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## Toward a More Comprehensive Explanation of Declining Black Male Youth Employment

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## TOWARD A MORE COMPREHENSIVE EXPLANATION OF DECLINING BLACK MALE YOUTH EMPLOYMENT

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Over the last twenty years, the employment to population ratio of black male youths has been declining rapidly, while that of other youth groups has been relatively stable. Many potential causes of this situation have been advanced, but no consensus has been reached. This paper attempts to combine several of these seemingly conflicting explanations into a comprehensive explanation of falling black male youth employment. The potential causes to be considered are: declining manufacturing, increasing returns from crime, generosity of the welfare system, falling educational attainment, the minimum wage, and the development of urban "underclasses". These are combined into an overall theoretical framework in which declining manufacturing, and increases in welfare and crime income lower one's net wage from work and raise one's reservation wage. This leads immediately to decreased participation in the labor force and over time to reduced incentive to attend school and the formation of underclasses which stress dysfunctional behavior over employment or schooling. The minimum wage is included as an additional factor affecting employment outside of this basic framework, *ceteris paribus*, a higher minimum wage should lead to lower youth employment. To test this theoretical framework, a two stage regression model is used. In the first stage, E/P is regressed against all potential causes; in the second underclass formation and declining educational attainment are regressed against manufacturing, welfare and crime to show the indirect effect of these three variables over time through underclass formation and declining educational attainment. All data for this is taken from Census publications, FBI Uniform Crime Reports, and Department of Health and Human Services publications from 1968 to 1987 and is aggregated across the nation. The basic findings of the paper are that declining manufacturing leads directly to lower black male employment relative to other groups, while returns to welfare and crime lead indirectly to lower black male youth employment through underclass formation.