

Socio-Economic Distance and Spatial Patterns in Unemployment

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Abstract

This paper examines the spatial patterns of unemployment in Chicago between 1980 and 1990. We study unemployment clustering with respect to different social and economic distance metrics that reflect the structure of agents' social networks. Specifically, we use physical distance, travel time, and differences in ethnic and occupational distribution between locations. Our goal is to determine whether our estimates of spatial dependence are consistent with models in which agents' employment status is affected by information exchanged locally within their social networks. We present non-parametric estimates of correlation across Census tracts as a function of each distance metric as well as pairs of metrics, both for unemployment rate itself and after conditioning on a set of tract characteristics. Our results indicate that there is a strong positive and statistically significant degree of spatial dependence in the distribution of raw unemployment rates, for all our metrics. However, once we condition on a set of covariates, most of the spatial autocorrelation is eliminated, except for physical and occupational distance.

JEL: J64, R12, C21.

Keywords: Social networks, economic distance, spatial econometrics, unemployment.

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