

Skin Tone and Wealth Inequality

Skin Tone, Race/Ethnicity, and Wealth Inequality among New Immigrants

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Immigrants' racial/ethnic status has profound implications for their lives in the United States, including its influence on their ability to improve their financial well-being. We examine a particular type of financial well-being—wealth or net worth—and consider how both skin tone and race/ethnicity contribute to wealth inequality. To assess these dual influences, we use the New Immigrant Survey and the recently developed *preference for whiteness hypothesis* to argue that darker-skinned immigrants will have lower levels of wealth and will be less likely to own certain assets. Results generally support the hypothesis with the strongest evidence apparent in the full sample and among Asian immigrants. Overall, the results illuminate how immigrants with a racial/ethnic minority status and a darker complexion encounter multiple forms of disadvantage relative to white and/or lighter-skinned immigrants.

Introduction

Social scientists have long been interested in immigrants' economic integration into US society, but much of this research focuses on low income and poverty because immigrants are disproportionately poor (e.g., [Lichter, Qian, and Crowley 2005](#); [Smith and Edmonston 1997](#)). In contrast, growing scholarly interest focuses on a relatively new aspect of immigrant financial well-being—wealth or net worth (e.g., [Akresh 2011](#); [Hao 2004, 2007](#); [Painter 2013, 2014](#)). This approach is important because wealth embodies a stock of a wide variety of resources that are both liquid (e.g., savings and checking accounts) and illiquid (e.g., homes, cars). Wealth as well as patterns of investment reflects financial attitudes (e.g., savings motivations, retirement expectations), behaviors (e.g., consumption patterns, portfolio allocation), and financial priorities, goals, and values ([Hao 2007](#)). Wealth also represents a stable indicator of financial well-being, one that can meet both short- and long-term needs ([Keister 2000b](#)). Further, wealth generates more wealth through return on investment, it may serve as collateral for other investments, and its advantages may be passed on to the next generation or other beneficiaries via financial transfers ([Keister 2005](#)). In short, a focus on

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immigrants' wealth provides a unique perspective on their financial well-being and provides fresh insights into how immigrants are economically integrating into US society.

Most contemporary immigrants have a nonwhite racial status, and this has profound implications for their lives in the United States, including its influence on their ability to improve their financial well-being. Indeed, research that examines race/ethnicity and wealth among immigrants finds strong and persistent patterns of inequality (e.g., Hao 2004, 2007; Painter 2013). Yet, using racial/ethnic categories to understand wealth inequality in the United States may be painting with too broad of strokes because racial/ethnic categories may mask considerable inequality *within* racial/ethnic groups and impose rigid boundaries that may actually be more flexible. One way to explore racial/ethnic wealth inequality in the United States from a different direction is to consider skin tone. A relatively large body of literature has examined how skin tone affects life chances among various racial/ethnic groups and has consistently documented that darker-skinned individuals experience disadvantage across a variety of socioeconomic outcomes (e.g., Frank, Akresh, and Lu 2010; Goldsmith, Hamilton, and Darity 2007; Hersch 2006; Hunter 2002; Kiang and Takeuchi 2009).

This study builds on this work by examining how skin tone, in addition to racial/ethnic status, affects immigrants' financial well-being in the United States. We use data from the New Immigrant Survey to make four contributions. First, we elaborate the recently developed *preference for whiteness hypothesis* by synthesizing two sociocognitive theories of skin-tone-based discrimination. The preference for whiteness hypothesis uses social identity theory to explain the existence of favorable attitudes and behaviors toward in-group members and, concomitantly, unfavorable responses to out-group members. Here, we further develop the hypothesis using the closely related conceptualization of stereotyping, which highlights the derogation of—and discrimination toward—various out-groups. Second, we highlight the dual influence of both skin tone and racial/ethnic status for immigrants' financial well-being. This allows us to examine inequalities derived from darker complexions and those stemming from racial/ethnic minority group membership. Third, we include race/ethnic-specific comparisons among four major racial/ethnic groups: Asians, blacks, Latinos, and whites. Only two articles examine the role of skin tone for life chances among Asians (Kiang and Takeuchi 2009) and whites (Hersch 2011), with the rest of the literature focused on skin-tone inequality among blacks or Latinos. Finally, following Hao (2004, 2007), we expand the concept of immigrant financial well-being to include wealth and investments. This allows us to extend scholars' understanding of how skin-tone stratification affects life chances and provides unique insight, via assets, into the portfolio choices that lead to wealth inequality.

Conceptual Framework

The Preference for Whiteness Hypothesis

The roots of colorism—a preference or favoritism for lightness—can be traced to slavery in the United States. Slaveholders disproportionately selected lighter-

skinned slaves to work in domestic positions (e.g., house servants, butlers, maids, cooks), while darker-skinned slaves were relegated to labor-intensive agricultural jobs (e.g., Frazier 1957; Johnson 1996). In addition to the relatively less physically demanding duties around the house, lighter-skinned slaves often experienced other advantages, such as better food and shelter, opportunities for learning to read and write (Bodenhorn and Ruebeck 2007; Frazier 1957; Horton and Horton 1997), and perhaps learning a skilled trade (Frazier 1957; Horton and Horton 1997; Margo 1992). Lighter-skinned slaves were also more likely to work as tenants or have their own farm (Bodenhorn 2003) and hold greater wealth (Bodenhorn and Ruebeck 2007).

Colorism continues to influence life chances—including financial well-being—in the United States today. Among blacks and Latinos, darker-skinned individuals experience lower educational attainment (e.g., Gullickson 2005; Hersch 2006; Hughes and Hertel 1990; Hunter 2002; Keith and Herring 1991; Monk 2014), hourly wages (Goldsmith, Hamilton, and Darity 2007; Gómez 2000), income (e.g., Frank, Akresh, and Lu 2010; Hersch 2006; Hughes and Hertel 1990; Hunter 2002; Keith and Herring 1991; Monk 2014; Telles and Murguía 1990), and occupational prestige (e.g., Gullickson 2005; Hill 2000; Hughes and Hertel 1990; Keith and Herring 1991). Darker skin tone results in lower income among Asians (Kiang and Takeuchi 2009) and lower hourly wages among new immigrants (Hersch 2008). Further, research comparing blacks and whites finds lower educational attainment for dark-skinned black men and women as well as men with a medium skin tone (Hersch 2006). Medium- and dark-skinned blacks have lower wages than whites, and there is mixed evidence for wage inequality between whites and lighter-skinned blacks (Goldsmith, Hamilton, and Darity 2006, 2007; Hersch 2006).

Most of the above literature—either implicitly or explicitly—points to discrimination as the underlying mechanism to explain these inequalities. The literature, however, is largely silent on *how* colorism results in discrimination; that is, why exactly do darker-skinned individuals experience worse socioeconomic outcomes than their lighter-skinned counterparts? We draw on the preference for whiteness hypothesis (Goldsmith, Hamilton, and Darity 2007) and closely related stereotyping research to explain how skin-tone variation results in inequality in wealth and investment behavior.

Goldsmith, Hamilton, and Darity (2007) make three arguments in support of the preference for whiteness hypothesis. First, a process of social categorization results in the formation of in- and out-groups. In-group membership is rewarded with preferential treatment and access to greater resources and opportunities, whereas out-group membership is associated with discrimination. Second, the assignment of racial/ethnic status is a process of social categorization that creates in- and out-groups. Whiteness is the defining characteristic of in-group membership and leads to numerous advantages. Importantly, while a white racial status grants access to in-group privileges and resources, colorism also plays an important role in shaping individuals' life chances: lighter skin tone may bestow in-group membership, regardless of an individual's racial/ethnic status. Third, if a lighter skin tone is an attribute of in-group membership, then lighter-skinned individuals will, on average, be socially privileged and have access to greater

resources in comparison to darker-hued individuals. In this way, a greater propinquity to whiteness (i.e., lighter skin shade) will result in preferential treatment and increased opportunity for societal rewards.

Sociocognitive Processes and the Preference for Whiteness

But why does social assignment to in- and out-groups result in differential treatment and access to societal rewards? To answer this question, Goldsmith, Hamilton, and Darity (2007) turn to social identity theory. This sociocognitive theory focuses on mental processes that shape interactions among members of different groups (Hogg, Terry, and White 1995). It posits that individuals mentally categorize the social world in terms of in-groups and out-groups and may respond to others on the basis of those categorizations (Tajfel et al. 1971). Research consistently shows that the tendency to categorize people as in- or out-group members is so strong that it occurs even when group membership is defined in the most minimal fashion (Brewer, Brown, and Gilbert 1998). These dynamics are particularly relevant, however, in contexts where group memberships are salient and intergroup comparisons are made (e.g., Tajfel 1981; Turner et al. 1987). The more socially important attributes, such as race/ethnicity, differentiate people from those in other social categories, the greater the perception of within-group homogeneity and between-group heterogeneity. In situations involving intergroup relations, perceived in-group similarity enhances group cohesiveness and promotes ethnocentrism, which results in favoritism toward the in-group (Turner et al. 1987).

A robust body of evidence supports the prediction that the activation of social identity elicits responses that favor the in-group and may, concomitantly, discriminate against the out-group (Brewer, Brown, and Gilbert 1998). Further, when a low-status group accepts the perceived superiority of a high-status group, the members of the low-status group may demonstrate favoritism for the high-status out-group (Tajfel and Turner 1979, 1986). Goldsmith, Hamilton, and Darity (2007) maintain that the preference for whiteness occurs when this “status effect” is stronger than the categorization effect of race/ethnicity, and both whites and dark-skinned blacks will treat light-skinned blacks more favorably.

While these processes are well documented in the literature, social identity theory may only partially explain skin-tone-based differential treatment. The bias predicted by the theory largely involves relatively mild forms of in-group favoritism. This in-group bias may be essential to the maintenance of in-group cohesion and solidarity, but alone it may not be sufficient to produce hostility or discrimination toward specific out-groups (Brewer 2007). Therefore, we turn to the related conceptualization of stereotyping to flesh out the preference for whiteness hypothesis. Building on social identity theory insights into the inevitability of group categorization, this perspective explicates the cognitive dynamics of derogation and discrimination toward specific out-groups (Fiske 1998).

Stereotypes consist of collectively shared characterizations of a social group. Socially constructed essentialist beliefs (Levy, Stroessner, and Dweck 1998; Maddox 2004) and illusory (i.e., anecdotal) generalizations (Hamilton 1981) engender and reinforce racial/ethnic stereotypes, which designate out-group members’ place in a social status hierarchy (Fiske 1998) and rationalize existing social

arrangements (Jost and Banaji 1994). Once mentally triggered, a stereotype guides an individual's assimilation and interpretation of subsequently encountered information, giving primacy to that which is consistent with the stereotype (e.g., Fyock and Stanger 1994; Macrae, Milne, and Bodenhausen 1994). In the absence of evidence clearly contradicting the stereotype, its activation leads to stereotypic judgments and memories of others (Bodenhausen 1988). The presence of an out-group member may automatically (i.e., unconsciously) activate a stereotype, allowing people to use attributes such as race/ethnicity to quickly categorize and rapidly respond to others in routine interactions (Fiske 1998; Macrae and Bodenhausen 2000). This process occurs spontaneously and may elicit behavioral responses without conscious deliberation, particularly when interactions involve situational factors (e.g., time constraints, complex and competing stimuli) that tax cognitive resources. Such circumstances are common in business settings. Consequently, subtle discriminatory responses to out-group members in matters such as employment decisions may be triggered by stereotypes without any deliberation or emotionally based prejudice being involved (Fiske 1998; Pager, Western, and Bonikowski 2009).

Investigations of skin tone apply this sociocognitive perspective to *within-group* judgments. Research shows that members of various racial/ethnic groups—including blacks, Latinos, and whites—judge darker-skinned members of both the in-group and out-groups more stereotypically (Blair et al. 2002; Maddox and Gray 2002; Uhlmann et al. 2002). This research provides further support for the predictions of the preference for whiteness hypothesis, but stereotype-based responses to out-group members may be context specific. Stereotypes about skin tone may be activated only when relevant to the current situation (Maddox and Chase 2004). Skin-tone-related stereotypes (e.g., intelligence, education, and criminality; see Maddox and Gray [2002]) may be particularly relevant in contexts involving individuals' economic outcomes (e.g., Monk 2014).

The Preference for Whiteness Hypothesis and Immigrant Wealth

So, how does the preference for whiteness hypothesis apply to wealth and investments? The hypothesis makes a straightforward prediction: individuals with lighter skin tone will be more likely to experience preferential treatment, and individuals with darker skin tone will be more likely to encounter discrimination. But is this the most plausible explanation of disparities in immigrant wealth? An alternative perspective suggests that statistical discrimination, which involves rational decision-making using estimates about a group's skills and demeanor derived from past experience, may have a more important influence than a preference for whiteness on economic outcomes (see Pager and Karafin 2009). However, skin tone may matter in the *pursuit and purchase of investments that involve little or no relevant prior knowledge about investors*. The sociocognitive processes on which the preference for whiteness hypothesis is premised do not require any previous experiential knowledge. For example, an experimental study of hiring decisions revealed that male undergraduates playing the role of a hiring manager rated darker-skinned black job candidates' administrative potential less favorably than lighter-skinned candidates (Wade, Romano, and Blue 2004).

Therefore, the effects of skin tone on wealth inequality provide an important test of the preference for whiteness hypothesis.

If lighter-skinned individuals experience advantages in education, employment, and the workplace (e.g., Monk 2014), they likely benefit from preferential treatment in other areas as well. This advantage may be particularly evident in the ownership of assets that generally require more in-person contact (e.g., cash accounts and homes), which may result in differential treatment by skin shade. Given that the activation of stereotypes (e.g., lack of intelligence or education among dark-skinned blacks) is context specific, in-person contact may lead to preferential treatment for in-group members and discriminatory behavior toward out-group members. In this way, lighter-skinned individuals may be more positively received within financial institutions, such as banks, mortgage loan companies, and/or real estate offices, which would facilitate the purchase of—and subsequent investment in—assets ranging from the relatively simple (e.g., savings and checking accounts) to the more complicated (e.g., homes).¹ At the same time, while assets like stocks can be purchased through a broker, they can also be purchased through impersonal means, including online brokerage firms. For assets such as these, the influence of skin tone may be more muted, if not completely absent. Yet, online banking was not widespread in the early 2000s (respondents for the New Immigrant Survey were interviewed in 2003). Indeed, 32 percent of Internet users had ever used online banking in 2002, and only 12 percent had ever used the Internet to buy or sell stocks (Fox 2002).² Thus, while online banking was available in the early 2000s, it appears that a large majority of individuals—even among Internet users—conducted their financial transactions in person.

In light of this argument, we offer the following hypotheses that reflect the preference for whiteness hypothesis:

Hypothesis 1: Immigrants with darker skin tones have lower wealth.

Hypothesis 2: Immigrants with darker skin tones have a lower likelihood of owning certain assets.

Hypothesis 2a: The influence of skin tone on assets is greater for assets that involve more in-person contact.

Race/Ethnicity and Immigrant Wealth Inequality

While the primary focus of this study is skin tone, it is important to recognize that contemporary immigrants are mostly nonwhite. Wealth inequality between whites and racial/ethnic minority immigrants signals that factors like prejudice, discrimination, and racism affect immigrant life chances. Indeed, the sociocognitive theories of social identity and stereotyping were developed to explain discriminatory responses to members of broad social categories, such as race and gender (Hogg, Terry, and White 1995; Taylor 1981), which may contribute to unequal economic outcomes. For example, research indicates that stereotyping may adversely affect employment opportunities for blacks and Latinos compared to whites (Pager 2003; Pager, Western, and Bonikowski 2009), and that stereotyping plays a greater role than statistical discrimination in hiring decisions (Pager and Karafin 2009).

Moreover, due to institutionalized racial/ethnic inequality in the United States, immigrants of various racial/ethnic backgrounds are likely subject to similar

structural barriers as their native-born racial/ethnic counterparts. For example, West Indian immigrants strive to maintain their ethnic identity as a way of distinguishing themselves from black Americans and to help facilitate upward mobility (Waters 1999). In the end, however, “race as a master status ... overwhelms the identities of the immigrants and their children, and they are seen as black Americans” (Waters 1999, 8). In this way, immigrants’ racial/ethnic status—as well as their skin tone—affects their abilities to navigate the social environment and influences their job opportunities, social connections and, ultimately, assets and wealth (e.g., Hao 2007; Portes and Rumbaut 2006; Waters 1999). Since race/ethnicity is strongly associated with both skin tone and wealth, it is essential to briefly review the literature on racial/ethnic asset and wealth inequality of the native-born in order to shed further light on how skin tone and race/ethnicity may affect immigrants’ wealth.

Net Worth

Within the wealth literature, most scholarly research focuses on black/white wealth inequality. This body of work consistently reports that blacks possess lower levels of wealth (e.g., Campbell and Kaufman 2006; Conley 1999; Oliver and Shapiro 2006). This inequality may be largely attributable to the greater barriers to educational, occupational, and financial opportunities that blacks have traditionally faced (e.g., Hao 1996; Oliver and Shapiro 2006), outcomes that also may be influenced by negative stereotypes of blacks (e.g., Pager 2003; Pager, Western, and Bonikowski 2009).

Though not as prevalent as black/white wealth studies, some research examines Asian and Latino wealth (e.g., Campbell and Kaufman 2006; Hao 2007). Latinos are disadvantaged by some of the same processes that prevent blacks from acquiring assets and accumulating wealth, but there are factors unique to this ethnic group that may generate lower wealth (Campbell and Kaufman 2006). Research examining Asian/white wealth inequality has found mixed results (Campbell and Kaufman 2006; Painter 2013).

In line with the racial/ethnic wealth inequality evident in the wealth literature, we offer the following hypotheses that reflect the well-known racial/ethnic inequality in wealth among immigrants:

Hypothesis 3: Racial/ethnic minority immigrants have less wealth than white immigrants.

Hypothesis 3a: Wealth inequality is largest between white and black immigrants.

Hypothesis 3b: Wealth inequality between white and Latino immigrants is less than that between white and black immigrants.

Hypothesis 3c: Wealth inequality is the smallest between white and Asian immigrants.

Portfolio Composition

While it is important to examine wealth more broadly, overall net worth does not provide insight into financial resource allocation and investment strategies

(Oliver and Shapiro 2006). Attention on key investments is necessary for testing the preference for whiteness hypothesis because asset ownership highlights how differential treatment—stemming from skin tone and/or race/ethnicity—contributes to larger wealth inequalities. In short, preferential or discriminatory behaviors toward in- and out-groups, respectively, likely contribute to the acquisition of essential investments. And these investments affect wealth because returns, risk, and liquidity vary across assets. Moreover, a focus on investments is valuable, as it provides insight into the mechanisms that contribute to larger racial/ethnic wealth inequality because particular assets represent a trade-off between financial risk and financial reward. As such, immigrants' financial portfolios reveal a more varied picture of the influence of skin tone and race/ethnicity compared with net worth.

Cash accounts

Cash accounts are financial assets that can be liquidated and consumed in times of financial hardship. They are secure and insured investments, and financial institutions typically offer a nominal interest rate to account holders. Blacks and Latinos are less likely to have checking and savings accounts (e.g., Gutter and Fontes 2006), though some research finds that blacks and whites are just as likely to own cash accounts (Keister 2000a). Racial/ethnic inequality in cash account ownership likely reflects a number of barriers for racial/ethnic minorities, including interactions with bank personnel that may reflect in-group favoritism and out-group stereotyping. Therefore, we hypothesize that racial/ethnic minority immigrants are less likely to own cash accounts than white immigrants (Hypothesis 4), and the racial/ethnic hierarchy in cash account ownership follows the expectations above (Corollary 4a).

Mortgage loan

Mortgages are a common financial mechanism by which individuals purchase houses. Homeownership offers a number of advantages, including shelter, the potential for capital appreciation, and tax benefits. Ample evidence demonstrates that blacks and Latinos are less likely than whites to own homes (e.g., Flippen 2001; Haan 2007; Keister 2000a). One factor that contributes to this inequality is that blacks and Latinos are more likely than whites to have their applications for home mortgages rejected (Fix and Struyk 1993; Schafer and Ladd 1981). Additionally, discriminatory practices such as redlining, differential mortgage rates, and steering by real estate agents prevent racial/ethnic minorities from obtaining mortgages and buying homes in more affluent areas (e.g., Conley 1999; Krivo and Kaufman 2004; Oliver and Shapiro 2006). These disadvantages may reflect in-group favoritism with respect to residential patterns operating in conjunction with negative stereotypes about racial/ethnic minorities that foster practices such as redlining and steering. We hypothesize that racial/ethnic minority immigrants are less likely to have a mortgage than white immigrants (Hypothesis 5) and that the racial/ethnic hierarchy for mortgage possession follows the expectations for net wealth (Corollary 5a).

Stocks

Like cash accounts, stocks can be easily liquidated, but they are far riskier investments. The trade-off for this risk, however, is the potential for greater returns. Blacks and Latinos are less likely to own stocks than whites (Gutter and Fontes 2006; Hanna and Lindamood 2008; Hanna, Wang, and Yuh 2010), but the relatively smaller literature on portfolio choices among Asians generally finds no Asian/white inequality in investment (e.g., Hanna et al. 2010). Inequalities in stock investment between racial/ethnic minorities and whites are likely due partly to a lack of wealth, as poor households may not have the financial resources to open a savings account, much less to invest in the stock market. Moreover, racial/ethnic minority investors may be less favorably received by stock brokers because of the sociocognitive dynamics of in-group favoritism and out-group stereotyping, which may discourage their efforts to invest in stocks. Due to the racial/ethnic inequality evident in stock ownership, we hypothesize that racial/ethnic minority immigrants are less likely to invest in stocks than white immigrants (Hypothesis 6), and the racial/ethnic hierarchy in stock ownership follows the expectations above (Corollary 6a).

Methods

Data

The New Immigrant Survey (NIS) is well suited for examining skin-tone and racial/ethnic differences in wealth among Legal Permanent Residents (LPRs). The NIS is a multi-cohort prospective-retrospective cross-sectional sample that is nationally representative of immigrants gaining LPR status in 2003. The data contain 8,573 such LPRs, who were at least 18 years of age at LPR receipt.

The analytical sample included immigrants who were interviewed in person, currently live in the United States, and do not report a racial/ethnic status of Native American or Pacific Islander. With these restrictions, the analytical sample size was 4,592 and included 1,243 non-Latino Asians, 571 non-Latino blacks, 1,766 Latinos, and 1,012 non-Latino whites. The reduction in sample size was largely due to phone interviews, which precluded the recording of respondents' skin tone (see Frank, Akresh, and Lu 2010; see also Hersch 2008).³ The NIS contained 4,652 respondents who were interviewed in person and therefore have a value recorded for the skin-color question.

Measures

Wealth outcomes

The NIS contained detailed information on immigrants' asset and debt holdings in the United States. *Net worth* was measured as the US\$2003 value of assets less debts. Assets included the value of financial investments, such as checking and savings accounts, bonds, stocks, and Individual Retirement Accounts. Also included are the value of nonfinancial holdings, such as homes, automobiles, real estate, and other valuable possessions. The value of these assets was weighed

against total debts, such as those from credit cards, hospital bills, mortgages, and property liens. For specific investments, we analyzed three dichotomous variables (1 = ownership): *cash account* (i.e., savings, checking, money market), *mortgage*, and non-retirement account *stocks/stock mutual fund*.

Explanatory variables

We used a continuous measure of skin tone. NIS interviewers memorized and rated respondents' skin tone against a chart that contained 10 identically shaped hands that differed in hue and were assigned a value ranging from 1 to 10 (Massey and Martin 2003).⁴ We measured race/ethnicity as non-Latino Asian, non-Latino black, Latino, and non-Latino white (reference).⁵

Control variables

We included a number of variables that captured immigrants' pre-migration characteristics, the process through which they qualified for LPR status, and their US experiences. Foreign education served as a proxy for pre-immigration characteristics, classified as no high school education (reference), high school degree, some college, bachelor's degree, and advanced degree. We also included two controls for parental background: a measure of respondents' parental education and a measure of relative family income at age 16. For parental education, we tabulated the highest amount of schooling between the respondents' father, mother, or reported guardian. We measured respondents' relative childhood income with a set of five dichotomous variables: far below average, below average, average (reference), above average, and far above average. Finally, we controlled for respondents' country of birth with dichotomous variables.⁶

We used a dichotomous variable to control for how immigrants applied for LPR status: adjustment of status or new arrival (reference). We also included variables that accounted for LPR recipients' class of admission: US spouse, employment preference, diversity lottery winner, and a residual category (reference) that included refugees, asylees, and legalization immigrants.

For immigrants' US experiences, US education was measured with a dichotomous variable (1 = completed at least one year of education in the United States). We created a measure of immigrants' US duration of residence, in years, and added a squared term to capture any nonlinear effect of duration. The NIS also included a number of variables that assessed English language proficiency. We identified whether immigrants self-reported that they speak English "not well" or "not at all" (reference); speak English "very well" or "well"; or are native English speakers. Other control variables were age and its square, a dichotomous variable for gender (1 = female), and a continuous measure for the number of children in the household. Marital status was measured with three dichotomous variables: married (reference); separated, divorced, or widowed; and single or cohabiting. Finally, region of residence was classified as Northeast (reference), South, Midwest, or West.

Analytical Approach

We used two approaches to model wealth. For the dichotomous outcomes, we used logistic regression. For net worth, we used Tobit analysis. We employed this

approach because the distribution of net worth is highly skewed, which suggested a logarithmic transformation to reduce the skewness. We could not apply a logarithmic transformation, however, to wealth values that were 0 or negative. If we truncated the data by analyzing only those immigrants with positive wealth values, results from OLS regression would be biased and inconsistent (Amemiya 1985; Long 1997). Tobit regression provided a solution to these challenges by treating as censored those wealth values that were 0 or negative and using the observed values for wealth that were greater than 0 (for another application of Tobit regression for wealth, see Land and Russell [1996]). Importantly, while these wealth values (i.e., 0 or negative wealth) were treated as censored within the Tobit regressions, the individuals with the censored values were not excluded from analysis. Models were estimated with maximum likelihood, which provided consistent regression coefficients (Amemiya 1985; Long 1997). Before estimating the Tobit regressions, we logarithmically transformed the positive values to reduce skewness. To address missing data, we used the multiple imputation, then deletion (MID) procedure (von Hippel 2007).⁷ We used SAS Proc MI to create five data sets for each model using the variables in the regression analysis. After imputation, we removed observations with missing values on the outcome variables and then conducted our analyses. Results were returned with SAS Proc MIAnalyze.⁸

We use a variable-nested modeling approach with our full sample to explore how skin tone and race/ethnicity affect wealth. Five models in table 2 examine net worth. Because of the overlap between skin tone and race/ethnicity, we estimate separate models for skin tone (model 1) and race/ethnicity (model 2) before estimating a model with all these variables included (model 3). Model 4 is the full model without the country-of-birth controls, and model 5 adds these variables. We take this approach with the last two models because of several moderately strong correlations between the race/ethnic and country of birth variables.⁹ Results for logged wealth are interpreted in terms of percentage change (Wooldridge 2009). To provide a whole dollar interpretation, we generate predicted values holding other variables at their means. Table 3 contains three models for portfolio choices: cash account ownership, mortgage loan possession, and stock ownership. To explore the relationship between skin tone and financial well-being within racial/ethnic groups, table 4 presents race/ethnic-specific models and only the information for the skin-tone variable from the various models. Full results for these models are presented in appendix table A.

Results

Descriptive Results

Table 1 presents descriptive statistics for the outcome, explanatory, and control variables. First, for the measures of wealth, average net worth for the full sample is almost \$56,000. Less than half of immigrants own cash accounts; approximately one-fifth of new immigrants hold a mortgage; and comparatively few have purchased stocks. By racial/ethnic group, Asians and whites are associated with the highest average wealth, followed by Latinos and blacks. Similarly, a greater proportion of Asians and whites own cash accounts and stocks. The latter investment is

Table 1. Means for Outcome, Explanatory, and Control Variables—New Immigrant Survey

	Total	Asian	Black	Latino	White
Outcome variables					
Net worth ^a	\$55,699 (\$311,470)	\$73,142 (\$393,028)	\$30,923 (\$152,865)	\$45,766 (\$256,665)	\$71,244 (\$348,553)
Cash account	0.46	0.52	0.43	0.38	0.58
Mortgage loan	0.19	0.15	0.16	0.22	0.20
Stock	0.07	0.13	0.04	0.02	0.15
Explanatory variables					
Skin tone (Light → Dark)	4.18 (2.20)	3.91 (1.71)	6.98 (2.17)	4.29 (1.94)	2.57 (1.59)
<i>Race/Ethnicity</i>					
Asian	0.25	—	—	—	—
Black	0.11	—	—	—	—
Latino	0.45	—	—	—	—
White	0.19	—	—	—	—
Control variables					
<i>Foreign education</i>					
No high school degree	0.45	0.30	0.36	0.65	0.23
High school degree	0.17	0.18	0.21	0.15	0.17
Some college	0.19	0.24	0.24	0.11	0.27
Bachelor's degree	0.08	0.16	0.08	0.04	0.08
Advanced degree	0.12	0.12	0.11	0.06	0.24
<i>Qualification for LPR status</i>					
Adjustment of status	0.61	0.43	0.48	0.75	0.60
<i>Class of admission</i>					
US spouse	0.34	0.30	0.32	0.36	0.38
Employment	0.07	0.17	0.02	0.03	0.09
Diversity lottery	0.07	0.03	0.17	0.01	0.21
Other	0.51	0.50	0.49	0.60	0.32
<i>Immigrant experience</i>					
US education (at least one year)	0.19	0.15	0.21	0.21	0.18
US duration	5.98	2.92	3.85	8.92	4.19
<i>English language proficiency</i>					
Native speaker	0.06	0.02	0.24	0.02	0.08
Very well or well	0.42	0.51	0.49	0.32	0.51
Not well or not at all	0.52	0.48	0.26	0.65	0.42

(Continued)

Table 1. continued

	Total	Asian	Black	Latino	White
<i>Demographics</i>					
Age	38.97 (14.01)	41.58 (13.88)	37.29 (13.01)	38.31 (14.89)	38.09 (12.68)
Female	0.56	0.61	0.51	0.55	0.51
Number of children	2.07 (2.33)	1.68 (1.89)	2.21 (2.62)	2.53 (2.69)	1.42 (1.61)
<i>Marital status</i>					
Married	0.73	0.82	0.58	0.70	0.78
Separated, divorced, widowed	0.08	0.07	0.10	0.08	0.09
Single or cohabiting	0.18	0.11	0.32	0.22	0.12
<i>Residency</i>					
Northeast	0.28	0.27	0.44	0.21	0.36
Midwest	0.09	0.11	0.08	0.05	0.18
South	0.21	0.13	0.38	0.22	0.17
West	0.42	0.49	0.10	0.52	0.29
<i>Family background</i>					
Parental education (in years)	8.53 (6.20)	9.80 (5.92)	9.02 (6.29)	6.37 (6.14)	11.78 (4.79)
Relative family income					
Far above average	0.04	0.03	0.05	0.04	0.03
Above average	0.13	0.16	0.12	0.10	0.16
Average	0.53	0.61	0.55	0.44	0.64
Below average	0.19	0.15	0.22	0.23	0.14
Far below average	0.11	0.04	0.06	0.19	0.03
N	4,592	1,243	571	1,766	1012

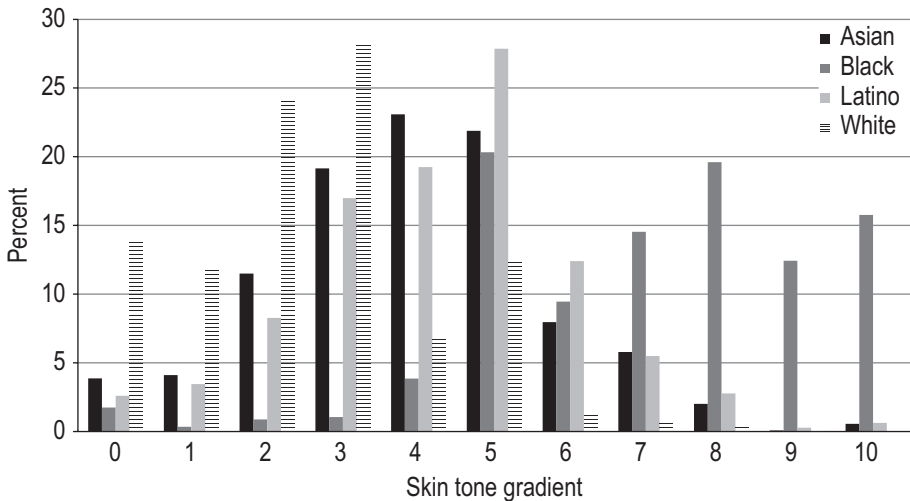
Note: Some columns may not total 1.0 due to rounding. Standard deviation in parentheses.
^aUS\$2003 (in thousands).

relatively rare for blacks and Latinos, which reflects, in part, their lower wealth. For mortgages, Latinos and whites have the highest average while Asians and blacks are equivalent. Second, the average skin-tone value in the full sample is 4.18, which represents a hue almost in the middle of the skin-tone scale. Finally, for racial/ethnic groups in the full sample, the largest proportion is Latino (45 percent), followed by Asians (25 percent), whites (19 percent), and blacks (11 percent).

The Distribution of Skin Tone by Racial/Ethnic Group

To provide more insight into the heterogeneity of skin tone within each racial/ethnic group, figure 1 depicts frequency distributions of skin tone. This figure

Figure 1. Skin tone distribution by racial/ethnic group, new immigrant survey



illustrates substantial overlap in the middle of the skin-tone gradient among the racial/ethnic groups, particularly for Asians and Latinos. For white immigrants, skin-tone values are clustered near the lower values of the scale, including a relatively large share at 0. Conversely, black immigrants are generally located at higher values on the skin-tone scale, though there are a considerable number located in the middle. Overall, while there are some similarities in skin tone among new immigrants, considerable variation both within and between racial/ethnic groups exists.

Tobit Regression Results

Table 2 presents results that highlight the importance of skin tone for wealth (Hypothesis 1) and the persistence of racial wealth inequality for Asian and black immigrants (Hypothesis 3). In model 1, the variable for skin tone is negative and significant, which suggests that darker skin tones are associated with less wealth than lighter skin tones. Specifically, each skin shade darker is associated with 18 percent or \$216 less wealth.

Model 2 provides some evidence of the well-documented racial/ethnic wealth hierarchy in the United States.¹⁰ Asians and blacks have 54 percent ($= 100 \times [\exp(-0.77) - 1]$) and 83 percent ($= 100 \times [\exp(-1.75) - 1]$) less wealth than white immigrants, respectively. In real dollars, the wealth inequality with white immigrants is \$683 for Asian and \$1,050 for black immigrants. In contrast, Latino and white immigrants have equivalent levels of wealth.

Model 3 includes both the skin-tone and racial/ethnic variables and provides evidence, despite overlap between these variables, of the independent influence of these factors. Here, for skin tone, each shade darker is associated with 11 percent or \$134 less wealth. For racial/ethnic wealth inequality, Asian immigrants have \$589 less wealth than white immigrants while black immigrants have \$909 less wealth.

Table 2. Tobit Regression Estimates of Skin Tone and Race/Ethnicity on US Net Worth (logged dollars), NIS, N = 4,592

	Model 1	Model 2	Model 3	Model 4	Model 5
Explanatory variables					
<i>Skin tone</i>					
Light → Dark (0 to 10)	−0.18*** (0.03)	−	−0.11*** (0.03)	−0.07** (0.03)	−0.09** (0.03)
<i>Race/ethnicity (ref = white)</i>					
Asian	−	−0.77*** (0.17)	−0.62*** (0.18)	−0.35* (0.17)	−0.78 (0.41)
Black	−	−1.75*** (0.22)	−1.26*** (0.26)	−0.85*** (0.24)	−0.65 (0.43)
Latino	−	−0.19 (0.15)	0.00 (0.16)	0.00 (0.17)	0.39 (0.37)
Control variables					
<i>Foreign education (ref = no degree)</i>					
High school degree	−	−	−	0.01 (0.16)	0.02 (0.16)
Some college	−	−	−	0.36* (0.16)	0.33* (0.16)
Bachelor's degree	−	−	−	0.20 (0.22)	0.10 (0.22)
Advanced degree	−	−	−	0.60** (0.20)	0.56** (0.20)
<i>Class of admission (ref = other)</i>					
US spouse	−	−	−	0.72*** (0.14)	0.82*** (0.15)
Employment	−	−	−	0.95*** (0.21)	0.81*** (0.22)
Diversity lottery	−	−	−	−0.05 (0.24)	−0.24 (0.25)
<i>Qualification for LPR status</i>					
Adjusted (ref = new arrival)	−	−	−	1.02*** (0.15)	1.00*** (0.16)
<i>Immigrant experience</i>					
US education (ref = no US education)	−	−	−	0.16 (0.02)	0.23 (0.15)
US duration	−	−	−	0.08*** (0.02)	0.07** (0.02)

(Continued)

Table 2. continued

	Model 1	Model 2	Model 3	Model 4	Model 5
US duration, squared	–	–	–	0.00** (0.00)	0.00* (0.00)
<i>English language proficiency (ref = “Not well” or “Not at all”)</i>					
Native speaker	–	–	–	0.30 (0.26)	–0.18 (0.33)
“Very well” or “well”	–	–	–	0.57*** (0.13)	0.38** (0.13)
<i>Personal characteristics</i>					
Age	–	–	–	0.18*** (0.02)	0.18*** (0.03)
Age, squared	–	–	–	0.00*** (0.00)	0.00*** (0.00)
Female (ref = male)	–	–	–	–0.36*** (0.10)	–0.38 (0.10)
Number of children	–	–	–	0.10*** (0.03)	0.11*** (0.03)
<i>Marital status (ref = married)</i>					
Separated, divorced, widowed	–	–	–	–1.16*** (0.22)	–1.14*** (0.22)
Single or cohabiting	–	–	–	–1.37*** (0.17)	–1.25*** (0.17)
<i>Residency (ref = northeast)</i>					
Midwest	–	–	–	1.32*** (0.19)	1.26*** (0.20)
South	–	–	–	0.95*** (0.15)	0.92*** (0.16)
West	–	–	–	0.83*** (0.14)	0.76*** (0.15)
<i>Family background</i>					
Parental education (in years)	–	–	–	0.03** (0.01)	0.02 (0.01)
<i>Relative family income (ref = average)</i>					
Far above average	–	–	–	0.32 (0.26)	0.38 (0.27)
Above average	–	–	–	0.45** (0.16)	0.42** (0.16)

(Continued)

Table 2. continued

	Model 1	Model 2	Model 3	Model 4	Model 5
Below average	–	–	–	0.07 (0.14)	0.04 (0.14)
Far below average	–	–	–	0.16 (0.18)	0.09 (0.18)
Includes country-of-birth controls	No	No	No	No	Yes
Intercept	1.02***	0.72***	1.01***	–4.83***	–5.08***

Note: Standard errors in parentheses.
* $p < .05$ ** $p < .01$ *** $p < .001$ (two-tailed)

Model 4 adds the full set of controls, but sets aside the country-of-birth variables. With these controls added, the results are similar to those presented in model 3: Asian—29 percent ($= 100 \times [\exp(-0.35) - 1]$) or \$306—and black—57 percent ($= 100 \times [\exp(-0.85) - 1]$) or \$597—immigrants have less wealth relative to white immigrants. For skin tone, the magnitude of the coefficient declined but remained statistically significant: each shade darker is associated with 7 percent or \$75 less wealth.

Model 5 includes country-of-birth controls. Skin tone is robust to the inclusion of these controls and remains statistically significant, with each shade darker associated with 9 percent or \$79 less wealth. Importantly, though these results suggest a relatively low level of wealth inequality, they reflect immigrants’ financial well-being shortly after receipt of LPR status, a rather narrow time period in which to observe US wealth inequality. Further, even small financial inequalities may have larger implications for long-term financial well-being (for more detail on how small financial differences can lead to larger wealth inequalities, see Conley [1999], chapter 1). For the race/ethnicity variables, the standard errors are all larger than in model 4, which reflects their correlations with the country-of-origin variables.

Immigrant Asset Acquisition: Cash Accounts, Mortgages, and Stocks

Table 3 presents results from logistic regressions that focus on ownership of three types of investments: cash accounts, mortgages, and stocks.¹¹ For skin tone, results suggest that darker skin tone hinders asset acquisition. These results provide support for Hypothesis 2; however, the similarity in the skin-tone coefficients across the models does not support the expectation that skin tone would matter less (if at all) for assets (e.g., stocks) that could be purchased without in-person contact (Hypothesis 2a). The lack of support for this hypothesis could reflect the relatively rare use of the Internet to buy and sell stocks in the early 2000s (Fox 2002).

For race/ethnicity, results are generally inconsistent with the hypotheses. The investment patterns of racial/ethnic minority immigrants are indistinguishable

Table 3. Logistic Regression Estimates for Sources of Wealth (logged dollars), NIS, N = 4,592

	Model 6—Cash accounts	Model 7— Mortgage	Model 8— Stocks
Explanatory variables			
<i>Skin tone</i>			
Light → Dark (0 to 10)	−0.09*** (0.02)	−0.09*** (0.02)	−0.07* (0.04)
<i>Race/ethnicity (ref = white)</i>			
Asian	0.13 (0.27)	−0.24 (0.36)	−0.95* (0.42)
Black	−0.49 (0.29)	−0.23 (0.41)	−1.59* (0.60)
Latino	0.07 (0.25)	0.10 (0.30)	−2.04*** (0.42)
Control variables			
<i>Foreign education (ref = no degree)</i>			
High school degree	−0.04 (0.11)	0.20 (0.13)	0.10 (0.25)
Some college	0.14 (0.11)	0.40** (0.14)	0.33 (0.22)
Bachelor's degree	0.21 (0.15)	0.09 (0.18)	0.47 (0.25)
Advanced degree	0.20 (0.14)	0.66*** (0.16)	0.60* (0.25)
<i>Class of admission (ref = other)</i>			
US spouse	0.37*** (0.10)	0.45*** (0.12)	0.99*** (0.22)
Employment	0.47** (0.16)	0.50** (0.17)	1.17 (0.23)
Diversity lottery	−0.20 (0.16)	−1.16** (0.36)	0.07 (0.36)
<i>Qualification for LPR status</i>			
Adjusted (ref = new arrival)	0.57*** (0.11)	1.09*** (0.14)	0.57** (0.19)
<i>Immigrant experience</i>			
US education (ref = no US education)	0.41*** (0.11)	0.04 (0.11)	0.33 (0.17)
US duration	0.04* (0.02)	0.05* (0.02)	−0.02 (0.03)

(Continued)

Table 3. *continued*

	Model 6—Cash accounts	Model 7— Mortgage	Model 8— Stocks
US duration, squared	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
<i>English language proficiency (ref = “Not well” or “Not at all”)</i>			
Native speaker	0.07 (0.24)	0.04 (0.29)	0.12 (0.36)
“Very well” or “well”	0.26** (0.09)	0.32** (0.11)	0.66*** (0.19)
<i>Personal characteristics</i>			
Age	0.07*** (0.02)	0.08*** (0.02)	0.04 (0.03)
Age, squared	0.00*** (0.00)	0.00*** (0.00)	0.00 (0.00)
Female (ref = male)	−0.53*** (0.07)	0.06 (0.09)	−0.33* (0.14)
Number of children	0.00 (0.02)	0.10*** (0.02)	−0.03 (0.05)
<i>Marital status (ref = married)</i>			
Separated, divorced, widowed	−0.19 (0.14)	−0.75*** (0.21)	−0.37 (0.31)
Single or cohabiting	−0.57*** (0.11)	−0.96*** (0.16)	−0.04 (0.26)
<i>Residency (ref = Northeast)</i>			
Midwest	0.59*** (0.14)	0.79*** (0.16)	0.72** (0.23)
South	0.22* (0.11)	0.65*** (0.13)	0.56** (0.19)
West	0.43*** (0.10)	0.23 (0.12)	0.45** (0.17)
<i>Family background</i>			
Parental education (in years)	0.02* (0.01)	0.01 (0.01)	0.04** (0.02)
Relative family income (ref = average)			
Far above average	−0.37* (0.19)	0.37 (0.20)	0.62* (0.31)
Above average	0.30** (0.11)	0.23 (0.12)	0.07 (0.17)

(Continued)

Table 3. continued

	Model 6—Cash accounts	Model 7— Mortgage	Model 8— Stocks
Below average	0.18* (0.09)	0.08 (0.12)	0.39* (0.19)
Far below average	−0.18 (0.12)	−0.18 (0.15)	−0.20 (0.34)
Includes country-of-birth controls	Yes	Yes	Yes
Intercept	7.08***	4.83	8.68***

Note: Standard errors in parentheses.
* $p < .05$ ** $p < .01$ *** $p < .001$ (two-tailed)

from those of white immigrants for cash account ownership and mortgage possession. In contrast, the results for stock ownership provide some evidence of a racial/ethnic hierarchy in line with Hypothesis 3.

The results for portfolio choices provide some insight into the findings for net worth. Skin-tone inequality in these three investments is reflected in overall wealth and, conversely, the lack of racial/ethnic variation in net worth is reproduced in cash account ownership and mortgage possession. While there are racial/ethnic differences in stock ownership, since immigrants are less likely to own this type of asset (see table 1), its influence on wealth inequality is likely not as prominent as the other investments.

Race/Ethnic-Specific Models

As described above, most of the research exploring the effect of skin tone on life chances examines differences within racial/ethnic groups. In line with this research, table 4 presents results from race/ethnic-specific models for net worth and the three types of investments.¹² The truncated results reported in table 4 are just for the skin-tone variable (results from the full models are presented in appendix table A). For net worth, results suggest that skin tone stratifies wealth among Asian immigrants. For investments, darker-skinned Asians are associated with lower likelihoods of having all three investments. Among Latinos, the only disadvantage associated with skin tone is for mortgage possession.¹³ Finally, among whites, darker skin tone is associated with a lower likelihood of cash account ownership.

Support for the preference for whiteness hypothesis is mixed in table 4. The most persistent evidence for the preference for whiteness hypothesis is for Asian immigrants, among whom skin tone consistently affects the wealth of darker-skinned individuals. For black immigrants, we find no evidence of skin-tone inequality, which may reflect this group’s relatively smaller sample size. For Latino and white immigrants, there is some evidence supporting Hypothesis 2 for mortgage possession and cash account ownership, respectively, but there is more

Table 4. Coefficients for Skin Tone (0 to 10, Light → Dark), Controlling for Everything Else

	Asian	Black	Latino	White
Net worth	−0.19** (0.07)	0.05 (0.09)	−0.07 (0.04)	−0.10 (0.06)
Cash account ownership	−0.16*** (0.04)	0.09 (0.06)	−0.04 (0.03)	−0.27*** (0.05)
Mortgage possession	−0.14* (0.06)	−0.08 (0.09)	−0.13*** (0.04)	−0.01 (0.06)
Stock ownership	−0.15** (0.06)	—	—	0.00 (0.07)
N	1,243	571	1,766	1,012

* $p < .05$ ** $p < .01$ *** $p < .001$ (two-tailed)
Note: Displayed results are the coefficient, standard error, and significance level for the skin-tone variable from 14 race/ethnic-specific models. Each model controls for country of birth and the variables described in the text. Full results are displayed in appendix table A.

evidence indicating that skin tone does not differentiate financial outcomes for these racial/ethnic groups.

Discussion and Conclusion

This study examines the preference for whiteness hypothesis among a sample of new immigrants. We build on this perspective and the body of literature on skin tone by arguing that darker skin tone contributes to asset and wealth inequality in the United States. Specifically, we posit that a preference for whiteness financially advantages lighter-skinned immigrants, especially with assets—such as cash accounts and homes (via mortgages)—that require greater in-person contact. For assets such as stocks that can be purchased without face-to-face interaction, the influence of skin tone would be less prominent.

This study makes four contributions to the literature on skin-tone inequality. First, we further develop the theoretical underpinnings of the preference for whiteness hypothesis. In their conceptualization, Goldsmith, Hamilton, and Darity (2007) used social identity theory to argue that a lighter skin tone represents closer proximity to the dominant white in-group, which results in preferential treatment. We extended this argument by explicating the related sociocognitive process of stereotyping and how it contributes to differential treatment along out-group lines. Research documents that negative stereotypes are applied to darker-skinned individuals in social contexts where the stereotypes are relevant (Maddox and Chase 2004). For example, stereotypes about a lack of intelligence or education among darker-skinned people (Maddox and Gray 2002) may negatively influence face-to-face investment situations, thus contributing to the relative disadvantage of darker-skinned individuals in the acquisition of wealth compared to lighter-skinned individuals after controlling racial/ethnic group membership. The findings for skin tone in the full sample clearly support the

preference for whiteness hypothesis, suggesting that discrimination may operate subtly in day-to-day interactions involving matters such as routine financial transactions. Moreover, they are consistent with the literature on the effects of stereotyping on employment decisions (e.g., [Pager 2003](#); [Pager, Western, and Bonikowski 2009](#)), and they cannot be accounted for by statistical discrimination because financial officers would usually lack the experiential knowledge necessary to form skin-tone-based group estimates. The findings for skin tone within racial/ethnic subsamples are less consistent and may reflect the influence of nuances in sociocognitive responses, other factors specific to various racial/ethnic groups, the lack of skin-tone variability within groups, and relatively small sample sizes.

Second, we examined the dual influence of both skin tone and racial/ethnic status for immigrants' financial well-being. Past research indicates that both may influence economic outcomes as well as the sociocognitive processes that help shape those outcomes (e.g., [Monk 2014](#)). Importantly, we extended previous work by documenting that the skin-tone gradient and both Asian and black racial statuses constitute independent influences for wealth inequality and stock ownership. Further, these dual influences hold for stock ownership even when accounting for country of birth. Together, these results provide evidence that both skin tone and race/ethnicity contribute to financial inequality among new immigrants. In particular, darker-skinned Asian and black immigrants may encounter a double disadvantage that affects their ability to acquire certain assets and improve their life chances: one layer of disadvantage due to their skin tone and another layer of disadvantage due to their racial minority status.

But what about Latinos? We expected that Latino immigrants would have a lower level of wealth than white immigrants, but we observed financial inequality between these two groups only for stock ownership. Uncovering exactly why Latino and white LPRs have equivalent levels of wealth, cash account possession, and homeownership falls to future research, but the latter equivalence is particularly interesting because research generally reveals that Latinos are disadvantaged relative to whites in housing (e.g., [Alba and Logan 1992](#); [Flippen 2001](#)). Since we analyzed a data set of new legal permanent residents, the reason for Latino/white wealth equality could be that white LPRs, our reference group, have a lower level of wealth and own cash accounts and homes at lower rates than native-born whites. Further, because homes are so important for net worth, Latino patterns of residential settlement and their associated housing costs may be contributing to the equivalence in financial well-being we observed. Latino LPRs also may be able to purchase homes and accrue equity at a higher rate because they tend to have multiple generations and extended families living under one roof ([Glick 1999](#)).

The third contribution of this paper is an emphasis on skin-tone inequality within the four largest racial/ethnic groups, which illuminates how darker skin tone potentially affects financial well-being among same-race/co-ethnic immigrant peers. Two sets of findings from the race/ethnic-specific models merit further comment.

The first finding that stands out is that the most consistent evidence for the preference for whiteness hypothesis within racial/ethnic groups is for Asian

immigrants. Here, darker skin tone is associated with lower net worth and lower likelihoods of holding three important investments. Given the overlap in skin hue between Asians and Latinos (see figure 1), it is unclear why skin tone would be consistently associated with financial disadvantage among Asians, but not among Latinos. Since there is only one other study that examines skin-tone inequality among Asians (Kiang and Takeuchi 2009), more research is needed to understand what social processes or factors might explain why there is such clear evidence of skin-tone inequality among Asians, especially when compared to similarly hued Latinos.

Second, this study demonstrates a distinction in asset acquisition associated with skin tone among white immigrants: darker skin tones were associated with a lower likelihood of owning a cash account. This finding reflects research that documents the power of stereotyping even among members of the most privileged racial/ethnic group in US society (see Blair et al. 2002). It is important to note, however, that the disadvantage associated with a darker skin shade among whites may represent a relatively small financial penalty when compared to the disadvantage associated with a racial/ethnic minority status and/or darker skin tones within these groups. Yet, it is clear that there are differences among whites—a group that tends to be perceived as quite homogeneous by both scholars and the general public—that generate some inequality in financial well-being.

Most results within racial/ethnic groups were not statistically significant or could not be estimated due to sample size constraints; however, the directions of the coefficients were generally consistent with the preference for whiteness hypothesis. In light of the broad effect of the skin-tone gradient in the full sample, this lack of significant findings likely reflects both the smaller sample sizes of the race/ethnic-specific models and a relative lack of variation in skin tone—when compared to the full sample—within these groups (see figure 1). Sociocognitive theories in social psychology and the supporting research indicate that stereotyping may contribute to differential treatment and outcomes based on skin tone (e.g., Maddox and Gray 2002); yet statistically significant differences would be difficult to detect given the constraints of sample size and skin-tone variability within groups. Therefore, as we document for the full sample, the effects of a skin-tone gradient are likely not dependent on racial/ethnic group membership and operate similarly within groups as well as between groups, consistent with the predictions of the preference for whiteness hypothesis.

The last contribution of this paper is the extension of financial well-being to include assets and wealth. This contribution helps expand scholars' understanding of immigrant financial well-being because wealth reflects a broad spectrum of immigrants' financial activities, habits, preferences, plans for the future, and other attitudes and behaviors. Further, portfolio composition provides insight into the particular investments that contribute to larger wealth inequality because these assets signal a balancing of the risks and rewards associated with various financial holdings. For instance, homeownership—which, for most individuals, necessitates a mortgage—is the most common asset within the typical financial portfolio and signals immigrants' ability to convert their socioeconomic progress into residential gain (Alba and Logan 1992). Owning stocks, which represents greater financial risk in exchange for the potential of higher returns, serves as an

indicator of financial stability. In this way, immigrants' financial portfolios provide more in-depth insight into the influence of skin tone and race/ethnicity on wealth.

Along with the contributions of this study, we need to acknowledge its limitations. First, while the findings of this study are consistent with the preference for whiteness hypothesis, we must remain cognizant that survey data do not allow direct tests of alternative theories of "intrapsychic" processes, such as statistical discrimination (Pager and Shepherd 2008). It is not clear, however, how such theories would apply to skin tone or race/ethnicity in the context of financial investments, and the findings of this study are largely consistent with research on sociocognitive biases (e.g., Maddox and Gray 2002) and skin-tone disadvantages (e.g., Monk 2014). Second, the New Immigrant Survey contains a cohort of immigrants receiving legal permanent residency in 2003. Thus, while this paper provides detailed insight into the financial well-being of an important immigrant segment of US society, we cannot compare these immigrants to the US native-born. Future research examining skin tone and racial/ethnic inequalities in financial well-being among immigrants would benefit from including a native-born contrast. Third, we do not have information on immigrants' financial well-being at the time of their arrival. This information would be valuable because it would provide insight into the actual processes underlying wealth accumulation in addition to levels of wealth at a single point in time. Finally, the NIS has relatively few black immigrants. However, the proportion of immigrants identifying with the black US racial category reflects the relatively small immigration stream from Africa and various Caribbean islands.

Conclusion

Racial/ethnic inequality in the United States continues to contribute to disparities in life chances. Even among new immigrants, some of whom have been in the United States for only a short time, the powerful and pervasive effects of racial/ethnic inequality are apparent in their ability to improve their financial well-being. This study highlights an additional feature of the US racial/ethnic landscape by identifying skin tone as an important stratifying factor—and source of inequality—in US society. Skin tone provides valuable insights into the considerable heterogeneity both between and within racial/ethnic groups, variation that can be masked by an overarching racial/ethnic status label. In this way, some immigrants will experience much more constraint in opportunities for improving their financial, as well as overall, well-being due to the dual influence of racial/ethnic and skin-tone inequality. These immigrants—those with a racial/ethnic minority status and a darker complexion—will encounter multiple forms of disadvantage relative to their fellow white and/or lighter-skinned immigrants.

Notes

1. Loan officers processing mortgage applications may have some experiential knowledge about applicants of various racial/ethnic groups that may be predictive of application approval and subsequent loan payment. But skin tone is not noted in loan

documents, and it appears unlikely there could be any experiential basis for disadvantages in obtaining mortgages encountered by darker-skinned members of a racial/ethnic group.

2. This usage has increased over time, with 61 percent of Internet users (51 percent of all adults) having used the Internet for online banking (Fox 2013). Therefore, even though 85 percent of US adults use the Internet (Fox 2013), there is clearly a strong preference for banking in person.
3. We conducted *t*-tests of the outcome variables to compare respondents who were interviewed over the phone with respondents who were interviewed in person. Results indicated that respondents interviewed in person had less wealth and were less likely to own cash accounts, have a mortgage, and own stocks. This suggests that the results in this study are likely to be conservative.
4. Approximately 5 percent of our sample was assigned a skin-tone value of 0. We view this skin-color value as lighter than the skin-tone value associated with a value of 1 and include them in the analysis (see Frank, Akresh, and Lu 2010).
5. We shorten the label for racial/ethnic groups by dropping “non-Latino” for the rest of the paper.
6. The NIS country-of-birth question has 21 country-specific categories that cover 68 percent of the respondents. The majority of the remaining respondents are grouped by six broad regions (e.g., Europe/Central Asia, Latin America/Caribbean, Middle East/North Africa).
7. For our analyses, missing data in the NIS were minimal. Some variables (e.g., class of admission) had no missing data, while others (US education, foreign education, English language proficiency) had less than 1 percent missing. For race, 7 percent were missing, and we used immigrants’ country of nationality to fill in most of these missing responses. Missing values were higher for parental education (17 percent). Missing values for the variables used to calculate net worth varied by the particular asset. For example, 11 percent of responses were missing for the value of cash accounts, but only 1 percent were missing for the value of valuable possessions and 3 percent for home equity.
8. In supplemental analysis, we compared results generated both with and without multiple imputation and found similar results.
9. For example, the highest race/ethnic and country-of-birth correlations are between Latino and Mexico (.54), white and Europe/Central Asia (.54), black and Haiti (.41), Asian and India (.38), and black and Ethiopia (.37).
10. The racial/ethnic wealth hierarchy in model 2 differs from the descriptive wealth values (table 1) because the regression analyses are based on a censored wealth variable.
11. In supplemental analyses, we analyzed the value of cash account, mortgage loan, and stock holdings using Tobit regression. The patterns of results were similar to those reported in table 3. Here, we focus on ownership of these assets because asset ownership is an important aspect of portfolio composition and the values of these assets are included in the calculation of net worth. We also examined homeownership. The pattern of results was equivalent to those reported in table 3. We chose to model mortgage possession over homeownership because it is a more direct test of the preference for whiteness hypothesis.
12. In supplemental analyses, we explored potential nonlinearities within the continuous skin-tone variable. We examined several different operationalizations but found no evidence of nonlinearity.
13. We do not analyze stock ownership among black and Latino immigrants because of small cell sizes (see table 1).

Appendix

Table A. Full Results from Tobit and Logistic Regression Estimates of the Skin Tone Gradient for Race/Ethnic-Specific Models of Net Worth (logged dollars) and Investments, New Immigrant Survey

	Asian				Black				Latino				White			
	Net Worth	Cash Accounts	Mortgage	Stocks	Net Worth	Cash Accounts	Mortgage	Stocks	Net Worth	Cash Accounts	Mortgage	Stocks	Net Worth	Cash Accounts	Mortgage	Stocks
Explanatory Variables																
<i>Skin tone</i>																
Light → Dark (0 to 10)	-0.19** (0.07)	-0.16*** (0.04)	-0.14* (0.06)	-0.15** (0.06)	0.05 (0.09)	0.09 (0.06)	-0.08 (0.09)	-0.13*** (0.04)	-0.07 (0.04)	-0.04 (0.03)	-0.13*** (0.04)	-0.01 (0.07)	-0.27*** (0.05)	-0.01 (0.06)	-0.01 (0.06)	0.00 (0.07)
Control Variables																
<i>Foreign education (ref = no degree)</i>																
High school degree	1.09** (0.37)	0.38 (0.22)	0.32 (0.36)	0.61 (0.42)	-0.06 (0.49)	-0.17 (0.35)	-0.45 (0.50)	-0.38 (0.24)	-0.38 (0.24)	-0.15 (0.16)	0.12 (0.18)	0.01 (0.32)	-0.14 (0.28)	0.23 (0.35)	-0.15 (0.41)	-0.61 (0.41)
Some college	1.34*** (0.37)	0.47* (0.22)	0.94* (0.35)	0.73 (0.38)	0.64 (0.49)	-0.19 (0.34)	-0.96* (0.49)	0.35 (0.27)	0.35 (0.27)	0.23 (0.18)	0.52** (0.20)	-0.16 (0.30)	-0.09 (0.28)	-0.15 (0.36)	-0.15 (0.38)	-0.61 (0.38)
Bachelor's degree	1.43*** (0.42)	0.55* (0.26)	0.60 (0.40)	1.06** (0.40)	-0.85 (0.72)	-0.55 (0.48)	0.92 (0.85)	-0.38 (0.43)	-0.38 (0.43)	0.29 (0.28)	-0.05 (0.34)	-0.16 (0.41)	0.00 (0.36)	0.25 (0.44)	-0.15 (0.53)	-0.86 (0.53)
Advanced degree	1.56*** (0.45)	0.34 (0.28)	1.11** (0.40)	0.94* (0.42)	-1.45* (0.67)	-0.15 (0.45)	-0.75 (0.57)	1.04** (0.35)	1.04** (0.35)	0.57* (0.24)	0.70** (0.26)	0.34 (0.33)	-0.14 (0.32)	0.71 (0.37)	-0.15 (0.38)	-0.15 (0.38)
<i>Class of admission (ref = other)</i>																
U.S. spouse	1.38*** (0.36)	0.19 (0.21)	1.64*** (0.34)	0.52 (0.35)	0.75 (0.52)	0.12 (0.36)	0.62 (0.58)	0.39 (0.21)	0.39 (0.21)	0.44** (0.14)	-0.04 (0.16)	1.32*** (0.29)	0.57* (0.24)	0.52 (0.29)	2.35*** (0.48)	2.35*** (0.48)
Employment	0.99* (0.40)	0.40 (0.25)	1.33*** (0.37)	1.05** (0.35)	3.01** (0.98)	2.55* (1.01)	0.47 (1.09)	0.73 (0.47)	0.73 (0.47)	0.41 (0.31)	0.54 (0.34)	1.72*** (0.39)	0.61 (0.35)	0.70 (0.36)	2.58*** (0.53)	2.58*** (0.53)
Diversity lottery	0.68 (0.70)	-0.13 (0.41)	-1.63 (1.74)	0.72 (0.68)	0.78 (0.65)	0.14 (0.42)	-2.33* (1.14)	-0.37 (0.89)	-0.37 (0.89)	-0.33 (0.59)	-1.31 (1.29)	-0.06 (0.34)	0.03 (0.27)	-0.39 (0.47)	0.91 (0.60)	0.91 (0.60)

Qualification for LPR status														
Adjusted (ref = new arrival)	1.11** (0.36)	0.58** (0.22)	0.89** (0.28)	1.17*** (0.32)	1.24* (0.60)	1.08* (0.42)	0.25 (0.58)	0.93*** (0.26)	0.27 (0.18)	1.24*** (0.24)	1.01*** (0.28)	1.04*** (0.24)	1.02** (0.31)	0.52 (0.30)
Immigrant Experience														
U.S. education (ref = no U.S. education)	0.69 (0.38)	0.39 (0.26)	0.58* (0.27)	0.25 (0.30)	1.28** (0.48)	0.95** (0.35)	0.22 (0.42)	0.10 (0.24)	0.31* (0.15)	-0.09 (0.17)	-0.18 (0.27)	0.37 (0.25)	-0.23 (0.28)	0.85** (0.31)
U.S. duration	-0.01 (0.09)	0.02 (0.05)	-0.01 (0.06)	-0.13 (0.08)	0.01 (0.12)	-0.02 (0.10)	0.03 (0.12)	0.08* (0.03)	0.07** (0.02)	0.02 (0.03)	0.05 (0.04)	-0.07 (0.04)	0.20*** (0.05)	-0.02 (0.06)
U.S. duration, squared	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.01 (0.00)	0.01 (0.01)	0.00 (0.00)	0.00 (0.01)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.01*** (0.00)	0.00 (0.00)
English language proficiency (ref = "Not uell" or "Not at all")														
Native speaker	-0.25 (1.08)	-0.27 (0.59)	0.56 (0.92)	-0.58 (1.75)	-0.31 (0.77)	0.98 (0.52)	-1.35 (0.97)	-1.20 (0.69)	-0.53 (0.47)	-1.74 (1.38)	0.86 (0.44)	0.67 (0.44)	1.73*** (0.45)	0.90 (0.47)
"Very well" or "well"	0.19 (0.31)	0.25 (0.19)	-0.07 (0.27)	0.50 (0.30)	0.05 (0.57)	0.77 (0.39)	-0.08 (0.73)	0.44* (0.20)	0.15 (0.13)	0.37* (0.15)	0.51* (0.25)	0.57** (0.20)	0.85** (0.30)	0.57 (0.35)
Personal characteristics														
Age	0.22*** (0.05)	0.10** (0.03)	0.07 (0.05)	0.05 (0.05)	0.30** (0.09)	0.06 (0.06)	0.30* (0.13)	0.09* (0.04)	0.04 (0.03)	0.02 (0.03)	0.31*** (0.05)	0.15*** (0.04)	0.22** (0.07)	0.19** (0.07)
Age, squared	0.00*** (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00 (0.00)	0.00** (0.00)	0.00 (0.00)	0.00* (0.00)	0.00** (0.00)	0.00* (0.00)	0.00 (0.00)	0.00*** (0.00)	0.00*** (0.00)	0.00*** (0.00)	0.00* (0.00)
Female (ref = male)	-0.52* (0.25)	-0.55*** (0.16)	0.30 (0.23)	-0.39 (0.23)	0.06 (0.36)	-0.35 (0.25)	-0.55 (0.37)	-0.33* (0.15)	-0.51*** (0.10)	0.00 (0.12)	-0.51** (0.20)	-0.56*** (0.17)	0.22 (0.21)	0.10 (0.24)
Number of children	0.17* (0.07)	0.01 (0.05)	0.14* (0.06)	-0.08 (0.09)	0.15 (0.09)	-0.03 (0.06)	0.19* (0.09)	0.03 (0.04)	-0.03 (0.03)	0.09** (0.03)	0.20** (0.07)	-0.06 (0.06)	0.00 (0.08)	-0.13 (0.10)

(Continued)

Table A. continued

	Asian				Black				Latino				White			
	Net Worth	Cash Accounts	Mortgage	Stocks	Net Worth	Cash Accounts	Mortgage	Stocks	Net Worth	Cash Accounts	Mortgage	Stocks	Net Worth	Cash Accounts	Mortgage	Stocks
<i>Marital status (ref = married)</i>																
Separated, divorced, widowed	-0.12 (0.53)	-0.33 (0.32)	-0.26 (0.56)	0.21 (0.51)	-1.18 (0.65)	-0.51 (0.45)	-0.64 (0.69)		-1.90*** (0.33)	-0.26 (0.22)	-1.26*** (0.32)		-0.32 (0.38)	0.06 (0.30)	0.06 (0.38)	-0.21 (0.55)
Single or cohabiting	-1.08* (0.46)	-0.93*** (0.26)	-1.02 (0.57)	0.12 (0.41)	-1.72** (0.55)	-1.08** (0.35)	-1.21 (0.76)		-1.56*** (0.24)	-0.53*** (0.16)	-1.07*** (0.21)		-0.46 (0.35)	-0.37 (0.28)	-1.40** (0.50)	-0.11 (0.48)
<i>Residency (ref = northeast)</i>																
Midwest	1.74*** (0.41)	0.42 (0.26)	0.74* (0.33)	1.00 (0.33)	0.56 (0.64)	1.43** (0.47)	0.46 (0.69)		0.61 (0.41)	0.26 (0.27)	1.01** (0.31)		1.51*** (0.29)	0.79*** (0.24)	1.53*** (0.34)	0.12 (0.38)
South	1.32*** (0.39)	0.11 (0.24)	0.61 (0.32)	0.21 (0.34)	0.01 (0.43)	0.34 (0.27)	0.21 (0.47)		0.78** (0.27)	-0.08 (0.18)	0.82*** (0.22)		0.96*** (0.29)	0.65*** (0.25)	1.39*** (0.30)	0.56 (0.31)
West	1.27*** (0.30)	0.25 (0.18)	0.46 (0.27)	0.83 (0.28)	1.13* (0.57)	1.02* (0.43)	0.56 (0.59)		0.32 (0.26)	0.26 (0.17)	0.30 (0.21)		0.83** (0.25)	0.50** (0.21)	0.39 (0.28)	0.26 (0.29)
<i>Family background</i>																
Parental education (in years)	0.00 (0.03)	0.04* (0.02)	-0.02 (0.03)	0.04 (0.02)	0.04 (0.06)	0.03 (0.03)	0.15 (0.08)		0.01 (0.02)	0.00 (0.01)	0.01 (0.02)		0.02 (0.02)	0.02 (0.02)	-0.03 (0.03)	0.05 (0.03)
<i>Relative family income (ref = average)</i>																
Far above average	1.19* (0.61)	-0.26 (0.38)	1.45* (0.44)	0.71 (0.46)	0.48 (0.83)	0.94 (0.60)	0.53 (0.73)		0.52 (0.38)	-0.64* (0.27)	0.17 (0.30)		-0.94 (0.61)	-0.96 (0.50)	0.08 (0.57)	0.24 (0.60)
Above average	0.80* (0.33)	0.36 (0.21)	0.27 (0.27)	0.19 (0.26)	0.68 (0.53)	0.46 (0.39)	0.32 (0.50)		0.30 (0.27)	0.34 (0.18)	0.26 (0.20)		0.36 (0.27)	0.16 (0.25)	0.23 (0.28)	0.27 (0.28)

Below average	0.22 (0.34)	0.44* (0.20)	-0.31 (0.34)	0.59 (0.30)	-0.89 (0.48)	0.20 (0.31)	-0.52 (0.51)	0.16 (0.20)	0.03 (0.13)	0.29 (0.15)	-0.19 (0.29)	0.20 (0.24)	-0.06 (0.31)	-0.27 (0.37)
Far below average	0.72 (0.56)	0.89* (0.34)	-0.01 (0.51)	0.28 (0.57)	-0.82 (0.79)	0.13 (0.49)	-0.76 (0.90)	0.05 (0.22)	-0.51*** (0.15)	-0.09 (0.17)	0.76 (0.55)	0.12 (0.47)	-1.43 (0.78)	0.55 (0.66)
Includes country of birth controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Intercept	-6.97***	-1.78*	-3.51	-0.19	-8.99***	0.76	-9.72*	-1.39	7.42	0.58	-7.61***	-2.71**	-8.73***	0.60

Note: Standard errors in parentheses. * $p < .05$; ** $p < .01$; *** $p < .001$, two-tailed

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