



## “Why Do Blacks Live Where They Live?”

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Why do you live where you live? A complex set of almost unconscious events probably caused you to live on street X, in city Y, and in state Z. It is surprising that so many Americans reside in the city of their birth, which could be viewed as a non-decision. For those who relocated with family, to attend college or to accept employment, a more conscious process may have unfolded. It is important to ask, however, “Are our choices concerning where we reside rational?”

This is particularly true for Black Americans. It is common knowledge that, in “normal” economic times, the Black unemployment rate usually doubles the nation’s unemployment rate. We are often “the last hired and the first fired.” For this reason, and after reading a June 23, 2009 Cari Tuna article in the *Wall Street Journal* entitled “The Boundaries of Unemployment,” I began to ask whether Blacks make rational choices about where we live.

The Federal Government sets basic standards for the unemployment insurance system, but each state formulates its own specific requirements: The amount of insurance

(tax) that employers must pay; the maximum weekly benefits; the duration of benefits; etc. Logically, if Blacks realize that they incur unemployment spells with disproportionate frequency and duration, then shouldn’t they choose to reside and work in states that provide the most favorable unemployment compensation programs?

But the question is broader. When you are young, fresh out of high school or college, and are looking for your first job, you don’t necessarily think about the prospect of unemployment. So your decision to relocate for job purposes is not likely to be predicated on the compensation that you might receive if you become unemployed—although it should probably enter your decision calculus. Consequently, I expanded the question and developed a simple statistical model that attempts to assess why we live where we live. Table 1 provides the basic ingredients for the model.

An analysis of these data enabled a measure of the correlation between the variable of interest and the explanatory

variables. The analytical results are provided in Table 2.

It is important to note that the statistical model explains only about 20% of what determines where Black Americans reside. However, the analytical results can be interpreted to mean, for example, that a one percent increase in unemployment compensation that is available in a particular state is associated with a 1.5% percentage point increase in the Black population in that state. The analysis tells us that states' income and proximity to family and friends are the most influential variables that determine where Black Americans reside, while the amount of unemployment compensation, housing costs, and climate are less influential.<sup>1</sup> Interestingly, all of the explanatory variables, except for school quality, are positively correlated with Blacks' decision to reside in a particular state. Notably, the school quality variable does not appear to be an important explainer of where Blacks live. If school quality was a statistically significant variable, then we would have to untangle the negative correlation between that variable and the states in which Blacks live. As it is, the analytical results imply that increases in test scores—i.e., school quality—in a state are associated

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<sup>1</sup> Admittedly, certain variables in the model (e.g., average income and the average value of owner-occupied houses) are correlated, which increases the difficulty in parsing perfectly all of the relevant effects.

with a reduction in the percentage of Blacks living in that state.

These results permit us to conclude that, at the margin, Black Americans act as rational economic agents when it comes to concentrating where the most income can be earned, where housing values are highest, in warmer climates, and even where the most unemployment compensation is available. Moreover, we tend to locate in places where we are likely to find family and friends. What is perplexing, especially given Black Americans' emphasis on, and need for, education, is that school quality is not a more powerful explainer of where Blacks live.

It would be interesting to identify variables that capture lifestyle differences across states (e.g., quality of night life) or other factors (e.g., levels of perceived racism). Such variables should add to the explanatory power of the model. However, we may never explain fully why Blacks live where they live. It is important to keep in mind that, where we live is determined by a complex set of factors, not just one—such as unemployment compensation. Otherwise, we would all be working and residing in Massachusetts.

Table 1.—Model Variables

Variable of Interest	Explanatory Variables		
	Variables	Definitions	Sources
<p>“Where Black Americans Live”</p> <p>This variable is represented by the percentage of the total Black population that resides in each of the 50 states and the District of Columbia</p> <p>These data are from the Census Bureau, U.S. Department of Commerce.</p>	Unemployment Compensation	The maximum amount of unemployment compensation available (amount per week times the number of weeks)	<i>Wall Street Journal</i>
	Average value of existing owner-occupied houses	The median value of existing housing, which proxies for the cost of housing	The 2006 American Housing Survey
	Climate	The number of “Cooling Degree Days,” which is a measure of the warmth of states’ climates	The Census Bureau, U.S. Department of Commerce
	Average income of states’ residents	The per capita value of the gross domestic product of states	The Bureau of Economic Analysis, U.S. Department of Commerce
	School quality	The combined value of the average 8 <sup>th</sup> grade scale test scores for mathematics and reading	National Center for Education Statistics
	Proximity to family members and friends	A variable that assumes the value one for the 15 former slave states and the District of Columbia; zero otherwise	Wikipedia

Table 2.—Analytical Results

Explanatory Variables	Measures of Correlation	Statistical Significance
Unemployment compensation	1.5%	Yes
Average value of existing owner-occupied houses	0.3%	Yes
Climate	0.3%	Yes
Average income of states’ residents	4.8%	Yes
School quality	<b>-1.6%</b>	<b>No</b>
Proximity to family members and friends	2.0%	Yes