

ASK AN ECONOMIST

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Why are U.S. cities so segregated by race? Why should we care?

Many U.S. cities display a “chocolate city – vanilla suburbs” pattern.¹ Although nobody knows for sure why, there are several plausible reasons. As economists, we start with two reasons, concerning preferences and budgets, that may play a role in separating colors in the U.S.

The first force that has been analyzed since the seminal work of Thomas Schelling (winner of the 2005 Nobel Prize in economics) is a preference of each color to be around its own color.² In particular, Schelling imagined situations in which white households decide where to live using a cutoff rule. If the neighborhood's white population goes below a certain cutoff, they leave. He showed how mixed-race neighborhoods tend to disappear under these conditions, leading to a lot of segregation even when not everybody's cutoff is super high. Why this racial preference exists and how it evolves make up a separate puzzle.

A second force that has been somewhat analyzed is budgetary. For reasons that are unclear and controversial, on average, white households have much higher incomes than black households. This implies that the segregation by race that we observe could be just segregation by income. In other words, there can be segregation by color because only white households can afford the expensive neighborhoods. While this is partly true, some studies have found a significant number of black households that have the means to live in the suburbs yet don't do it. Although I know of no studies that directly report on lower-income white households that struggle too hard to live in the suburbs, this also seems plausible. Therefore, budgets don't seem to tell the full story. A combination of preferences, budgets and other forces seems more plausible.

Why should we care? One important reason to care about segregation by race is related to children. More-expensive neighborhoods usually provide better schools, less noise, less pollution, less crime and better social connections. One may think of these features of neighborhoods as expanding the opportunities parents have to improve the future of their children. Therefore, too much segregation of black households into low-cost neighborhoods could in principle stack the deck against some children.

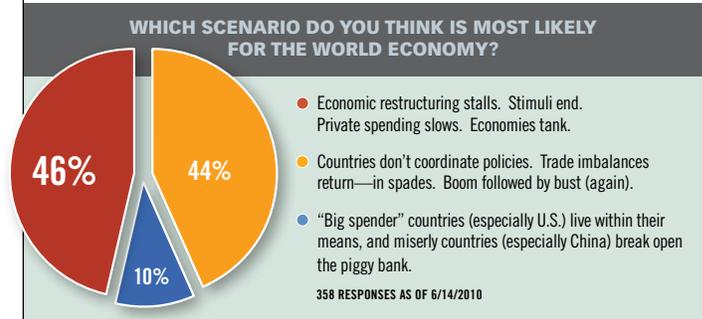
¹ This playful expression is commonly found in the sociological literature that studies segregation, where it is used non-pejoratively. Apparently, it was first coined in a 1975 album by the funk band Parliament.

² Schelling, Thomas C. “Models of Segregation.” *American Economic Review*, May 1969, Vol. 59, No. 3, pp. 488-93.

Submit your question in a letter to the editor. (See Page 2.) One question will be answered by the appropriate economist in each issue.

FED FLASH POLL RESULTS

When a new issue of *The Regional Economist* is published, a new poll is posted on our web site. The poll question is always related to an article in that quarter's issue. Here are the results of the poll that went with the April issue. The question stemmed from the article “Economic Hangover: Recovery Is Likely To Be Prolonged, Painful.”



THIS ISSUE'S POLL QUESTION:

Should society invest in high-quality early childhood education programs for disadvantaged children?

1. Yes, but only if funding is provided by private sources.
2. Yes, and use tax dollars because the investment will save taxpayers in the long run.
3. No. This is the family's responsibility.
4. No. Society has higher priorities at this time.

After reading “A Bleak 30 Years for Black Men” on pp. 4-9, go to www.stlouisfed.org/publications/re to vote. (This is not a scientific poll.)

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