

# The Historical Role of Race and Policy for Regional Inequality

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Our strategy calls for combining public investment, a secure social safety net, and fiscal discipline. In that framework, the Project puts forward innovative proposals from leading economic thinkers — based on credible evidence and experience, not ideology or doctrine — to introduce new and effective policy options into the national debate.

The Project is named after Alexander Hamilton, the nation's first Treasury Secretary, who laid the foundation for the modern American economy. Hamilton stood for sound fiscal policy, believed that broad-based opportunity for advancement would drive American economic growth, and recognized that “prudent aids and encouragements on the part of government” are necessary to enhance and guide market forces. The guiding principles of the Project remain consistent with these views.





# The Historical Role of Race and Policy for Regional Inequality

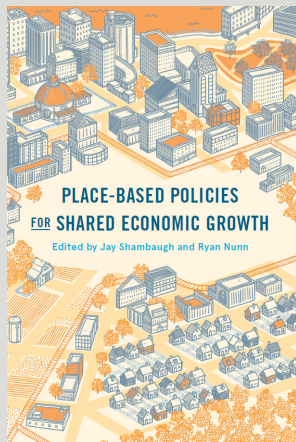
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## Place-Based Policies for Shared Economic Growth

For a century, the progress our nation made toward realizing broadly shared economic growth gave our economy much of its unparalleled strength. However, for the last several decades, that progress has seemed to stall. On critical measures such as household income, poverty, employment rates, and life expectancy, there exist yawning, persistent gaps between the best- and worst-performing communities. These conditions demand a reconsideration of place-based policies. The evidence-based proposals contained in this volume can help restore the conditions of inclusive growth that make it possible for individuals from any part of the country to benefit from economic opportunity.

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## Abstract

Contemporary racial inequality can be thought of as the product of a long historical process with at least two reinforcing sets of policies: First are the policies governing the spatial distribution of the black population, and second are the policies that had a disparate impact on black individuals because of their locations. Understanding current black–white gaps in income, wealth, and education requires understanding the complex relationship between regional inequality, race, and policies at the local, state, and national levels. In this chapter we outline the ways that the spatial distribution of the black population has evolved over time and the ways that spatial distribution has interacted with policy to, at times, reduce and exacerbate levels of inequality. Recognizing the ways that past policies explicitly stymied black economic mobility and how current policies have explicitly or inadvertently done the same provides a basis for understanding how to craft future policies to reduce racial inequalities. Furthermore, recognizing the interconnection of discrimination and the spatial distribution of the black population is important for understanding certain components of regional and spatial inequality.

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## Introduction

Understanding the relationship between racial inequality and regional inequality requires recognizing just how different the spatial distribution of the black population is from that of the general population in the United States. Figure 1 depicts the distribution of the black population in the United States, showing the black population share at the county level. Given that these are population shares, the uneven distribution in figure 1 is not driven by population densities. Black households are far more likely to live in the South or in urban areas in the Midwest relative to the general population and far less likely to live in the West.

The spatial distribution of the black population highlights two important facts when thinking about racial inequality. First, the modern distribution of the black population is still closely related to the historical distribution of the black population. The counties with disproportionately high black population shares today are the same counties that had large black populations before the Civil War. This fact underscores the notion that historical conditions may exert an influence on black outcomes today. Understanding modern links between regional inequality and spatial inequality requires understanding how slavery, Reconstruction, and Jim Crow shaped the geographic and economic mobility of black Americans.

The second issue raised is that the disproportionate concentration of black households in the South and urban counties of the Midwest suggest that any economic shocks to these regions, or long-standing differences in economic conditions between these regions and others, will disproportionately affect the black population and therefore

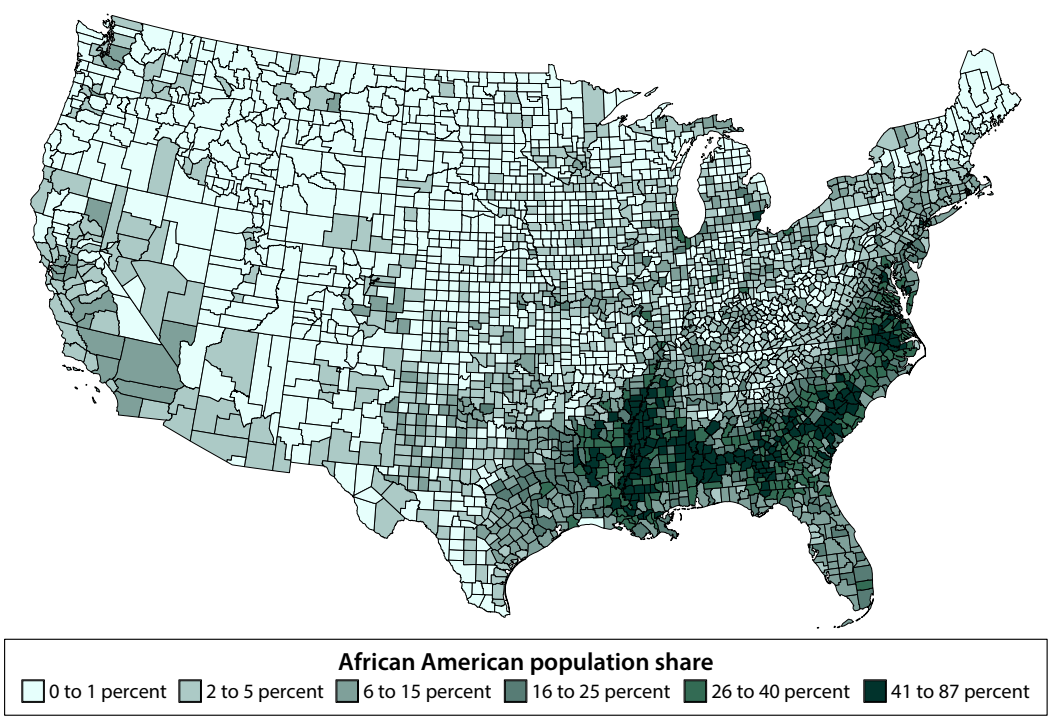
impact levels of racial inequality. Most notably, the distribution in figure 1 bears similarities to the geographic distribution of poverty shown in figure 2.

While the two distributions do not perfectly overlap, it is clear that the concentrations of poverty in the Deep South tend to overlap with the counties with high black population shares. Even more striking is the similarity between the black population distribution and a map of economic mobility. Figure 3 depicts a particularly useful measure of black intergenerational income mobility from Chetty et al. (2018). The map depicts the mean income rank of black children growing up in a household at the 25<sup>th</sup> income percentile. Under complete economic mobility, the expected income rank of the child will simply be the mean income rank for the population, the 50<sup>th</sup> percentile. If there is no mobility, the expected income rank of the child will be that of their parents, the 25<sup>th</sup> percentile in this case.

Here we see a striking relationship between the spatial distribution of the black population and the economic mobility of that population. Areas with large black population shares are the areas where black individuals experience particularly low levels of economic mobility, with black children born into below-median-income families tending to remain below the median income. In counties with a majority black population, a black child born to parents in the 25<sup>th</sup> income percentile achieves a mean income rank of only 32, barely any movement up the income ladder, while white children from the same counties achieve a mean income rank of 43. Not only do black households tend to live in regions with low incomes, but these regions also experience lower levels of economic mobility, potentially exacerbating regional inequality from one generation to the next. For every 10 percentage point-increase in the black population share, the expected mean

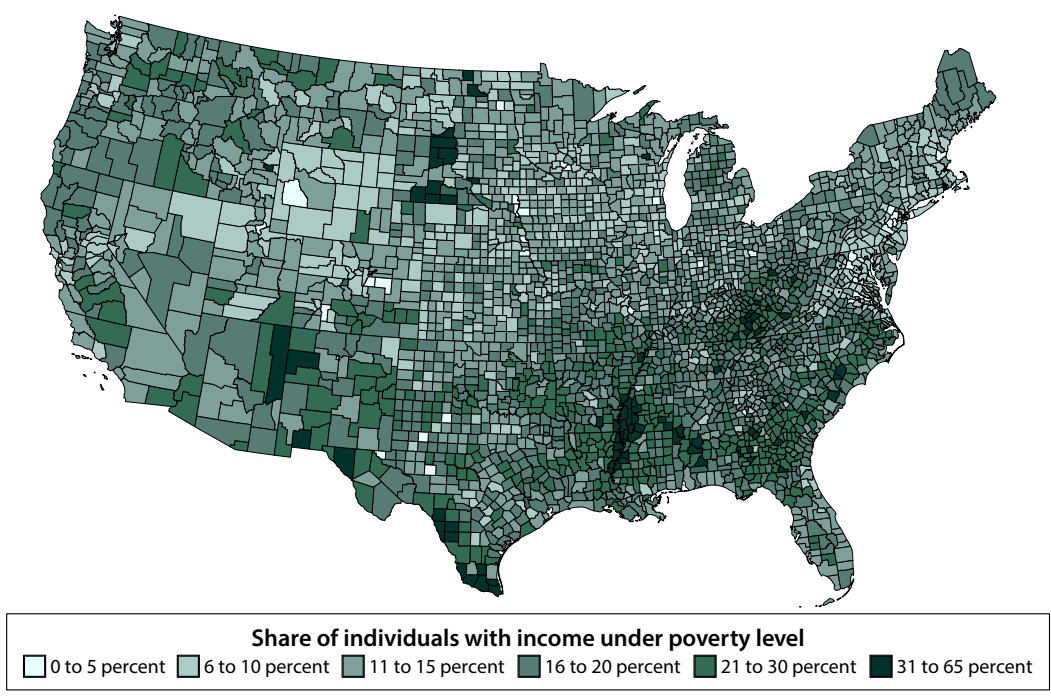


**FIGURE 1.**  
**Distribution of the Black Population in the United States, 2010**



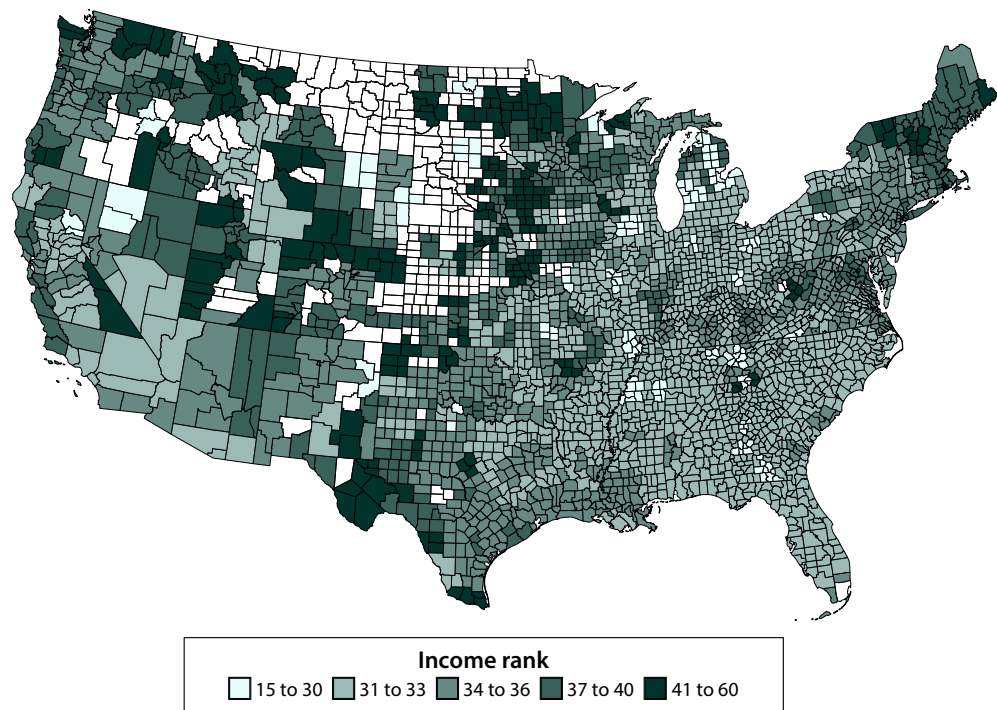
Source: U.S. Census Bureau (Census) 2010b.  
 Note: Darker shades indicate counties with higher black population shares.

**FIGURE 2.**  
**Share of Individuals in Poverty, 2010**



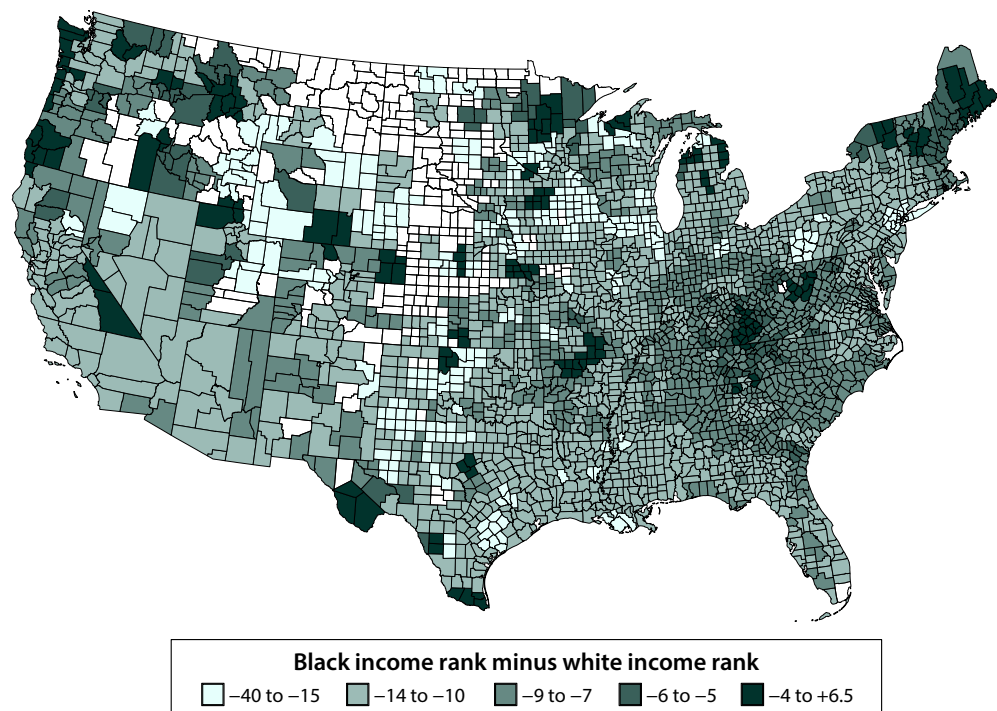
Source: American Community Survey (Census 2010a).  
 Note: Data are restricted to the population for whom poverty status is determined.

**FIGURE 3.**  
**Mean Income Rank for Black Children Growing Up in a Household at the 25<sup>th</sup> Income Percentile**



Source: Chetty et al. 2018.  
 Note: Data are calculated at the commuting zone level. The data include children born between 1978 and 1983. Areas are white if data are not available.

**FIGURE 4.**  
**Black Intergenerational Income Mobility Relative to White Intergenerational Income Mobility**



Source: Chetty et al. 2018.  
 Note: The data show the mean income rank for black children growing up in the 25<sup>th</sup> income percentile minus the mean income rank for white children growing up in the 25<sup>th</sup> income percentile. Areas are white if data are not available.

income rank of children drops by 0.7 percentage points. What makes matters worse is that these regional inequalities seem to disproportionately harm black households. Figure 4 shows the same mean income rank for black children from figure 3 relative to the equivalent measure for white children. In nearly all areas of the country this difference is negative—suggesting that black children growing up in the 25<sup>th</sup> income percentile reach much lower rungs on the income ladder relative to white children growing up at the same income level in the same commuting zone.

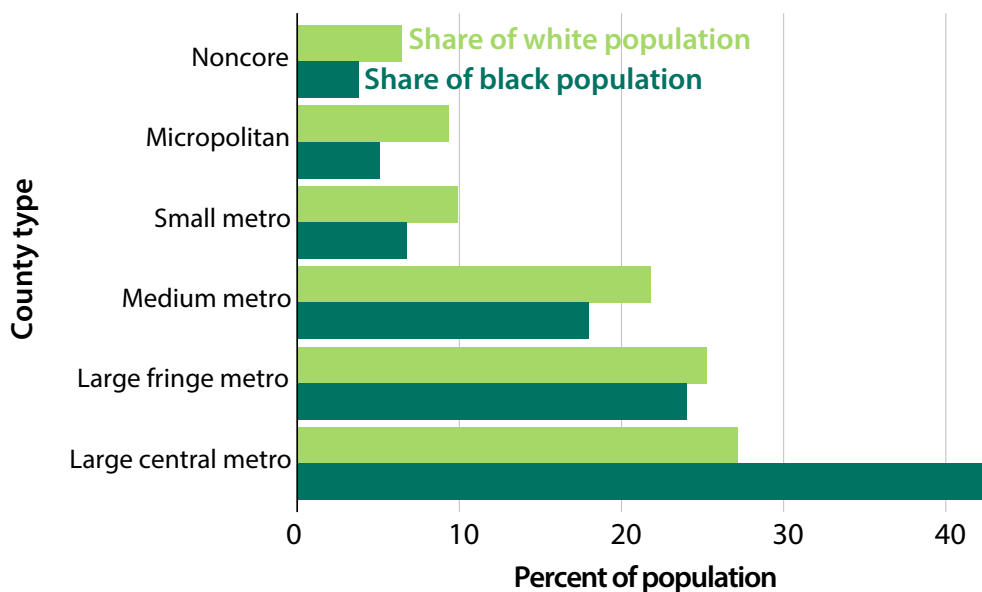
Figures 1 through 4 suggest three different relationships between race, inequality, and mobility. Regions in the North and West with small black populations exhibit levels of mobility for black individuals that are higher and comparable to those of white individuals. Regions with high black population shares in the South have levels of mobility for black individuals that tend to be substantially lower than the levels for white individuals. Finally, regions with low black population shares in the South have higher levels of black mobility that, as in the North and West, are close to those of white individuals. However, these regions of the South have lower mobility rates overall for both white and black residents.

Focusing on these broad differences across regions ignores another important dimension of spatial inequality: differences within regions across cities, suburbs, and rural areas. Figure 5 shows the distribution of the white and black U.S. populations by the type of metropolitan area present in the county. The

black population is more concentrated in the central counties of large metropolitan areas relative to the white population. The white population has higher concentrations in smaller metropolitan areas and in rural (noncore) counties. These black–white differences vary across regions. In the South white and black households are roughly equally likely to live in metropolitan areas: 83 percent of white individuals and 86 percent of black individuals live in metropolitan areas. However, the Northeast and Midwest regions present stark differences in the locations of white and black households. Metropolitan areas contain 96 percent of the black population in the Midwest and 99 percent of the black population in the Northeast. These shares are far lower for the white population, particularly in the Midwest where only 75 percent of the white population lives in metropolitan areas.<sup>1</sup>

This difference in location within regions makes it inevitable that policies that differentially affect urban and rural areas will have disparate effects by race. A recent example of this is the proposed Medicaid work requirement in Michigan. The original version of Michigan Senate Bill 897 exempted individuals from this work requirement conditional on residing in a county with an unemployment rate above 8.5 percent. The spatial distribution of the white and black populations of Michigan meant that this exemption would have racially disparate impacts; given that poor white individuals disproportionately live in rural areas and black individuals live in urban areas, the higher unemployment rates in rural

**FIGURE 5.**  
**Distribution of Black and White Populations by County Type**



Source: Census 2017.

Note: County types are defined by the size of the corresponding metropolitan statistical area (MSA). “Large central metro” refers to central counties of MSAs with a population of 1 million or more. “Large fringe metro” refers to fringe counties of MSAs with a population of 1 million or more. “Medium metro” refers to MSAs with a population between 250,000 and 999,999. “Small metro” refers to MSAs with a population between 50,000 and 249,999. “Micropolitan” refers to counties with an urban center with a population between 10,000 and 49,999. “Noncore” refers to areas without an urban center with a population of at least 10,000.

counties would disproportionately exempt white Medicaid recipients from the work requirement within the bill.

Although—after considerable negative press—the exemption was dropped from the final version of the work requirement bill, this incident reveals the complex interplay between policy, inequality across space, and inequality between races. Even if a policy like the unemployment rate exemption in the Michigan bill is crafted without discriminatory intent, it can nonetheless increase racial inequality. In the following sections we explore how policy has shaped the geographic and economic mobility of the black population over the past century and a half, drawing from the large literatures on regional inequality and racial discrimination that have all too often been treated in isolation from one another.

## The Historical Evolution of Black–White Gaps in Access to Opportunity

### EMANCIPATION AND THE CONSTRAINTS OF JIM CROW

The end of the Civil War in 1865 marked an end to the starkest form of institutionalized discrimination but left a black population that, while free from legal bondage, faced considerable economic hardship. Immediately after the abolition of slavery, the black population found itself disadvantaged both by general regional inequality and by racial discrimination. The geographic distribution of slavery and constraints on the mobility of free blacks in the antebellum period resulted in large concentrations of the black population in the cotton-growing regions of the South at the time of emancipation, an area that corresponds quite closely to the areas in figure 1 with high black population shares today. As of 1880, 90 percent of the black population still lived in the South and 87 percent of the black population lived in a rural area.<sup>2</sup> In contrast, only 24 percent of the white population lived in the South, and 72 percent of the white population lived in rural areas. This meant that black individuals were disproportionately affected by constraints on economic opportunity in the rural South. Over the second half of the 19<sup>th</sup> century, incomes in the South and the North diverged significantly, with average income in the South only half of the national average by 1900 (see Kim and Margo 2004 for extensive discussion of historical trends in regional income patterns). The destruction caused by the Civil War and the emergence of northern manufacturing while the southern economy remained predominantly agricultural contributed to these trends.

The black population therefore found itself in a region with far less economic opportunity than the rest of the nation. More importantly, that economic opportunity was further restricted by individual and institutionalized racism and political disenfranchisement. Discrimination in hiring by employers and intimidation of black workers through violence placed black workers at a direct disadvantage in the labor market. This discrimination can be seen at its worst in the relationship between lynching and economic conditions. Mob violence against southern blacks was higher when the price of cotton was declining and inflationary pressures were rising, making the economic conditions of white agricultural workers more precarious (Beck and Tolnay 1990). This violence also extended to attacks on economically successful black communities, most infamously with the destruction of the Greenwood community during the Tulsa race riot in 1921. Beyond labor markets, blacks also faced discrimination in credit markets, for example the discrimination in merchant credit documented by Olney (1998).<sup>3</sup>

Compounding this discrimination by individuals was the state-sanctioned segregation brought about through Jim Crow laws. This segregation impacted every aspect of life. Most directly related to black economic opportunity is the impact of Jim Crow on education. Segregated schools led to inferior educational opportunities for black children relative to white children, with black schools routinely underfunded relative to white schools (Baker 2016; Carruthers and Wanamaker 2013; Margo 1982). With segregated schools, hospitals, and other facilities, black individuals living in the same cities and towns as white individuals had access to far fewer resources.

Part of what enabled this discrimination in economic and social spheres of life were discriminatory restrictions on the right to vote. Despite large black populations in the South at the start of the 20<sup>th</sup> century, that population had no political power due to disenfranchisement and voter intimidation. Without the power of the ballot box, black Southerners remained subjected to overtly racist policies constraining their economic opportunities.

### THE GREAT MIGRATION AND RISING RESIDENTIAL SEGREGATION

Given the severe constraints on economic opportunity in the South and large gaps in average incomes between the North and South, a natural response was migration from the South to the cities of the North. The Great Migration led to a substantial redistribution of the black population from the South to the urban areas of the Northeast and Midwest. One quarter of the black men born in the South who were between the ages of 30 and 40 lived outside the South by 1930 (Collins and Wanamaker 2014). This exodus of the black population would continue through the 1960s. This migration drew from both rural and urban areas of the South and significantly



reduced the national black-white income gap (Collins and Wanamaker).

However, despite the gains for black workers from migrating across regions, economic opportunities remained limited by both individual racism and institutional discrimination, particularly in terms of residential location. As the black population moved North and into urban areas in search of economic opportunity, white households were moving as well. Neighborhoods were becoming increasingly segregated, with black households becoming concentrated in city centers while white households moved out to the suburbs. Cutler, Glaeser, and Vigdor (1999) describe this as the rise of the American ghetto, a period of marked increase in residential segregation in cities from the late 1800s through 1970. Figure 6 reproduces their estimates of the index of dissimilarity in American cities from 1890 through 2010, with a higher number representing more segregation.

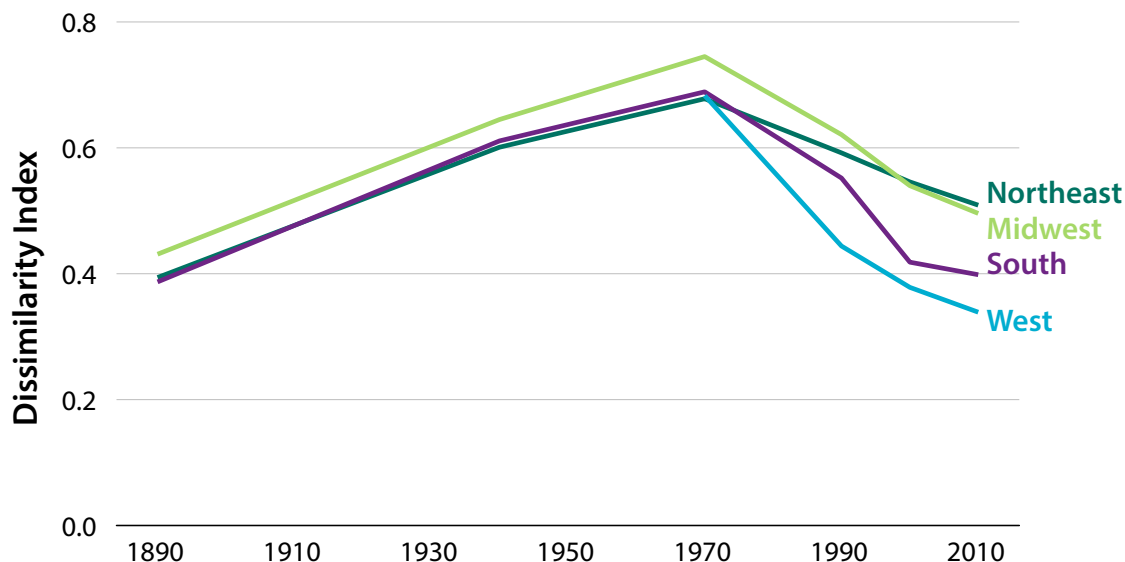
This rise in segregation can be attributed in part to the movement of white households to the suburbs in order to avoid living in mixed-race neighborhoods. In this sense, the discriminatory preferences of white households fundamentally altered the spatial distribution of cities and their surrounding areas in response to black migration. Card, Mas, and Rothstein (2008) demonstrate the presence of tipping points, critical black population shares typically between 5 and 20 percent,

at which white households flee the city. They show that regional variation in racial tolerance influenced these tipping dynamics, with cities that are more racially tolerant having higher tipping points. Boustan (2010) demonstrates that each black arrival in a city led to 2.7 white departures. In an example of the unintended impacts of federal policy on racial inequality, Baum-Snow (2007) finds that the construction of limited-access highways facilitated (and partially subsidized) this suburbanization and consequently its differential impact on black and white urban residents.<sup>4</sup> While the contribution of highways to white flight might have been unintentional, other aspects of highway planning were more overtly discriminatory. The routing of highways was at times intended to spare white communities while isolating or even destroying minority communities through eminent domain. A stark example of this is the impact of the interstate highway construction on Birmingham, Alabama (Connerly 2002).

Suburbanization had dramatic impacts on racial inequality. Two very different mechanisms are of particular importance. First, with the movement of white households away from city centers, jobs also moved away from city centers. This created conditions for spatial mismatch, in which black households in the city center became increasingly isolated from employment opportunities (e.g., Holzer 1991). In an interesting study of spatial mismatch, Boustan and Margo (2009) find that as employment opportunities moved away

FIGURE 6.

### Index of Dissimilarity for U.S. Cities, 1890–2010



Source: Cutler, Glaeser, and Vigdor 1999; Glaeser and Vigdor 2012; authors' calculations.

Note: Data for 1890–1990 are from Cutler, Glaeser, and Vigdor (1999). Data for 2000–10 are from Glaeser and Vigdor (2012). The index of dissimilarity measures how even the distributions of white and black households are across Census tracts in a city. Under complete segregation, the index is equal to one. Under complete integration, the measure is equal to zero.

from city centers, black employment rose in postal work. Unlike other employers, it was not feasible to relocate central mail-processing facilities. This rise in postal employment for black individuals is therefore evidence of the decline in other employment opportunities as a consequence of white flight.<sup>5</sup>

The second important mechanism is the funding of school districts. If wealthier households move away from urban school districts, the local tax revenue associated with those households moves with them. The result is inequality in school quality across districts, which translates into inequality in economic opportunity. Here we have another example of a policy, in this case decentralized school funding, that is seemingly race neutral as written but that can generate racial inequality in practice. The differences in funding across school districts are a critical component in explaining achievement gaps between students in suburban communities and those in urban or rural communities (Roscigno, Tomaskovic-Devey, and Crowley 2006). Although differences in school funding by race were driven by explicit race-funding formulas during Jim Crow in the South, these differences persist because of the residential segregation of the black community. We expand on the discussion of school spending inequality later in the paper.

The relocation of white households to the suburbs and the concentration of black households in city centers is not simply the product of households' preferences: it was aided by institutional discrimination that made it possible to formally exclude black households from white neighborhoods. Through the first half of the 20<sup>th</sup> century, black families could be excluded from neighborhoods through the use of racial covenants included in deeds. These racial covenants were ruled unenforceable by the Supreme Court's *Shelley v. Kraemer* decision in 1948. However, racial restrictions were often still written into deeds until it became illegal to do so in 1968 with the passage of the Fair Housing Act. Restrictive covenants became an effective means to use the courts to enforce residential segregation throughout much of the development of American cities and suburbs.

Federal housing policy also contributed to the segregation of American cities by linking bank lending policies to the underlying racial distributions of neighborhoods. When the Home Owners' Loan Corporation (HOLC) generated so-called residential security maps—that indicated the perceived risk level of real estate investments in particular areas and that were used to assist in the underwriting of home loans in the 1930s—they explicitly considered the racial composition of neighborhoods and the trends in that racial composition, with residents who were black or recent immigrants considered less desirable than white residents. Tying loan risk to the racial composition of neighborhoods helped white households to secure home loans in segregated neighborhoods while reducing the willingness of banks to lend in minority neighborhoods.

This access to credit presented an additional barrier to the economic development of minority neighborhoods with long-run consequences. As an illustrative example, the top panel in figure 7 shows the HOLC residential redlining maps for Norfolk, Virginia. The green areas represent the lowest-risk areas for home loans, followed by blue, yellow, and finally red areas, which represent the redlined highest-risk areas. The middle panel of figure 7 shows the racial and spatial distribution in the present and the lower panel shows the present-day income distribution.

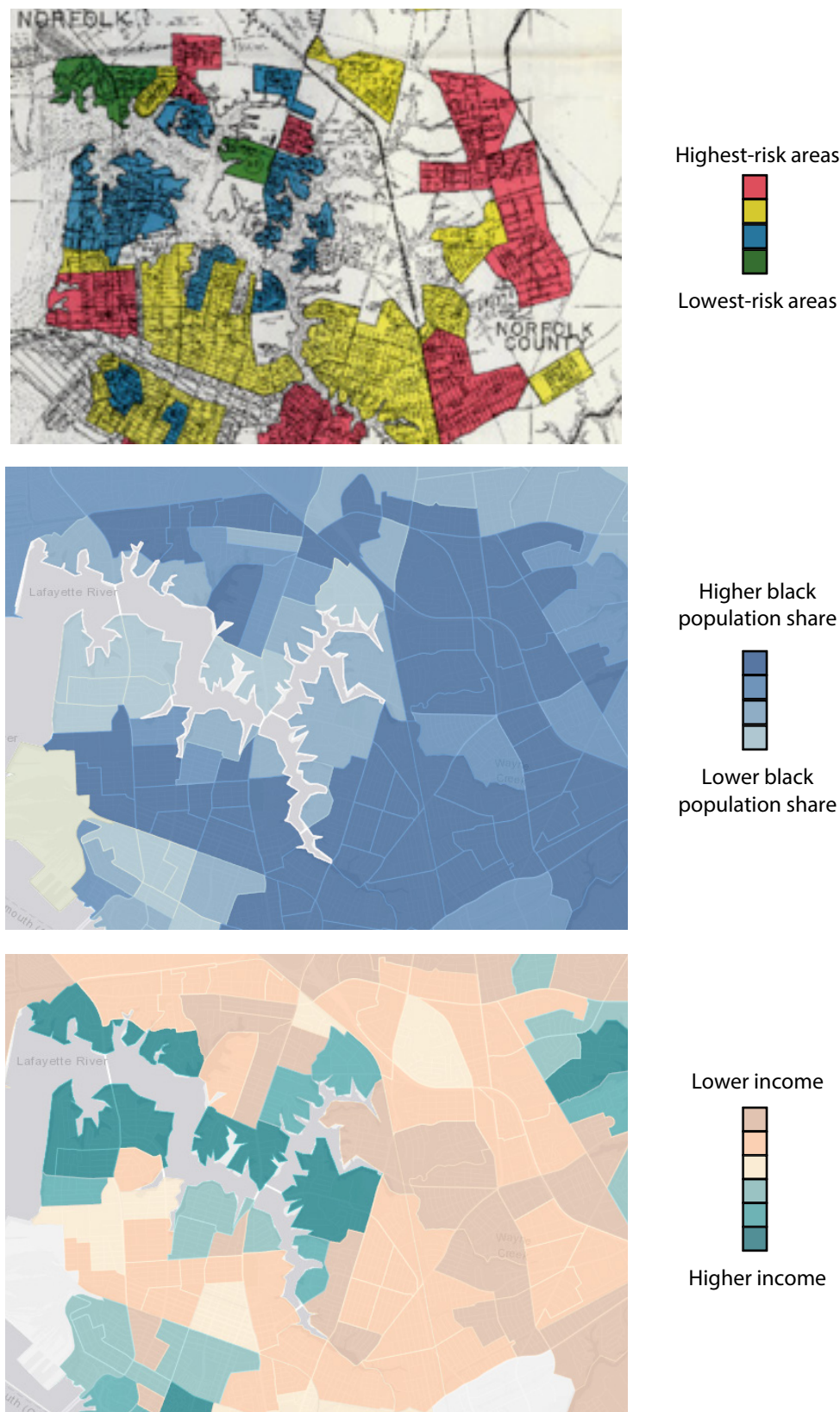
What becomes clear is that the areas that were redlined in the 1930s remain disproportionately poor and disproportionately black today. This pattern is supported more generally by recent work from Aaronson, Hartley, and Mazumder (2017) finding that redlining neighborhoods in the 1930s HOLC maps caused long-run declines in home ownership, house values, and credit scores relative to higher-graded neighborhoods. These residential security maps provide an example of federal policy that was implemented to stabilize the housing market in the wake of the Great Depression, having long-run impacts on spatial and racial inequalities in urban areas.

## THE CIVIL RIGHTS MOVEMENT AND REMAINING HURDLES

Throughout the Jim Crow era, racial inequality was maintained through individual discrimination on the part of homeowners, lenders, and employers, as well as through laws and policies that implicitly, and at many times explicitly, constrained the geographic and economic mobility of the black population. The civil rights movement was in part a response to these issues and made great strides in ending many of the discriminatory aspects of federal, state and local policies. In 1954 *Brown v. Board* overturned the separate-but-equal doctrine and began the process of school desegregation. Then the 1960s ushered in several major pieces of legislation aimed at eliminating both the institutional discrimination faced by black individuals and discrimination by individuals in economic interactions. The Civil Rights Act of 1964 banned discrimination and segregation on the basis of race in schools, workplaces, and public accommodations. The Voting Rights Act of 1965 aimed to reverse the disenfranchisement of black individuals. The Fair Housing Act of 1968 made discrimination in the sale or rental of housing on the basis of race or any other protected class illegal. These acts were substantial steps forward in terms of eliminating the systematic discrimination that perpetuated racial inequality. However, they could not entirely eliminate the constraints on black economic opportunity.

Black individuals still face significant impediments to upward economic mobility, with many of those impediments tied to spatial inequalities. The local funding of schools limits the extent to which the desegregation of schools can equalize schooling resources across races. As long as residential

FIGURE 7.  
 Redlining and Modern Outcomes in Norfolk, Virginia



Source: Finn n.d.

Note: The top figure is the HOLC residential security map from the 1930s. The middle figure shows the current black population share by neighborhood, with deeper shades of blue representing higher black population shares. The bottom figure shows current median household income by neighborhood with dark green representing the highest incomes and pale orange representing the lower incomes.



segregation leads to an uneven distribution of black and white students across school districts, local school financing will lead to an uneven distribution of schooling resources by race in spite of *Brown v. Board*.

Despite the Voting Rights Act, the voting power of the black population is diminished by political boundaries that minimize the influence of the black vote and voter identification laws that disproportionately impact black voters. Since Reconstruction, Southern states have elected only 56 black politicians to the House of Representatives. Despite the concentration of black households in the South shown in figure 1, the South has elected only one black senator since Reconstruction (and elected only two black senators during Reconstruction).<sup>6</sup> This lack of black representation is in part the product of spatial inequalities. Gerrymandering can reduce the impact of the black vote. Perhaps more importantly, though, the residential concentration of the black population resulting from more than a century of segregation has diminished the strength of the black vote for federal office.

Finally, despite the Civil Rights Act and the Fair Housing Act, discrimination by private parties remains a significant constraint on black economic mobility. Audit studies based on résumés identical in terms of qualifications but differing only on race reveal that black job seekers are less likely to receive callbacks for interviews than white job seekers (Bertrand and Mullainathan 2004). Black home buyers continue to face discriminatory behavior on the part of real estate agents and lenders (Page 1995). While these types of discrimination may no longer be legally permissible, it remains difficult to eliminate the negative impacts of the individual biases and statistical discrimination faced by black individuals that contribute to racial inequality. Given the spatial concentration of the black population, this discrimination contributes to spatial inequality as well.

## Welfare, Education, and Criminal Justice Policies

We build on our initial overview of historical segregation and discrimination and highlight studies that examine the role and importance of race within welfare, education, and criminal justice policies in America. Each of these governmental functions is central to the promotion of economic development and well-being by providing social insurance and protection from poverty and unemployment spells, human capital development via education and training, and protection of property rights and neighborhoods, respectively. Our review characterizes a society in which access to these functions excluded black and other non-white Americans. This exclusion from full protection through the nation's social

safety net, education, and criminal justice programs coincided with broad exclusion from neighborhoods and labor market opportunities (described in earlier sections). Importantly, we highlight that both historically and today, blacks and other minority citizens have had constrained, underfunded, or sanctioned access to government services and benefits—and that access varies across space.

### WELFARE PROGRAMS AND POLICIES

Administration of the nation's welfare safety net features a remarkable level of local control when compared to other large economies. The American system of fiscal federalism devolves authority and decision-making with respect to policy decisions and policy implementation (e.g., Johnston 2008). As such, policy priorities at the federal level—for example, lowering poverty and food insecurity or promoting access to basic health services—are implemented at the state and local levels using federal resources. Welfare programs, broadly conceived, include the nation's cash assistance, food assistance, health insurance, and public housing subsidies. As we describe below, several studies find that race looms as an important predictor of social safety net access, and that, like race, these policies vary across place.

The design of America's social welfare state was influenced heavily by English poor laws and poor houses, as described by Johnson (2010), Johnston (2008), Ziliak (2016), and others. Throughout the early to middle 20<sup>th</sup> century, welfare was typically viewed as a mechanism to provide direct aid for the elderly and the disabled, and for families left destitute by the untimely death of a male head of household—in an era in which women were largely out of the labor force, excluding home production. Notably, the systems that would ultimately develop to provide insurance from poverty at the federal level, including the Aid to Families with Dependent Children program, were not initially conceived to be universal. These and related programs excluded black and other non-white families from participation implicitly throughout the early to mid-1900s by excluding domestic and agriculture workers. Additionally, local governments in many states including those in the Southeast considered race as a factor when determining eligibility for aid (e.g., Hero 2003; Johnson 2010).

A point of inflection in the nation's antipoverty efforts occurred during the 1960s Great Society expansion of social insurance and antipoverty programs (Hoynes, Schanzenbach, and Almond 2016), coincident with major policy changes aimed at achieving racial equality in labor markets and access to educational opportunities. Not until these expansions, which included a range of programs targeted universally at poor Americans—including health insurance, food stamps, cash welfare, and housing assistance—were black and other non-white Americans able to participate in the nation's safety net programs in a significant manner. Crucially, throughout the



1960s efforts were under way within the federal government to promote an expansive and aggressive employment program targeted at America's urban areas, in which many minority males faced staggeringly high unemployment rates. Many of these efforts, which occurred during the Kennedy and Johnson administrations, were ultimately jettisoned due, in part, to the political dangers associated with promoting an economic stimulus program perceived as overly generous to black, urban neighborhoods and residents (Bailey and Duquette 2014; Russell 2003).

### *Contemporary Evidence*

Contemporary evidence shows that decentralized fiscal federalism—which provides for state and local autonomy—can disproportionately harm blacks and other non-white groups within the welfare system (e.g., Schram et al. 2009).

A body of contemporary ethnographic and quantitative studies find that black participants are more likely—holding other factors constant—to be sanctioned and removed from welfare programs for violations. These sanctions can span benefit reductions to removal from the case load altogether. Some of the evidence suggests that the mechanisms driving this higher likelihood of sanctioning include caseworkers' negative views of racial group-specific traits. Some studies exploit experimental designs that use variation in how identical events and actions are perceived differentially, depending on the race of the client (e.g., Bonds 2006; Kalil, Seefeldt, and Wang 2002; Schram et al. 2009; Watkins-Hayes 2009). Researchers have documented an increasingly disciplinary approach to the administration of welfare throughout the 2000s that is directly related to race (Schram et al.). Recent work examining contemporary race and welfare policy suggests that, even after controlling for a range of political and socioeconomic factors, states with a higher proportion of black residents overall as well as those on the welfare case load provide less cash assistance—both in terms of the generosity of cash payments and in the share of the state's block grant (e.g., Hahn et al. 2017; Hardy and Samudra 2018). Additionally, state welfare policy choices may have lowered educational attainment among recipient adults in the late 1990s (Covington and Spriggs 2004).

### *What Mechanisms Influence This Differential Treatment? Underlying Theories of Poverty, Pathology, and Race*

A core disagreement among poverty scholars and policymakers concerns why people and families are poor or near poverty in the first place. Darity et al. (2012) categorizes explanations for poverty as either structuralist or individualist. While neither perspective requires the explicit consideration of race, noteworthy poverty scholars and policymakers very often weave race within these perspectives. Broadly speaking, the individualist perspective puts more weight on individual choice, behavior, and agency. Among others, Mead (2007, 2014) and Murray (1984) emphasize the role of personal

behavioral deficiencies and the importance of a stronger, paternalistic government to enforce desirable behavioral norms—work participation, punctuality, and so-called healthy habits—particularly among black males (Schram et al. 2009; Soss, Fording, and Schram 2011). These and related arguments falling within an individualist perspective, which argue for policy interventions that target pathological behavior such as limited work effort and criminal behavior, have often been couched as being responsive to the behavioral pathologies attributed to blacks. In the early to middle 20<sup>th</sup> century an extreme version of this world view led some state policymakers to adopt eugenics, carrying out state-sponsored sterilization (Price and Darity 2010).

The pattern of disproportionate sanctioning is consistent with images of welfare use that tend to package negative images of the poor, such as laziness, promiscuity, and criminality, with blackness (Fording, Soss, and Schram 2011; Hancock 2004; Wacquant 2009). This theme of punishment and race is explored by Wacquant, who argues that modes of punishment across criminal justice (which we discuss in the section on education programs and policies) and welfare policy are in fact interconnected.

Structuralist perspectives tend to put more weight on the role of historical discrimination, public policies that have been and continue to be exclusionary, labor market conditions, and access to economic resources (e.g., Hardy, Smeeding, and Ziliak 2018). These explanations tend to emphasize racial differences in access to economic mobility-enhancing resources such as labor markets, high-quality schools, wealth accumulation, and neighborhood amenities (e.g., Galster et al. 2007). Ultimately, the aforementioned punitive policy sanctions and racial inequality in the safety net can be traced, in part, to theories of poverty's origins that support the imposition of limits on welfare generosity, and on the assumption that generosity promotes negative pathologies by reducing work effort and initiative.

### **EDUCATION PROGRAMS AND POLICIES**

While social safety net programs provide an income floor and insurance from poverty, perhaps the most universally accepted pathway for upward economic mobility in the United States is via education and training; many antipoverty strategies lean heavily on early educational interventions (e.g., Duncan, Ludwig, and Magnuson 2007; Heckman 2011). Troubling racial disparities in primary and secondary educational outcomes, driven in part by inequality in the allocation of financial resources and higher-quality teachers across K–12 education, worsen these labor market conditions. Here, we briefly summarize a small sample of the work examining disparities in early, primary, and secondary education. Such disparities have potentially serious consequences for black and non-white students before they enter the labor market. In turn, education

and human capital will continue to be important predictors of economic inequality and opportunity, because the set of skills needed to move up the economic ladder in many occupations increasingly requires postsecondary training (e.g., Autor 2014).

Many research studies examining educational access and equity focus on test scores and understanding black–white differences. Family income may explain much of the observed test score gap since it points to the broad role of family resources (e.g., Brooks-Gunn and Duncan 1997; Ladd 2012; Rothstein and Wozny 2013). Prior work in this space has also pointed to a range of explanations, including innate ability (Herrnstein and Murray 1994) as well as attitudes and cultural norms (e.g., Cook and Ludwig 1998; Fordham and Ogbu 1986; Murray 1984; Steele and Aronson 1998). Importantly, because the focus here is on actionable, policy-relevant factors, there is compelling evidence to suggest that black–white test score gaps are driven by blacks’ attendance at lower-quality schools, as measured by characteristics including teachers’ credentials, teacher–student ratios, and school safety (Fryar and Levitt 2004).

In contrast to earlier work (e.g., Coleman et al. 1966; Hanushek 2003), contemporary evidence on the link between school spending and student-level outcomes shows that school spending positively impacts the aforementioned measures of school quality, and also positively impacts earnings and lowers poverty in adulthood (Jackson, Johnson, and Persico 2016; Lafortune, Rothstein, and Schanzenbach 2018). Local school spending is positively associated with family incomes and property values, helping to produce disparities between and within school districts. The measured impacts of school spending are largest for low-income students, and the potential mechanisms driving this link include lower student–teacher and student–adult ratios, increased instructional time, and higher teacher compensation levels (Jackson, Johnson, and Persico). School spending is largely a state and local investment; the federal government provides less than 10 percent of resources for schools (Chingos and Blagg 2017). Thus, it is worth highlighting that school spending in low-income districts and in districts with high shares of minority students varies widely across the nation, though, on average, school districts situated in the poorest areas of the country receive roughly \$1,000 less per student than school districts with relatively low poverty. Underlying this average difference are a number of states (23 in 2018) in which high- and low-poverty school districts receive roughly similar funding, and a few where the poorest districts receive substantially less. This spending inequality may be worse after adjusting to consider the higher costs that high-poverty school districts face—a 40 percent adjustment in the study cited here (Morgan and Amerikaner 2018). District-level spending inequality is even larger for high- versus low-minority-share school

districts than it is for high- versus low-poverty school districts (Morgan and Amerikaner). Given that many experts argue for educational investments as a cornerstone of successful local economic development strategies (e.g., Bartik 2018), state and local spending inequality that disadvantages high-poverty-share and high-minority-share school districts is a challenge for place-based economic policy proposals.

Segregated schools that are majority–minority are more likely situated on the low end of the local school spending distribution, though such local-level inequities are at times reversed or at least partially mitigated via state and federal funds (Chingos and Blagg 2017). Still, where the money is spent—whether via the components of school spending that improve outcomes, such as lower teacher–student ratios, higher teacher compensation, and added instructional time—might explain some of the large negative association between segregated schools and educational outcomes (e.g., Mickelson 2001). Such patterns of racial and socioeconomic segregation appear to be worsening over time (e.g., Murray 2013; Putnam 2016), and differences in metropolitan-level 20<sup>th</sup>-century segregation have been shown to have serious socioeconomic consequences, contributing to black–white poverty gaps between cities (Ananat 2011). Integrated suburban schools have their own challenges, reproducing segregation via course tracking patterns that pool minority students in segregated, weaker classes relative to white students (Darity and Jolla 2009; Diamond 2006).

Minority students in primary, secondary, and postsecondary educational settings could also benefit from same-race teachers—of which there are a paucity. Specifically, exposure to same-race teachers is associated with reduced disciplinary sanctions, a lower likelihood of dropping out of high school, and a higher likelihood of matriculating to college. This could reflect both the benefits of exposure to a black teacher, or a minimization of the costs of exposure to teachers who bring conscious and unconscious biases about other race students’ ability (e.g., Dee 2004, 2005; Fairlie, Hoffmann, and Oreopoulos 2014; Gershenson et al. 2017).

Our main takeaways are to note that (1) the administration of and investment in primary and secondary education varies nationwide, (2) such spending—which tends to be greater in low-poverty and low-minority-share neighborhoods—shapes the inputs that then impact student outcomes; and (3) black and minority students, who themselves are disproportionately low income, are more likely to be impacted by such variation.

## INCARCERATION PROGRAMS AND POLICIES

In order to begin characterizing how policies and structures have impacted minority citizens’ economic opportunity, we must consider how criminal justice and incarceration policies have operated to harm black and other non-white

Americans. These impacts can be considered separately as well as jointly alongside other public policies, especially those centered on providing human services and safety net supports (Wacquant 2009). Here, as we did in the previous sections, we aim to provide a very brief snapshot of evidence in what is an expansive area of research.

America's incarcerated population since at least the early 1970s are disproportionately poor and minority; they rarely possess more than a high school diploma and have a low probability of upward economic mobility. Incarceration is a disproportionately male phenomenon, and even more disproportionately affects black men with a high school diploma or less. The costs of incarceration are borne not only by these men, but by their children and families as well (Western and Pettit 2010). Historically, blacks have been incarcerated at a higher rate than whites since statistics were collected in the late 1800s. Perhaps contrary to perceptions of regional racial animus, blacks have been and continue to be incarcerated at even higher rates in the northern United States compared to the southern United States, and the migration of blacks out of the South during the Jim Crow era seemingly accelerated this regional disparity. Remarkably, the risk of incarceration for a black male born in the 1975–79 cohort is roughly 27 percent overall, and almost 70 percent for those without a high school diploma. This in turn has devastating consequences for employment when the formerly incarcerated return to the labor market, since employers are reluctant to hire formerly incarcerated persons; this is especially so for black job applicants (Pager 2003; Western and Pettit 2010).

Scholars have also studied some of the costs of incarceration that accrue to families and communities. To focus on a few, Cox and Wallace (2016) document that families in which an adult parent is incarcerated face higher levels of food insecurity by a range of 4 to 15 points. Food insecurity, in turn, has been associated with lowered educational performance in school (Cook and Frank 2008; Frongillo, Jyoti, and Jones 2006; Jyoti, Frongillo, and Jones 2005). Similarly, Geller and Franklin (2014) examine the link between incarceration and housing insecurity, finding that partner incarceration strongly predicts negative housing-related events, ranging from relatively low-risk occurrences such as a missed payment, to more serious cases in which an eviction or a period of homelessness results (Geller and Franklin). Incarceration harms both the incarcerated and their families, which then raises economic vulnerability—making these families more reliant on the safety net. Children in such families must then cope, and they bring this array of home environmental conditions into the classroom.

Local police play a role in driving incarceration rate patterns, and designers of place-based policies might also consider evidence that, in experimental settings, black citizens are

associated by police officers with a higher degree of criminality (e.g., Eberhardt et al. 2004). Differential, harsher treatment by police, in turn, has a range of impacts on the degree to which the police are deemed as legitimate or trustworthy within minority communities. The risk of exposure to police-involved lethal force is statistically significantly higher for black men relative to white and Latino men, and these disparities vary across the United States (Edwards, Esposito, and Lee 2018). The resulting diminished legitimacy potentially degrades community safety, promotes hostile citizen–police interactions, impedes citizen cooperation during investigations, and perhaps diminishes overall confidence in governmental institutions—since the police often are citizens' primary mode of contact with local government (Tyler, Goff, and Maccoun 2015; Wilkins and Wenger 2015).

## Conclusion

In order to consider how place-based policies might promote economic mobility and well-being, it is important to consider how an array of historical and contemporary government decisions and policies have historically harmed black and other non-white Americans; such actions promote racial and place-based inequality. In addition to strong moral claims to taking up such considerations, there are also efficiency gains from doing so. Black and minority residents are overrepresented in the very communities where many place-based policies are being proposed, and a substantial share have therefore been subjected to some or all of the government policies we described here, as well as others we do not touch on. Although it is difficult to model and identify a causal impact of structural racism and discrimination, we aim to provide a brief synthesis of policies and choices occurring at all levels of government that have had deleterious consequences for black and other minority individuals, families, and communities. The policy choices, like the people they impact, are not randomly distributed across the country. As a result, these policy choices influence regional differences in educational attainment, family income, housing, poverty, health status, and employment, among other outcomes.

While the majority of historical discriminatory policies are off the books, social science evidence has shed light on the ways in which state and local governments—wielding substantial authority within our decentralized form of government—have enacted an array of contemporary policies that impose harm on black and other minority communities, in some instances unintentionally so. The results of this can be observed, in part, by looking at how neighborhoods have evolved over the past 40 years. Neighborhoods with a significant share of blacks in America's major cities have lagged white neighborhoods on key socioeconomic indicators since at least the 1970s, including

earnings, poverty, educational attainment, and employment (Casey and Hardy 2018). These gaps in neighborhood amenities and neighborhood quality persist into the 2000s.

Place-based public policies will operate against these headwinds, and should be designed accordingly. Western and Pettit (2010), whom we reference earlier in the paper, argue that a broad definition of safety is inclusive of family stability, economic well-being, and good health. These are well-established conditions for economic growth, and successful place-based policies should consider how structural racial inequality has negatively impacted local residents on these and related margins. Such policies can help individuals, families, and neighborhoods thrive by improving depressed communities, which in turn helps to drive the overall success of cities and regions.

## Endnotes

1. All calculations are based on county-level population estimates by Census (2017). “Metropolitan” here refers to all metropolitan areas, including large central, large fringe, medium, and small metro areas.
2. Authors’ calculations based on the 1880 Federal Population Census (Census 1880).
3. See Dymski (2006) for a general overview of the theory and empirical evidence for racial discrimination in credit and housing markets.
4. Increasing residential segregation was not strictly a product of white flight as black migrants left the South and settled in northern cities. Recent work by Logan and Parman (2017) that measures segregation in rural areas as well as urban areas demonstrates that rural segregation was rising between 1880 and 1940 at the same time that urban segregation was rising, both in the North and in the South. Segregation rose both in the counties black migrants moved to and in the counties they left, suggesting that residential sorting by race was a very general phenomenon in the first half of the 20<sup>th</sup> century.
5. It is important to note that public sector employment for black individuals is not strictly a story of white flight and spatial mismatch. Black public sector employment is also a function of black political power in urban areas in the latter part of the 20<sup>th</sup> century (Eisinger 1982).
6. These numbers are based on authors’ calculations using the list of black representatives and senators by Congress, 1870 to the present, compiled by the Office of the Historian for the U.S. House of Representatives (U.S. House of Representatives n.d.). Note that Tim Scott of South Carolina, having served in both the House and the Senate, is counted both in the 56 representatives and as the one senator.



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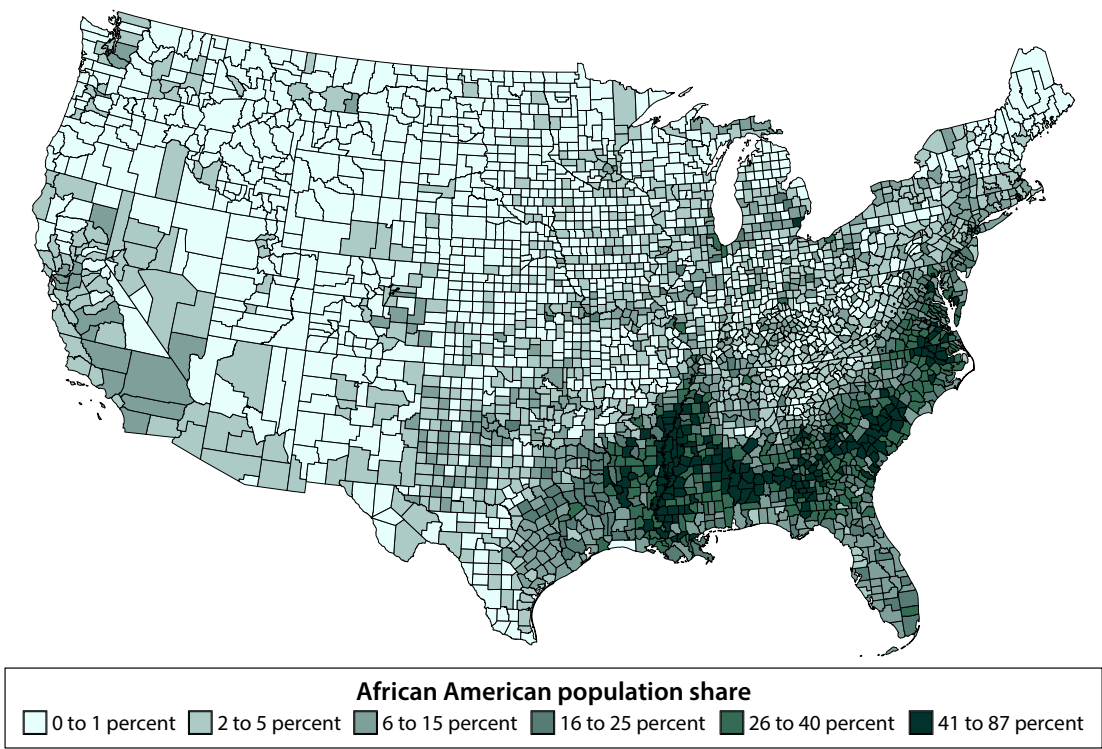
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# Abstract

Contemporary racial inequality can be thought of as the product of a long historical process with at least two reinforcing sets of policies: First are the policies governing the spatial distribution of the black population, and second are the policies that had a disparate impact on black individuals because of their locations. Understanding current black–white gaps in income, wealth, and education requires understanding the complex relationship between regional inequality, race, and policies at the local, state, and national levels. In this chapter we outline the ways that the spatial distribution of the black population has evolved over time and the ways that spatial distribution has interacted with policy to, at times, reduce and exacerbate levels of inequality. Recognizing the ways that past policies explicitly stymied black economic mobility and how current policies have explicitly or inadvertently done the same provides a basis for understanding how to craft future policies to reduce racial inequalities. Furthermore, recognizing the interconnection of discrimination and the spatial distribution of the black population is important for understanding certain components of regional and spatial inequality.

FIGURE 1.  
Distribution of the Black Population in the United States, 2010



Source: U.S. Census Bureau (Census) 2010b.  
Note: Darker shades indicate counties with higher black population shares.

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