

WEALTH OF IMMIGRANT AND NATIVE-BORN AMERICANS*

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Abstract

This study examines immigrant-native differences in wealth. It improves upon past research by contrasting immigrant-native differences against racial-ethnic differences and by operationalizing spatial segregation and spatial mismatch. Drawing on theories on wealth and theories on immigration, it hypothesizes a discounted positive effect of education and a weaker detrimental effect of spatial segregation for immigrants than for natives. This study provides four major findings. (1) Levels of net worth, probabilities of positive, zero and negative net worth holdings, and wealth components are primarily stratified by race-ethnicity rather than by immigrant status. (2) When immigrants' age at arrival is taken into account, their age-wealth profiles exceed native wealth profiles after 24 years of their arrival. (3) Education has a positive effect on net worth and it is weaker for immigrants than for natives. (4) The negative effect of spatial segregation is uniformly negative for both immigrants and natives. Implications for social inequality and immigrant assimilation are discussed.

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Along with a growing immigrant inflow from Asia and Latin America, there has been a decline in the education levels and labor market skills of immigrants since the 1980s (Smith and Edmonston 1997; Borjas 1994). Research has documented a rise in poverty and public assistance use among recent immigrants (Bean et al. 1997; Borjas and Hilton 1996). Whether immigrants can achieve economic self-sufficiency and social mobility in the host society has become a pressing concern.

Wealth is an important indicator of socioeconomic status. Oliver and Shapiro (1995) termed wealth and income the “twin pillars” of the foundation of American middle class status. Traditionally income and occupation are the foci of studies on immigrants’ economic integration. Here we extend the immigration literature to investigate wealth, a less volatile and more permanent measure of economic achievement and raise two central questions (1) what are the immigrant-native differences in wealth and (2) what determines these differences.

Drawing on theories on wealth differences and inequality and theories on immigration, we derive hypotheses regarding the effects of individual/family and structural factors on immigrant-native differences in wealth. We describe the patterns of immigrant-native differences in wealth and test our hypotheses using the 1992 and 1993 panels of the Survey of Income and Program Participation (SIPP).

To our knowledge, this study is one of the first attempts to examine wealth differences between immigrant and native-born Americans. It is also rare for studies on wealth using survey micro-data to include measures of macro-level structural factors in modeling. Most studies on racial differences in wealth use race-ethnicity as a proxy for institutional barriers and discrimination facing racial-ethnic minorities. In this study, we adopt and extend the exposure

index from the segregation literature to operationalize a lack of spatial segregation (Massey and Denton 1988, 1993) at the county level with census tracts as the sub-units for each country of origin among immigrants and for racial-ethnic minorities among natives. We also operationalize a lack of spatial mismatch (Wilson 1987) using the coethnic economic activity rate at the county level for each country of origin among immigrants and racial-ethnic groups among natives. With the operationalization of structural factors, our study provides a better opportunity to understand both the micro and macro processes of wealth accumulation and wealth differences between immigrants and natives.

THEORETICAL CONSIDERATIONS AND HYPOTHESES

Theories on wealth differences and inequality address factors at the micro and macro levels. The micro-level factors are individual and family factors and processes, such as age, cohort, education, family structure and number of children. The macro-level factors are structural, such as real estate and stock markets, dual housing market, lending opportunities, discrimination, spatial segregation, and spatial mismatch. Here we examine the theories behind the micro- and macro-level factors and derive our hypotheses from them.

Economic theories emphasize the role of age in savings and the life-cycle pattern of wealth. The life cycle hypothesis (Modigliani and Brumberg 1954; Modigliani 1986) posits that an individual saves and accumulates wealth until retirement and then consumes the accumulated wealth. Critics to the life cycle hypothesis argue that individuals do not necessarily dissave when they reach retirement due to a number of reasons, such as the uncertainty of one's life expectancy, the desire to leave an inheritance to offspring, and an emotional attachment to their home. Results of empirical tests of the life cycle hypothesis are mixed. A consensus is that if

the elderly dissave, they do so at a lower rate and at a later age than that predicted by the life cycle hypothesis (see a review by Keister and Moller 2000).

The life-cycle pattern of wealth between immigrants and natives are not directly comparable. Among the native-born, wealth accumulation may begin in early adulthood, around age 25, after finishing school and entering the labor market. Comparing immigrants and natives according to the same “biological age” ignores the fact that many first-generation immigrants arrive after age 25. We suggest that a valid descriptive comparison of age-wealth profiles between immigrants and natives should start from the age at arrival for immigrants if they arrived after age 25 (we term this their “wealth age”). When examining immigrants’ wealth, it is important to examine the effect of age at arrival simultaneously with age. Later ages at arrival hamper immigrants’ wealth accumulation since they have a shorter time to accumulate substantial nest eggs. Thus for immigrants the age effect is positive and the age-at-arrival effect is negative.

Both status attainment theory in sociology and human capital theory in economics emphasize the importance of education and work experience for individuals and families to accumulate wealth. The pivotal effect of education and work experience may be weakened in the case of immigrants. Immigrants’ education obtained in the home country is discounted in the U.S and work experience in the home country may not be easily transferred to the American labor market. Thus the education effect is weaker for immigrants than for natives.

Sociological and economic theories provide explanations why family factors are relevant to wealth accumulation. Single motherhood leads to low levels of wealth since marriage is a wealth-enhancing institution (Smith 1995; Hao 1996) and single mothers have low capacity for wealth accumulation (Hao 1996). At the same level of parental education and income, parents

with more children have greater motives to save for children's future education than those with fewer children. Empirical research has found that these factors affect earning capacity, consumption tastes, and saving styles, all of which contribute to wealth accumulation (e.g., Land and Russell 1996).

In the literature on wealth differences and inequality, race-ethnicity is the most important factor. The bleak picture of black-white inequality in wealth is documented in Oliver and Shapiro (1995) but we know relatively less about wealth differences between whites and Hispanics or Asians. Education and family structure are highly correlated with both race and wealth because racial minorities have more limited educational opportunities and marriage market. Thus these two variables serve as micro-level explanations for racial differences and inequality in wealth.

In addition to the micro-level factors, structural factors are at the core of explaining racial inequality in wealth. This perspective is derived from theories such as dual labor market (Doeringer and Piore 1971; Sakamoto and Chen 1991), dual housing market (Alba and Logan 1991), spatial mismatch (Wilson 1987), and spatial segregation (Massey and Denton 1993). Institutional barriers and discrimination in labor markets can block racial minorities from achieving higher social status and a high level of wealth accumulation (Oliver and Shapiro 1995). Redlining in housing reduces minorities' home ownership and the market value of their homes (Oliver and Shapiro 1995; Coney 1999). Lending discrimination and interest rate differences affect minorities' probabilities, levels and components of wealth holdings (Keister 2000). Most past research, however, has not directly operationalized institutional barriers and discrimination but instead used race-ethnicity as a proxy after netting out individual/family factors such as education and family structure.

Non-white immigrants may face the same institutional barriers and discrimination simply because they are racial minorities. Immigrant status further complicates the issue in three different ways. First, immigrants may face stronger discrimination. They are vulnerable to blame for economic problems, such as recession or the low incomes of native unskilled workers (Smith and Edmonston 1997). Non-English speaking immigrants may be subject to further discrimination because of insufficient English skills, strong accents, and unique cultural or religious practices (Portes and Rumbaut 1996). Second, white employers may prefer to hire foreign-born minority workers over native-born minority workers because the former have stronger work ethics and different attitudes and behaviors concerning race relations (Waters 1999). Third, while spatial segregation involving redlining in housing and lending discrimination contributes to the lower level of wealth among blacks, spatial segregation may benefit immigrants, particularly in earlier stages of adaptation. The settlement of immigrants through social networks and immigrant communities perpetuates spatial segregation (Massey et al. 1994). Given their insufficient English proficiency and limited knowledge of the mainstream American labor market at the time of their arrival, immigrant communities may be a blessing. An impressive body of literature documents the effect of social networks on the success of immigrant entrepreneurs (Light 1972; Bonacich and Modell 1980). Initial capital is often obtained from rotating-credit associations (Granovetter 1995), co-ethnic-run financial institutions, informal loan operations and investment from other immigrants (Portes and Gurnizo 1991).¹

This study adopts and extends the exposure or interaction index between racial minorities and the majority in the spatial segregation literature to measure spatial integration (the opposite

¹ We note that this beneficial effect may decline or harm immigrants in a long run. A long history of working within immigrant communities may evolve into a barrier blocking immigrants from developing the kind of human capital

of spatial segregation) in local communities. One of our extensions is from racial minorities to countries of origin among immigrants. The other extension is from MSA's to counties with census tracts as the sub-areas. We believe that these extensions allow us to operationalize institutional barriers and discrimination taking place in local communities under the spatial segregation theory. Following the racial inequality literature, we hypothesize that spatial segregation has a detrimental effect for racial minorities among the native-born. However, the total effect of spatial segregation for immigrants depends on whether the detrimental effect or the beneficial effect dominates. The constraints appear to be greater than the opportunities in the long run since wealth accumulation is a long-term consequence of saving and the mainstream labor market offers greater rewards in terms of wages, job protection, union membership, health insurance and pension. Thus, we hypothesize a detrimental effect of spatial segregation in local communities on wealth for immigrants and such an effect may be weaker for immigrants than for natives.

Alternative to the racial segregation theory, the spatial mismatch theory (Wilson 1987) emphasizes the local economic structure and levels of joblessness of racial-ethnic groups. We extend this notion to countries of origin for immigrants. The coethnic economic activity rate (both employed and self-employed) of the same ethnic group or origin-country group can increase individuals' ability to accumulate wealth and elevate asset values in local communities. The opposite is true: coethnic economic inactivity rates can block individuals' ability to accumulate wealth and devalue assets. We expect that the coethnic economic activity rate in local communities to have a positive effect on wealth for both immigrants and natives.

Immigrants have their own unique characteristics that determine their wealth accumulation. A migrant selection thesis proposes that immigrants may have stronger motives to

desired by the mainstream labor market and eventually from entering the mainstream labor market at all.

accumulate wealth than natives (Chiswick 1978; Jasso and Rosenzweig 1990; Jasso et al. 2000).² This argument is consistent with the voluntary vs. involuntary minorities argument (Ogbu and Simons 1998), which emphasizes the choice made by legal immigrants to seek better opportunities in the U.S. This self-selection of immigrants leads to their success in spite of their disadvantages. Refugees may be an exception as they were pushed to come to the U.S. by persecution or war. Arriving at the U.S. in a crisis without the strong motivation for economic advancement may slow wealth accumulation. In addition, immigrants' adaptation process may influence their wealth accumulation. For example, naturalization is an indicator of social integration into the mainstream host society and better English skills, which may promote wealth accumulation. Immigrant-native intermarriage allows greater access to the mainstream society and information and thus predicts greater wealth.

In sum, we test the following hypotheses in our empirical analysis of immigrant wealth in comparison with that of natives. Similarly for both immigrants and natives, we hypothesize a positive effect of age, a negative effect of single-mother families, and a positive effect of the coethnic economic activity rate. Differently for immigrants and natives, we hypothesize that the positive education and spatial integration effects are stronger for natives than for immigrants. For immigrants only, we expect a negative age-at-arrival effect, a positive naturalization effect and a positive native-immigrant marriage effect.

² Borjas (1987; 1994) argued that not all immigrants are more skilled or motivated (positively selected), depending upon the relative inequality of the sending and receiving countries. For example, illegal Mexican immigrants are more likely to be less skilled on average (negatively selected). Unfortunately the SIPP data do not permit an identification of illegal status.

DATA AND METHODS

Data Sources

The analysis uses data from the 1992 and 1993 panels of SIPP. We use SIPP because it is the only data source that contains wealth data and immigrants' countries of origin and year of arrival.³ The SIPP is a multi-panel, longitudinal survey of adults (age 15 and over) in households (U.S. Bureau of the Census 1991). The 1992 and 1993 panels each consist of about 20,000 nationally representative households. The SIPP collects data every four months by interviewing the original sample adults and other individuals with whom they reside (U.S. Bureau of the Census 1998). The core questions in each interview cover demographic and socioeconomic characteristics, and types and amounts of earned and unearned income. Together these provide information to measure the individual/family factors of wealth accumulation. Information on migration history and a detailed array of assets and liabilities is available in topical modules, asked once during the life of the panel. The Migration History module asks where each adult in the household was born in the U.S., or if born abroad, the country of birth and the year of arrival in the U.S. We use this information to identify immigrant status and age at arrival at the U.S. A topical module provides complete information on shelter costs, vehicles, interest-generating assets, other assets, and liabilities from which we derive measures of wealth and wealth components. The SIPP may underreport wealth of the very rich given the mission of the survey focuses on public program participation. Therefore this study may underestimate wealth inequality and perhaps immigrant-native differences in wealth. To measure social segregation and coethnic economic activities, this study uses the 1990 long-form census data to construct

³ Wealth data are available in several other national surveys such as Panel Studies of Income Dynamics, National Longitudinal Survey of Youth, and Survey of Consumer Finances.

these measures at the county level, which are merged with the SIPP data using county of residence.

Unit of Analysis

The unit of analysis in this study is minimal households. They are the smallest identifiable units within households that have the potential to reside independently of others (Van Hook et al. 1999). Within a household, the primary family, related or unrelated subfamilies, the primary individual, and related or unrelated secondary individual adults (age 25 and above) can be separated out as minimal households. Using minimal households as the unit of analysis enables us to better compare wealth holdings between immigrants and natives because immigrants are more likely to live in multi-generation families or to live in households as boarders. A unit is called “immigrant” if either the husband or wife was foreign-born in the case of family units, or if the individual is foreign-born in the case of one-person units. A unit is called “native” if both spouses were native born in two-parent units or the head was native-born in a single-parent unit, or the individual was native-born in an individual unit.

Measurement

Both core and topical module data of the SIPP and the 1990 long-form census data are used to measure the three blocks of variables: (1) wealth, (2) individual and family factors, and (3) structural factors.

Wealth. Wealth consists of assets and liabilities. The SIPP information on assets and debts is basically on an individual basis. Where joint accounts occur (usually between spouses), we assume an equal share for each member of the joint account. A unit-specific component of

wealth is obtained by summing up the same component for all the members of the unit.

Following the standard economic analysis of wealth (e.g., Wolff 1998), the analysis uses the following two versions of net worth: total net worth, defined as total assets minus total liabilities, and financial net worth, defined as net worth minus the principal residence equity. The latter is a measure of liquidity. According to the specific features of the SIPP wealth data, assets consist of nine components: (1) principal residence gross value, (2) vehicle gross value, (3) business gross value, (4) interest-generating accounts, (5) non-interest-generating accounts, (6) stocks and mutual funds, (7) real estate gross value, (8) retirement accounts, and (9) other assets. Liabilities are a sum of four components: (1) mortgage on principal residence, (2) business debts, (3) other secured debts, and (4) unsecured debts.

Individual and Family Factors. We define immigrant status as having been born in a foreign country and having moved to the U.S. at some point of life. While we can identify 10 specific countries of origin (former Soviet Union, Mexico, Cuba, Dominican Republic, China, Filipino, Japan, India, Korea and Vietnam), we use them for certain descriptive analyses only since the group sizes are not sufficiently large to render stable multivariate analysis. We can identify immigrants' race-ethnicity (non Hispanic white, non-Hispanic black, Hispanic and Asian). The same race-ethnicity groups are identified among natives.

To adequately compare the age-wealth profile gap between immigrants and the native-born in our descriptive analysis, we define a measure called "wealth age". "Wealth age" starts from age 25 for natives and immigrants who arrived in the U.S. before age 25 and from the age at arrival for immigrants who arrived in the U.S. at age 25 or older. For example, the "wealth age" for a native-born man is 1 when he is 25 years old and 42 when he is 66 years old. However, for an immigrant man who arrived at the U.S. at age 30, the "wealth age" is 1 when he

is 31 years old and 36 when he is 66 years old. Thus, “wealth age” is the length of U.S. residence for immigrants who arrived after age 25.⁴ “Wealth age” accounts for the fundamental difference between immigrants and the native-born in their wealth accumulation in the U.S. By providing a scale-comparable basis, “wealth age” assists us in describing the age-wealth profile gap between immigrants and natives. In a multivariate framework, we can analytically tease out the conventional age effect from the age-at-arrival effect rather than combining them into “wealth age”.

For immigrants, we measure age at arrival, naturalization status, and whether there is an immigrant-native intermarriage. For both immigrants and natives, we measure education levels (the greater of the two levels of education between spouses), female headship, and the number of minor children.

Structural Factors. We use the exposure or interaction index to measure spatial integration within local communities for each immigrant group classified by country of origin and native minorities. According to the segregation index literature (Massey and Denton 1988; Massey, White and Phua 1996), the interaction index measures the extent to which members of minority group X are exposed to members of majority group Y in a geographic area, e.g., a Metropolitan Statistical Area (MSA). Expressed as the minority-weighted average of each spatial sub-unit’s majority proportion, the index of a MSA with census tracts as the sub-units is

$${}_x P_Y^* = \sum_{i=1}^n [x_i / X][y_i / t_i], \text{ where } x_i, y, \text{ and } t_i \text{ are the numbers of X members, Y members, and}$$

the total population of tract i, respectively, X is the number of members in minority X living the

⁴ While this “wealth age” captures more accurately the wealth accumulation of immigrants within the U.S. and provides a comparable scale for natives, it assumes that immigrants do not bring in wealth at arrival. This assumption holds for many immigrants but it could be violated when immigrants bring in business capital. However this type of immigrants is more prevalent in countries such as Canada and Australia that assign points for business capital in their point-based system for granting immigrant visas (Smith and Edmonston 1997).

MSA, and n is the total number of tracts in the MSA.⁵ We extend this index in two ways. First, we use county rather than MSA as the geographic area with census tracts as the sub-units. Two advantages of such an extension include to use a smaller area to proxy the local community and to measure spatial integration for the total population rather than only the MSA population. The second extension is to address immigrants' barriers to interact with the majority such as English proficiency and distinct cultural traits. We define the inter-group interaction index as the probability of interaction with native whites for members of a group defined by an immigrant's country of origin or a native's racial-ethnic minority. We calculated the interaction index using the one-in-six long-form data of the 1990 census. We match the index with the SIPP data by the county of residence.⁶ By definition, spatial integration is meaningful only for immigrant groups and native minorities. (See the distribution of the index in Appendix Table 1).

We measure the coethnic economic activity rate by the proportion of adults (aged 16-64) who are working (employed or self-employed) for each immigrant origin-country group and native racial-ethnic group at the county level, using the one-in-six long-form data of the 1990 census. Controlling for the state unemployment rate, the county level coethnic economic activity rate can proxy spatial mismatch, i.e., the availability of jobs for a specific immigrant country-of-origin group or a native ethnic group. (See the distribution of the rate in Appendix Table 1.)

⁵ This index based on the 1990 Census is available from the Census Bureau for blacks, Hispanics and Asian at the MSA level.

⁶ We have access to the confidential geographic data of both Census and SIPP at a census research data center (Center for Economic Research, CES in short). This paper was released after a disclosure analysis by the CES staff. We are grateful for the data and technical support from the CES staff.

RESULTS

The results are presented in three sections. The first two sections are devoted to descriptive analysis and the last section describes the multivariate analysis. Section 1 presents group differences in total net worth and financial net worth, organized by immigrant country-of-origin groups and by race-ethnicity groups within immigrants and natives. Section 1 also presents the age-wealth profile gaps by immigrant status and race-ethnicity. The second section presents distribution of negative, zero and positive net worth holdings and wealth components by immigrant status and race-ethnicity. In the third section, we examine the individual/family factors and structural factors that determine the probability of positive, zero and negative total net worth holdings and the amount of positive total net worth.

Net Worth Levels and Age-Wealth Profiles

Table 1 organizes the comparison by countries of origin among immigrants and race-ethnicity within immigrants and natives. Presented are the weighted mean and median total net worth and financial net worth along with the group sample sizes. Stacking the 1992 and 1993 panels of SIPP, we have 4,090 immigrant minimal households. All specific countries of origin have more than 75 units. These sample sizes are sufficient for a bivariate analysis of net worth differences by countries of origin.

(Table 1 about here)

By countries of origin, we see that immigrants from West, North and South Europe have the highest levels of total net worth and financial net worth when median is used, although Chinese immigrants exhibit the highest mean. Immigrants from Asian countries, except for Filipino and Vietnamese, occupy the second position. Immigrants from former USSR, Cuba and

Philippines rank third and Vietnamese, Mexican and Dominican are at the bottom. Comparisons by countries of origin reveal more variations than by pan-ethnic groups. For example, whites from former USSR are different from whites from West, North and South Europe. Refugee status distinguishes Vietnamese from other Asians and Cubans from other Hispanics. Nonetheless, the basic pattern by countries of origin is consistent with the pattern by race-ethnicity within both immigrants and natives—a ranking order from white, to Asian, to Hispanic, and to blacks, with greater advantages for the top two groups than for the bottom two groups. For this reason, the rest of the analysis use race-ethnicity within both immigrants and natives as the grouping variable to aid comparisons between immigrants and natives along the racial-ethnic line.

An informative comparison is the immigrant-native difference within race-ethnicity. Immigrant whites and Asians are mildly more advantageous than their native counterparts whereas there is little immigrant-native difference among blacks and Hispanics. However, as a whole, natives have higher levels of net worth than immigrants in both mean and median measures. This is so because of the subpopulation composition: the large proportion of whites among the natives contributes to the overall native advantage over immigrants. Overall, the race-ethnicity gap dominates the immigrant-native gap in wealth distribution.

To describe wealth over the life cycle we plot the age-wealth profiles, using the age-group median. Figure 1 depicts the age-wealth profiles for immigrants vs. natives using both conventional age and the “wealth age” constructed for immigrants. The observed age-wealth profile for natives is consistent with the life cycle pattern—wealth increases with age and the tipping point is about age 67. Using conventional age, the age-wealth profile of immigrants

appears below that of natives—with a moderately lower growth rate before age 43 and a greater fluctuation after age 55 due to a smaller sample size for older ages among immigrants.

However, using “wealth age”, we see a different pattern. The age-wealth profiles for immigrants and natives start from the same low point; then the immigrant profile is flatter than the native profile for the first 14 years of “wealth age”, and at the 15th wealth age immigrants begin to catch up with natives and at the 24th wealth age they overtake natives. Since “wealth age” is essentially the length of U.S. residence for immigrants who arrived after age 25, it captures the process of immigrants’ wealth accumulation in the host society. Using “wealth age” shows that immigrants are more disadvantaged in the first 14 years after arrival.⁷ It takes them 15 years to catch up with natives and a quarter of a century to overtake natives.

(Figure 1 about here)

Figure 2 presents a striking contrast in age-wealth profiles between the white and Asian groups on the one hand and the black and Hispanic groups on the other. We use conventional age in these profiles. The age-wealth profile for whites reaches a high of \$107,000 in median net worth. The age-wealth profile for Asians lies close to that for whites. However it fluctuates after midlife, due to a small sample size for older Asians. The lower level of Asians than Whites after age 60 may attribute to two reasons: (1) earlier immigrants have lower education and skills and thus own less wealth and (2) parents of newer immigrants have little wealth. In contrast, the age-wealth profiles for blacks and Hispanics are very flat, never exceeding \$40,000 in median net worth over lifetime. Compared with the immigrant-native gap when using conventional age as shown in Figure 1, the white/Asian-black/Hispanic gaps are much larger as shown in Figure 2.

(Figure 2 about here)

Figure 3 further depicts the racial-ethnic and immigrant-native gaps by combining whites and Asians as a group and blacks and Hispanics as another within immigrants and natives. The immigrant advantage among whites and Asians can be seen by age 60. The fluctuation of the immigrant white and Asian curve after age 60 may be due to a small sample size among the elderly. The immigrant disadvantage among blacks and Hispanics can be seen after ages 53, calling a concern over the old-age security among immigrant blacks and Hispanics.

(Figure 3 about here)

Probabilities of Wealth Holdings and Components of Wealth

Another angle to examine wealth differences is the probabilities of zero, negative and positive net worth and components of wealth. Zero net worth results from having neither assets nor debts.⁸ Negative net worth refers to those whose debts are greater than their assets whereas positive net worth refers to those whose debts are smaller than their assets. Table 2 presents the percentages of negative, zero, and positive total net worth and financial net worth by race-ethnicity within immigrants and natives.

(Table 2 about here)

As a whole, a greater percentage of immigrants have zero net worth than natives. Along the race-ethnicity line, whites and Asians show a much smaller zero percentage than blacks and Hispanics. Again the race-ethnicity gaps are greater than the immigrant-native gaps. If the zero percentages unambiguously indicate disadvantages, the negative percentages may indicate a

⁷ Chiswick (1978) showed that it took 15 years for immigrant earnings to overtake native earnings in the 1970s and Borjas (1994) showed that the more recent immigrant cohorts had a similar earning growth as the earlier cohorts despite their lower starting position.

⁸ In our data among the 3,111 units (7.9% of the total units), which had zero net worth, 3,061 units (98.4%) had no assets nor debts. Zero net worth can also refer to those whose assets and debts exactly cancel each other out, which is rare.

relative advantage over the zero percentage. This is so because negative holdings indicate a pursuit of greater future income or a capacity for obtaining liabilities currently and paying off debts in the future. For example, between immigrant blacks and native blacks who have the similar percentage positive, more immigrant blacks (15.37%) have negative net worth than native blacks (10.66%). In contrast, fewer Hispanic immigrants (9.85%) have negative total net worth than their native counterparts (11.20%).

Table 3 compares the distribution of wealth components by race-ethnicity within immigrants and natives. The statistics are percentages of total gross assets. For the total population, owner-occupied housing is the single most important asset, accounting for 51.7% of total assets. The second largest asset is real estate excluding owner-occupied housing, at 8.7% of total assets. Liabilities account for a substantial percentage of total assets at 28.2%, of which mortgage of owner-occupied housing is the primary liability.

(Table 3 about here)

Table 3 reveals much commonality between immigrants and natives and only moderate immigrant-native differences. Immigrants tend to have a smaller percentage of the gross assets in vehicles (perhaps fewer or less expensive cars) and for retirement accounts. The smaller percentage of retirement accounts of immigrants creates concern over their potential lower old age security, particularly for those who arrived in the U.S. at older ages, those who have worked fewer years in the U.S., and those who have lower levels of Social Security. The asset in which immigrants have larger percentages is real estate excluding the principal residence. Immigrants own slightly more business gross values than natives, which is consistent with the immigration literature on ethnic economy and immigrant entrepreneurship (Sanders and Nee 1993; Portes and Rumbout 1996). Immigrants have a larger percentage of total liabilities than natives. Larger

percentages in mortgage of principal residence and other secured debts contribute to this gap. The latter is most likely debt on rental properties. Immigrants do not necessarily hold larger business debts either, partly because immigrants are more likely to operate small businesses using their own financial capital or loans from rotating-credit associations rather than business loans from financial institutions (Granovetter 1995).

In contrast, the differences in wealth composition are large across race-ethnicity groups. Within both immigrants and natives, the principal residence accounts for about two thirds of the total assets among blacks and Hispanics versus only about one half for whites and Asians. Whites hold the lead in interest-generating and non-interest-generating accounts, and retirement accounts, examples of modern investment strategies and old-age security orientation. Asians take the lead in other real estate, an example of traditional investment strategies. Whites have the smallest percentage of mortgage of principal residence, indicating a faster realization of the American dream of having one's own home. Asians have the smallest unsecured debts (such as credit cards), indicating a cautious and traditional spending style.

Some differences across race-ethnicity groups differ within immigrants and within natives. For example, native blacks have the highest percentage vehicle values, but not immigrant blacks. Immigrant blacks show a high percentage business values, but not native blacks. Asian Americans own the highest percentage stocks and mutual funds but not immigrant Asians.

Overall, our analysis of wealth components shows that differences by immigrant status are mild while the differences across race-ethnicity groups are sharp. Whites and Asians, both immigrants and natives, have more liquid assets than blacks and Hispanics. However, their investment strategies differ—whites favor modern modes of investment and Asians favor

traditional modes of investment. Asians also favor traditional modes of spending. Among blacks and Hispanics, the liquid assets are low. Native blacks tend to spend more on their cars, which depreciate quickly, further contributing to their disadvantaged situation.

Determinants of Net Worth

Turning to our multivariate analysis, we model the probabilities of negative, zero and positive net worth and the level of positive net worth as a function of micro- and macro-level factors. The descriptive statistics of the variables used in the analysis by immigrant and minority status are shown in Appendix Table 2.

We examine the effects of individual, family factors and structural factors on the probability of positive, zero and negative total net worth, using multinomial logit models separately for immigrants and natives. Three increment models start from Model 1 with only ethnicity, to Model 2 adding individual and family factors, common for immigrants and natives, to Model 3 adding structural factors. Model IV adds unique immigrants characteristics. Table 4 presents the relative risk ratios for having negative total net worth vs. zero total net worth in the top panel and for having positive total net worth vs. zero total net worth in the bottom panel. The relative risk ratio can be interpreted as follows, using “black” as an example. The chance for blacks to have positive net worth is 23.7% that for whites and the chance for blacks to have negative net worth is 80.6% that for whites.

(Table 4 about here)

We examine the immigrant results for positive net worth first (see the left and bottom panel). The total effects of ethnicity are estimated in Model 1. All minorities are less likely to have positive net worth over zero net worth than immigrant whites, with Asian immigrants in a

better position than black and Hispanic immigrants. Model 2 shows that individual and family factors (excluding the unique immigrant characteristics) improve the model fit greatly. Age increases the probability while age squared reduces it with a very small magnitude. Education increases the probability and female headship reduces it, as we expected. The greater the number of minor children, the greater the probability of positive net worth, indicating a greater motive of saving for children's future education. Model 3 examines the effects of structural factors controlling for individual and family factors. The added four variables jointly improve the model fit significantly. We find that spatial integration promotes positive net wealth. The coethnic economic activity rate is positive in sign but not statistically significant.

Model 4 is the full model for immigrants after unique immigrant characteristics are taken into account. The addition of immigrant unique characteristics improves the model fit to a great degree. Older age at arrival and refugee status reduce the likelihood of positive net worth whereas immigrant-native marriage and naturalization increase them. After controlling for immigrant unique characteristics, the magnitude of spatial integration reduces.

The effects of individual/family and structural factors are in the same signs for negative net worth (left top panel) as for positive net worth but some of them lost their significance. For example, in the full model ethnicity, age, number of children, refugee status, naturalization and spatial segregation are no longer significant. These results reveal that the process of having negative holdings is basically the same as that of having positive holdings and the driving forces are weaker for the negative holdings than for the positive holdings. This speaks for the importance to separate out negative holdings from zero holdings rather than lumping them into one category.

The parallel results for natives are presented on the right three columns of Table 4 for Models 1-3, respectively. The goodness of fit statistics show that each of the three blocks of variables contributes to the model fit significantly, as they do for immigrants. Most of the estimates are similar as those for immigrants. We focus on those effects differing between immigrants and natives. First, racial-ethnic minorities are significantly different from native whites for both positive and negative net worth, whereas racial-ethnic minorities are significantly different from immigrant whites for positive holdings only.⁹ Second, we have tested and found that the education effect is weaker for immigrants (1.135) than for natives (1.280) for positive net worth. This is also true for negative net worth (1.157 for immigrants and 1.237 for natives).¹⁰ This confirms our hypothesis that immigrants' education is discounted. Third, comparing the estimates of spatial integration, we see a larger effect size for natives (3.604) than for immigrants (1.940) for positive net worth. However, the effect size difference is not statistically significant. We hypothesized that in the long run spatial integration should exert a positive effect on immigrants' wealth but this effect may be weaker for immigrants than for natives. Our estimates confirm that spatial integration promotes positive wealth holdings for both immigrants and natives. But we find that this effect size does not differ significantly between immigrants and natives. This finding reveals a uniform importance of spatial integration in wealth accumulation for both immigrants and natives. The beneficial effect of immigrant communities may occur only in the early adaptation stage and integration into the mainstream society plays a decisive role in increasing immigrants' ability to accumulate wealth. Coethnic economic activity is positive and significant for natives only. It suggests that economic

⁹ Note that the racial-ethnic effects are not directly comparable between immigrants and natives since the reference groups are not the same.

prosperity of immigrants from the same country of origin within a local community does not have sufficient power to increase immigrant individuals' ability to accumulate wealth nor does it increase the asset values whereas economic prosperity of a native racial minority within a local community has the power to do so.

Turning to an investigation of the level of positive net worth, we use a tobit model. The tobit model treats negative and zero values as being censored rather than their true value to suite the non-monotonic nature of the wealth scale and to avoid using a selective sample of positive net worth only. The positive net worth is transformed using a natural logarithm so that the coefficients indicate percentage changes in net worth. We present the results in Table 5.

(Table 5 about here)

Overall, the results of the tobit model are very similar to those for the positive net worth in the multinomial logit model. Blacks and Hispanics, immigrants or natives alike, have lower levels of positive net worth than their white counterparts. Asian immigrants also have lower levels than immigrant whites but Asian Americans are not statistically different from native whites. We find a life cycle effect; but the dissaving age is as late as 71 for natives and the dissaving age is even later for immigrants (77). The later dissaving age among immigrants may reflect their stronger motives to invest more in their children's education (e.g., support for graduate studies) and to leave an inheritance to offspring. The positive effect of education is significantly weaker (.245) for immigrants than for natives (.338). The positive effect of spatial segregation does not significantly differ between immigrants and natives. As found in Table 4, coethnic economic activity is significant for natives only.

¹⁰ We tested this in two ways: (1) testing whether the coefficient estimate for education in the immigrant equation is significantly different from the coefficient estimate from the native equation and (2) testing the interaction term between immigrant status and education in a pooled immigrant and native model.

CONCLUSIONS

Using two panels of SIPP, this study offers a first look at wealth of immigrant and native-born Americans in mid 1990's. As the case of other cross-sectional analysis, this study may not provide firm conclusions about causes and effects. In addition, since the wealth data from SIPP may underreport the right tail of the wealth distribution, it may underestimate wealth inequality and immigrant-native differences. With these caveats, this study advances our understanding of not only present-day wealth distribution in the U.S. but also the process by which it is often achieved. At the individual and family level, we emphasize the discounted education effect facing immigrants and pay attention to immigrants' unique characteristics. At the structural level, we emphasize and measure spatial integration and spatial mismatch.

Our descriptive analysis demonstrates that differences in levels of net worth, the probabilities of positive, zero and negative net worth holdings, as well as wealth components are primarily stratified by race-ethnicity rather than by immigrant status. When immigrants' age at arrival is taken into account by using "wealth age", immigrants catch up with natives after 15 years of arrival and exceed natives after 24 years of arrival in wealth accumulation.

Our multivariate analysis finds that, consistent with much past research, natives start to dissave at a much later age than the life cycle hypothesis predicts and the dissaving age is even later for immigrants than for natives. Education has a positive effect on net worth but it is weaker for immigrants than for native, supporting our hypothesis. Finally, we find a universal, significant, positive effect of spatial integration for both immigrants and natives. We also find an adverse effect of later age at arrival for immigrants and refugee status and a beneficial effect of immigrant-native couples and naturalizations.

Our study adds new findings to the wealth literature and the immigration literature. It reveals that the processes of immigrants accumulating wealth are more complicated than natives and that race-ethnicity remains a powerful divide of wealth inequality. In the past two decades immigrants have made up an increasing proportion of the population and their education and skill levels have declined. Whether immigrants constitute the bottom stratum of the society becomes a pressing question. Our study provides fresh answers that wealth inequality by race-ethnicity persists in the presence of a growing stock of relatively lower-skilled immigrants and that immigrants reach a higher level of wealth than do the native-born after 24 years of their arrival.

Our study bears implications for social inequality. Wilson (1987) emphasizes the importance of economic conditions such as a mismatch of local residents and available jobs that may outweigh racial segregation in the deepening of social inequality. Massey and Denton (1993), however, contend that persistent racial segregation remains the main force shaping social inequality. Our findings provide stronger evidence to support Massey's spatial segregation argument that spatial integration is uniformly important for both immigrants and natives and coethnic economic activity plays a lesser role.

Our study also has implications for immigrant assimilation. Our findings suggest that, to a large degree, immigrants assimilate to their native counterparts defined by race-ethnicity in wealth accumulation. Shaped by the economic structure, housing market, lending discrimination, and race-ethnic stratification of the host society, the wealth accumulation of immigrants follows the racial-ethnic tracks. At the same time, the self-selection of immigrants continuously brings in new higher-motivated minority immigrants, buffering the disadvantage of minority status in the U.S.

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Table 1. Total Net Worth and Financial Net Worth of Immigrants and Natives

Group	Total Net Worth		Financial Net Worth		Sample N
	Mean	Median	Mean	Median	
Immigrant	84,833	13,550	47,733	4,975	4,090
By Country of Origin					
West European ^a	152,013	78,249	89,880	21,385	1,023
Former USSR	76,004	8,909	44,171	3,774	75
Mexican	26,320	3,393	10,853	1,249	822
Cuban	54,808	7,538	26,159	2,433	153
Dominican	19,402	0	13,292	0	76
Chinese	191,824	76,298	118,767	18,850	180
Filipino	73,224	17,153	38,397	6,316	233
Japanese	135,575	71,933	77,821	18,538	77
Indian	132,836	34,043	86,276	13,799	84
Korean	91,955	23,656	52,493	10,456	107
Vietnamese	38,447	2,762	19,934	2,762	107
By Race-Ethnicity					
Non-Hispanic white	139,723	62,339	82,095	16,713	1,637
Non-Hispanic black	24,662	2,000	10,915	921	236
Hispanic	29,022	2,550	13,102	1,343	1,384
Asian	102,291	21,000	57,798	9,950	828
Native	90,123	30,819	49,982	8,241	36,822
By Race-Ethnicity					
Non-Hispanic white	101,371	40,516	57,330	11,525	30,699
Non-Hispanic black	23,368	2,762	8,536	552	3753
Hispanic	33,725	2,785	14,391	1,105	1,808
Asian	96,475	11,438	51,674	4,538	322
Total	87,548	27,069	48,708	7,482	40,912

Source: The 1992 and 1993 panels of the Survey of Income and Program Participation (SIPP).

Note: Statistics are weighted and sample sizes are actual observations. The mean and median values are in 1992 constant \$. The units are minimal households (see precise definition in text).

^aInclude West, North and South Europeans.

Table 2. Negative, Zero and Positive Holding of Total Net Worth and Financial Net Worth: Immigrants and Natives

Group	Total Net Worth			Financial Net Worth		
	% negative	% zero	% positive	% negative	% zero	% positive
Immigrant	8.12	10.90	80.97	11.16	11.64	77.19
Non-Hispanic white	5.58	5.44	88.97	8.55	6.35	85.10
Non-Hispanic black	15.37	16.23	68.41	19.86	16.23	63.91
Hispanic	9.85	16.93	73.22	13.13	17.83	69.04
Asian	7.23	8.61	84.15	9.49	8.97	81.54
Native	8.17	7.18	84.65	11.89	8.01	75.14
Non-Hispanic white	7.58	3.89	88.53	11.20	4.36	84.44
Non-Hispanic black	10.66	23.14	66.21	15.17	26.36	58.46
Hispanic	11.20	19.84	68.96	14.88	20.82	64.30
Asian	8.26	13.68	78.06	11.60	13.90	74.50
Total	8.22	7.42	84.36	11.88	8.22	79.90

Source: The 1992 and 1993 panels of the Survey of Income and Program Participation (SIPP).

Note: All statistics are weighted. The units are minimal households (see precise definition in text).

Table 3. Wealth Components: Immigrants and Natives (% of gross assets)

Component	Immigrant					Native					Total
	White	Black	Hispanic	Asian	Total	White	Black	Hispanic	Asian	Total	
Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Principal residence gross value	48.8	63.6	64.3	51.4	52.2	50.6	67.7	63.2	54.3	51.6	51.7
Vehicle gross value	4.8	9.3	9.4	5.7	5.8	7.2	12.7	10.2	5.1	7.5	7.3
Business gross value	0.6	11.8	4.1	6.2	5.9	5.9	1.9	2.8	3.6	5.7	5.8
Interest-generating accounts	8.6	4.4	4.3	4.7	6.8	8.3	4.1	4.4	8.1	8.0	7.9
Non-interest-generating accounts	3.3	0.2	0.4	1.8	2.4	3.5	0.3	0.9	2.6	3.3	3.3
Stocks and mutual funds	7.3	0.9	2.3	5.8	6.0	6.9	1.9	2.7	8.4	6.6	6.5
Other real estate gross value	12.1	7.1	9.4	19.6	13.6	8.1	7.2	8.9	11.5	8.1	8.7
Other assets	3.5	1.1	2.9	1.3	2.8	3.5	2.2	2.7	1.8	3.4	3.3
Retirement accounts	5.6	1.6	2.7	3.6	4.6	6.0	1.7	3.8	4.7	5.8	5.7
Liabilities	26.5	48.3	45.5	42.2	34.0	26.6	40.1	38.0	26.5	27.5	28.2
Mortgage of principal residence	17.2	33.3	33.2	24.4	21.9	17.3	26.8	26.6	19.6	17.9	18.4
Business debts	1.7	2.4	1.2	2.4	1.8	2.0	0.6	0.8	1.2	1.8	1.8
Secured debts	6.9	7.8	8.6	16.0	9.6	6.9	7.7	7.6	4.8	6.9	7.2
Unsecured debts	2.4	7.3	3.7	1.8	2.5	2.4	5.5	4.0	2.1	2.6	2.6

Source: The 1992 and 1993 panels of the Survey of Income and Program Participation (SIPP).

Note: All statistics are weighted. The units are minimal households (see precise definition in text).

Table 4. Multinomial Logit Estimates of Negative and Zero Holding of Total Net Worth

Variable	Immigrant				Native			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	
Negative vs. Zero								
<i>Individual and Family Factors</i>								
Black	0.806	0.602 ^	0.466 *	0.606	0.276 **	0.367 **	0.365 **	
Hsipanic	0.599 **	0.588 **	0.526 *	0.724	0.350 **	0.457 **	0.472 **	
Asian	0.831	0.481 **	0.386 **	0.641	0.345 **	0.300 **	0.401 **	
Age	--	1.046	1.006	1.035	--	1.033 **	1.031 **	
Age squared	--	1.000	1.000	0.999 ^	--	0.999 **	0.999 **	
Highest education	--	1.183 **	1.180 **	1.157 **	--	1.247 **	1.237 **	
Female-headed	--	0.372 **	0.385 **	0.450 **	--	0.408 **	0.4.9 **	
Number of children	--	1.129 ^	1.132 ^	1.093	--	1.142 **	1.129 **	
Age at arrival	--	--	--	0.979 **	--	--	--	
Refugee	--	--	--	0.702	--	--	--	
Immigrant-native marriage	--	--	--	3.470 **	--	--	--	
Naturalized	--	--	--	1.171	--	--	--	
<i>Structural Factors</i>								
State unemployment rate	--	--	0.935	0.964	--	--	0.953 *	
Spatial segregation	--	--	1.645	1.293	--	--	1.480	
Coethnic economic activity	--	--	1.340	2.288	--	--	3.965 **	
Panel 1992	--	--	1.204	1.173	--	--	1.109 *	
Positive vs. Zero								
<i>Individual and Family Factors</i>								
Black	0.237 **	0.243 **	0.180 **	0.246 **	0.154 **	0.229 **	0.154 **	
Hsipanic	0.301 **	0.396 **	0.303 **	0.462 **	0.183 **	0.311 **	0.232 **	
Asian	0.608 **	0.445 **	0.274 **	0.5.7 **	0.309 **	0.301 **	0.550 **	
Age	--	1.069 **	1.070 **	1.109 **	--	1.100 **	1.096 **	
Age squared	--	0.999 **	0.999 **	0.999 **	--	0.999 **	0.999 **	
Highest education	--	1.164 **	1.162 **	1.135 **	--	1.289 **	1.280 **	
Female-headed	--	0.162 **	0.171 **	0.192 **	--	0.250 **	0.252 **	
Number of children	--	1.258 **	1.250 **	1.202 **	--	1.313 **	1.282 **	
Age at arrival	--	--	--	0.971 **	--	--	--	
Refugee	--	--	--	0.593 **	--	--	--	
Immigrant-native marriage	--	--	--	3.258 **	--	--	--	
Naturalized	--	--	--	1.556 **	--	--	--	
<i>Structural Factors</i>								
State unemployment rate	--	--	0.953	0.993	--	--	0.935 **	
Spatial integration	--	--	2.578 **	1.940 *	--	--	3.604 **	
Coethnic economic activity	--	--	1.268	2.227	--	--	1.942 *	
Panel 1992	--	--	0.806 ^	0.785 ^	--	--	0.985	
Likelihood Ratio Chi2 (df)	154(6) **	539(16) **	572(26) **	724(34) **	1787(6) **	5834(16) **	5803(26) **	

Note: Relative risk ratios are presented.

** p<.01 * p<.05 ^ p<.10

Table 5. Tobit Model of Logged Positive Net Worth Censored Zero or Negative Net Worth

Variable	Immigrant				Native			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	
<i>Individual and Family Factors</i>								
Black	-3.824 **	-3.079 **	-3.608 **	-3.042 **	-3.189 **	-2.230 **	-2.844 **	
Hsipanic	-3.086 **	-1.862 **	-2.404 **	-1.670 **	-2.920 **	-1.658 **	-2.146 **	
Asian	-1.040 **	-1.047 **	-2.058 **	-1.060 **	-1.306 **	-1.074 *	-0.988	
Age	--	0.259 **	0.263 **	0.309 **	--	0.289 **	0.282 **	
Age squared	--	-0.002 **	-0.002 **	-0.002 **	--	-0.002 **	-0.002 **	
Highest education	--	0.289 **	0.283 **	0.245 **	--	0.348 **	0.338 **	
Female-headed	--	-3.342 **	-3.224 **	-3.091 **	--	-2.241 **	-2.199 **	
Number of children	--	0.297 **	0.293 **	0.241 **	--	0.394 **	0.363 **	
Age at arrival	--	--	--	-0.051 **	--	--	--	
Refugee	--	--	--	-0.790 **	--	--	--	
Immigrant-native marriage	--	--	--	0.627 **	--	--	--	
Naturalized	--	--	--	0.903 **	--	--	--	
<i>Structural Factors</i>								
State unemployment rate	--	--	-0.056	0.016	--	--	-0.041 **	
Spatial integration	--	--	1.748 **	1.309 **	--	--	1.940 **	
Coethnic economic activity	--	--	0.522	1.013	--	--	0.865 *	
Panel 1992	--	--	-0.289 *	-0.305 *	--	--	-0.070 ^	
Likelihood Ratio Chi2 (df)	417(3) **	990(8) **	1033(13) **	1293(17) **	2603(3) **	11858(8) **	12242(13) **	

** p<.01 * p<.05 ^ p<.10

Appendix Table 1. Spatial Integration Index for Minorities: By Race-Ethnicity and Immigrant Status

Ethnicity	Spatial Integration Index	Coethnic Economic Activity Rate
<i>Immigrant</i>		
By Country of Origin		
West European ^a	.769	.709
Former USSR	.597	.640
Mexican	.343	.675
Cuban	.296	.745
Dominican	.215	.617
Chinese	.538	.752
Filipino	.498	.822
Japanese	.621	.631
Indian	.660	.789
Korean	.633	.696
Vietnamese	.496	.730
By Race-Ethnicity		
Non-Hispanic white	.720	.710
Non-Hispanic black	.497	.776
Hispanic	.341	.695
Asian	.554	.751
<i>Native</i>		
By Race-Ethnicity		
Non-Hispanic white	--	.791
Non-Hispanic black	.372	.688
Hispanic	.467	.758
Asian	.477	.849

Source: The inter-group interaction index (to capture spatial integration) and the coethnic economic activity rates are calculated using the 1-in-6 long form of the 1990 Census at the county level and merged to the 1992 and 1993 panels of SIPP by county of residence for each unit.

Appendix Table 2. Descriptive Statistics of Variables Used in Analysis: Immigrants and Natives

Variable	Immigrant	Native
<i>Race-Ethnicity</i>		
Non-Hispanic black	0.06	0.10
Hispanic	0.34	0.05
Asian	0.20	0.01
<i>Individual and Family Factors</i>		
Age	46.40	48.64
Highest education	13.26	13.45
Female-headed	0.07	0.08
Number of children	0.90	0.61
Age at arrival	24.89	--
Refugee	0.08	--
Immigrant-native marriage	0.24	--
Naturalized	0.48	--
<i>Structural Factors</i>		
State unemployment rate	7.04	6.19
Spatial integration	0.55	0.77
Coethnic economic activity	0.72	0.78
Panel 1992	0.52	0.51

Source: The 1992 and 1993 panels of the Survey of Income and Program Participation (SIPP).

Note: Statistics are unweighted. The units are minimal households (see precise definition in text).

Figure 1. Age-Wealth Profile of Immigrants and Natives

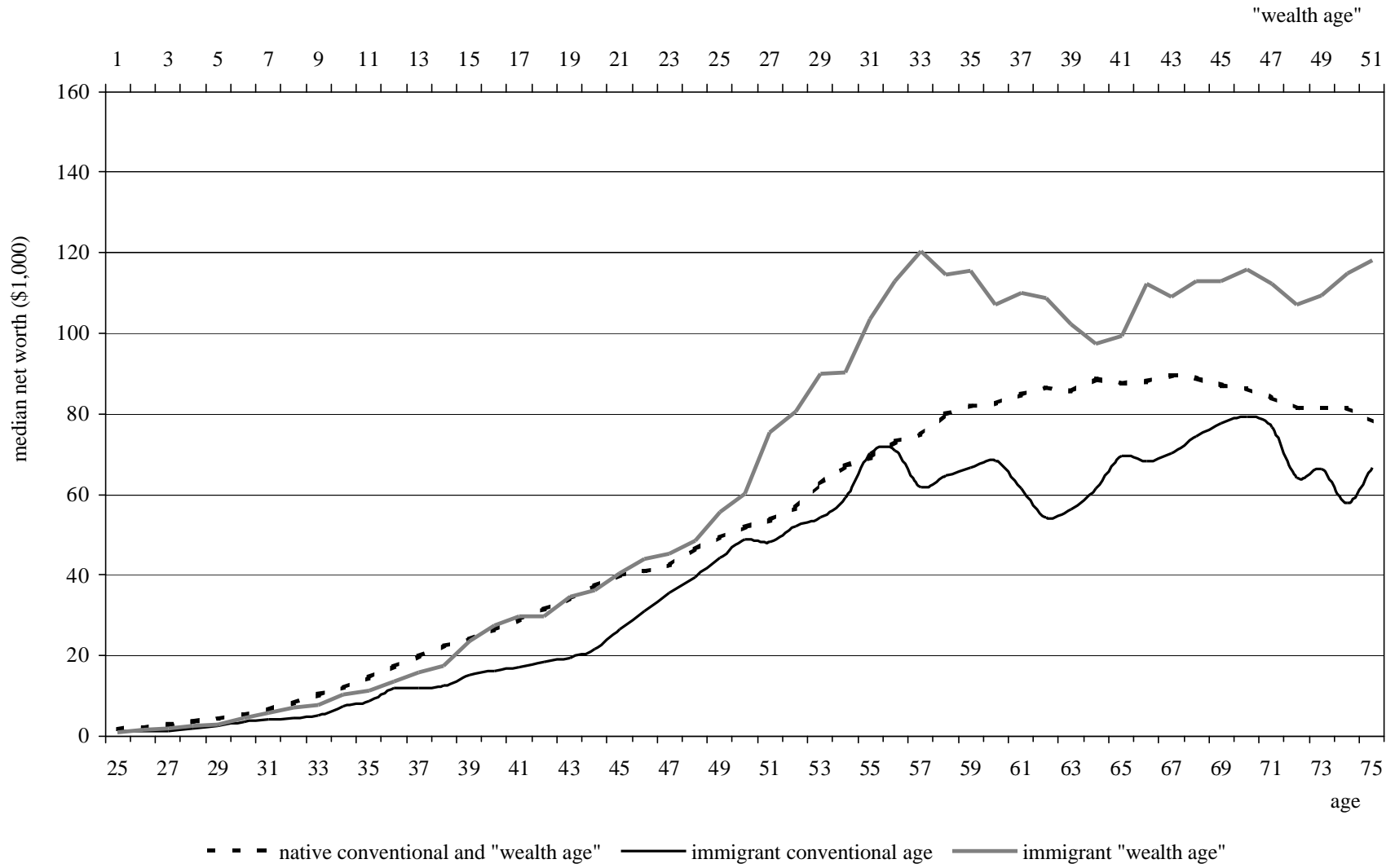


Figure 2. Age-Wealth Profile by Race-Ethnicity

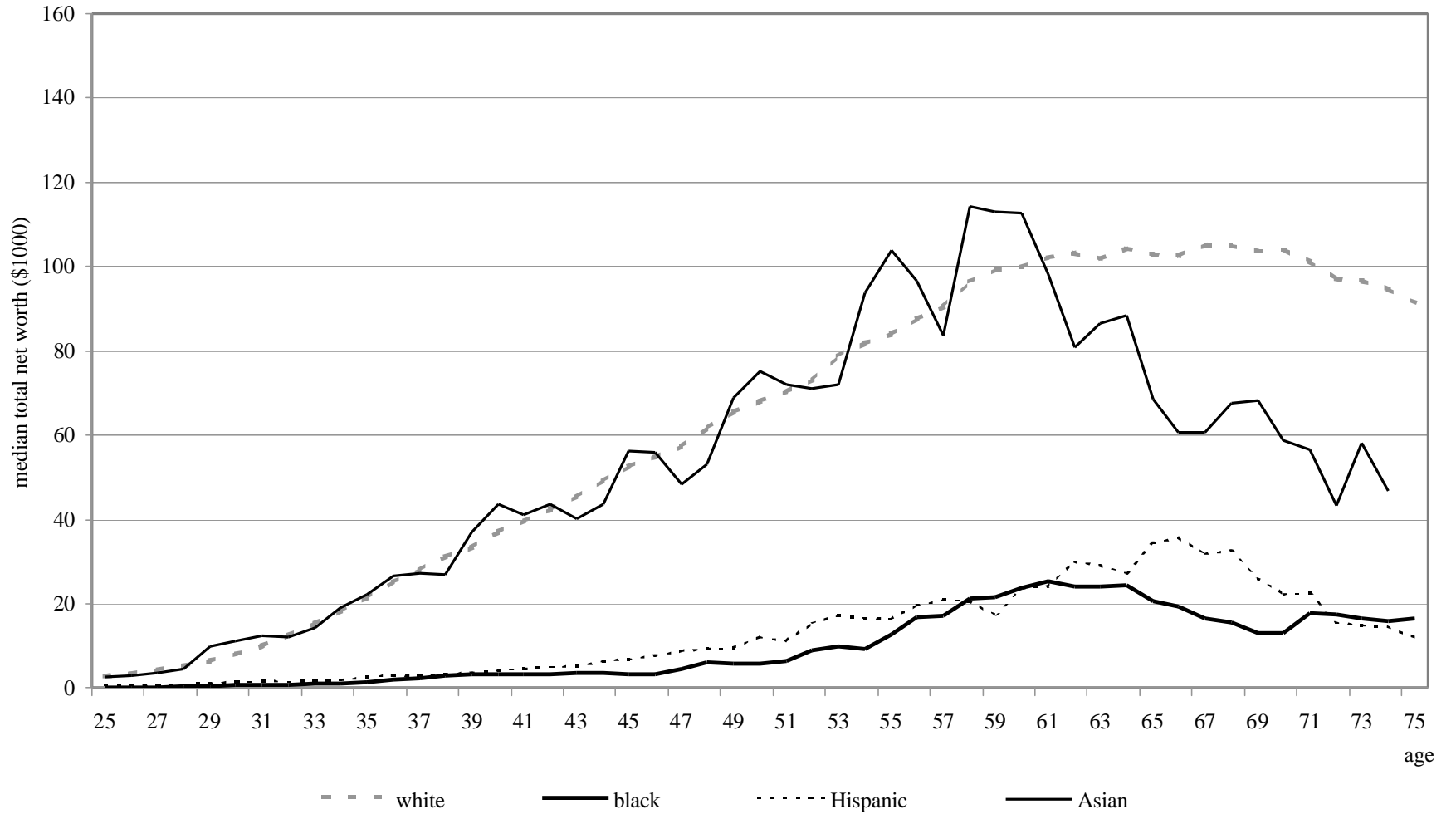


Figure 3: Age-Wealth Profile by Immigrant Status and Race-Ethnicity

