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"Race, Skin Color, and Economic Outcomes in Early Twentieth-Century America"

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Abstract

We study the effect of race on economic outcomes using unique data from the first half of the twentieth century, a period in which skin color was explicitly coded in population censuses as "White," "Black," or "Mulatto." We construct a panel of siblings by digitizing and matching records across the 1910 and 1940 censuses and identifying all 12,000 African-American families in which enumerators classified some children as light-skinned ("Mulatto") and others as dark-skinned ("Black"). Siblings coded "Mulatto" when they were children (in 1910) earned similar wages as adults (in 1940) relative to their Black siblings. This within-family earnings difference is substantially lower than the Black-Mulatto earnings difference in the general population, suggesting that skin color in itself played only a small role in the racial earnings gap.

To explore the role of the more social aspect that might be associated with being Black, we then focus on individuals who “passed for White,” an important social phenomenon at the time. To do so, we identify individuals coded “Mulatto” as children but “White” as adults. Passing for White meant that individuals changed their racial affiliation by changing their social ties, while skin color remained unchanged. To partially disentangle the selection into passing, we compare Mulattoes who passed with their siblings who did not, thereby removing selection across families from the analysis. Passing was associated with substantially higher earnings, suggesting that race in its social form could have significant consequences for economic outcomes. We discuss how our findings shed light on the roles of discrimination and identity in driving economic outcomes.