

# *Wealth of Immigrant and Native-Born Americans*<sup>1</sup>

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This study hypothesizes nativity differences in the process of wealth accumulation with regards to accumulation rates, dissaving rates, the role of human capital, saving intention for children, and structural barriers to wealth accumulation. Based on an analysis of the 1992 and 1993 panels of the Survey of Income and Program Participation (SIPP), it reports four major findings. First, levels of net worth, life cycle patterns, and wealth components are primarily stratified by national origin and race-ethnicity rather than by nativity. Second, when immigrants' adult years in the United States are taken into account, the life cycle pattern of wealth of the post-1965 immigrants catches up with that of natives within 22 years of arrival and then overtakes natives. Third, the process of wealth accumulation is similar for immigrants and natives in all but two respects – for immigrants, education is discounted and adult years in the United States matter. Lastly, spatial segregation has a uniform negative effect on wealth for both immigrants and natives.

Along with a growing immigrant inflow from Asia and Latin America, there has been a concern about a decline in the education levels and labor market skills of immigrants in the United States since the 1965 Immigration Law, particularly since the 1980s (Smith and Edmonston, 1997). Some research has documented a rise in poverty and public assistance use among recent immigrants (*e.g.*, Borjas and Hilton, 1996); other research has cautioned that distinctions among different kinds of immigrants and types of welfare received may lead to different conclusions (Bean *et al.*, 1997; Fix and Passel, 1994; Jasso *et al.*, 2000). Whether recent immigrants will achieve economic self-sufficiency and social mobility has become a key element in ongoing debates about immigration policy.

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. This article

<sup>1</sup>The research is supported by a grant (SBR-9819209) from the National Science Foundation. Address all correspondence to Dr. Lingxin Hao, Department of Sociology, Johns Hopkins University, 3400 North Charles Street, Baltimore, MD 21218.

investigates wealth, a less volatile and more permanent measure of economic achievement, and raises two questions: 1) what are the immigrant-native differences in wealth and 2) what determines these differences.

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

Two features of this study advance the literatures on immigration and wealth. First, based on theories about immigration and wealth, I consider the special conditions under which immigrants accumulate wealth. These include the specifics of immigrants' life cycle wealth accumulation behaviors, which result from their national origins, motivation for emigration, human capital, duration of U.S. residence, and experience in the United States. Second, I actually measure spatial segregation and spatial mismatch factors that generate institutional barriers and discrimination facing immigrants and racial-ethnic minorities, rather than using individuals' race-ethnicity as a proxy, as have most past studies. To operationalize spatial segregation, I adopt the exposure index from the segregation literature (Massey and Denton, 1988, 1993). To address immigrants' complexity in national origin background and community of settlement, I adjust the exposure index for use with smaller social entities and smaller geographic areas. To operationalize spatial mismatch, I use the coethnic economic activity rate for small social entities and in small geographic areas. With the operationalization of these structural factors, my study provides an opportunity to better understand how the macro-level factors affect the micro process of wealth accumulation and generate wealth differences between immigrants and natives.

### *THEORETICAL CONSIDERATIONS AND HYPOTHESES*

Theories about wealth differences and inequality address factors at the micro and macro levels. The micro-level factors focus on life cycle income and consumption patterns of individuals. The macro-level factors focus on structural factors operating through the individual life cycle. Here I summarize the theories and develop hypotheses to be tested in the analysis.

#### *Micro-Level Factors*

Economic theories consider the life cycle pattern of wealth as a result of two

micro-level processes – individuals' life cycle income and consumption. Subtracting consumption from income yields savings or debts at any time point. Wealth then is the cumulative balance between savings and debts. Thus, wealth accumulation is affected by factors influencing life cycle earnings and consumption, including inheritances received, human capital (such as education and labor market skills), preferences for consumption (such as marital status and number of children), and preferences for saving (such as old-age security and leaving an inheritance). This micro-level framework suggests an inverse U-shaped age-wealth profile. The life cycle hypothesis (Modigliani and Brumberg, 1954; Modigliani, 1986) posits that an individual accumulates wealth until retirement and then consumes the accumulated wealth. Empirical findings are mixed, but the majority view is that if the elderly dissave, they do so at a lower rate and at a later age (*see* a review by Keister and Moller, 2000).

In considering the differences in the life cycle pattern of wealth between immigrants and natives, an important issue arises. We cannot directly compare the life cycle pattern and the wealth accumulation rates, captured by the effects of age and age-squared on wealth, between immigrants and natives. The reason is that most immigrants do not begin to accumulate wealth in the United States before their arrival, while natives begin to do so in early adulthood after finishing school and entering the labor market. As the majority of first generation immigrants arrive after age 25 with little capital,<sup>2</sup> we must consider their duration of U.S. residence or, more precisely, their productive adult years in the U.S. labor market, during which they accumulate wealth. Existing theories address duration of U.S. residence but not its relation to the life cycle. Conventional assimilation theory suggests a convergence of immigrants and natives (Gordon, 1964; Chiswick, 1978) and the recent segmented assimilation hypothesis emphasizes variation in the assimilation pattern by national origin and the particular community of settlement (Portes and Zhou, 1993). These theories imply that longer duration of U.S. residency increases wealth accumulation. While the productive adult ages (25-64) in the United States contribute to wealth accumulation, retirement years spent in the United States do not, suggesting a quadratic effect of duration of U.S. residence. Because duration of U.S. residence is the difference between biological age and age at arrival, I decompose duration into age and age at arrival

<sup>2</sup>Under the Immigration and Nationality Act (1952), 10,000 investor visas per year are available, which is about 1 percent of the total admitted immigrants annually. The SIPR, the data used in this paper, does not identify investors.

so I can compare wealth accumulation rates between immigrants and natives.<sup>3</sup> Once the life cycle effect is expressed net of the age-at-arrival effect for immigrants, I am ready to derive hypotheses regarding the immigrant-native difference in life cycle wealth accumulation.

First, a migrant selection thesis proposes that immigrants have stronger economic motives than natives (Chiswick, 1978; Jasso and Rosenzweig, 1990). The economic motives are also high among immigrants who may plan to return to their home country. As Stark (1991) points out, immigrants have incentives to accumulate higher levels of wealth to smooth consumption over the life cycle when they return to lower-wage home countries. Therefore, net of the age-at-arrival effect, the positive effect of age, which captures the life cycle wealth accumulation rate, may be greater for immigrants than for natives.

Second, old age security differs between foreign-born and native-born Americans, which may cause a difference in the post-retirement wealth pattern. Social Security in the United States is based on the employment and tax history and the level of earnings (U.S. House Ways and Means Committee, 1993). Foreign-born Americans may have a shorter employment and social security tax history and lower pay, leading to a lower level of Social Security benefits. Shamsuddin and DeVoretz (1998) made a compelling case that foreign-born Canadians receive substantially less old age social security than native-born Canadians. For this reason, immigrants may need to consume more of their wealth after retirement than natives. Therefore, I hypothesize that immigrants have a higher dissaving rate after retirement than the native born, captured by a stronger negative effect of age-squared.

Third, human capital theory emphasizes the importance of education in individuals' life cycle income. The pivotal effect of education may be weakened in the case of immigrants. Immigrants' education obtained in the home country may not be easily transferred to the American labor market and

<sup>3</sup>The duration of U.S. residence ( $D$ ) is obtained by subtracting age at arrival ( $AA$ ) from biological age ( $A$ ):  $D=A-AA$ . Thus the quadratic residence effect can be decomposed into quadratic biological age effect and quadratic age-at-arrival effect, as well as an interaction between age and age at arrival.

$$\beta_1 D + \beta_2 D^2 = \beta_1 A - \beta_1 AA + \beta_2 A^2 + \beta_2 AA^2 - 2\beta_2 A \cdot AA$$

The analysis allows the parameters to be estimated freely rather than constrained. I expect  $\beta_1$  to be positive and  $\beta_2$  to be negative, *i.e.*, the coefficient is positive for age, negative for age at arrival, negative for age-squared and age-at-arrival-squared, and positive for the interaction between age and age at arrival.

therefore discounted in the United States. Thus, I hypothesize that the effect of education on wealth is weaker for immigrants than for natives, leading to a lower level of life cycle earnings and wealth accumulation for immigrants.

Fourth, immigrants may possess greater motives than natives to invest in their children's education and leave an inheritance to their children. For many immigrants, improving the economic, social and political conditions for their children is the primary motive of migration (Massey *et al.*, 1993; Portes and Rumbaut, 1996). In particular, Asian culture prescribes high educational expectations for children and high investment in children's education (*e.g.*, Chen and Stevenson, 1995). Thus, I hypothesize that immigrant parents may accumulate more wealth than native parents for their children.

### *Macro-Level Factors*

In the literature on wealth inequality, stratification by race-ethnicity is the most important topic. The bleak picture of black-white inequality in wealth is documented in Oliver and Shapiro (1995), but we know relatively less about wealth differences among whites, Hispanics, and Asians. Structural factors are at the core of explaining racial-ethnic inequality in wealth. This perspective is based on theories such as dual labor market (Doeringer and Piore, 1971; Sakamoto and Chen, 1991), dual housing market (Alba and Logan, 1991), spatial segregation (Massey and Denton, 1993), and spatial mismatch (Wilson, 1987). Institutional barriers and discrimination in the labor market can block racial-ethnic 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.

Nonwhite immigrants face the same structural barriers as native minorities but also face specific structural conditions. On the one hand, 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; Borjas, 1999). Non-English-speaking immigrants may be subject to further discrimination because of strong accents and unique cultural or religious practices (Portes and Rumbaut, 1996). On the other hand, 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). In addition, while spatial segregation involving redlining in housing and lending discrimination contributes to the lower level of wealth among blacks, spatial segregation (or spatial autonomy as termed by Bean *et al.*, 1999) may benefit immigrants, particularly in earlier stages of adaptation. Given their insufficient English proficiency and limited knowledge of the mainstream American labor market at the time of arrival, spatial autonomy may be a blessing. However, this beneficial effect may decline, and spatial autonomy may 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 desired by the mainstream labor market and eventually from entering the mainstream labor market at all. These immigrants then have no access to the greater rewards offered by the mainstream labor market, including higher wages, greater job protection, union membership, better health insurance, and higher pensions.

This line of reasoning suggests that spatial segregation has a detrimental effect for racial-ethnic minorities among the native born, but the total effect of spatial segregation for immigrants depends on whether the detrimental effect or the beneficial effect dominates. Because the constraints are greater than the opportunities in the long run and wealth accumulation is a long-term consequence, I hypothesize that spatial segregation will have a detrimental effect on wealth among immigrants, but such an effect will be weaker than among natives.

Unlike racial segregation theory, spatial mismatch theory (Wilson, 1987) emphasizes local economic structures that create mismatches in minorities' skills and levels of joblessness of racial-ethnic groups. A high economic activity rate (both employed and self-employed) of the same ethnic or national-origin group can increase individuals' ability to accumulate wealth and elevate asset values in local communities. I expect coethnic economic activity in local communities to have a positive effect on wealth for both immigrants and natives.

### *Unique Experiences of Immigrants*

Immigrants have their own unique experiences influencing wealth accumulation. The voluntary versus involuntary minorities argument (Ogbu and Simons, 1998) emphasizes the choice made by legal immigrants to seek better opportunities in the United States. Refugees may be an exception as they were pushed to come to the United States by persecution or war. Arriving in

the United States in a crisis without strong motives for economic advancement may slow wealth accumulation. In addition, immigrants' adaptation processes may influence their wealth accumulation. For example, naturalization may be an indicator of social integration into mainstream host society and the acquisition of better English skills (Liang, 1994), which may promote wealth accumulation. Immigrant-native intermarriage may provide greater access to information and other resources and thus may predict greater wealth as well (Gordon, 1964; Qian and Lichter, 2001).

### *Hypotheses*

In sum, I propose three sets of hypotheses concerning differential effects between immigrants and natives, some specific effects for immigrants alone, and common effects for both immigrants and natives. First, the differential effects between immigrants and natives include: 1) the life cycle wealth accumulation rate is higher for immigrants than for natives because of immigrants' strong economic motives; 2) the dissaving rate after retirement is higher for immigrants than for natives because of immigrants' lower social security; 3) the positive effect of education is stronger for natives than for immigrants because of lower skills transferability among immigrants; 4) the positive effect of number of children is stronger for immigrants than for natives because of immigrants' stronger motivation for the social mobility of their children; and 5) the negative effect of spatial segregation is stronger for natives than for immigrants because of the protection of newly arriving immigrants by immigrant communities. Second, the specific effects for immigrants include a negative effect of refugee status, a positive effect of naturalization, and a positive effect of native-immigrant marriage. Last, the common effects for both immigrants and natives include a positive effect of marriage and a positive effect of the coethnic economic activity rate.

## *DATA AND METHODS*

### *Data Sources*

One data source is the 1992 and 1993 panels of SIPP. I use SIPP because it is the only data source that contains wealth data and immigrants' country of origin and year of arrival. 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 income. Together these provide information to measure the individual/family factors of wealth accumulation. The Migration History module asks the birthplace of each adult in the household and, if born abroad, the year of arrival in the United States. I use this information to identify immigrant status, country of origin, age at arrival in the United States and duration of U.S. residence. A topical module provides information on assets and liabilities, from which I develop measures of wealth and wealth components. A second data source to measure spatial segregation and spatial mismatch is the 1990 long-form census data, which are merged with the SIPP data by county of residence.<sup>4</sup>

### *Unit of Analysis*

The unit of analysis in this study is the minimal household units, the smallest identifiable units within households that have the potential to reside independently of others (Van Hook, Glick and Bean, 1999). Within a SIPP 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. I use minimal households as the unit of analysis because my focus is ownership of wealth, rather than access to wealth. In particular, this unit of analysis enables me to better compare wealth ownership between immigrants and natives because immigrants are more likely to live in multi-generation families or to live in households as boarders.

A minimal household 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 minimal household 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. Therefore, native-born adult children who lived with their immigrant parents are treated as native units.

### *Measurement*

The core and topical module data of the SIPP and the 1990 long-form census

<sup>4</sup>I have access to the confidential geographic data of both Census and SIPP at a census research data center (Center for Economic Research, or CES). This paper was released after a disclosure analysis by the CES staff. I am grateful for the data and technical support from the CES staff.



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 liabilities is basically on an individual basis. A unit-specific component of wealth is obtained by summing up the same component for all the members of the unit. Following economic analyses of wealth (*e.g.*, Wolff, 1998), I use two versions of net worth: total net worth – defined as total assets minus total liabilities – and financial net worth – defined as the total 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 values; 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.

Note that the wealth data in SIPP may be underreported for three reasons. First, since the questionnaire items on wealth components do not specify the site of the wealth, the United States or abroad, both immigrant and native respondents may underreport wealth abroad. Here a potential immigrant-native difference may exist because it is likely that only rich natives have wealth abroad, whereas immigrants across the income spectrum may have wealth in their home countries. Second, since the survey's goal is to understand income generation and program participation of low- and middle-income populations, efforts are not focused on collecting income and wealth data of those on the right tail of the distribution. Third, the questionnaire items on wealth are not as detailed and comprehensive as those in Survey of Consumer Finances (SCF), so the SIPP wealth data have a lower reliability. However, SCF does not contain immigration data necessary to allow us to carry out an analysis of immigrants' wealth, while SIPP provides both immigration data and basic wealth data. Given the limitations of the SIPP wealth data, our descriptive results may be conservative for immigrants, and our explanatory results can be relevant for the population excluding the very wealthy right tail, if we assume that the process of wealth accumulation is quite different between those who are very wealthy and those who are not.

*Individual and Family Factors.* I define immigrant status as having been born in a foreign country to non-American parents and having moved to the United States at some point in life. Ten specific countries of origin among immigrants include the former Soviet Union, Mexico, Cuba, Dominican

Republic, China, the Philippines, Japan, India, Korea, and Vietnam. Among natives, five specific race-ethnic groups include non-Hispanic whites, non-Hispanic blacks, Puerto Ricans, Mexican Americans, and Asian Americans (who are second or higher generations from China, Japan and India and other Asian countries), and a group for all others (including other Hispanic Americans and Native Americans). I realize that grouping all Asian Americans together does not allow me to address the different incorporation experienced by the second and third generations across sending countries. However, the data do not have enough cases to analyze them separately.

To adequately compare the age-wealth profile gap between immigrants and natives in the descriptive analysis, I define "adult years in the United States" as the life cycle stage between age 25 and age 65. For natives, it is the biological age (25-65). For immigrants, it is the duration of U.S. residence after age 25 and before age 65. The adult years in the United States provide a tool to describe the difference in wealth accumulation between immigrants and natives.

I measure family factors with education levels (the greater of the spouses), the structure of the minimal household, and the number of minor children. The structure of the minimal household includes 1) married couple with or without children; 2) female single head with children; 3) male single head with children; and 4) female or male individual household. For immigrant married couples, I further distinguish between immigrant-immigrant and immigrant-native couples. Among immigrants, I measure age at arrival, refugee status (according to refugee-sending countries and the arrival time), and naturalization status among immigrants.

*Structural Factors.* To measure spatial integration, I adopt and adjust the exposure index between racial minorities and the white majority in the spatial segregation literature. One adjustment is from racial minorities to specific national origin of immigrants. A second adjustment is from Metropolitan Statistical Areas, a larger area, to counties, a smaller area. A third adjustment is the exposure to (or interaction with) native whites rather than all whites, who are likely to originate from Europe, Canada and Australia. As such, my spatial integration index indicates the weighted average probability of contacting native whites for a specific national-origin group among immigrants and a racial-ethnic group among natives within the county of residence. For instance, the index for an origin-country group X to contact native whites Y in a county of residence with census tracts as the sub-units is

$${}_X P^*_Y = \sum_{i=1}^n [x_i / X][y_i / t_i],$$

where  $x_i, y_i$  and  $t_i$  are the number of  $X$  group,  $Y$  group, and the total population in tract  $i$ , respectively;  $X$  is the number of members in the origin-country group living in the county, and  $n$  is the total number of tracts in the county. I calculated this index using the one-in-six long-form data of the 1990 census. I matched the index with the SIPP data by the county of residence. By definition, spatial integration is meaningful only for immigrant groups and native minorities (*see* the distribution of the index in Appendix Table 1.)

I measure spatial mismatch with the coethnic economic activity rate, *i.e.*, the proportion of adults (aged 16-64) who are working (employed or self-employed) for each national-origin group among immigrants and each racial-ethnic group among natives 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 capture the availability of jobs in the local labor market for a specific immigrant country-of-origin group or a native racial-ethnic group (*see* the distribution of the rate in Appendix Table 1).

## RESULTS

The results are presented in three sections. The first two sections show the descriptive results and the last section describes findings from the multivariate analyses. Section 1 first presents group differences in total net worth and financial net worth, organized by immigrant country-of-origin groups and by native racial-ethnic groups. It then presents life cycle patterns of wealth by nativity, immigrant entry cohorts, and native race-ethnicity. Section 2 presents differences in wealth components by origin country and race-ethnicity. Section 3 examines the individual/family factors and structural factors that determine the amount of positive total net worth.

### *Net Worth Levels and Life Cycle Patterns*

Table 1 organizes the comparison by countries of origin among immigrants and race-ethnicity among natives. Presented are the weighted mean and median total net worth and financial net worth along with the group sample size. When the 1992 and 1993 panels of SIPP are stacked, there are 4,090 immigrant minimal households. All specific countries of origin have at least

**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
West, North, South European	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
Native	90,123	30,819	49,982	8,241	36,822
Non-Hispanic white	105,064	44,225	59,531	12,449	28,067
Non-Hispanic black	23,414	2,762	8,268	540	3,304
Puerto Rican	26,971	538	8,814	46	306
Mexican American	38,014	6,500	16,633	1,934	675
Asian American	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 dollars. The units are minimal households (see precise definition in text).

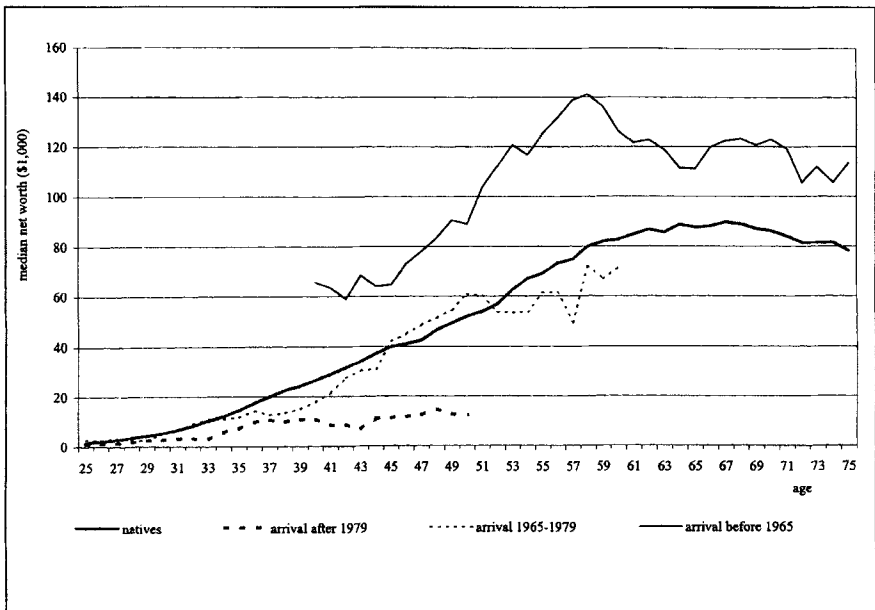
75 units. These sample sizes are sufficient for analysis of net worth differences by country of origin.

By countries of origin, we see that immigrants from western, northern and southern Europe have the highest levels of total net worth and financial net worth when the median is used, although Chinese immigrants exhibit the highest mean. Immigrants from Asian countries, except for Filipinos and Vietnamese, occupy the second position. Immigrants from the former USSR, Cuba and Philippines rank third, and Vietnamese, Mexicans and Dominicans are at the bottom. Comparisons by countries of origin reveal more variation than by pan-ethnic groups. For example, whites from the former USSR are different from whites from western, northern and southern Europe. Refugee status distinguishes Vietnamese from other Asians. The basic pattern by countries of origin is a ranking from Europeans to Asians to Hispanics, similar to the ranking among natives from white to Asian Americans to Mexican Americans to Puerto Ricans and blacks, revealing that the broad categories of race and ethnicity dominate wealth inequality for both natives and immigrants.

To describe the difference in wealth between immigrants and natives over the life cycle I plot age-wealth profiles, using the age-group median. Fig-

ure I depicts the life cycle pattern for the three arrival cohorts (pre-1965, 1965-1979 and post-1979) as well as natives, over the ages 25-75. The age-wealth profile for natives is consistent with the life cycle hypothesis – wealth increases with age and peaks at age 67. The three arrival cohorts have different portions of the life cycle observed: ages 40-75 for the pre-1965 cohort, ages 25-60 for the 1965-1979 cohort, ages 25-50 for the post-1979 cohort. The age-wealth profile lies far above the native curve from age 40 to age 75 for the pre-1965 arrival cohort, overlaps the native profile between ages 25-60 for the 1965-1979 arrival cohort, and far below the native curve for the post-1979 cohort. These cohort profiles for immigrants appear to support the argument that the post-1965 immigrants have poorer economic achievement than the pre-1965 immigrants and the most recent arrival cohort lags far behind the natives. However, this pattern is contaminated by the shorter duration of U.S. residence of the post-1965 cohorts and distorted.

**Figure I.** Life Cycle Pattern of Wealth Between Immigrants and Natives (age)

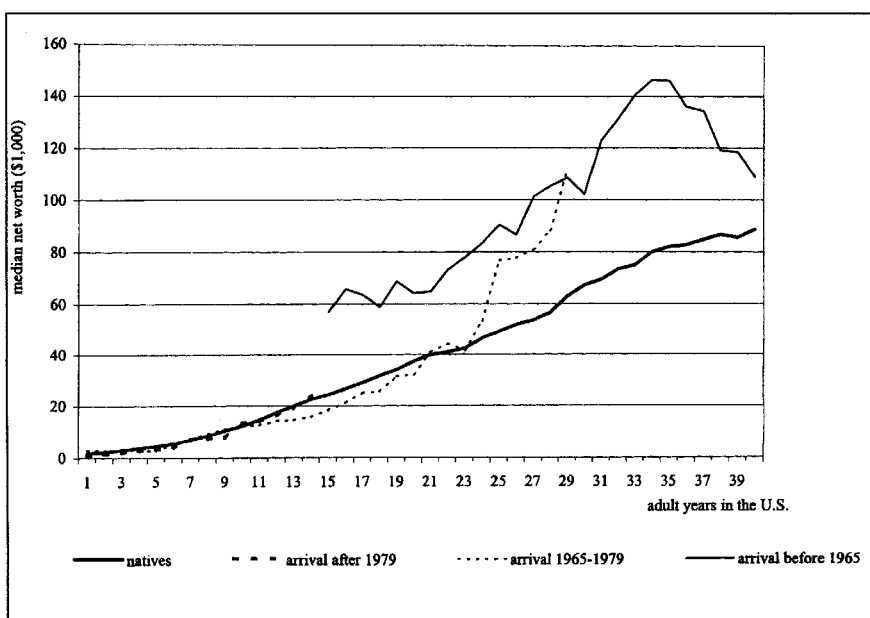


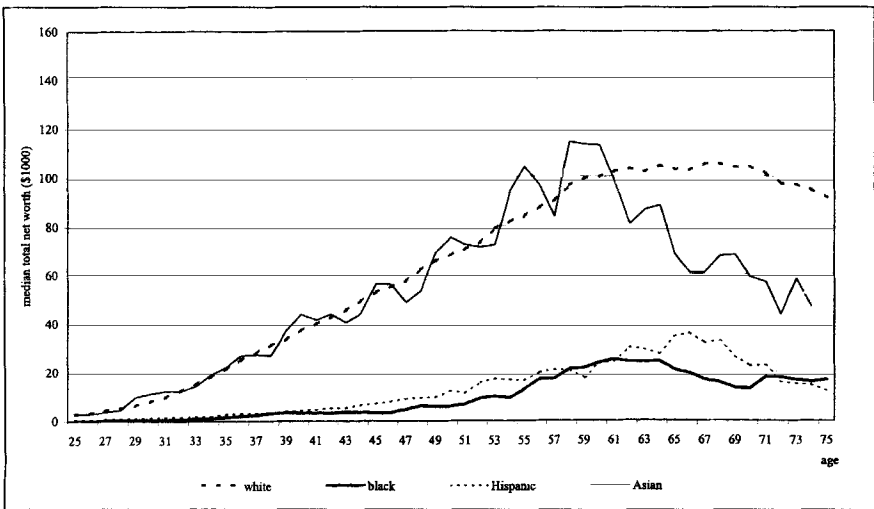
Using adult years in the United States, we see a very different pattern in Figure II. The curves are shorter in Figure II because the post-retirement ages are not plotted. The profile for natives is the same as the native curve before

retirement in Figure I. The profile for the pre-1965 cohort also remains similar to the same portion in Figure I because of their long U.S. residence (at least 28 years). However, we see drastic changes in the profiles for the post-1965 cohorts. The 1965-1979 cohort, which has at least fourteen years of U.S. residence, shows a parallel pattern with natives for the first 22 adult years in the U.S., then overtakes natives, and eventually catches up with their pre-1965 predecessors. For the post-1979 cohort, we can only observe the first fourteen adult years in the United States. This cohort appears to follow the 1965-1979 cohort's footsteps and keeps up with natives. However, whether they will continue to follow the 1965-1979 cohort remains a question for future research. The age-wealth profiles using adult years in the United States convey two important messages. First, it has taken a longer time for the 1965-1979 cohort to overtake natives than for the pre-1965 cohort. Second, the post-1965 immigrants could eventually overtake natives, just as the pre-1965 cohort did, in contrast to the public and scholarly concern about the low economic achievement of recent immigrants.

Figure III presents a striking contrast in the life cycle pattern between white and Asian groups on the one hand and black and Hispanic groups on

**Figure II.** Life Cycle Pattern of Wealth Between Immigrants and Natives (adult years in the U.S.)



**Figure III. Life Cycle Pattern of Wealth: By Race-Ethnicity**

the other, regardless of nativity. The age-wealth profile for whites reaches a high of \$102,000 in median net worth. The age-wealth profile for Asians lies close to that for whites, and it fluctuates after midlife due to a small sample size for older Asian Americans and immigrants. In contrast, the age-wealth profiles for blacks and Hispanics are very flat, never exceeding \$40,000 in median net worth over the lifetime. Compared with the immigrant-native gap in Figure I, the white/Asian - black/Hispanic gaps in Figure III are much larger.

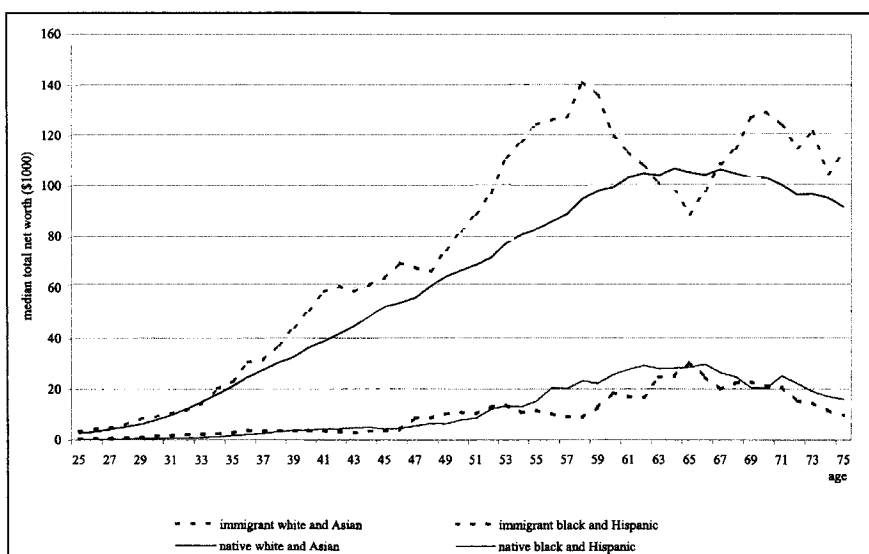
Figure IV further depicts the racial-ethnic and immigrant-native gaps by combining whites and Asians into a group and blacks and Hispanics into another within immigrants and natives. The immigrant advantage among whites and Asians can be seen before age 60. The fluctuation of the immigrant white/Asian curve after age 60 may be due to the small sample size of the elderly. The immigrant disadvantage among blacks and Hispanics can be seen after age 53, raising a concern over the old-age security among immigrant blacks and Hispanics. Figure IV demonstrates the dominating role of race-ethnicity over immigrant status.

### *Components of Wealth*

Table 2 compares the distribution of wealth components by country of origin within immigrants and race-ethnicity within natives. The statistics are

percentages of total gross assets. Table 2 reveals many commonalities and only moderate differences by nativity. For both immigrants and natives, the principal residence is the single most important asset, accounting for about

**Figure IV.** Life Cycle Pattern of Wealth: By Immigrant Status and Race-Ethnicity



52 percent of total assets. Immigrants tend to have a smaller percentage of their gross assets in vehicles (perhaps having fewer or less expensive cars, and possibly less need for cars among immigrants living in New York which has a convenient public transportation system) and retirement accounts. The smaller percentage of retirement accounts among immigrants creates a concern over their potential lower old age security, particularly for those who arrived in the United States at older ages, those who have worked fewer years in the United States, and those who have lower levels of Social Security. Compared with natives, immigrants disproportionately own more rental properties and business assets, which is consistent with the literature on ethnic economy and immigrant entrepreneurship (Sanders and Nee, 1993; Portes and Rumbaut, 1996). Immigrants have a higher percentage of total liabilities, contributed by higher percentages in mortgage of principal residence and other secured debts. Immigrants do not necessarily hold larger business debts, partly because immigrants are more likely to operate small



TABLE 2  
WEALTH COMPONENTS: SELECTED IMMIGRANT AND NATIVE GROUPS (% OF GROSS ASSETS)

Component	Immigrant													
	W.N.S. European	Former Soviet	Mexican	Cuban	Dominican	Chinese	Filipino	Japanese	Indian	Korean	Vietnamese	Total		
Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Principal residence	48.1	52.8	66.6	60.4	43.2	37.7	62.7	56.9	52.1	51.6	59.7	52.2		
Vehicle	4.8	5.5	9.5	7.8	9.5	3.0	7.6	7.4	5.3	7.1	10.6	5.8		
Business	6.6	0.9	4.0	6.2	0.2	4.6	0.7	7.2	2.9	20.0	3.4	5.9		
Rental property	12.2	11.0	11.6	5.6	24.1	36.4	13.7	4.0	9.4	4.0	4.9	13.5		
Other liquidity <sup>a</sup>	22.6	13.7	6.7	17.1	20.9	14.9	12.3	18.0	25.0	13.1	18.0	18.0		
Retirement Accounts	5.7	8.9	1.4	3.0	2.1	3.4	2.9	6.4	5.1	4.1	3.5	4.6		
Liabilities	24.6	27.4	48.6	32.3	33.5	41.9	46.3	31.8	36.6	38.7	39.3	34.0		
Mortgage on principal residence	15.9	22.0	34.9	24.4	18.5	14.4	34.0	25.8	29.9	22.7	30.1	21.9		
Business debts	1.9	0.2	1.1	2.4	1.2	1.8	0.2	0.6	0.5	9.7	1.5	1.8		
Secured debts	6.5	3.6	9.5	6.6	8.7	26.6	9.6	4.6	5.0	11.8	6.1	9.6		
Unsecured debts	2.3	1.8	4.2	1.3	6.3	9.4	2.6	1.4	1.7	4.2	3.1	2.5		

Assets	Native											Total
	Non-Hispanic Whites	Non-Hispanic Blacks	Puerto Ricans	Mexican Americans	Asian Americans	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Principal residence	50.5	68.8	72.7	63.7	54.3	51.6	51.6	51.6	51.6	51.6	51.6	51.6
Vehicle	7.1	12.6	8.9	10.3	5.1	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Business	6.0	1.2	3.2	2.9	3.6	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Rental property	8.2	7.1	2.1	10.3	11.5	8.1	8.1	8.1	8.1	8.1	8.1	8.1
Other liquidity <sup>a</sup>	22.2	8.6	8.7	9.0	20.9	21.3	21.3	21.3	21.3	21.3	21.3	21.3
Retirement accounts	6.1	1.8	4.4	3.8	4.7	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Liabilities	26.5	41.0	43.8	41.5	26.5	27.4	27.4	27.4	27.4	27.4	27.4	27.4
Mortgage on principal residence	17.2	27.6	34.1	30.0	19.6	17.9	17.9	17.9	17.9	17.9	17.9	17.9
Business debts	2.0	0.4	1.2	0.1	1.2	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Secured debts	6.9	7.9	4.8	7.8	4.8	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Unsecured debts	2.4	5.5	4.9	3.7	2.1	2.6	2.6	2.6	2.6	2.6	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).

<sup>a</sup> Including interest-generating accounts, non-interest-generating accounts, stocks and mutual funds, and other assets.

businesses using their own financial capital or loans from rotating-credit associations rather than business loans from financial institutions (Granovetter, 1995).

Differences in wealth composition, however, are large across national origin groups within immigrants and racial-ethnic groups within natives. For example, immigrant groups with high levels of wealth, such as western, northern and southern Europeans and Chinese, have lower percentages of principal residence and higher percentages of rental properties and other liquidity combined. In contrast, immigrants with low levels of wealth, such as Mexicans and Vietnamese, have higher percentages of principal residence and lower percentages of rental properties and other liquidity combined. Korean immigrants have the largest percentage of assets in business among all immigrants, consistent with the image of their successful small businesses (Light and Bonacich, 1988; Waldinger, 1996). Those from the former Soviet Union own the highest percentage of retirement accounts, consistent with their large proportion of elderly and their conscious preparation for old age security. White and Chinese immigrants have a smaller percentage of mortgage of principal residence, indicating a faster realization of the American dream of home ownership than other immigrant groups.

Among natives, the principal residence accounts for about two thirds of the total assets for blacks, Puerto Ricans and Mexican Americans versus only about one half for whites and Asian Americans. Whites hold the lead in other liquidity and retirement accounts, an example of modern investment strategies and old-age security orientation. Asian Americans take the lead in rental property, an example of traditional investment strategies. Whites have the smallest percentage of mortgage for the principal residence and Asian Americans have the smallest unsecured debts (such as credit cards), indicating a cautious and traditional spending style.

### *Determinants of Net Worth*

Turning to the multivariate analysis of net worth, I consider the impact of micro- and macro-level factors. The descriptive statistics of the variables used in the analysis by nativity are shown in Appendix Table 2.

In the multivariate analysis, I pay attention to the nature of negative and zero net worth. Numerically, net worth can be negative, zero, or positive. However, negative net worth does not necessarily mean the worst situation, with which zero net worth is often associated. Our data show that the majority of those who own zero net worth have neither assets nor debts. This indi-

cates that many of those with zero net worth have the least borrowing power and potential to repay in the future, and they are not able to build assets such as buying a home or starting a new business. In contrast, those with negative net worth (having greater debts than assets) may indicate that they possess borrowing capacity and potential to repay in the future and are in the process of building assets.

Table 3 shows the distribution of the three categories of net worth (negative, zero and positive) by immigrant country of origin and native race-ethnicity. The percentage negative is similar between immigrants and natives, and the variations within immigrants and natives are relatively small. In contrast, the gap in the percentage zero between immigrants and natives is larger, 11 percent versus 7 percent, respectively. The variations within immigrants and natives are also larger. For example, the percentage zero exceeds 20 percent for Mexicans, Dominicans, non-Hispanic blacks, and Puerto Ricans. I estimated the effects of the micro and macro factors on the three categories using a multinomial logit model and found that most factors were in the same direction for positive and negative net worth as compared to the category of zero net worth, indicating a potential problem in using the full range of net worth (results are not shown here but available upon request).

Thus, to examine the direction and magnitude of the effects of micro and macro factors on the level of net worth, I cannot use the full range of net worth. A tobit model that treats negative and zero values as being censored and considers the selection into positive net worth is an appropriate solution. The positive net worth is transformed using a natural logarithm so that the coefficients indicate percentage changes in net worth (*see also* the tobit model for positive net worth in Land and Russell, 1996).

Three incremental models are estimated, separately for immigrants and natives. Model 1 includes only national origins among immigrants and race-ethnicity among natives, Model 2 adds individual and family factors, and Model 3 adds structural factors common for immigrants and natives. Models 2 and 3 improve the goodness of fit of the model to a great degree. Model 4 adds unique immigrant characteristics, which further improve the model fit for immigrants. Note that due to linear dependence among age, age at arrival, arrival cohort and a dummy variable distinguishing the two SIPP panels, the models must exclude one of them. I decided to leave out arrival cohort for two reasons. First, age and age at arrival are crucial to our test of the wealth accumulation rate for immigrants. Second, the 1992 and 1993 SIPP wealth data are two cross-sectional data separated by only two years (1993 for the

**TABLE 3**  
**NEGATIVE, ZERO AND POSITIVE HOLDING OF TOTAL NET WORTH: IMMIGRANTS AND NATIVES**

Group	% negative	% zero	% positive
Immigrant	8.12	10.90	80.97
West, North, South European	4.94	3.91	91.15
Former USSR	2.66	20.51	76.82
Mexican	9.32	15.80	74.88
Cuban	9.42	17.43	73.15
Dominican	17.79	45.49	36.72
Chinese	4.57	7.19	88.24
Filipino	9.36	8.80	81.85
Japanese	2.47	1.67	95.86
Indian	5.48	12.26	82.26
Korean	12.57	6.25	81.19
Vietnamese	11.28	14.51	74.21
Native	8.17	7.18	84.65
Non-Hispanic white	7.58	3.89	88.53
Non-Hispanic black	10.66	23.14	66.21
Puerto Rican	14.76	30.61	54.63
Mexican American	10.43	15.39	74.18
Asian American	9.04	12.78	78.18
Total	8.22	7.42	84.36

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).

1992 panel and 1995 for the 1993 panel), which limits the study of cohort effects. I present the results in Table 4.

In examining the national origin effect from Models 1-4 for immigrants, we find that while controlling for individual/family and structural factors reduces their strength, the national origin effect remains strong and significant. Almost all immigrants, except for Japanese immigrants, have lower levels of net worth than western, northern, and southern Europeans. Similarly, among natives, all minorities except for Asian Americans have a negative effect on net worth compared to non-Hispanic whites. Note that although it is appealing to make the comparison of immigrant-native counterparts, for example, Mexican immigrants versus Mexican Americans and Asian immigrants versus Asian Americans, they are not directly comparable since the reference group is not exactly the same in the separate models. Nonetheless, these results suggest a persistent race-ethnicity hierarchy of wealth operating in the United States. I therefore used a common, broad definition of race-ethnicity – non-Hispanic white, non-Hispanic black, Hispanic white, Hispanic black, non-Hispanic Asian (including American Indian), and Other – for both immigrants and natives and re-estimate the models. I present only the effects of broad race-ethnicity in Table 5 since estimates of other variables are very similar to those in Table 4. The results show similar race-ethnicity effects across immigrants and natives, which remain after micro and macro factors

**TABLE 4**  
**TOBIT MODEL OF LOGGED POSITIVE NET WORTH WITH CENSORED ZERO OR NEGATIVE NET WORTH**

Variable	Immigrant				Native		
	(1)	(2)	(3)	(4)	(1)	(2)	(3)
<b>Individual and Family Factors</b>							
<b>Immigrant</b>							
W.N.S. European (reference)							
Former USSR	-2.378 <sup>a</sup>	-2.161 <sup>a</sup>	-3.541 <sup>a</sup>	-1.403 <sup>b</sup>	—	—	—
Mexican	-3.134 <sup>a</sup>	-1.611 <sup>a</sup>	-2.627 <sup>a</sup>	-1.960 <sup>a</sup>	—	—	—
Cuban	-2.745 <sup>a</sup>	-2.236 <sup>a</sup>	-3.050 <sup>a</sup>	-1.942 <sup>a</sup>	—	—	—
Dominican	-7.292 <sup>a</sup>	-4.910 <sup>a</sup>	-5.516 <sup>a</sup>	-4.510 <sup>a</sup>	—	—	—
Chinese	-0.155	-0.486	-1.803 <sup>a</sup>	-0.891 <sup>b</sup>	—	—	—
Filipino	-1.772 <sup>a</sup>	-1.833 <sup>a</sup>	-2.095 <sup>a</sup>	-2.179 <sup>a</sup>	—	—	—
Japanese	0.126	0.205	-1.521 <sup>a</sup>	-0.743	—	—	—
Indian	-0.878 <sup>c</sup>	-1.471 <sup>a</sup>	-2.972 <sup>a</sup>	-2.025 <sup>a</sup>	—	—	—
Korean	-1.529 <sup>a</sup>	-1.491 <sup>a</sup>	-3.029 <sup>a</sup>	-2.135 <sup>a</sup>	—	—	—
Vietnamese	-3.305 <sup>a</sup>	-2.298 <sup>a</sup>	-3.648 <sup>a</sup>	-2.206 <sup>a</sup>	—	—	—
Other	-2.310 <sup>a</sup>	-1.646 <sup>a</sup>	-2.060 <sup>a</sup>	-1.417 <sup>a</sup>	—	—	—
<b>Native</b>							
Non-Hispanic white (reference)							
Non-Hispanic black	—	—	—	—	-3.294 <sup>a</sup>	-2.123 <sup>a</sup>	-2.538 <sup>a</sup>
Puerto Rican	—	—	—	—	-4.604 <sup>a</sup>	-2.935 <sup>a</sup>	-3.470 <sup>a</sup>
Mexican American	—	—	—	—	-2.239 <sup>a</sup>	-0.964 <sup>a</sup>	-1.602 <sup>a</sup>
Asian American	—	—	—	—	-1.519 <sup>a</sup>	-1.003 <sup>b</sup>	1.176 <sup>b</sup>
Other	—	—	—	—	-2.769 <sup>a</sup>	-1.378 <sup>a</sup>	-0.561
Age	—	0.208 <sup>a</sup>	0.204 <sup>a</sup>	0.225 <sup>a</sup>	—	0.238 <sup>a</sup>	0.236 <sup>a</sup>
Age squared	—	-0.001 <sup>a</sup>	-0.001 <sup>a</sup>	-0.002 <sup>a</sup>	—	-0.001 <sup>a</sup>	-0.001 <sup>a</sup>
Highest education	—	0.264 <sup>a</sup>	0.248 <sup>a</sup>	0.219 <sup>a</sup>	—	0.294 <sup>a</sup>	0.289 <sup>a</sup>
Female-headed	—	-3.632 <sup>a</sup>	-3.502 <sup>a</sup>	-3.572 <sup>a</sup>	—	-2.756 <sup>a</sup>	-2.730 <sup>a</sup>
Male-headed	—	-0.945 <sup>a</sup>	-0.825 <sup>a</sup>	-0.833 <sup>a</sup>	—	-0.972 <sup>a</sup>	-0.960 <sup>a</sup>
Individual household	—	-2.530 <sup>a</sup>	-2.452 <sup>a</sup>	-2.360 <sup>a</sup>	—	-1.831 <sup>a</sup>	-1.830 <sup>a</sup>
Number of children	—	0.906	0.136	0.164	—	0.162 <sup>a</sup>	0.165 <sup>a</sup>
Number of children squared	—	-0.169	-0.049	-0.057 <sup>c</sup>	—	-0.041 <sup>a</sup>	-0.040 <sup>a</sup>
Age at arrival	—	—	—	0.019	—	—	—
Age at arrival squared	—	—	—	-0.002 <sup>a</sup>	—	—	—
Age* Age at arrival	—	—	—	0.001 <sup>b</sup>	—	—	—
Refugee	—	—	—	-0.364	—	—	—
Immigrant-native marriage	—	—	—	-0.153	—	—	—
Naturalized	—	—	—	0.816 <sup>a</sup>	—	—	—
<b>Structural Factors</b>							
State unemployment rate	—	—	-0.007	0.028	—	—	-0.002
Spatial integration	—	—	2.488 <sup>a</sup>	1.966 <sup>a</sup>	—	—	1.555 <sup>a</sup>
Coethnic economic activity	—	—	0.126	0.519	—	—	1.821 <sup>a</sup>
Moved within 5 years	—	—	-1.648 <sup>b</sup>	-1.133	—	—	-0.133
Likelihood	407(11) <sup>a</sup>	1248(19) <sup>a</sup>	1345(26) <sup>a</sup>	1578(32) <sup>a</sup>	3438(5) <sup>a</sup>	12835(13) <sup>a</sup>	14072(20) <sup>a</sup>
Ratio Chi <sup>2</sup> (df)							

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

Notes: <sup>a</sup>p<.01

<sup>b</sup>p<.05

<sup>c</sup>p<.10

are controlled. We see a race-ethnicity hierarchy in the accumulation of wealth that holds strongly for both immigrants and natives.

Our following discussion returns to Table 4 to focus on the full model, Model 4 for immigrants and Model 3 for natives. For both immigrants and natives, we find a significant positive coefficient for age and a significant negative coefficient for age-squared. I have tested and found that the seemingly smaller age effect (capturing the wealth accumulation rate) for immigrants

TABLE 5  
THE RACE-ETHNICITY EFFECT IN TOBIT MODEL OF LOGGED POSITIVE NET WORTH CENSORED ZERO OR NEGATIVE NET WORTH

Variable	Immigrant				Native		
	(1)	(2)	(3)	(4)	(1)	(2)	(3)
Individual and Family Factors							
Immigrant							
Non-Hispanic white (reference)							
Non-Hispanic black	-3.840 <sup>a</sup>	-2.795 <sup>a</sup>	-2.585 <sup>a</sup>	-2.359 <sup>b</sup>	-3.201 <sup>a</sup>	-2.055 <sup>a</sup>	-2.497 <sup>a</sup>
Hispanic white	-3.063 <sup>a</sup>	-1.828 <sup>a</sup>	-1.825 <sup>a</sup>	-1.411 <sup>a</sup>	-2.797 <sup>a</sup>	-1.455 <sup>a</sup>	-1.979 <sup>a</sup>
Hispanic black	-5.392 <sup>a</sup>	-4.021 <sup>a</sup>	-3.846 <sup>a</sup>	-3.259 <sup>a</sup>	0.3.221 <sup>a</sup>	-1.976 <sup>a</sup>	-2.036 <sup>a</sup>
Asian	-1.058 <sup>a</sup>	-1.019 <sup>a</sup>	-1.081 <sup>a</sup>	-0.591 <sup>a</sup>	-1.319 <sup>a</sup>	-0.890 <sup>a</sup>	-0.935 <sup>a</sup>
Other	-2.530 <sup>a</sup>	-1.716 <sup>a</sup>	-1.833 <sup>a</sup>	-1.713 <sup>b</sup>	-2.060 <sup>a</sup>	-1.049 <sup>a</sup>	-0.834 <sup>a</sup>

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

Notes: Only race-ethnicity effects are presented. The models include the same variables as in Table 4, except that I replaced the immigrant and native groups with the six broad categories of race-ethnicity.

<sup>a</sup>p<.01

<sup>b</sup>p<.05

<sup>c</sup>p<.10

(.225) is not statistically significantly different from that for natives (.236), nor do we find a difference in the effect of age-squared (capturing the life cycle dissaving rate).<sup>5</sup> Thus, all else equal, our hypotheses are not supported regarding the higher wealth accumulation rate due to stronger economic motives and the higher dissaving rate due to lower social security for immigrants than natives.

To test the differential effect of education between immigrants and natives, we find that the effect is indeed significantly weaker for immigrants (.219) than for natives (.289). Thus we have strong evidence to support our hypothesis that education is discounted for immigrants. It is also possible that countries of origin differ in immigrants' transferring education to useful skills in the American labor market. To check this possibility, I have tested the interaction between education and each country of origin and found none

<sup>5</sup>I performed the test in two ways: 1) testing whether the coefficient estimate for age in the immigrant equation is significantly different from the coefficient estimate from the native equation and 2) testing whether the interaction term between immigrant status and age is significant in a pooled immigrant and native model.

significant.

The estimates of the structure of the minimal household confirm that marriage is a wealth-enhancing institution, as all unmarried structures have a significant, negative effect. I expected immigrants to have a stronger motivation to invest more in their children and leave them an inheritance. The sign and magnitude of the coefficient for the number of children and its quadratic term are the same for both immigrants and natives, and this impact does not reach the 5 percent significance level for immigrants. Thus we do not have evidence to support the hypothesis that immigrants have a stronger motivation to invest in their children and leave them an inheritance.

I expected that spatial segregation would have a smaller detrimental effect among immigrants than natives since ethnic communities may protect newly arriving immigrants. This is equivalent to saying that spatial integration has a smaller promoting effect for immigrants than for natives. The exposure index measures spatial integration and has a positive effect for immigrants (1.966) and natives (1.555). The gap, however, is not statistically significant. Therefore, our hypothesis is not supported. Also, for both immigrants and natives, I expected higher levels of coethnic economic activities to promote wealth. However, this is true only for natives. The structural factors may depend on whether the residence is stable. I included an indicator for residential moves across county boundaries within five years. It is significantly negative in Model 3 for immigrants but insignificant in the final model for both immigrants and natives. I have tested whether the three structural factors differ by residential mobility and find no significant differential effect for any of them (not reported in the table).

The estimates also show unique factors for immigrants. The test for immigrants' wealth accumulation rate when U.S. residence is considered involves not only age and age-squared but also age at arrival, its quadratic term, and its interaction with age. According to footnote 3, the sign should be negative for age at arrival, negative for its quadratic term, and positive for the interaction between age and age at arrival. I found the coefficient for age at arrival insignificant but found the coefficients for the other two terms as expected. These effects, together with the positive effect of age and negative effect of age-squared, show that duration of U.S. residence determines immigrants' wealth accumulation rate. This finding provides evidence for my use of adult years in the United States and its role in immigrants' wealth accumulation in descriptive analyses. Immigrant-native couples do not have an advantage over immigrant-immigrant couples, but naturalization does

improve wealth accumulation. However, refugee status does not play a role in wealth accumulation.

## CONCLUSIONS

Using two panels of the SIPP, this study offers a first look at the wealth of immigrant and native-born Americans in the early 1990s. Several caveats are in order. First, as in the case of cross-sectional analysis, this study may not provide firm conclusions about cause and effect. Second, since the SIPP wealth data also underreport the right tail of the wealth distribution, it may underestimate wealth inequality and nativity differences. Third, the SIPP wealth data also underreport immigrants' wealth, since their wealth in their home countries not be counted. Fourth, as with census data and most survey data, the SIPP cannot distinguish between legal and illegal immigrants. Therefore, my findings refer to all foreign born rather than specifically legal immigrants. With these caveats, this study advances our understanding of not only present-day wealth distribution in the United States, but also the process by which it is achieved. At the micro and macro levels, I emphasize the potential differential process of wealth accumulation between immigrants and natives.

The descriptive analysis demonstrates that differences in levels of net worth, life cycle patterns of wealth, as well as wealth components, are primarily stratified by national origins within immigrants and race-ethnicity within natives rather than by nativity. When I use immigrants' adult years in the United States, the wealth accumulation of the 1965-1979 arrival cohort keeps up with that of natives within 22 years of arrival and then overtakes natives. The post-1979 arrival cohort, albeit observed for less than fifteen years of arrival, also keeps up with natives. If we could take out the portion of illegal immigrants, the prospect of wealth for legal immigrants might be even better.

The multivariate analysis finds more common respects of the process of wealth accumulation between immigrants and natives than expected. The common respects include the similar life cycle wealth accumulation and dis-saving rates, the wealth-enhancing marriage institution, and the structural effect of spatial segregation. Two differences confirmed include the discounted education effect for immigrants and the consideration of age and age at arrival combined (effectively the U.S. residence) in determining the wealth accumulation for immigrants.

This study provides new findings for the wealth and immigration literatures. It reveals that the process of wealth accumulation among immigrants



becomes similar to that of natives, albeit the process is more complicated for immigrants than for natives. It is evident that national origin and race-ethnicity remain powerful sources of wealth inequality. Since 1965, especially 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 will constitute the bottom stratum of the society has become a pressing question. In answer, our study finds that wealth inequality by race-ethnicity persists in the presence of a growing stock of relatively lower-skilled immigrants. The powerful race-ethnicity hierarchy in the United States governs individual economic and social mobility for immigrants and natives alike and confines them largely within the hierarchy. It is within each stratum of the hierarchy that immigrants overtake natives in wealth accumulation in about two decades of arrival.

Findings from this study bear implications for social inequality. Wilson (1987) emphasizes the importance of economic conditions such as spatial mismatch of local residents' skills and the available jobs that may outweigh racial segregation as a cause of social inequality. Massey and Denton (1993), however, contend that persistent racial segregation remains the main force shaping social inequality. My findings provide strong evidence to support Massey and Denton's spatial segregation argument that spatial integration is uniformly important for both immigrants and natives alike but spatial mismatch captured by coethnic economic activity is important for natives only. Findings from this study also have implications for immigrant assimilation. They suggest that, to a large degree, immigrants assimilate to their native racial-ethnic counterparts in wealth accumulation. Shaped by the economic structure, housing market, lending discrimination, and racial-ethnic stratification of the host society, the wealth accumulation of immigrants follows the racial-ethnic tracks in the United States.

**APPENDIX TABLE 1**  
**SPATIAL INTEGRATION AND COETHNIC ECONOMIC ACTIVITY: IMMIGRANTS AND NATIVES**

Ethnicity	Spatial Integration Index	Coethnic Economic Activity Rate
Immigrant		
W. N. S. European	.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
Native		
Non-Hispanic white	—	.791
Non-Hispanic black	.369	.688
Puerto Rican	.411	.719
Mexican American	.454	.739
Asian American	.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
National Origin or Race-ethnicity		
Former USSR	0.02	—
Mexican	0.20	—
Cuban	0.04	—
Dominican	0.02	—
Chinese	0.04	—
Filipino	0.06	—
Japanese	0.02	—
Indian	0.02	—
Korean	0.03	—
Vietnamese	0.03	—
Other	0.28	0.10
Non-Hispanic black	—	0.09
Puerto Rican	—	0.01
Mexican American	—	0.02
Asian American	—	0.01
Individual and Family Factors		
Age	46.40	48.64
Highest education	13.26	13.45
Female-headed family	0.07	0.09
Male-headed family	0.07	0.08
Individual household	0.24	0.33
Number of children	0.90	0.61
Age at arrival	24.89	—
Refugee	0.07	—
Immigrant-native marriage	0.24	—
Naturalized	0.48	—

(Continued)

**APPENDIX TABLE 2 (CONTINUED)**  
**DESCRIPTIVE STATISTICS OF VARIABLES USED IN ANALYSIS: IMMIGRANTS AND NATIVES**

Variable	Immigrant	Native
Structural Factors		
State unemployment rate	7.03	6.19
Moved within 5 years	0.12	0.14
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).

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