

AN ANALYSIS OF THE BENCHMARKS
SPECIAL REPORT: BLACK & WHITE
ECONOMIC CONDITIONS IN THE CITY
OF PITTSBURGH

by
Allegheny Institute For Public Policy
&
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STATISTICAL ASSESSMENT SERVICE ANALYSIS OF: BENCHMARKS SPECIAL REPORT "BLACK AND WHITE ECONOMIC CONDITIONS IN THE CITY OF PITTSBURGH"

KEY FINDINGS

Report Measures "Central City" Areas Rather Than Metro Areas. This may tend to overstate disparity because it:

- excludes the black middle class which often moves to the suburbs
- excludes much of the white working class in depressed former mill towns

The Report's Choice Of "Comparable Cities" Could Be Improved:

- The cities which range from 3% to 75% black are hardly comparable in racial mix.
- The cities differ widely in population ranging from 7.3 million to 0.26 million.
- No attempt is made to isolate cities with a similar "rust belt" economic status.

The Report Chooses Economic Benchmarks Which Would Tend To Accentuate The Problems Of The Black Community:

- Rather than measuring the conditions of "the black population" of Pittsburgh, the study measures only the bottom economic group of that population.

AS A MATTER OF FACT, USING THE METHODOLOGY OF THIS REPORT, THOUSANDS OF BLACKS COULD BECOME MILLIONAIRES WITHOUT CHANGING ANY OF THE NUMBERS OF THE REPORT, OR ITS CONCLUSIONS.

The Report Does Not Support Claims Made By Others That The Disparities Are Proof Of Racism:

- The authors of this report are social science professionals who understand that economic disparities could be due to many factors other than racial discrimination, therefore they refrain from crying "racism"; various third parties have not shown the same restraint.
- National studies have shown that accounting for the number of female headed black households tends to greatly narrow income disparities; this is true in Allegheny County in which the black percentage of white income goes from 52% to 82% when this adjustment is made.

- National studies have indicated that accounting for other factors such as education level and work experience tend to close the gap completely. It would be helpful if the follow-up study the effect of these factors on disparity in Pittsburgh.

The Report's Recommendations Point In A Somewhat Different Direction Than Its Findings:

- The report finds that African-Americans in Pittsburgh are significantly more likely to raise children outside of the dual-parent family structure and significantly less likely to go to or to finish college.
- Despite the fact that these two factors are behaviorally and culturally related the reports points to the traditional approach which emphasizes job creation and social spending.

The report is not an example of the sloppy work and use of "advocacy numbers" which are appearing more frequently from groups driven by political agendas. It should be regarded as a serious piece of social science research which goes to considerable lengths to account for complexities such as age and long-term trends. We would recommend that in the future the researchers expand their scope to include behavioral factors and the possible unintended consequences of government programs aimed at improving the lot of the urban underclass.

ECONOMIC CONDITIONS IN PITTSBURGH: NOT SO BLACK AND WHITE

AN ANALYSIS OF "BLACK AND WHITE ECONOMIC CONDITIONS IN THE CITY OF PITTSBURGH", A BENCHMARKS SPECIAL REPORT

A Benchmarks Special Report recently issued by the University of Pittsburgh's Center for Social and Urban Research paints a grim portrait of income inequality and racial disparity in Pittsburgh. The report cites a number of bleak statistics, and then uses these data as a basis for a number of policy recommendations. The Statistical Assessment Service (STATS) and the Allegheny Institute raise some questions about how these numbers were derived, and look at the extent to which, even if accurate, they accord with the report's recommendations.

PROBLEMS WITH THE CHOICE OF CITIES

The report seems consciously designed to emphasize unfavorable black economic conditions and racial disparities. Any study, no matter how carefully constructed or well-intended, that begins with the intention of "proving" or highlighting a particular political point should be analyzed with a healthy dose of caution. This is not to imply that such studies must necessarily be discarded as inherently flawed by their biases; merely that the consumer need always bear in mind that the research has been shaped and presented for a particular purpose.

The authors of the Benchmark Special Report have been helpfully straightforward and honest about their methodology, but a closer look raises some interesting questions. The authors compare Pittsburgh to other large American cities by using a few selected criteria. Already, three important methodological thresholds have been crossed: which cities to include, what is meant by a city, and which questions to ask.

Are the comparison cities "comparable"? The authors have chosen to rank Pittsburgh among fifty American cities. These are not, however, the fifty largest cities in America. Thirteen cities were disqualified from the list. The criteria chosen for disqualification (size, black population, Hispanic population, and level of military employment) may seem unobjectionable enough, but they beg the question: what is the basis of comparison?

If the goal is to compare Pittsburgh to "similar" cities, and to attain this goal we are to weed out "dissimilar" cities like El Paso, Miami, and Virginia Beach, why not take the next logical step and compare Pittsburgh to those cities that are more commonly considered comparable. In other words, if we are eliminating certain cities because of their inappropriateness for comparison to Pittsburgh, why do we leave in such cities as Los Angeles and New York with their huge populations, and Las Vegas with its radically different industrial employment profile?

Wouldn't it be more appropriate, and useful, to compare Pittsburgh to only more genuinely comparable cities, like Cleveland, Cincinnati, Buffalo, Milwaukee, Columbus, and Toledo? What about the many rust-belt cities not included in the comparison: Would their inclusion have changed the results? Would not "rust-belt" cities with comparable racial mix have provided a better framework of comparison? This might not yield the same dramatically "low" rankings, but it would probably yield a more accurate picture of Pittsburgh's relative status. Furthermore, the report itself concludes that : "One of the main findings from the Economic Benchmark report (October 1994) was that the racial composition of a city can greatly affect assessments of overall economic conditions. In particular a high or low percentage of white residents in one city relative to the percentage of whites in other cities will give that city a higher or lower ranking relative to other cities on overall economic conditions than if one compared black conditions across cities and white conditions across cities."

What this means is that racial population percentages have an enormous impact on the economic statistics of a city. The authors also acknowledge this principle by disqualifying from the report any city with a black population of less than 3%. However, the authors include cities with such dramatically wide racial variances (Detroit at 75.7% black, Washington DC at 67.1% black, Albuquerque at 3% black and Tucson at 4.3% black) that it seems curious, and by the authors' own standards, misleading to group them with Pittsburgh with its 25.9% black population. If a city can be deemed non-comparable at 2% black but comparable at 3% black, how can it be appropriate to include as comparable cities whose black populations vary by a factors of 25 or more?

Why does the report refer only to central cities? The report compares central cities rather than metropolitan regions. This choice can have a dramatic effect on the appearance of racial disparity. Again, it is clear that the authors' intent is to highlight just such a disparity - among their recommendations is the explicit call for leaders from both the city and the metropolitan area to work together on the city's problems. A laudable goal, perhaps, but then why not use the metropolitan area as the basis for analyzing the region's economic conditions? Typically, as black people move up the economic ladder they tend to move out of inner cities and into the suburbs. Since this has the effect of concentrating the poorest blacks in the inner cities, an analysis that fails to count middle class suburban blacks is bound to over-represent racial disparities. Strangely, the report switches over to using county numbers in the one case, its attempt to estimate the "shortfall" in black employment. It seems that when larger numbers more dramatically illustrate the problem, the city no longer suffices as the region for analysis.

Moreover, Pittsburgh in particular is susceptible to this kind of gerrymandering, since many of the outlying suburban areas, far from being wealthy white suburban enclaves, are home to closed steel mills and economically depressed whites. Failing to include these areas in an economic analysis of Pittsburgh must have the result of artificially widening perceived racial imbalances. For these reasons we would expect to find less disparity the larger the circle around the city is drawn. The census which is available supports this pattern: The state is less disparate (black per capita income is 62% of white) than the county (disparity 52%) which is less disparate than the city (disparity 50%) If the Pitt researchers had studied the metro area, would it have followed this pattern thereby yielding a lower economic disparity?

CHOICE OF BENCHMARKS

What statistics are chosen? A statistic, of course, is nothing more than an answer to a question. The choice of what questions to ask will have a determinative impact on the shape of the resulting research. The authors of this report have chosen questions that are bound to highlight racial disparity. Why, for instance, are there statistics for "unemployment rates for youth (age 16-19)" and for "unemployment rates for adults (age 25-54)" but no unemployment rates for people between the ages of 19 and 25? Could it be that since whites of this age group are much more likely to be attending college or other schools at this time (the report itself claims that this likelihood is three times higher for whites than blacks in Pittsburgh) the white economic numbers would be deflated relative to the black ones - in other words, there would be less disparity? The choice of statistics bears attention in other ways: the very first statistic cited in the Executive Summary is that Pittsburgh has "the highest percentage of black males 25-54 not in the labor force" (emphasis mine). "Not in the labor force" is quite different from "unemployed." The unemployment rate for black males of this age drops down to fifth in this group. The unemployment rate for white males of this age in Pittsburgh? Sixth.

In addition, the choices as to which statistics to use as benchmarks predetermine that blacks will fare poorly. Social scientists have known for some time that there is a significant difference between the economic distribution of the black community and that of the white community. The black community has a proportionately larger underclass. The white community has a proportionately smaller underclass. Although the study purports to study "black economic conditions" it does nothing of the sort - it studies the conditions of the bottom only.

Note that the economic benchmarks chosen are aimed at those who are economically distressed. By measuring those not participating in the labor force; those who do not own homes; and those living below the poverty line they are keying in on the relatively jobless, transient, and destitute. They might have used other measures such as average income which would be affected by the progress of the black middle class, but none of the numbers reported account for any improvement in the living standards of those who already have jobs, own homes, or have incomes above the poverty line. The income growth experienced in the past few years by black professionals has literally no mathematical representation in any of these numbers. In fact if twelve months from now, the black middle/upper class all became billionaires, next year's Pitt study would, to be consistent, have to repeat the claim that Pittsburgh "has the most economically disadvantaged black populations of any large city."

INTERPRETATIONS OF THE DATA - IS PITTSBURGH A RACIST CITY?

Despite all this, the report is relatively cautious: at no point does it attribute the disparity to racial discrimination. In conversations the authors have been quick to point out that their numbers do not prove nor even attempt to measure racial prejudice.

Others have not been quite so circumspect, however. During a recent television broadcast, City Council member Sala Udin explained the results this way, "It's racism, let's just say it, it's racism." Many others have used this report and the larger one on which it was based similarly, as a quantitative proof that Pittsburgh is a particularly racist city.

Racial income disparities can be caused by factors other than racism. Hoover Institute economist Thomas Sowell points out that black University teachers salaries are about 60% of white teachers salaries. However, black professors are less likely to have Ph. D.s. than white professors; furthermore black professors with Ph.D. are less likely to have them in fields with a heavy math emphasis. In fact Asians are 3 time more likely to have Ph.Ds in economics than Blacks. These kinds of jobs pay better than less quantitative ones.

The secret (and it is a secret) to understanding racial disparities is to be able to account for unrelated variables, and to control their impact. Let's look at some data from the 1990 Allegheny County census. The average black income is about half of white. What causes such a gap, is it discrimination or is it behavior? Since a single parent household earns 52% of a dual parent household with children under 18, and since blacks are 3.5 times as likely to appear in such households, it follows that a significant portion of the variation is due to family structure. If this is the case then controlling for the effect of that variable would start to close the gap, which it does. Here in Allegheny County black intact families with children under 18 make 82% of similar white families. In other words the black/white income gap goes from 52% to 82% by controlling only one variable - family structure. What happens when we start to control other variables as well, such as education, age, and cultural background? Local statistics are not available, but national ones indicate that the gap closes and even inverts.

There is further evidence which undermines the discrimination explanation, namely that the study itself points out a consistent gap between men and women. Pittsburgh women consistently (across age groups and across race) rank higher in the study than men. For instance in the case of lack of employment, black men rank 1st, black women 3rd. This pattern applies for whites as well. This seems to point away from prejudice as an explanation, since according to this viewpoint, black women should be the preeminent examples of discrimination victims.

PLAUSIBLE EXPLANATIONS OF INCOME DISPARITIES

Given the above considerations, it is not at all clear that Pittsburgh is especially economically divided along racial lines. However, should such a disparity exist any explanation would have to be Pittsburgh-specific. There are two explanations which possess prima facie plausibility: unionization and high concentrations of public housing.

George Mason economist, Walter Williams (as well as others) has argued in the *The State Against Blacks* that unions and accompanying phenomenon such as rigid occupational licensing tend to have a disproportionately negative impact on blacks and other economic "newcomers" by creating barriers to entry into the manual labor market, and by enforcing seniority systems in which later hires are laid off first without regard to performance. If this is true than it is possible that blacks would be especially hard hit in an area with an especially pro-union climate such as Pittsburgh.

Public Housing is one of the factors which the Pitt Researchers intend to investigate in their follow-up study. Pittsburgh was an early pioneer in the government housing project experiment, and with 13 such developments in the city, has an unusually high concentration of public housing dwellers. Since these projects are by definition owned by the government, their presence directly detract from one of the benchmarks chosen - household home ownership.

RECOMMENDATIONS

But what have we learned from this study? Even if we grant that everything in the report is accurate, well-designed, and appropriate, do these findings logically support the recommendations offered?

The report concludes that "a total of 19,300 new jobs for blacks residents of the county are needed." How are we to address this situation? The report offers four parts of a "comprehensive approach": first, "promoting aggregate job growth," which, of course, is always a nice idea; by "overcoming the geographic mismatch of people and jobs," which seems to entail "encouraging" and "enabling" city dwellers to commute to and/or move to the suburbs; education and training programs; and improved support services like more child care, health care and health insurance benefits. The latter three of these recommendations would, if implemented properly, require enormous capital outlay and investment. However worthwhile these solutions might be, it still bears asking whether they are related to the findings of this report.

The economic prescriptions offered above seem odd in light of the report's own conclusion that the two "serious problems" affecting black social conditions in Pittsburgh are that:

1. "The percentage of white residents of Pittsburgh age 25-59 with a four year college degree or higher (30.1%) was three times the percentage of black residents (10.8%)".
2. "In 1990 Pittsburgh had the highest percentage of female headed households with children (69% of all black households with children) and the second lowest percentage of black children living with two parents (21.7%). Only 19.5% of white households with children were female headed in 1990, and 74.2% of white children lived with two parents."

The report itself, in other words, finds that failure to finish school, and soaring rates of illegitimacy among Pittsburgh blacks are the key determinants of black economic woes. Moreover, the report demonstrates that the disparities between whites and blacks in Pittsburgh are most dramatically striking in these two areas. If the problems are cultural/behavioral how can they be fixed with more jobs programs?

The study acknowledges that family breakdown and lack of education are "serious problems...for black residents..." Despite the fact that both of these are behaviorally related, it recommends the already-been-tried big government social program approach: job creation, enhanced transportation, relocation programs, increased education, health care, child care, and family services. Given that family structure is such a powerful factor, it is surprising to find that the Pitt study pushes jobs programs but completely avoids any recommendations to strengthen the dual-parent family structure.

At no time, by the way, does it examine the effectiveness of these programs in the past, nor account for the fact that these programs have grown and flourished in the recent past during which these disparities have supposedly worsened. Could it be that throwing money at these problems distracts us from the root issue: the breakdown of inner-city black culture?

CONCLUSION

The Benchmarks study of "Black and White Economic Conditions in Pittsburgh" is an interesting document that grapples with some genuinely difficult and pressing economic and social issues. Consumers of this report, though, should be aware both of the methodological techniques used to paint the particular picture that the report seeks to present, as well as the tenuousness of the connection between the report's data and its own conclusions.