

The underlying concept of this paper is that place-based measures of racialized outcome, such as, racial lending disparities and racial residential segregation are pronounced and persistent across metropolitan areas. Drawing from the literature, we suggest that there is a strong inverse relationship between these place-based measures and black-white earnings ratios. We know that lending disparities and residential segregation affect home ownership and intergenerational transmission of wealth. What remains unclear is do these place-based racialized outcomes (lending disparities and racial residential segregation) affect earnings inequality?

We draw from three data sources. The HUD Home Mortgage Disclosure Act (HMDA) data is used to calculate lending disparities for 50 largest MSAs in 2000. Integrated Public Use Microdata Series (IPUMS) is used to calculate an earning inequality measure for 50 largest MSAs in 2000. Census data is used to calculate the dissimilarity index for 50 largest MSAs in 2000.

The descriptive results suggest a sharp and distinct negative slope between these place-based measures and earning inequalities. Smaller earnings gaps (higher ratios of black to white earnings) are associated with lower measures of place-based racialized outcomes. Higher black-white loan denial rates are associated with larger earnings gap (lower ratios of black to white earnings). We suggest that earnings inequality is also related to racial residential segregation. When we plot the dissimilarity index against the black/white earning ratio we also uncover a strong inverse relationship. Higher black-white levels of residential segregation are associated with larger earnings gaps (lower ratios of black to white earnings).

-- Insert Table 1 and Table 2 about here --

Moving beyond our descriptive results we run several ordinary least square (OLS) regression models. First, we estimate log-earnings equations with a dummy variable for blacks (vs. white). Our control variables include: age, education, number of children, female headed

households, and occupation. Second, we re-estimate the equation controlling for the loan denial ratio in the MSA. Third, we re-estimate the equation controlling for index of dissimilarity results in the MSA. Last, we estimate the earnings equations separately for the MSAs partitioned into quintiles according to the size of the loan denial ratio and by quintiles based on the index of dissimilarity.

There are a few caveats to our models. The results are OLS estimates and not fixed effects. There are no controls of endogeneity. There are a limited number of exogenous predictors of earnings. We do not control for selection and zero earners. There are no residual difference computations.

The preliminary results suggest a little change in the race effect when control is made for lending disparity, across all MSAs. The effect of lending disparity is *positive* across all MSAs. The MSAs are then partitioned into quintiles based on size of the loan denial ratio. There are negative effects in the top and bottom quintiles. There are positive effects in the middle quintiles.

We note that there is some change in the race effect when control is made for index of dissimilarity, across all MSAs. We further find that the effects of racial residential segregation are *positive* across all MSAs. Then the MSAs are partitioned into quintiles based on level of racial residential segregation. We further find that the effect of index of dissimilarity is positive within each quintile.

-- Insert Table 3 and Table 4 about here --

The initial conclusion suggest that despite the obvious and apparent inverse relationship between lending disparities and black-white earnings ratios; and racial residential segregation and black-white earnings ratios, when controls are made for other determinants of earnings, there is little impact of these place-based racialized measures on individual earnings gaps. These limited and constrained regression results do not demonstrate a large and pronounced impact of

residential segregation or lending disparities on earnings inequality, contrary to the descriptive results.

Table 1: Earning Inequality versus Loan Denial Rate Ratios between Blacks and Whites

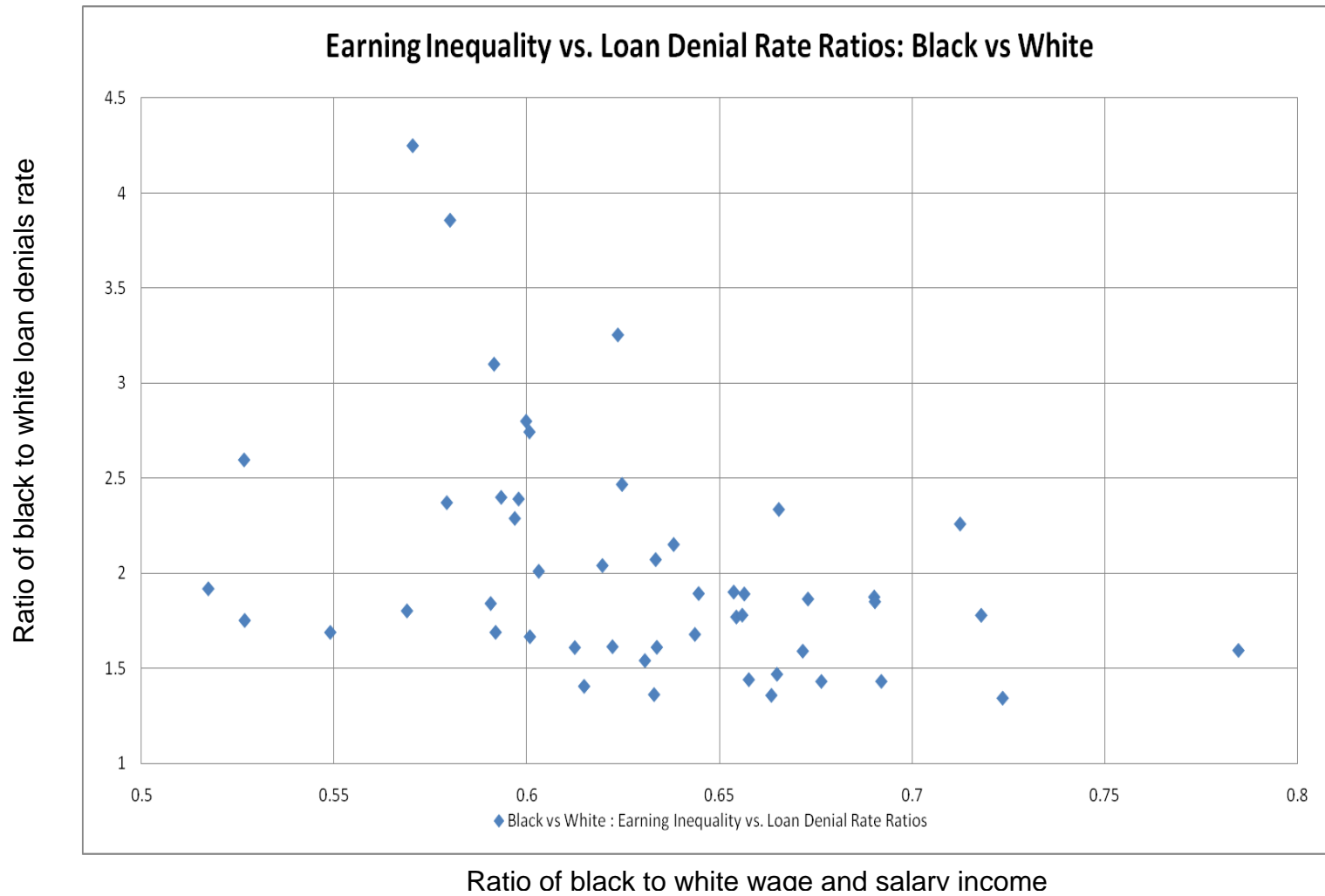


Table 2: Earning Inequality versus Segregation Index between Blacks and Whites



Table 3: Regression Results Based on Lending Disparity

Regressions - Results - Based on Lending Disparity

All MSAs w/o Lending Disparity	R-Square	0.2024	Quintile 1 w/o Lending Disparity	R-Square	0.1932	Quintile 2 w/o Lending Disparity	R-Square	0.2096
blacknh	Coeff.	-0.1863	blacknh	Coeff.	-0.1787	blacknh	Coeff.	-0.1882
	t-stat	-77.76		t-stat	-41.40		t-stat	-30.41

All MSAs w/ Lending Disparity	R-Square	0.2030	Quintile 1 w/ Lending Disparity	R-Square	0.1939	Quintile 2 w/ Lending Disparity	R-Square	0.2100
blacknh	Coeff.	-0.1877	blacknh	Coeff.	-0.1853	blacknh	Coeff.	-0.1892
	t-stat	-78.39		t-stat	-42.59		t-stat	-30.56
b2wdenialr2000	Coeff.	0.0335	b2wdenialr2000	Coeff.	-0.0447	b2wdenialr2000	Coeff.	-0.1098
	t-stat	26.07		t-stat	-15.66		t-stat	-9.37

Quintile 3 w/o Lending Disparity	R-Square	0.2082	Quintile 4 w/o Lending Disparity	R-Square	0.2001	Quintile 5 w/o Lending Disparity	R-Square	0.2076
blacknh	Coeff.	-0.2196	blacknh	Coeff.	-0.1959	blacknh	Coeff.	-0.1810
	t-stat	-42.03		t-stat	-37.27		t-stat	-26.77

Quintile 3 w/ Lending Disparity	R-Square	0.2112	Quintile 4 w/ Lending Disparity	R-Square	0.2003	Quintile 5 w/ Lending Disparity	R-Square	0.2076
blacknh	Coeff.	-0.2154	blacknh	Coeff.	-0.1970	blacknh	Coeff.	-0.1799
	t-stat	-41.28		t-stat	-37.46		t-stat	-26.57
b2wdenialr2000	Coeff.	1.4341	b2wdenialr2000	Coeff.	0.2485	b2wdenialr2000	Coeff.	-0.0868
	t-stat	28.47		t-stat	7.31		t-stat	-2.67

Table 4: Regression Results Based on Segregation Index

Regressions - Results - Based on Segregation Index

All MSAs w/o Segregation Index	R-Square	0.2024	Quintile 1 w/o Segregation Index	R-Square	0.2056	Quintile 2 w/o Segregation Index	R-Square	0.2108
blacknh	Coeff.	-0.1863	blacknh	Coeff.	-0.1939	blacknh	Coeff.	-0.2096
	t-stat	-77.76		t-stat	-42.52		t-stat	-42.55
All MSAs w/ Segregation Index	R-Square	0.2037	Quintile 1 w/ Segregation Index	R-Square	0.2061	Quintile 2 w/ Segregation Index	R-Square	0.2108
blacknh	Coeff.	-0.1962	blacknh	Coeff.	-0.1997	blacknh	Coeff.	-0.2095
	t-stat	-81.73		t-stat	-43.65		t-stat	-42.55
idx_dissimil	Coeff.	0.2933	idx_dissimil	Coeff.	0.6000	idx_dissimil	Coeff.	-0.1698
	t-stat	41.13		t-stat	13.90		t-stat	-2.09
Quintile 3 w/o Segregation Index	R-Square	0.2034	Quintile 4 w/o Segregation Index	R-Square	0.2063	Quintile 5 w/o Lending Disparity	R-Square	0.1881
blacknh	Coeff.	-0.1491	blacknh	Coeff.	-0.2140	blacknh	Coeff.	-0.2248
	t-stat	-31.64		t-stat	-32.38		t-stat	-29.77
Quintile 3 w/ Segregation Index	R-Square	0.2037	Quintile 4 w/ Segregation Index	R-Square	0.2081	Quintile 5 w/ Segregation Index	R-Square	0.1894
blacknh	Coeff.	-0.1568	blacknh	Coeff.	-0.2162	blacknh	Coeff.	-0.2146
	t-stat	-32.59		t-stat	-32.70		t-stat	-28.33
idx_dissimil	Coeff.	1.0345	idx_dissimil	Coeff.	1.5650	idx_dissimil	Coeff.	-0.9041
	t-stat	8.81		t-stat	18.90		t-stat	-15.88