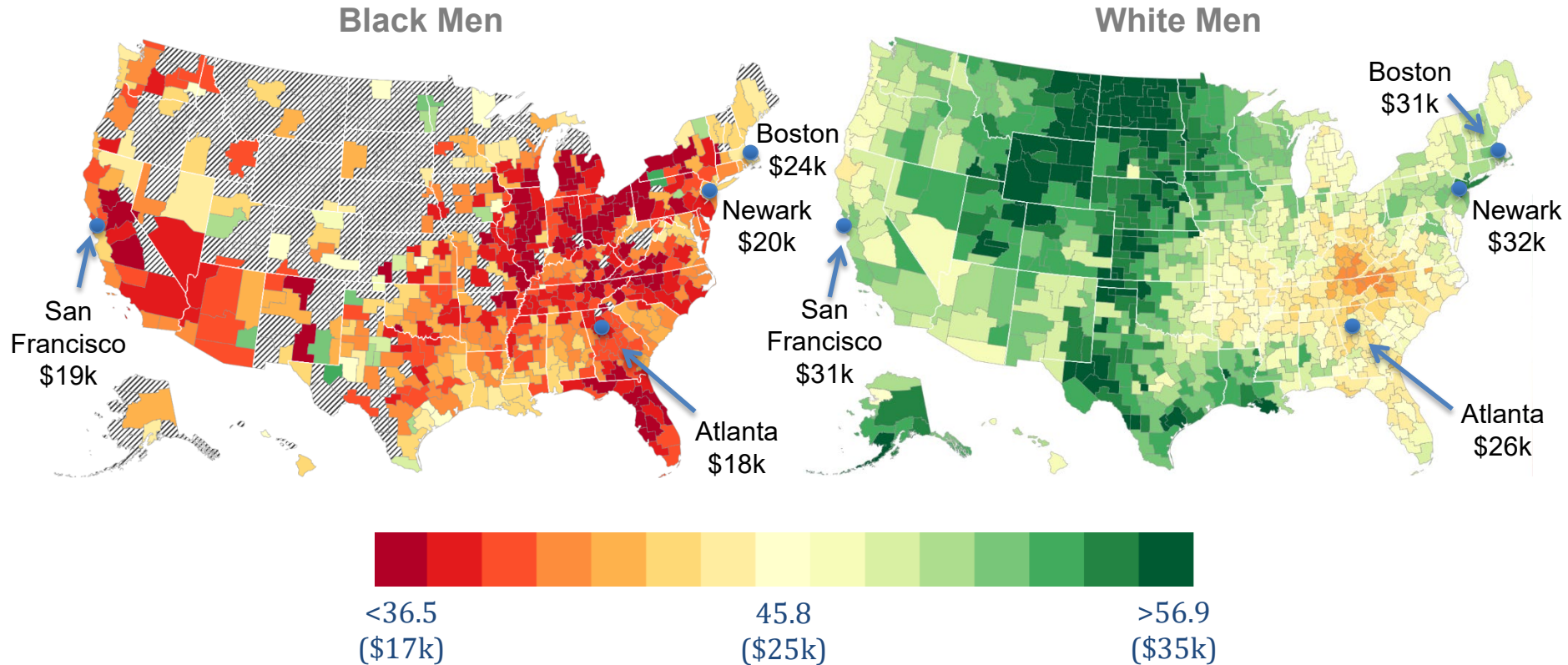
The Geography of Upward Mobility in the United States

Average Individual Income for Males with Parents Earning \$25,000 (25th percentile)



Two Americas: The Geography of Upward Mobility by Race

Average Individual Income for Boys with Parents Earning \$25,000 (25th percentile)



Note: Green = More Upward Mobility, Red = Less Upward Mobility; Grey = Insufficient Data

Variation in the Black-White Earnings Gap Across Tracts

- Four key results:
 1. Black boys have lower earnings than white boys in 99% of Census tracts in America, controlling for parental income
 2. Both black and white boys have better outcomes in “good” (e.g., low-poverty, higher rent) neighborhoods, but the black-white gap is *bigger* in such areas
 3. Within low-poverty areas, there are two factors associated with better outcomes for black boys *and* smaller gaps: greater father presence and less racial bias

Father Presence: Additional Results

- Greater presence of *white* fathers in tract is predictive of white boys' outcomes
 - Phenomenon is not unique to black boys; but rates of father presence are much lower for black boys
- Black father presence in *childhood* neighborhood is predictive even conditional on tract in which child lives as an adult
 - Not a mechanical consequence of black boys and their fathers being subject to the same set of environmental factors (e.g., policing)

Identifying the Causal Effects of Neighborhoods

- Ideal experiment: randomly assign children to neighborhoods and compare outcomes in adulthood, by race
- We approximate this experiment using quasi-experimental design developed by Chetty and Hendren (2018)
 - Study families who move across areas in observational data
 - Exploit variation in *age of child* when family moves to identify causal effects of neighborhoods
- Identifying assumption: potential outcomes of children are orthogonal to age at which family moves to a better/worse neighborhood
 - Validated by Chetty and Hendren (2018) and Chetty, Hendren, and Katz (2016)

Summary: Impacts of Neighborhood Environments on Black Men

- Main lesson: childhood environment is an important driver of black-white gaps
- But the environmental factors that matter *differ* by race
 - Neighborhood effects cannot be reduced to a common set of factors that affect both black and white boys
- Black boys do well in nbhds. with good resources (low poverty rates) *and* good race-specific factors (high father presence, less racial bias)
- The problem is that there are essentially no such neighborhoods in America

Conclusions

1. Mobility into and out of poverty is a central determinant of racial disparities
2. Commonly proposed policies likely to be insufficient to close black-white gap by themselves
3. Reducing racial gaps requires policies that cut *within* neighborhoods and improves environments for specific subgroups, such as black males
 - Ex: Mentoring programs, efforts to reduce racial bias, achieving racial integration within schools, criminal justice reform [Heller et al. 2015, Devine et al. 2012]
 - Further development and evaluation of such efforts would be valuable