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THE ATLANTA PARADOX: INTRODUCTION

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ATLANTA offers a sharply contrasting mosaic: the poverty of its public housing projects versus the sprawling riches of its suburbs; the mansions in Buckhead versus the weathered wooden row houses in Cabbagetown; the glistening office towers and glitzy shopping in Midtown and Lenox Square versus the abandoned stores on the Southside; the grocery carts filled with aluminum cans versus the BMWs filled with gray-suited executives; suburban jobs that go wanting versus a city black poverty rate of 35 percent.

These contrasts reflect what we call the Atlanta paradox. It is a paradox of substantial racial segregation in a community with a reputation for good race relations and of high inner-city poverty in the face of substantial economic growth.

Consider that in 1987, *The Christian Science Monitor* declared Atlanta the “mecca of the black middle class” (Ingwerson 1987), and *Ebony* listed it among the top five cities for black businesses. Indeed, Atlanta has been a magnet for blacks. Between 1970 and 1996, the black population in the Atlanta region increased by 158 percent, while the white population increased by just 78 percent.¹ Yet, despite surviving racial integration with relatively little violence and undergoing recent improvement, Atlanta remains a very racially segregated city (Farley and Frey 1994, chap. 5).

Or how does one explain the contrast between economic growth and persistent poverty? The Atlanta region’s economy has been one of the highest growth areas in the country; between 1980 and 1996, the number of jobs in the Atlanta region increased by 804,843, or 4.1 percent per year. Employment in the city proper increased by only 62,157, however, or 1.0 percent per year (Atlanta Regional Commission 1997). Mean real family income in the Atlanta metropolitan area grew 20.6

percent between 1969 and 1989, compared with 10.7 percent for the country as a whole. Yet despite the phenomenal regional growth, mean real family income in the city between 1969 and 1989 declined, both absolutely and relative to the suburbs (Walker 1997).

Despite the economic growth, the poverty rate of blacks in the city in 1990 was 35 percent, an increase from 29 percent in 1970. The poverty rate in the city of Atlanta is the fifth highest among central cities, exceeded only by Detroit, Cleveland, Miami, and New Orleans. While employment growth in the city of Atlanta has not been dramatic, it has exceeded that of these four other cities, for which employment either declined or increased only marginally. In addition, employment in the metropolitan areas of these four other cities increased at rates of less than 1 percent per year, substantially below that for the Atlanta region.

The economic growth experienced in the Atlanta metropolitan area might have been expected to “lift all boats.” Timothy Bartik (1991), for example, conducted an extensive study of the effects of metropolitan growth on various labor market outcomes and found that economic growth within a metropolitan area tends to lead to higher real earnings and to individuals being promoted into higher-paying occupations. In other words, the economic growth is not immediately offset by increased migration, but rather benefits local residents. Furthermore, and of real interest here, he finds that the effects of growth on real earnings are significantly higher for blacks and for less-educated workers. His results suggest that the effects of economic growth on earnings are extremely progressive.

Likewise, Paul A. Jargowsky (1997) finds that ghetto poverty is determined largely by dynamic metropolitanwide processes, the most important factor being the overall economic conditions in the area. He finds that neighborhood poverty is linked with the level and distribution of income in the metropolitan area.

This “Atlanta paradox” is the motivation for this book.² It is a paradox of extreme racial and economic inequality—of abject poverty in a region of tremendous wealth, of a poor and economically declining city population in the face of dramatic economic growth, and of a black mecca in a “city too busy to hate” (a slogan adopted in 1955 by Mayor William Hartsfield) confronting a highly racially segregated population and the substantial problems associated with racism and poverty that pervade the city.

In many ways, Atlanta personifies the problem of urban inequality. There is a wide disparity in income between those living in the city and those in the suburbs. Atlanta not only has one of the smallest middle classes of any major city, but the ratio of white household income to black household income is an astounding 2.76 (Walker 1997). Further-

more, poverty is highly concentrated, with 84.1 percent of the city's poor living in the city's poorest neighborhoods (Ihlanfeldt 1998).³

Atlanta has also experienced substantial urban sprawl. Robert D. Bullard (1998) argues that this has had a detrimental effect on blacks, pushing people farther apart geographically, politically, economically, and socially, and fueling disinvestment in the central city.

This book is an exploration of urban inequality in Atlanta, part of a larger study sponsored and funded by the Russell Sage Foundation and the Ford Foundation. The project, known as the Multi-City Survey of Urban Inequality, was designed to examine the role of racial attitudes, residential segregation, and the functioning of the labor market in explaining urban inequality. A household survey and two employer surveys were conducted in each of the four cities studied (Atlanta, Boston, Detroit, and Los Angeles). Much of the research reported here is based on the Atlanta household survey, known as the Greater Atlanta Neighborhood Study (GANS). Details of the GANS survey are presented in the appendix to this chapter.

To place the story of urban inequality in Atlanta in context, one must understand the recent socioeconomic changes that the region has undergone. Thus, we begin with a description of the economic and demographic dynamics that help explain the continued inequality in Atlanta's labor market and housing market.

Urban inequality in Atlanta is synonymous with racial inequality, so one must first grasp the city's racial history. The roots of inequality lie in the legal segregation long practiced in Atlanta. But the end of legal segregation and the dynamic growth in Atlanta in recent decades have not eliminated or even substantially reduced inequality. This is an attempt to find out why, with explanations that explore the following arguments and themes:

- In the work of William J. Wilson (1987) and others, much is made of the growth in the spatial mismatch between residential location and job growth. Atlanta suburbs that are inaccessible by public transit have experienced significant job growth. Thus, spatial mismatch may be a contributing factor to the Atlanta paradox.
- Douglas S. Massey and Nancy A. Denton (1993) argue that the rise of the black underclass is due in part to a set of mutually reinforcing spirals of decline that develop through residential segregation of the poor. If true, it is important to determine the forces that maintain racially segregated housing, including the possibly deliberate choices by blacks to live in racially segregated neighborhoods and discrimination in the housing market.

- Human capital arguments suggest that labor market outcomes are the result of differences in education and job skills. Do racial differences in human capital explain racial differences in labor market outcomes?
- Labor market outcomes are also affected by discrimination. Is there evidence that labor market outcomes are worse for minorities because of discrimination?
- Information regarding job opportunities and job search strategies have been shown to influence labor market outcomes. If minorities have worse job information or use ineffective search methods, then they may experience worse labor market outcomes.
- Social capital provides advantages, both socially and economically, in much the same way that human capital does. The lack of social capital among less skilled workers, perhaps resulting from the concentration of poverty, could thus result in inferior labor market performance.

There are, of course, other possible explanations. For example, the persistence of concentrated poverty in the city could be the result of “population churning”—a process whereby the poor move out of the city when they reach middle-class status, to be replaced by poor immigrants—or of a self-perpetuating culture of poverty. Panel data that would follow individual households over time would be required to investigate these possibilities, but are, unfortunately, not available. What the chapters in this book provide are analyses of a rich assortment of potential explanations by both economists and sociologists.

The analysis in this volume is largely restricted to comparisons between blacks and whites. Other racial and ethnic groups, such as Hispanics and Asians, account for such a small fraction of Atlanta’s population (2 percent each) that the issue of urban inequality is clearly one of black and white.

Atlanta is an interesting case for investigating the causes of urban inequality. It is a city that presents a paradox of phenomenal growth in contrast to the unexpected high level of inner-city poverty and economic stagnation, and of a black mecca in contrast to the unexpected high level of segregation. The Atlanta paradox and attempts to find explanations for it are the impetus for and the focus of the research reported on in this book.

Overview of the Book

The Atlanta paradox is developed in detail by Truman A. Hartshorn and Keith R. Ihlanfeldt (chapter 2 herein), who also provide a historic and

spatial profile of the economic and demographic changes in the city of Atlanta and the Atlanta region. As late as 1960, the metropolitan area had a population of only 1 million, compared with today's size of over 3.5 million. The growth rate in the Atlanta area during the past thirty years has been nothing short of phenomenal. Job growth has paralleled the population growth.

The city of Atlanta has not fared nearly as well. Between 1960 and 1990, it lost about a fifth of its population. Jobs increased marginally.

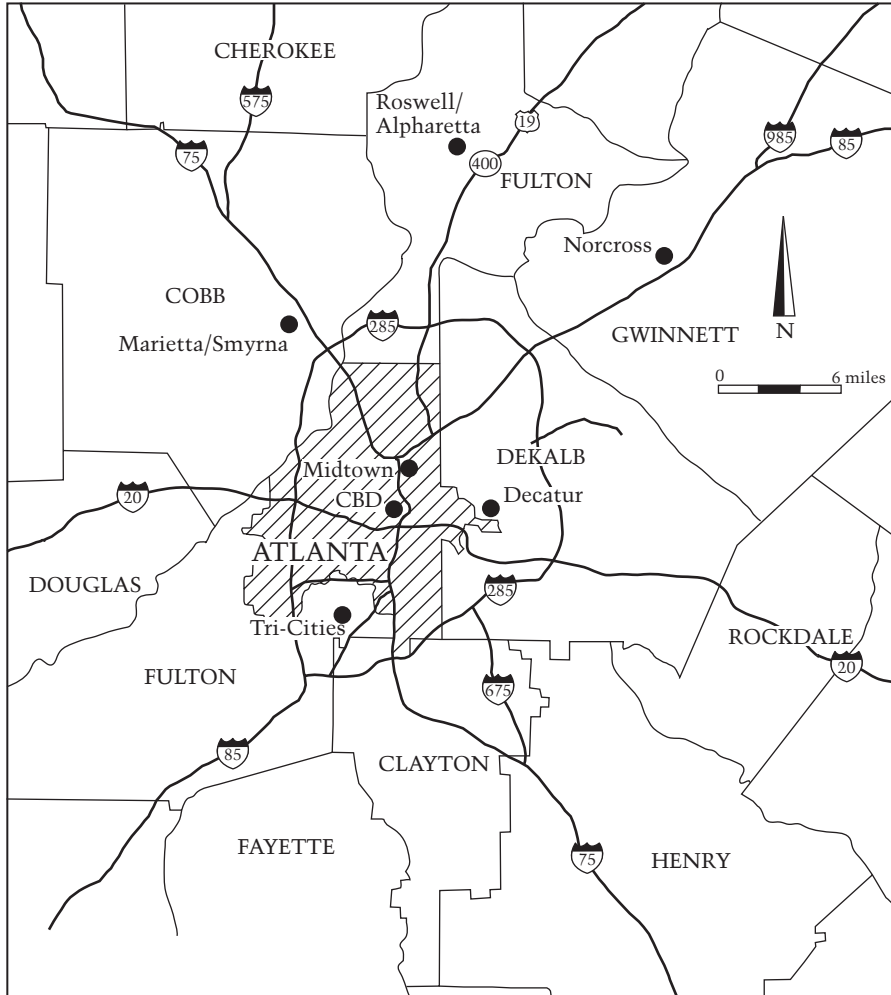
Ronald H. Bayor (chapter 3) notes that blacks had historically been confined to a small geographic area. With the end of legal housing segregation, the black population began to decentralize. While blacks increased throughout the MSA, the growth was concentrated largely in areas adjacent to existing concentrations of blacks, namely, south DeKalb County and south Fulton County, just beyond the city of Atlanta (see map 1.1). As blacks moved into these areas, whites fled. The result of these dynamics is that better than 65 percent of the jobs are located in the northern half of the region, while more than 71 percent of the blacks are located in the southern half of the region. Furthermore, the poor are housed in the city (71 percent of the area's poor are there).

Evidence suggests a spatial mismatch between the residential locations of poor blacks and the locations of available jobs, and the large number of female-headed households residing within the city suggests a significant welfare-dependent population that may be untouched by the economic growth in the region. The picture is one of dramatic growth, but growth that has missed parts of the region, in particular, the city of Atlanta. It is also a picture of inequality by race and geography in the face of rising incomes.

The Atlanta paradox has deep historic roots. Current racial differences have their origins in the deliberate antiblack policies and actions adopted by whites since the Civil War. Bayor's history of race in Atlanta (see chapter 3) details how the white community restricted blacks' choice of residence and employment opportunities, and neglected them when it came to schooling, transportation, and city services. For example, through zoning restrictions, highway construction, and other policies, blacks, who represented 65 percent of the city's population in 1965, were restricted to just 22 percent of the land area. It is no wonder that the population continues to be segregated twenty to thirty years after the end of legal segregation.

Race has always played an important role in Atlanta, and much of the character of the city is a result of policies driven by racial concerns. Since racial attitudes and economic inequality are associated, it is important to understand the current racial attitudes and perceptions of Atlantans. Using the extensive set of questions in the GANS that explore

MAP 1.1 *The Atlanta MCSUI Area*



Source: Cartographic Research Laboratory Department of Geography, Georgia State University 1999.

racial attitudes and perceptions, Obie Clayton Jr., Christopher R. Geller, Sahadeo Patram, Travis Patton, and I (chapter 4) provide an overview of racial differences in attitudes and opinions regarding residential segregation, racial stereotyping, and racial competition.

They find that race certainly matters, and in some ways it matters a

great deal. For example, a small percentage of either blacks or whites is willing to live in a neighborhood comprised largely of the other race, and many whites still hold unfavorable stereotypes of blacks. There is room for optimism, however, as the results suggest that whites and particularly blacks are willing to live in communities that are much more integrated than what exists presently, and the more severe forms of racial stereotyping have largely disappeared.

In Chapter 5, Mark Thompson uses the GANS to explore reasons for the continued existence of residential segregation in Atlanta. He first considers whether racial differences in economic conditions mean that blacks are unable to afford housing in white suburban neighborhoods. While it is true that on average black residents of the city of Atlanta have lower incomes, Thompson finds that it is economically feasible for many central city blacks to obtain suburban housing. Thus, he concludes that economic factors are not a prime contributor to residential segregation. A second hypothesis is that blacks perceive that suburban housing is more expensive than it actually is. Thompson finds some support for this hypothesis.

Third, building on the analysis in chapter 4, Thompson provides strong evidence that residential segregation is not the result of a desire by blacks to live in segregated housing. In addition, racial differences in the perceptions of respondents as to the desirability of specific neighborhoods are small. However, Thompson does find that given the stated preferences of whites, integration of neighborhoods does not appear to represent a stable equilibrium.

One of the explanations for the poor labor market performance of inner-city minorities is the spatial mismatch hypothesis, an explanation originally framed by John F. Kain (1968). Essentially the argument is that low-skilled, inner-city minorities are unable to find housing in the suburbs, where the relevant jobs have shifted. Lack of job access leads to higher unemployment, lower wages, or longer commutes. Spatial mismatch has become a popular explanation of poor labor market performance of inner-city blacks (Wilson 1987). Ihlanfeldt and I (chapter 6) provide a critical look at recent evidence on the existence of spatial mismatch and conclude that there is increasing evidence that supports the spatial mismatch hypothesis as an explanation for at least part of the poor labor market performance of low-skilled, inner-city minorities.

As noted, despite phenomenal economic growth, substantial income inequality continues to exist in Atlanta. In chapter 7, Ihlanfeldt and I explore the level and change in earnings inequality in the Atlanta metropolitan area between 1980 and the mid-1990s. In many ways Atlanta parallels what has been observed across the United States: an increase in earnings inequality both across and within groups. We docu-

ment that the earnings inequality increased regardless of race, that the earnings of blacks fell relative to whites, and that earnings of city blacks fell relative to suburban blacks. It is not that blacks in the Atlanta area did badly during the 1980s—in fact, in comparison with other cities, they did well. But relative to whites in Atlanta, black earnings fell, and the level of racial inequality remained higher in Atlanta than in other cities. What is puzzling is that the change in the distribution of earnings in Atlanta closely paralleled the change in the United States, even though Atlanta experienced such dramatic economic growth.

There are many possible explanations for racial and gender differences in earnings. Three chapters of the book are devoted to exploring these differences. Ihlanfeldt and Sjoquist begin that analysis in chapter 7, exploring human capital factors associated with the level of earnings. It is further explored by Irene Browne and Leann M. Tigges in chapter 8, who focus on the earnings of black females within the context of the “multiple jeopardy” hypothesis, which states that the disadvantages in the labor market associated with race and gender interact in a multiplicative way for black females. They use the richness of the GANS to explore the process that results in the observed labor market inequality for black females, and find that the disadvantages faced by black females appear to be driven by institutional processes.

Cynthia Lucas Hewitt (chapter 9) expands on the analysis of racial and gender earnings inequality by exploring earnings difference between blacks who are employed in a job with majority white co-workers and those in an equivalent job with majority black co-workers. Using the GANS, Hewitt finds that in the Atlanta region the former earn more than the latter. But this leads to the question of why the difference exists and why blacks have not been more fully assimilated into majority-white jobs.

Chapters 10 and 11 use the GANS data to consider job search and social networks. In chapter 10, Nikki McIntyre Finlay explores the effect of the job search process on labor market outcomes, and addresses whether the poor use less effective search strategies. The existing literature points to the importance of using family and friends for job referrals. Using a two-stage estimation procedure that controls for the effect of the expected outcome and individual’s characteristics on the choice of search strategy, she finds that search strategy has only a small effect on the outcome of a search.

One of the concerns about families in poverty is that they become socially isolated, and that the social contacts they do have do not provide them with the support they may need to secure a job, such as money, child care, and transportation. If this is true, then poor house-

holds become trapped in the sense that being poor reduces or eliminates the social resources that might assist them in coping with or escaping from poverty. Gary Paul Green, Roger B. Hammer, and Leann M. Tigges (chapter 11) find evidence that social isolation is higher for individuals in poverty households, but that their smaller social networks do not prevent them from receiving help, although the ties tend to be with family members, whose level of support is frequently small.

As a whole, the chapters in this volume provide evidence that there are many and complex causes of the Atlanta paradox, which argues for the importance of addressing the problem of persistent poverty on multiple fronts. The concluding chapter presents a discussion of policy options.

Some might say that the situation in Atlanta is no different than that in other cities. In some ways that is true. What makes Atlanta unique is its contrasts between the perception of racial harmony and the past and present residential and employment segregation, and between the dynamic economy and the growing economic inequality. The research reported on in this volume provides us with a better understanding of the Atlanta paradox and the nature and causes of the urban inequality that exists in Atlanta.

Appendix The Survey Data

This volume is based largely on research that employs a unique household survey, the Greater Atlanta Neighborhood Study (GANS). The survey is part of a larger project, the Multi-City Study of Urban Inequality, examining the causes and consequences of urban inequality in four metropolitan areas: Atlanta, Boston, Detroit, and Los Angeles. As part of the larger project, each city conducted similar surveys, all funded by the Ford Foundation and the Russell Sage Foundation. In addition to the household surveys, two related surveys of employers in all four cities were conducted.

The Greater Atlanta Neighborhood Survey

Mathematica Policy Research, Inc., conducted the sampling and data collection for the GANS under the direction of a consortium of four schools: Emory University, the University of Georgia, Georgia State University, and Morehouse College.

The sample was a four-stage area probability sample that involved:

first, selecting a sample of census block groups; second, selecting blocks within the sampled block groups; third, listing and selecting households from sampled blocks; fourth, randomly selecting one adult from each selected household. Household weights are provided. The frame represented the nine most central counties in the Atlanta area (see map 1.1).

Half the sample selected was in predominantly black neighborhoods and half was in mostly white neighborhoods. The face-to-face interviews lasting well over an hour were conducted between June and November 1993. A total of 1,529 interviews were completed. Among the respondents, 651 were white, 829 were black, and 49 were of other races. The overall completion rate was 73.2 percent; 87 percent of all interviews were completed by interviewers of the same race as the respondent.

Each interviewee was asked extensive questions covering several topics, including: demographic and household composition; socioeconomic characteristics; the current and previous residential location of the respondent; the respondent's perceptions of his or her current neighborhood; attitudes and perceptions regarding inequality, discrimination, and various racial groups; activities, attitudes, and experiences related to the labor market; attitudes regarding residential segregation; and social networks.

The Multi-City Study of Urban Inequality Employer Surveys

A companion survey of businesses was also conducted in the four cities by Harry J. Holzer. (See Holzer 1996 for a more complete discussion of the employer survey.) The employer survey, conducted between June 1992 and May 1994, was administered to 800 employers in the metropolitan areas of each of the four cities. The interviews, which lasted an average of thirty-five minutes, were conducted by phone with the individual responsible for hiring. Questions focused on overall employer and employee characteristics, such as number and demographic composition of employees and recent hiring; numbers and characteristics of vacant positions; and characteristics of the most recently filled job in the establishment and of the person who filled that job.

The sample of firms was drawn from two sources. The first was a random sample of firms, stratified by establishment size. The second was the employers of respondents in the household surveys. Approximately 1,000 firms came from the second source. The overall response rate was approximately 67 percent among firms that were successfully screened.

A second employer survey was conducted by Joleen Kirschenman, Philip Moss, and Chris Tilly. Their data consist of a unique, large set of in-depth interviews with employers at firms in the Atlanta, Boston, Detroit, and Los Angeles metropolitan areas conducted as part of the Multi-City In-depth Employer Survey. This survey consisted of telephone interviews of several hundred employers per city and a face-to-face, in-depth survey of forty-five employers each in Atlanta and Los Angeles, forty-six in Boston, and thirty-eight in Detroit, for a total of 174. Firms were surveyed between the summer of 1994 and the summer of 1996.

The sample for the in-depth employer survey was drawn from the list of firms that had been identified by household respondents holding jobs requiring no more than a high school education, and had successfully completed a telephone survey. The response rate for screened firms in this subset of the telephone survey was 69 percent; the response rate for the in-depth survey was also about two-thirds. Interviewers spoke face-to-face with up to three (and, in a few cases, more) respondents per firm: the chief executive officer at the site or another top manager; a personnel official involved in hiring for the sample job; and a line manager or supervisor who managed employees in the sample job category. This strategy gathers the differing knowledge and perceptions of these various categories of managers. In smaller firms, these functions were often performed by just one or two people, so fewer interviews were conducted. In total, 354 interviews were conducted with 364 respondents (with some interviews gathering multiple respondents).

The in-depth interview involved a series of structured questions and follow-up probes. Questions gathered the details of the recruiting, screening, and hiring procedures used in filling the sample job, and what each procedure is designed to do. They also assessed employer attitudes toward different groups in the workforce and different neighborhoods in the metropolitan area in question, and probed any recent business location decisions. All questions were open-ended, and interviewers were trained to encourage respondents to elaborate, telling the story of their business's relationship to the labor market.

All the surveys are available from the Inter-university Consortium for Political and Social Research at the University of Michigan.

Identified Geographic Areas

Several questions in the GANS refer to certain geographic areas. These areas are identified in map 1.1. The demographic characteristics of these areas are described here.

Decatur

Decatur is a suburb located to the east of the city of Atlanta. The area is recognized as one of the most integrated in the metropolitan area. Through the 1980s, as the Atlanta metropolitan area experienced rapid population growth, Decatur's population fell from 18,404 to 17,336, a decline almost exclusively in its black population. Blacks accounted for 39 percent of Decatur's population in 1990 and 26 percent of the Atlanta-area population. The mean housing value in 1990 was \$107,600, slightly in excess of the average for the Atlanta metropolitan area of \$106,800 (1990 census).

Tri-Cities

The area known as Tri-Cities consists of three small suburban cities (College Park, East Point, and Hapeville) located adjacent to and south of the city of Atlanta, near Hartsfield International Airport. The area is older than most of the region and is characterized by aging industrial complexes. The Tri-Cities have not shared in the metropolitan area's rapid population growth; population there fell by 11.6 percent between 1980 and 1990. In 1990, blacks accounted for 64 percent of the population. Mean home value in 1990 was \$68,450, far below that for the metropolitan area.

Midtown

The Midtown area is within the city limits of Atlanta, stretching north from the central business district. Population in Midtown fell during the 1980s. The area has a significant representation of blacks (26.5 percent in 1990). Housing prices in Midtown are higher than average for the metro area; mean home value in 1990 was \$162,400.

Marietta-Smyrna

Marietta-Smyrna consists of two small cities located to the northwest in Cobb County. The area's population expanded by nearly 47 percent between 1980 and 1990. In 1990, 18.5 percent of the area's population was black. The location has experienced significant growth in jobs, new housing, and retail outlets. Average home value was \$99,300 in 1990.

Roswell-Alpharetta

Roswell-Alpharetta consists of two cities located to the north of Atlanta, still in Fulton County. The area is predominantly white (93 percent in 1990). Like Marietta-Smyrna, this area has experienced rapid growth in population (nearly tripling between 1980 and 1990), employ-

ment, retail trade, and housing. Home prices (average value in 1990 was \$167,000) and household incomes are well in excess of the metro-area average.

Norcross

The population of Norcross, located northeast of the city in Gwinnett County, also nearly tripled between 1980 and 1990. Like the other two northern suburbs, this area is predominantly white (86.9 percent) and has experienced rapid economic growth. The average home price in 1990 was \$140,000.

Notes

1. The Atlanta region refers to the ten-county planning area of the Atlanta Regional Commission.
2. For a discussion of some of the social and economic problems facing Atlanta, see Walker (1997).
3. High-poverty neighborhoods are defined as census tracts with a poverty rate of 20 percent or more.

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