How are Businesses Prejudiced?

An In-depth Look at Commercial Segregation in Chicago
Literature Review

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1 Introduction

America was built on the enslavement of people of color, forever intertwining racial inequalities into its history. Despite the banishment of slavery more than 150 years ago, white supremacy has persisted, becoming deeply entrenched into American society. One of the most striking effects of America's racial entanglement is the segregation of many communities across the country. While no legal means hold people of any background, be it racial, economic, or other, to designated physical locations, the scars of past injustices are visible in the de facto separations in America's melting pot.

2 Effects of Segregation

Segregation affects certain groups differently than others. Generally, minority groups disproportionately are affected negatively from segregation. Segregated areas often have reduced opportunities and amenities for poor and minority residents, exacerbating the already existing effects of inequality [Tach, 2014]. Segregation results in increased housing prices, even if those segregated areas are often less desirable than integrated areas [Brasington et al., 2015].

During the financial crisis of 2008, segregation fueled inequality through foreclosures. Neighborhoods with higher proportions of minorities generally had higher foreclosure rates, while whiter areas experienced lower rates of

foreclosures [Hall et al., 2015]. Among minorities, foreclosures enforced existing racial hierarchies, with Latinos enjoying slightly lower foreclosure rates than blacks [Hall et al., 2015].

Segregation leads to segregated social networks, less social mobility, and awareness of the needs of others [Tach, 2014]. lack of interaction with others due to Segregation can also reinforce stereotypes, which are used by outsiders to inform the opinions their opinions of segregated areas [Hwang and Sampson, 2014]. This leads to areas being labeled as 'undesirable', and disincentivizes outsiders from visiting, investing, or moving into those areas, further entrenching inequality [Hwang and Sampson, 2014].

3 Relationship to Gentrification

Smith [1998:198] defines gentrification as "the process by which central urban neighborhoods that have undergone disinvestments and economic decline experience a reversal, reinvestment, and the in-migration of a relatively well-off middle- and upper middle-class population" [Hwang and Sampson, 2014]. Gentrification can increase tensions in segregated areas when new residents move in and displace existing residents [Hyra, 2015]. Social, political, and economic forces all shape the neighborhood reinvestment that contributes to gentrification [Hwang and Sampson, 2014].

For residents that are not displaced, gentrification often leads to decreased political representation, resulting in a neighborhood that evolves to meet even less of their needs [Hyra, 2016]. Yet, it often also elevates levels of perceived safety and greater diversity of amenities in the neighborhood, which benefits all residents [Hyra, 2016]. While gentrification is on the rise, in part due to an increase of educated millennials moving into urban areas, gentrification can also lead to an integrated neighborhood that meets all residents' needs [Hyra, 2016]. Providing events, amenities, and opportunities that are equally attractive to everyone can promote 'social cohesion', resulting in a community where everyone feels valued [Hyra, 2015].

4 Effects of Integration

In contrast to segregated communities, integrated communities are touted as providing better opportunities for all residents [Hyra, 2015]. In some

cases, integrated communities deliver. Interviews with residents in integrated neighborhoods continually mention the diversity of the neighborhood as an advantage that drew them to the area [Tach, 2014]. Diversity was associated with increased feelings of tolerance and safety, which residents viewed as beneficial [Tach, 2014]. However, among the benefits of diversity, increased upward mobility was never mentioned [Tach, 2014].

In reality, there are few benefits for low-income residents of integrated neighborhoods, despite their reputation for the opposite [Hyra, 2015]. The neighborhood of study in Boston, while racially diverse, was not economically so. There were very few middle-class residents due to the exorbitant living costs [Tach, 2014]. The few middle-class residents had purchased their homes before gentrification had set in, and low-residents could only afford their homes due to significant subsidies [Tach, 2014].

Additionally, while the neighborhood was racially diverse, and somewhat economically diverse overall, this groups, for the most part, did not intermingle [Tach, 2014]. For the most part, each social group kept to their own section of the neighborhood, only patronizing nearby businesses, with their children attending separate schools [Tach, 2014]. Only a few parks, and most convenience stores, attracted a diverse clientele [Tach, 2014]. Changing this proved difficult, as neighborhood organizations were dominated by older, white, high-income residents, as others felt unrepresented and out of place at organizational meetings [Tach, 2014].

5 Effects of Geographic Scale

Herein lies the problem with integration. Oftentimes a neighborhood that appears to be integrated, may really be micro-segregated. Most segregation studies have traditionally been conducted using Census data at the tract level [Lee et al., 2008]. The popularity of the census tract can be "traced in part to its convenience and to the belief that it approximates a 'real' neighborhood" [Lee et al., 2008]. Perhaps due to this history of using Census tract for such studies, and perhaps a lack of better data, many researchers have taken for granted that segregation is best studied with Census tracts [Lee et al., 2008].

However, different patterns of segregation are visible at different scales, which affects not only measures of segregation, but how outcomes of segregation are studied [Reardon et al., 2008]. Using Census tracts, or even smaller

Census blocks, cannot measure segregation at a scale larger or smaller than the geographical scale provided [Reardon et al., 2008]. This not only affects outcomes of segregation research, but using raw Census data is flawed in numerous ways.

Census tracts are not identical in either area or population, with populations per tract falling between 1,500 people and 12,000 people without additional Census approval, and between 1.1 to 6.2 km^2 [Lee et al., 2008]. Furthermore the boundaries of Census tracts are somewhat arbitrary and constantly changing, with 29.4 percent of tracts in the 2000 census marked as 'significantly changed' from the 1990 census [Lee et al., 2008].

Studies that use Census tracts without any type of spatial correction inherently assume that all people inside a tract are equally close to one another and all people outside the tract are equally far [Lee et al., 2008]. This is nonsensical, as it is expected that people near the edges of tracts but closer to each other would be more alike, than people towards the center of their own respective tract who are farther away [Lee et al., 2008].

These problems can be overcome by accounting for different geographical scales in segregation research. Using more granular Census blocks, coupled with an algorithm that will weight the analysis by distance, can help compensate for the fundamental flaws of modeling segregation with Census data [Reardon et al., 2008].

Weighting segregation analyses for distance can greatly affect the outcome, depending on the geographical area of study. Los Angeles has significantly higher amounts of macro-segregation than micro-segregation, while Cincinnati has the opposite [Reardon et al., 2008]. Tract level segregation, while correlating highly with segregation at each geographic scale, does correlates very weakly with the ratio of micro-segregation to macro-segregation [Reardon et al., 2008]. This suggests that other factors contribute to segregation that a simple tract level analysis cannot account for [Reardon et al., 2008].

Macro-segregation clearly only tells part of the story. Only 65 percent of black-white segregation is explained by macro-segregation, or 57 percent for Hispanic-white segregation, and 54 percent for Asian-white segregation [Reardon et al., 2008]. Micro-segregation is higher in areas with more senior citizens and lower in areas with a larger military presence [Lee et al., 2008]. People of color encounter 1.5 times more white residents in a 4,000 meter radius of their homes, than in a 500 meter radius from their homes [Lee et al., 2008]. All of this varies across the country, with the west having lower

amounts of micro-segregation than all other areas of the country [Lee et al., 2008].

6 Conclusion

While great strides have been made in segregation research in the last few decades, there still remains many unexplored avenues. The vast amount of studies on segregation have taken for granted that Census tracts were the best way to investigate segregation. However, as recent research has shown otherwise, it is time to build, and perhaps revise, the existing corpus of segregation research to validate that previous claims hold up for both micro and macro-segregation.

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