

Hidden in Plain Sight: Economic Inequality in Asian America

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Abstract

Asian Americans have traditionally been largely absent from the broader conversation surrounding racial inequality in the field of economics. On the surface, this absence seems justified due to the prevalence of the model minority myth which attributes Asian Americans' rapid mobility into the middle class to desirable cultural traits such as a strong work ethic, family backgrounds, emphasis on education, etc. However, as of 2018 Asian Americans have displaced African Americans as the most socioeconomically divided racial group in the United States. The existence of the model minority myth, and some Asian Americans' willingness to accept it, necessitates a more thorough examination of how racial identity and racial group dynamics affect Asian American socioeconomic outcomes. By adapting tools from stratification economics, identity economics, and migration economics, a more complete analysis can answer the question of whether it is truly appropriate to consider the incredibly diverse Asian American group as a singular entity.

Through the disaggregation of data from the Census and the American Community Survey from 1980 to 2019 into separate Asian ethnicities and country groups, the existing intragroup inequality can be brought to light and systematically examined. Through the application of the stratification economics framework, this thesis develops a theory to explain how the continued perpetuation of the model minority myth reinforces the existing socioeconomic stratification within the Asian American community. By quantifying the supposed 'privilege' of the model minority myth, examining the returns to education for different ethnicities and country groups, it becomes clear that widely perceived Asian American success is driven by a few country groups while other country groups face lower returns to education which suggest persistent barriers to success.

JEL Classification: Z13, J15, I24, I26

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สุดท้าย หนูอยากจะขอบคุณคุณพ่อ คุณแม่และทุกคนในครอบครัวที่ทำให้หนูได้มีวันนี้ ขอขอบคุณที่เสียสละให้ หนูตลอด ที่ผลักดันให้หนูประสบความสำเร็จ ที่ยอมฟังหนูบนตลอดเวลาที่หนูเครียด ที่คอยให้ความรักและกำลังใจ ทุกๆครั้งที่หนูเศร้า ในวันที่ที่หนูใกล้จะเรียนจบแล้ว หนูหวังว่าพ่อกับแม่จะภูมิใจในตัวหนูนะคะ

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1. Introduction

When economists consider racial inequality, their narrative is dominated by theories centering around the labor market outcomes of minorities, namely the model of taste-based discrimination (Becker, 1957) and the model of statistical discrimination (Arrow, 1973). Becker's taste-based model of discrimination posits that the prejudiced employers are willing to pay a financial penalty in not hiring employees of color, while Arrow's model of statistical discrimination relies on the role of imperfect information, where employers rely on external factors such as race to make inferences about unobservable characteristics such as skill or productivity. Both models imply that racial inequality can be eliminated over time, either by market forces or by increasing available information. Our reality today shows that this is not the case and that racial inequality in labor market outcomes persist and are continually perpetuated.

Discussions of racial inequality will doubtless involve certain stereotypes closely associated with race and statements revolving around personal responsibility. For instance, social ills and cultural maladjustment are used to explain the rampant income inequality between Black and Hispanic Americans and white Americans, while Asian Americans are largely absent in the broader conversation surrounding racial inequality. On the surface, the lack of conversation around economic inequality and Asian Americans seems justified: as of the 2020 census Asian Americans are the highest-earning racial group in the United States, lending some credence to their status as the successful 'model minority' whose rapid mobility into the middle class is attributed to desirable cultural traits such as a strong work ethic, strong family ties, deference to authority, and the high value placed on education (Yano, 2018). However, even with higher household income, Asian American households still lag white non-Hispanic households in wealth. Furthermore, Asian American wealth is far more unevenly distributed than white non-Hispanic wealth, with the spread between the extreme ends exceeding that of other racial groups. The uneven distribution of both

income and wealth has since compounded, with Asian Americans finally displacing Black Americans as the most economically divided racial group in the United States in 2018. Much of the economic variation is driven by ethnic differences, raising questions around the appropriateness of considering Asian Americans as a monolith. By definition, Asian American is a broad umbrella term used to describe all people of Asian descent with different ethnicities and countries of origin. Even within subgroups, differences such as immigration status and nativity status are major considerations that can affect economic outcomes. Basu (2017) finds that the wage gap for recent Asian immigrants versus native Asian Americans widens for all cohorts after the second decade of stay, rather than closing as observed with other immigrant groups, demonstrating that immigration is another complex factor that may affect Asian American socioeconomic outcomes differently than anticipated.

The nuances of the worsening intragroup inequality are obscured by data aggregation, allowing for the creation and perpetuation of a politically convenient model minority myth that ultimately serves the existing racial hierarchy by containing demands for social transformation and racial equality. The model minority myth dates its origins to the Cold War, and its creation was intended to send the international message that the United States is a liberal democratic state where people of color could enjoy equal rights and upward mobility, and more importantly the domestic message to other minority groups that conformation to the existing regime and acceptance of white authority will be rewarded socioeconomically while opposition would be crushed (Lee, 2010). The rise of the model minority myth allowed cultural differences to replace racial differences as the new determinant of socioeconomic outcomes, and the political silence of an un-unified Asian America allowed the narrative of a successful monolith to persist.

It is evident that the issue of Asian American inequality will benefit from a more methodological analysis that acknowledges the rationality of perpetuating existing stereotypes. The existence of the model minority myth, and some Asian Americans' willingness to accept it, necessitates a more thorough examination of how racial identity and racial group dynamics can affect Asian American socioeconomic outcomes. By adapting tools from stratification economics and identity economics, a more complete analysis can shine light on Asian American inequality and answer the question of whether it is truly appropriate to consider the incredibly diverse Asian American group as a singular entity.

2. Literature Review

Existing economics literature with mentions of Asian American mainly focus on wealth gaps rather than income gaps relative to white Americans, which implicitly reinforces the perception that Asian American income inequality either does not exist or is not a cause for concern. Ong and Patraporn's 2006 paper finds that Asian Americans face a racial wealth gap relative to white non-Hispanic Americans after adjusting for factors that influence wealth, although the income pattern for Asian American households is consistently high. The paper then discusses barriers to Asian American wealth in the form of hurdles in housing and small business lending, and towards the end mentions the fact that Asian American wealth is far more unevenly distributed than white non-Hispanic wealth. This large variation can be attributed to ethnic disparities, with Asian Indians, Chinese, and Japanese Americans having higher socioeconomic status as compared to Southeast Asians, and thus they briefly acknowledge that various groups within the Asian American population appear to have specific disadvantages in addition to the barriers that Asian Americans experience as a group.

Asian American socioeconomic issues have traditionally been viewed through the lens of *racialized assimilation* (Lee and Kye, 2016), which argues that Asian Americans as a group still face labor market penalties, residential segregation, social antipathy, major political barriers, and anti-immigration attitudes from society at large. Bonilla and Silva (2004) even goes as far as to identify Southeast Asian Americans specifically as part of the ‘Collective Black’ which still face discrimination in post-civil rights America. In contrast, Sakamoto (2009) argues that class characteristics, education, socioeconomic background, and generational status are the key determinants of socioeconomic differences among Asian Americans rather than racial discrimination.

Sakamoto *et al* (2021) discusses the issue of ethnic disparities more explicitly by investigating the socioeconomic attainment of second-generation Southeast Asians using data from the American Community Survey, finding that native-born Southeast Asians have higher socioeconomic outcomes than the immigrant generation and overall have better outcomes than Black Americans and Hispanics. While Sakamoto *et al* conclude that their findings do not support Bonilla-Silva’s *Black Collective* perspective and are more consistent with assimilation theory, they acknowledge that it could still be possible that native-born Southeast Asian Americans face persistent discrimination due to their race, as Lee and Kye posits. Sakamoto’s work begins to address the problem of intragroup Asian American inequality and proposes assimilation theory as an explanation, however, it does not thoroughly examine the different social forces that may affect the economic circumstances of Asian Americans of different ethnicities.

Racial identity itself can play a role in influencing economic outcomes. Identity Economics is a subfield of economics which incorporates the concept of identity from psychology into economic analysis by modeling identity as an externality based on perceived social differences

such as race (Akerlof and Kranton, 2000) which changes payoffs from different actions. As personality development involves the internalization of prescribed rules associated with one's identity – the violation of which evokes anxiety – the 'choice' of identity is an economic decision that may or may not be up to the agent. While this view of identity is simplistic and does not consider the pervasiveness of intergroup dynamics on behavior and choice, it provides a useful starting point for studying racial identity as a contributor to economic outcomes. Darity (2006) presents the model of Racial Identity Formation, where racial identity is a form of individual and group property as well as a personal identity. The construction of racial identity upholds and reinforces socioeconomic divisions through the use of discrimination to produce status and privilege. Racial identity is thus codified as an instrument for exclusion and oppression, and individuals can respond by altering the intensity of their identification with their racial group – which may or may not be possible due to their physical features. Davis (2015) further argues that overlapping social group identities can introduce intragroup conflicts, as individuals construct their relational social identities based on the constraint of their societally assigned categorical social identities. To pursue social mobility, a member of a minority group may de-identify with their group and devalue their stigmatized social identity if the perceived social distance between them and a member of the 'superior' group is small enough.

The latest American Community Survey recognizes fifteen total subgroups of Asian Americans, with five major subgroups as follows: Chinese, Indian, Filipino, Vietnamese, and Korean. Thus, Asian Americans are hardly a monolith and social forces such as the effect of racial identity and the development of intragroup conflicts can very much be present in the Asian American community, adding another layer of nuance to the inequality that can complicate findings. For instance, while Sakamoto finds that native-born, second generation Southeast Asians

are better off than the immigrant generation, Basu (2017) finds that the wage gap for recent Asian immigrants versus native Asian Americans widens for all cohorts after the second decade of stay, rather than closing as observed with other immigrant groups, demonstrating that the issue of Asian American inequality may be more complex than expected and must be addressed more qualitatively, especially as data aggregation obscures the nuances and complexities of the Asian American socioeconomic experience.

3. Data Exploration

3.1 Asian Americans and the Model Minority

Asian Americans, along with Jewish Americans, are frequently considered to be the ‘model minorities’ in the United States. From the high representation of Asian Americans in elite higher education spaces to the domination of young Asian Americans in prestigious careers such as medicine, law, and technology, Asian American achievement is one of the most enduring pieces of evidence used to disprove the existence of structural racial inequality in the United States. The oft-cited narrative of Asian American achievement begins with the Asian American household, ruled over by ‘tiger parents’ who highly value education as a tool of social mobility and strictly enforce discipline and other cultural values on their children. The result is well-educated, well-mannered Asian American children, who then go on to the nation’s most prestigious higher education institutions and graduate into high-income jobs. The typical Asian American is highly educated and works a respectable job, but most importantly he is conscious of his place in society and defers to authority. He is diligent, with a strong work ethic instilled by his parents from a young age but is hesitant to depart from his cultural norms. For these reasons, the narrative places the typical Asian American as poised to succeed and advance his family socioeconomically, no matter how humble his origins. However, data disaggregation shows that this is not necessarily the

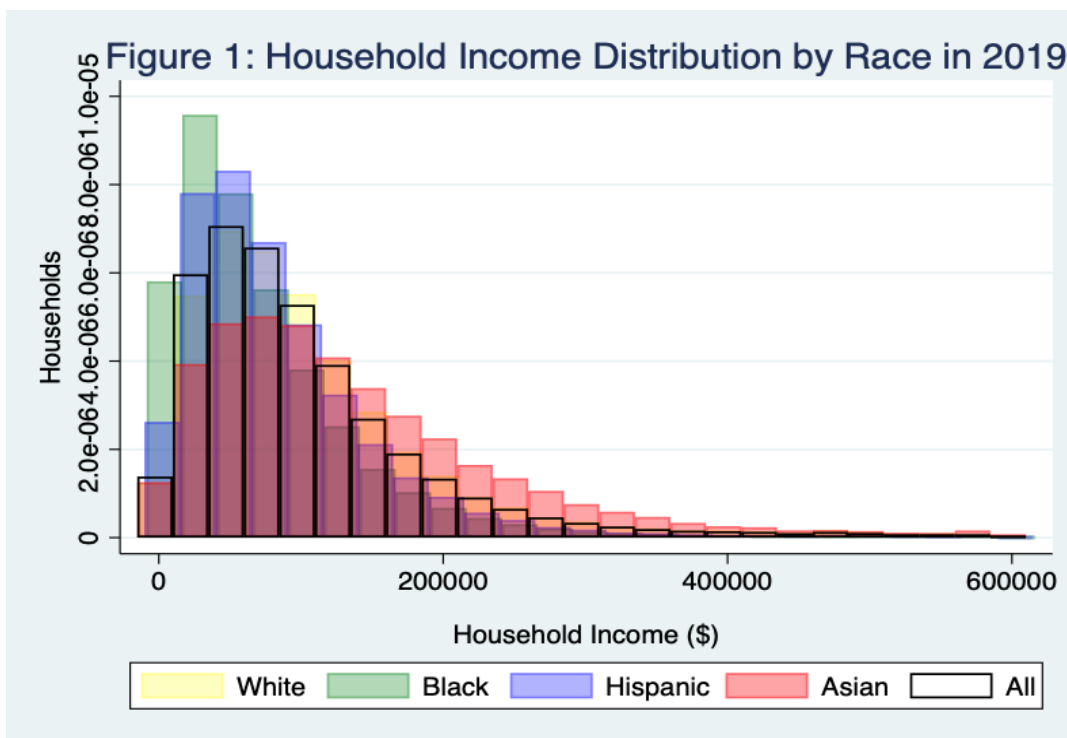
Table 1. Data Summary

<i>Origin</i>	<i>Population</i>	<i>Mean Household Income (\$)</i>	<i>Mean Income (\$)</i>	<i>Immigrants (%)</i>	<i>College (%)</i>	<i>Unemployed (%)</i>
All Asian	2,706,428	96,897	35,139	77%	41%	3%
<i>East Asian Origin</i>	1,198,507	93,208	34,921	71%	50%	3%
Chinese	671,826	99,018	36,675	78%	53%	4%
Taiwanese	21,201	113,113	44,893	82%	77%	3%
Japanese	243,605	83,795	33,482	36%	38%	2%
Korean	260,963	84,803	30,962	84%	51%	4%
Mongolian	912	74,946	26,544	89%	67%	7%
<i>Southeast Asian Origin</i>	942,824	86,301	28,260	79%	38%	5%
Filipino	522,962	95,425	30,846	76%	46%	4%
Vietnamese	269,865	79,453	26,396	84%	28%	5%
Cambodian	37,702	65,964	20,527	78%	16%	7%
Hmong	27,035	61,217	17,397	61%	18%	10%
Laotian	31,931	63,902	20,698	79%	13%	7%
Thai	32,144	83,783	27,354	84%	45%	4%
Burmese	6,824	71,154	24,803	95%	32%	5%
Indonesian	11,309	82,843	29,348	88%	51%	5%
Malaysian	3,052	84,046	32,438	91%	65%	5%
<i>South Asian Origin</i>	535,068	123,179	48,162	86%	71%	4%
Indian	460,302	127,642	50,496	86%	73%	4%
Bangladeshi	14,941	77,667	26,576	91%	54%	5%
Bhutanese	1,076	63,635	17,129	97%	15%	7%
Nepalese	6,638	84,626	29,295	96%	52%	6%
Pakistani	45,544	103,979	35,820	84%	59%	5%
Sri Lankan	6,567	105,596	43,440	91%	58%	4%
<i>Other Asian</i>	31,379	80,890	27,914	68%	47%	7%

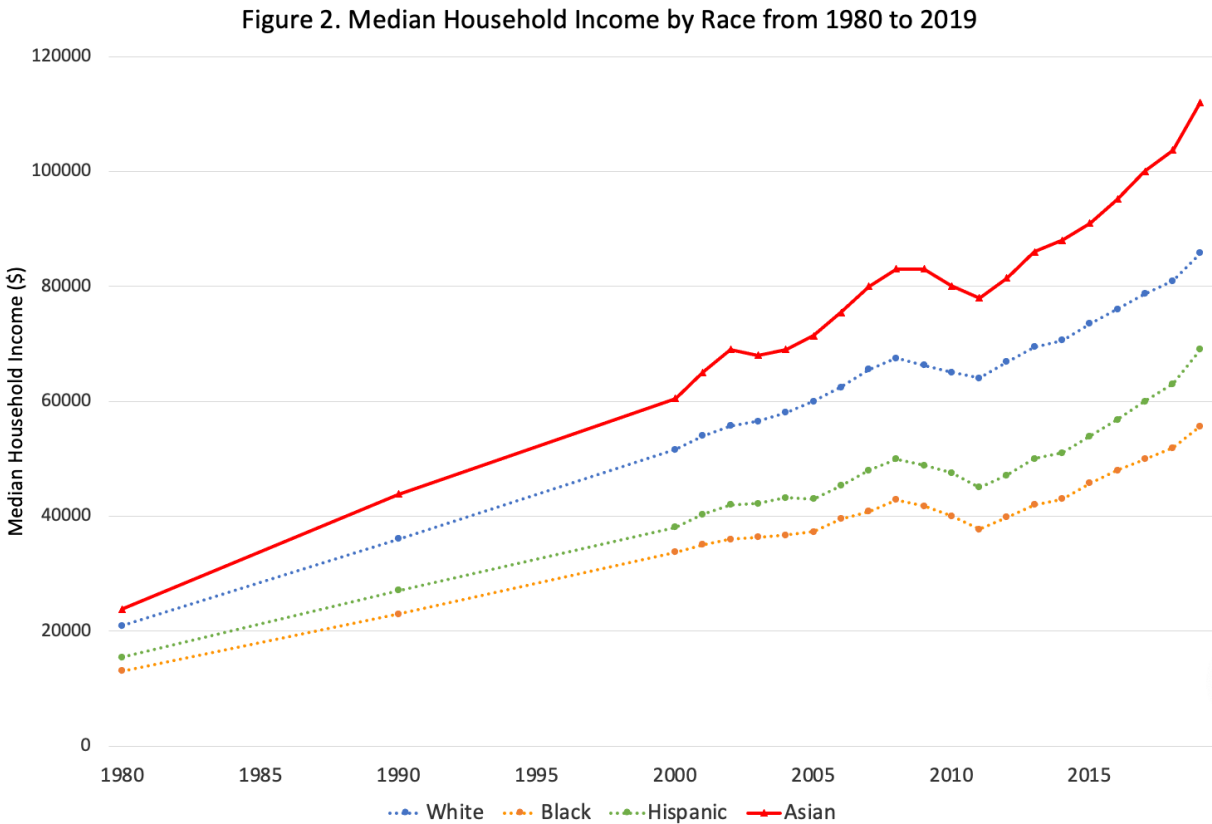
Notes: IPUMS data includes data from the Census and the American Community Survey from 1980 to 2019. Rate of college education is defined as a bachelors' degree or above. Immigration status is determined as described in text, and share of immigrants is calculated accordingly.

case, and that there is indeed no 'typical' Asian American. Table 1 presents key characteristics about Asian Americans, using data from the US Census and the American Community Survey from 1980 to 2019, which will be analyzed throughout this thesis.

3.2 The Reality behind Asian American Success



When considering aggregated data alone, there is truth behind the claim that Asian Americans are one of the most socioeconomically successful minority groups in the United States. Figure 1 shows that as of 2019, Asian Americans perform better than other racial groups in the United States when it comes to household income, with much more representation in the higher income range relative even to the national and white distribution. When considering Figure 2, which shows the consistent increase that has led Asian American household income to more than double over the past 40 years in combination with Figure 1, which shows the clear lead relative to other racial groups, surface-level data analysis cements the perception that Asian Americans are the minority group who have achieved the elusive American Dream through a variety of cultural factors such as education, strong work ethic, family values, and more.

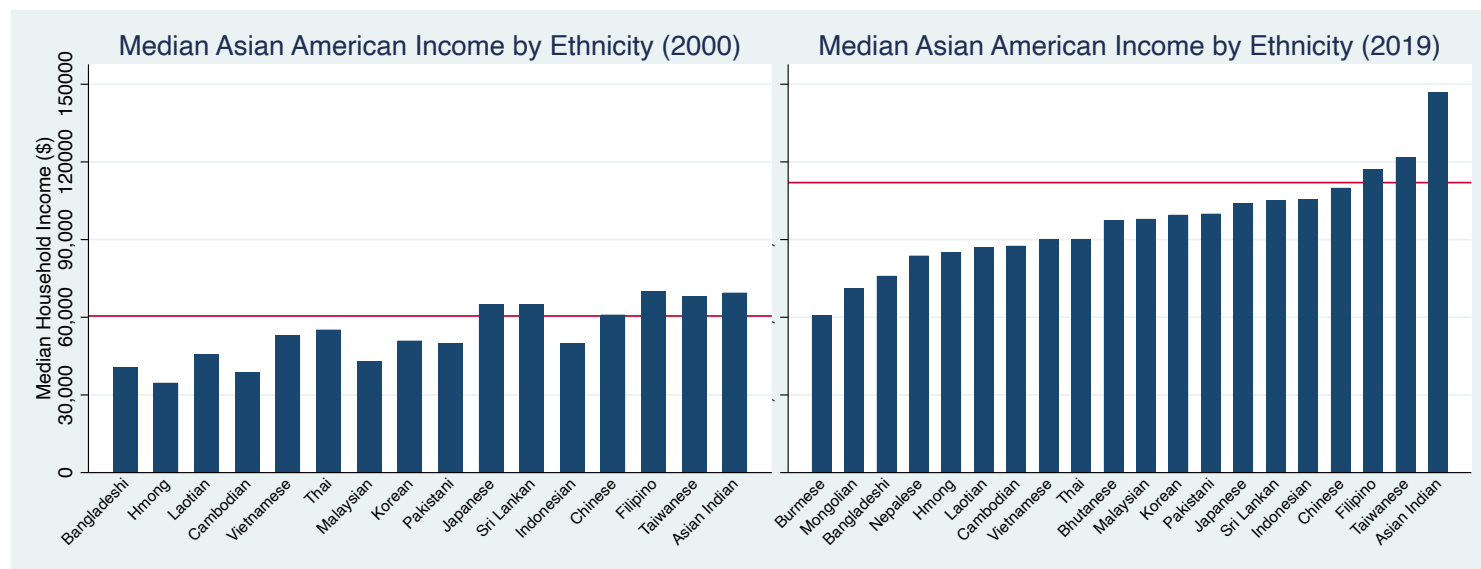


3.2.1 Income Inequality within the Asian American community

However, the term Asian American itself is an incredibly broad umbrella term which encompasses both great cultural and socioeconomic diversity. The continent of Asia itself can be divided into three broad regions: East Asia, South Asia, and Southeast Asia, each with distinct culture and physical appearances. East Asia includes countries such as China, Japan, South Korea, and Mongolia, while South Asia includes India, Nepal, Bangladesh, and Pakistan, to name a few. Southeast Asia includes both continental countries on the southeast tip of the Asian continent and island archipelago countries, such as Vietnam, Thailand, and the Philippines. Similar to how it could be misleading to try to identify a singular ‘Asian culture’, the aggregation of Asian American socioeconomic data into one singular metric can hide the nuances and complexities faced by each

individual ethnicity – and on a smaller level, country group – even as it serves as a measure of overall group success.

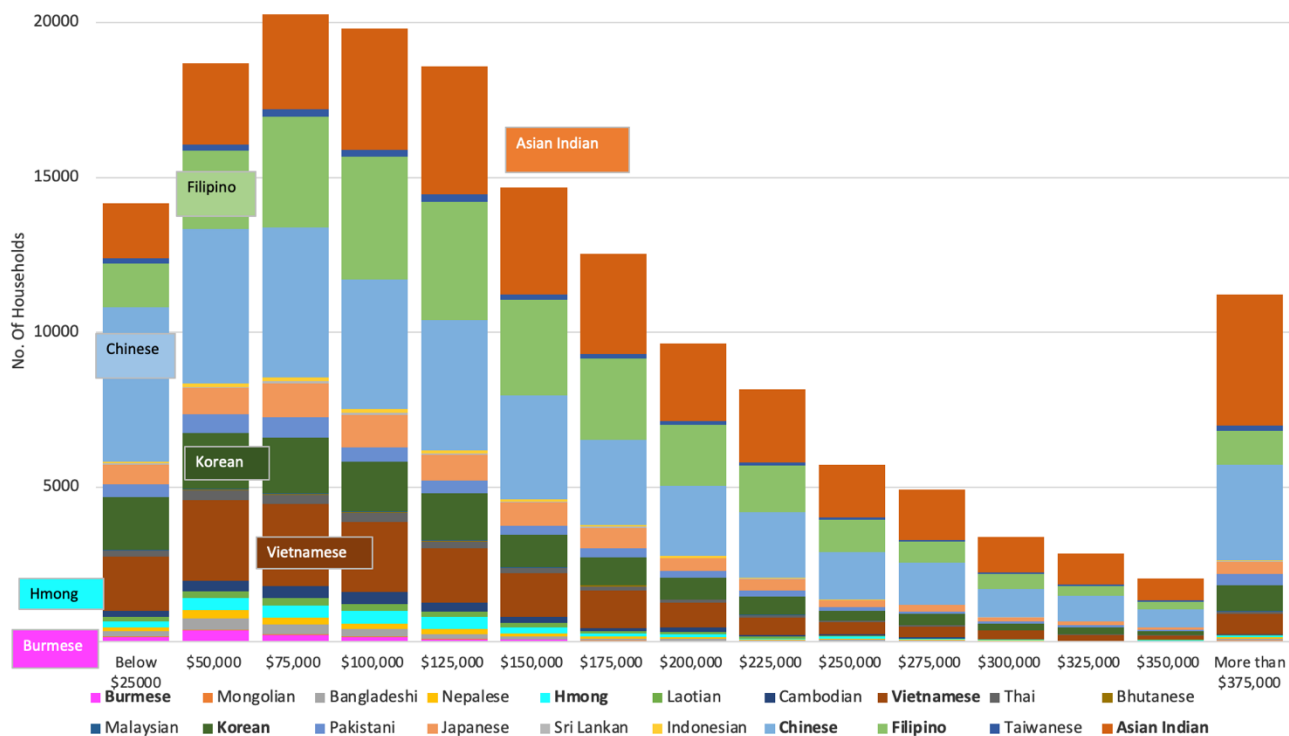
Figure 3: Median Asian American Household Income by Country of origin in 2000 and 2019



Notes: Country groups are placed in ascending order of median household income in 2019. There are new country-of-origin categorizations added in the 2019 American Community Survey. The red line indicates the overall Asian American median income for each respective year.

Disaggregating median household income by country groups begins to illuminate how the unequal distribution of median household income may stem from systematic issues associated with belonging to particular country groups, as demonstrated by Figure 3. While median income has undoubtedly increased for every country group over time, the increase was much more pronounced for some groups, especially Indian Americans. Most importantly, the shape of the distribution is mostly consistent across 2000 and 2019 – despite the ordering being done by median income in 2019 – demonstrating that the socioeconomic gap between the most and least successful country groups will continue to widen without intervention, which is unlikely to happen with the continued aggregation of socioeconomic data. The fact that the median income of all but a few country groups lie below the overall group median also demonstrates that the perceived success of Asian Americans is driven by a few highly successful country groups rather than distributed equally as

Figure 4: Asian American Household Income Distribution by Country Group in 2019

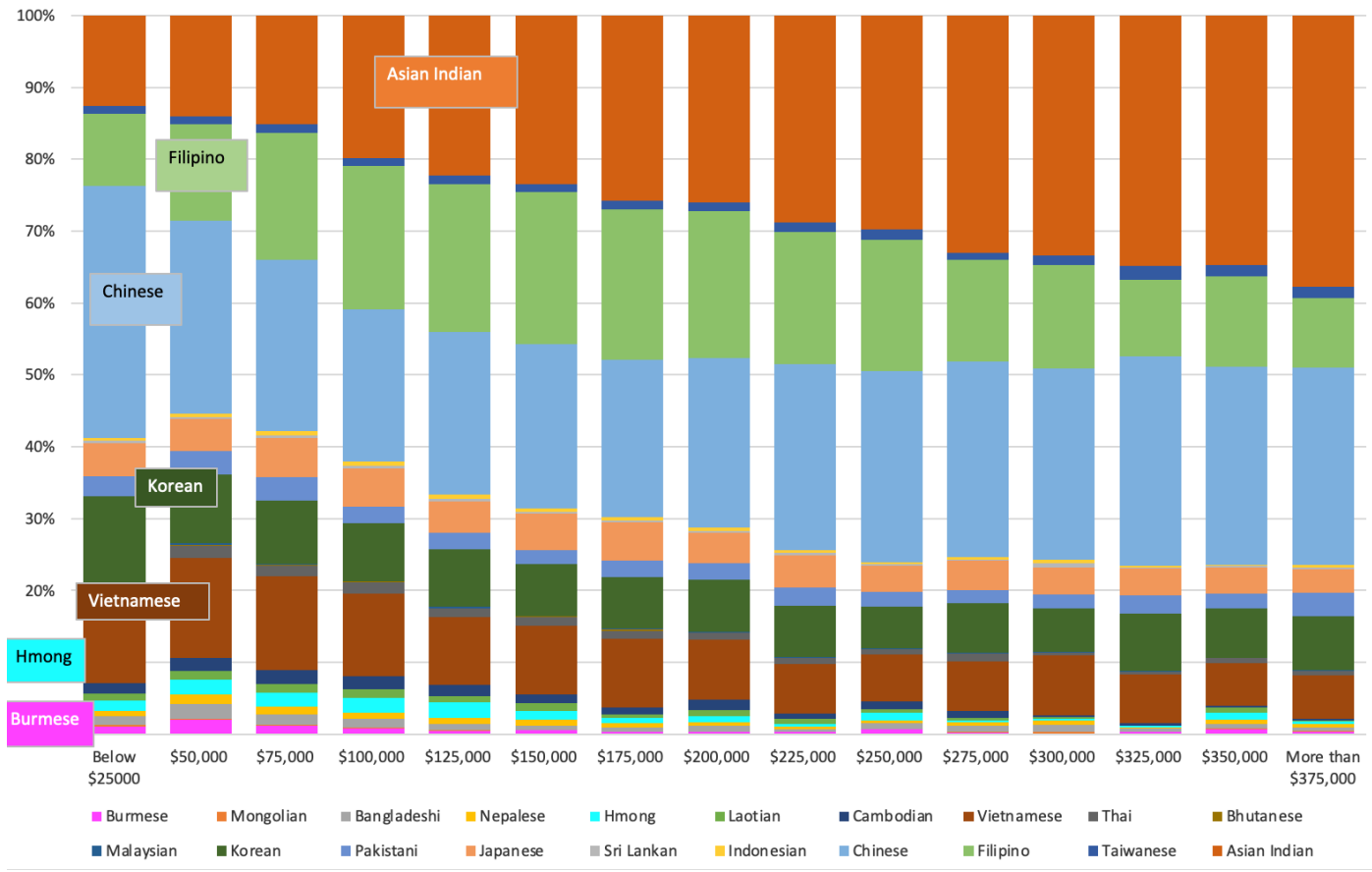


Notes: Figure generated by manipulating income data from the 2019 American Community Survey and binning each household into 16 different income brackets as shown on the x-axis of the graph, before segmenting them by country of origin. Each bar is ordered by median income, with the lowest median income country on the bottom. Each bar shows the count of households in a particular income bracket color-coded by country-of-origin, and each colored segment represents the count of households of a country group.

opposed to the conventional view of racial inequality in economics that assumes racial groups succeed or fail as a single unit.

Figure 4 allows us to see differences in how country-of-origin can drive income inequality within the Asian American community by displaying the household income distribution of Asian Americans in 2019 broken down by country of origin and arranged by group median income, with the lowest median income being on the bottom. While the overall distribution is skewed to the higher end of income with a significant number of households earning more than \$375,000 – which reflects the high median household income for Asian Americans overall – some groups are more represented in higher income brackets than others. For instance, the proportion of Asian Indian

Figure 5: Proportion of Asian American Household Income Distribution by Group in 2019



Americans (color coded as red) in the upper income brackets far exceed the proportion in the lower income brackets even when population is considered.

In Figure 5, the same household income distribution is reconstructed by proportion instead of count in order to demonstrate more clearly the existence of country-group driven inequality. Each colored segment now represents the proportion of each country group represented in that particular income bracket. While some country groups such as Korean Americans exhibit a consistent distribution amongst the income brackets, it is clear that some groups are disproportionately skewed towards either end of the income range. Consider again the distribution of Indian Americans (represented in red) which is disproportionately skewed towards the higher income range, while Burmese American households (represented in magenta) are overwhelmingly

represented in the \$30,000 to \$35,000 income range and Hmong American households (represented in cyan) are primarily in the \$35,000 to \$40,000 range. This dramatic difference suggests that the income distribution of Asian American households may be dependent on country of origin rather than reflective of a typical bell-curve distribution which sees the highest representation in the middle-income range rather than the low or high ends.

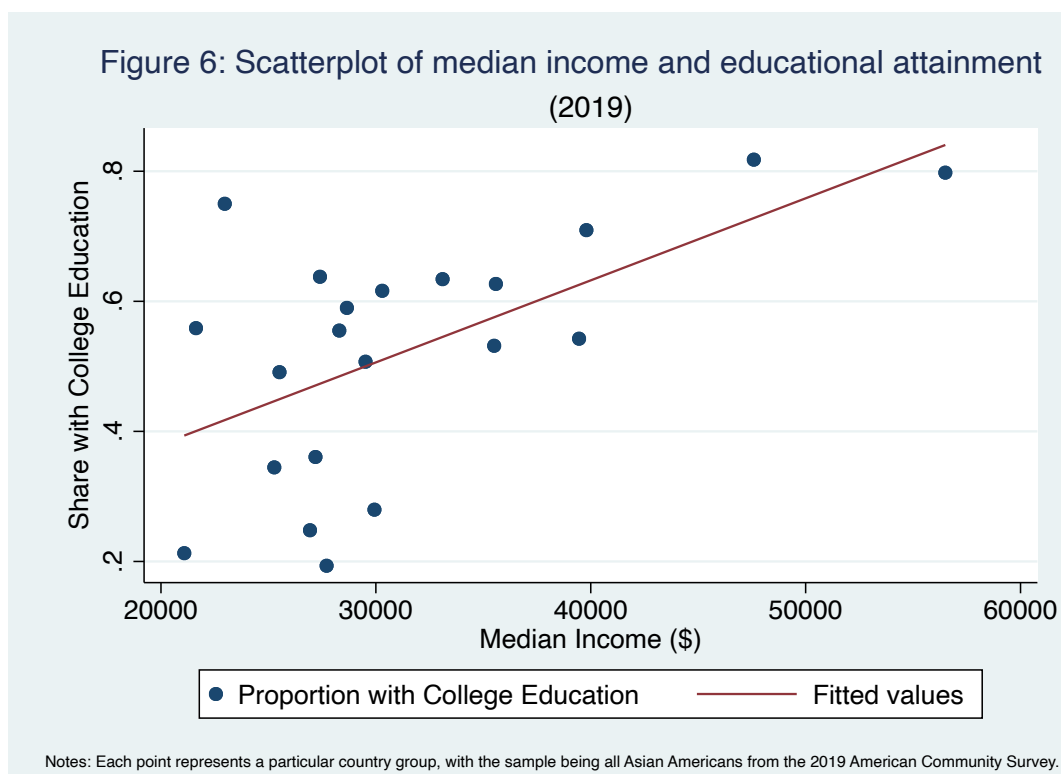
The hidden income inequality seemingly driven by belonging to different country groups begins to break down the picture-perfect image of Asian Americans as the model minority: being Asian is not necessarily the guarantor of success, but rather being the *right* type of Asian. Given this, it should not be surprising that the model minority myth can be proven false and thus deconstructed in all of its aspects. If the supposed ‘facts’ of the model minority myth are proven false, it becomes evident that the narrative of Asian American success commonly pushed by the current racial hierarchy based on these facts is also a myth.

3.3 Deconstructing the Model Minority

3.3.1 Education

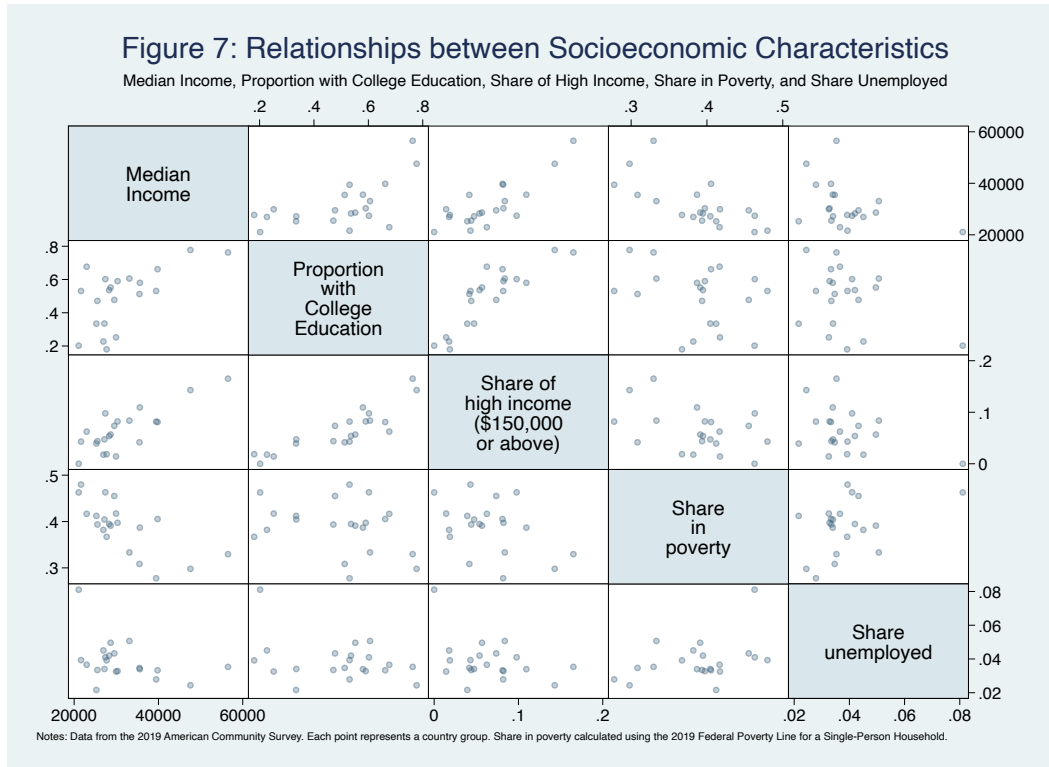
One of the most convenient explanations for Asian American success – and the key component of the model minority stereotype – is the supposedly higher value that Asian culture places on education, which enables social mobility and economic success. The model minority myth states that this cultural emphasis on education naturally leads to a higher proportion of Asian Americans with higher education, which holds true when comparing with the national proportion of college-educated Americans and other major racial groups (Pew Research Center, 2012).

Figure 6 shows the mirroring of trends across income and educational attainment, suggesting that the unusually high number of Asian Americans with higher education could instead be linked to non-cultural factors such as family socioeconomic background, an argument that is



further supported by the fact that Asian Americans are an incredibly culturally diverse group and thus have no single unified representative ‘culture’ beyond a few common elements that all collectivist cultures share. The bidirectional relationship between income, wealth, and education has long been a topic of research in economics. On one hand, higher education can lead to higher income, and thus higher wealth as income accumulates. On the other hand, it could also be argued that accumulated family wealth can lead to higher parental incomes, which can lead to better educational outcomes for children. Figure 6 does not attempt to resolve this relationship, but rather shows the correlation between higher family income and higher education in order to demonstrate that cultural factors may not necessarily be responsible for the high educational attainment of Asian Americans as posited by the model minority myth.

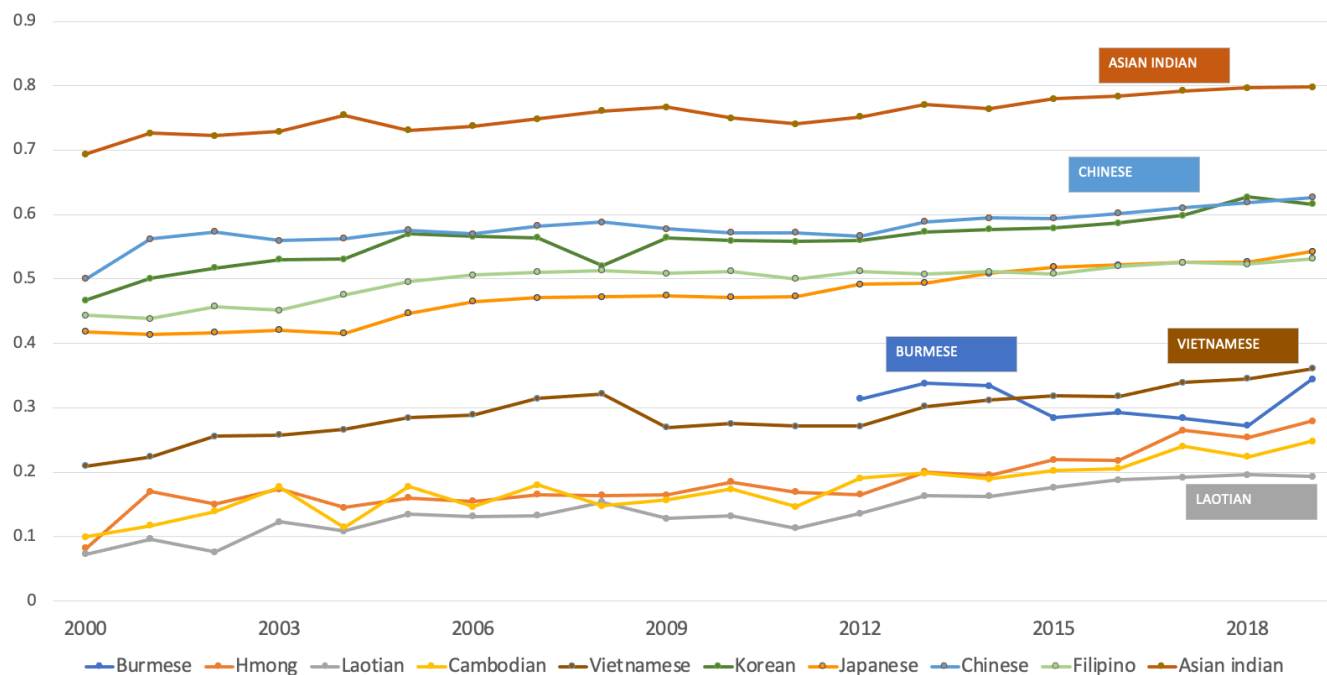
Figure 7 shows relationships between five different variables that are metrics of measuring socioeconomic success. The first column shows relationships between median income on the x-axis with other variables on the y-axis. The second column similarly shows relationships between



proportion with college education on the x-axis and other variables on the y-axis, and so on across the different columns. The strong positive correlation between share of high income and proportion with college education, simultaneously with the relative lack of negative correlation between share in poverty and the proportion with college education, shows that the story of Asian American success is not as linear as advertised, as the supposed cultural emphasis on education does not lead to high levels of education for all, and high levels of education in itself is not a guarantor of escaping poverty. Interestingly, there is no noticeable correlation between share unemployed with all variables, which may suggest that unemployment is dependent on other factors.

The notion that higher family income may be responsible for superior educational outcomes is further supported by comparing educational attainment data for all country groups between 2000 and 2019 in Figure 8, where high-income country groups such as Indian and Chinese Americans perform consistently well over time and low-income country groups such as Burmese,

Figure 8: Proportion of College Educated Asian Americans over 25 by country of origin from 2000 to 2019

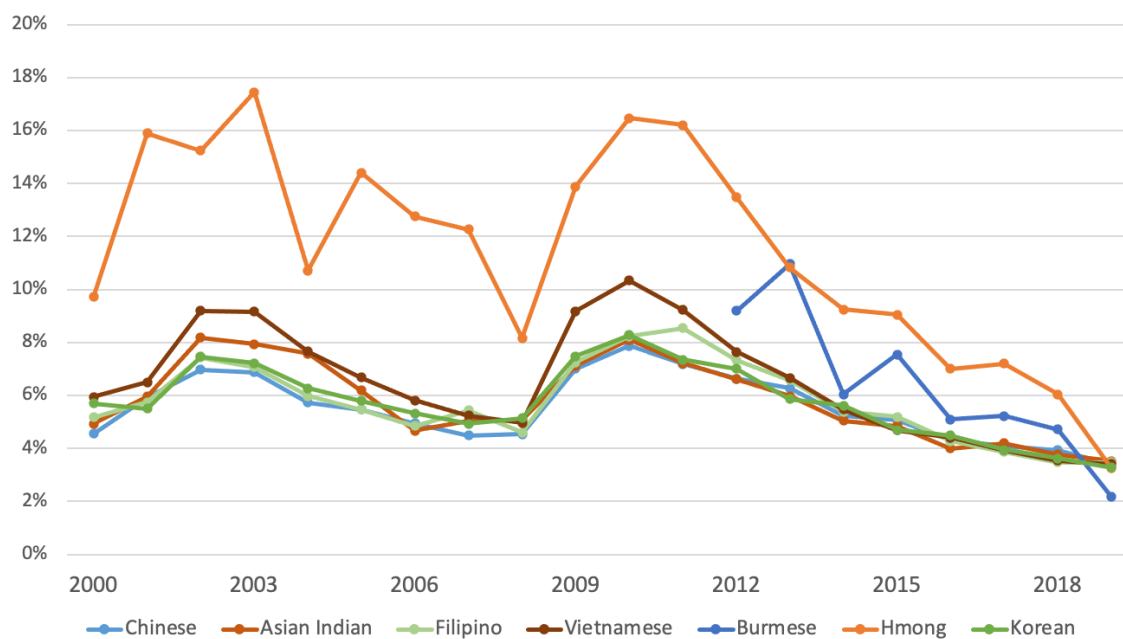


Vietnamese, and Laotian demonstrate improvement but remain low-performing relative to other country groups.

3.3.2 Unemployment

The notion that Asian Americans' supposed stronger work ethic paves the way for their socioeconomic success in the United States presumes that a strong work ethic automatically translates into well-compensated employment. Examining unemployment data over time for select country groups in Figure 9 tells a similar story to education and income, where groups with low unemployment rates show consistent performance on unemployment rate, and groups with high unemployment rates show greater fluctuations in response to macroeconomic conditions. The relatively stable trend over time reinforces the argument that intragroup Asian American inequality is structural in some way. Note that country groups which underperform in household income and

Figure 9: Unemployment Rate for select Country Groups from 2000 to 2019



educational attainment also underperform when it comes to unemployment, suggesting that these three factors are linked and that Asian American success may not be due to any superior cultural traits after all, but rather factors that affect every other American like parental income.

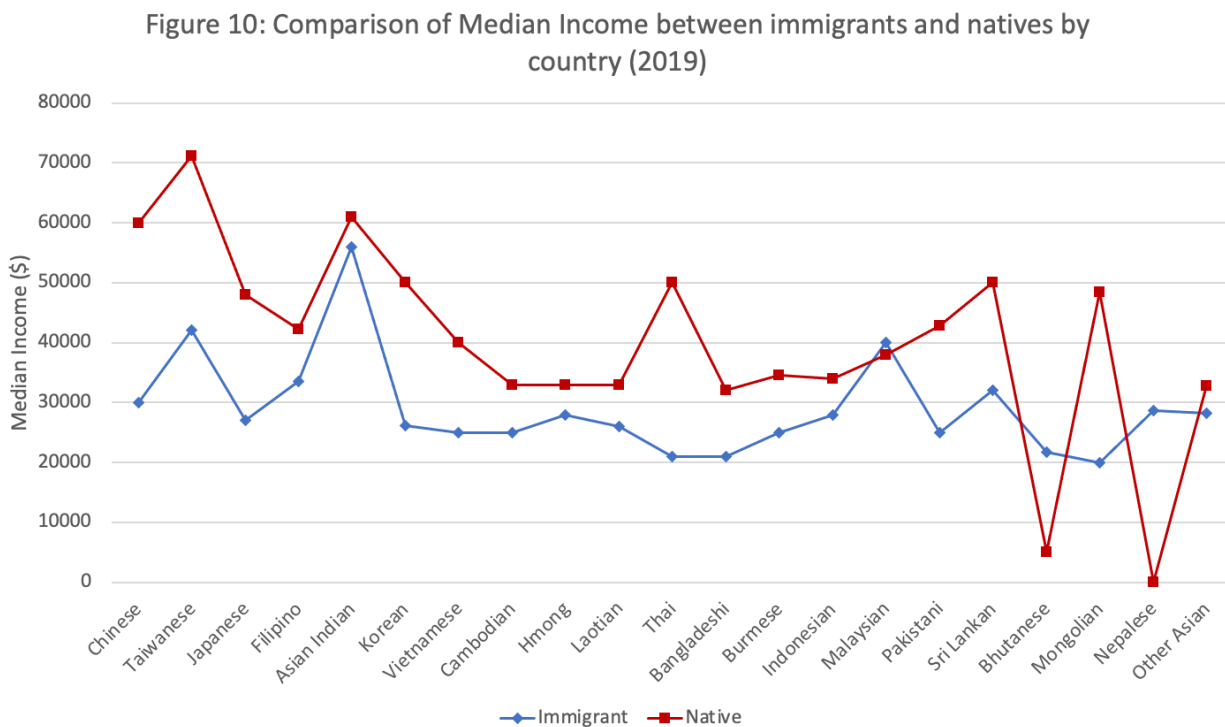
3.4 The Role of Immigration in driving Asian American Inequality

In discussing both the historical and present socioeconomic circumstances of Asian Americans, one cannot avoid acknowledging the crucial role that immigration and immigration policy plays. Asian Americans have been the targets of immigration-based sanctions in a way that no other minority in the United States have ever been subjected to, with policies specifically targeting Asian immigration and preventing immigrants who managed to enter the United States from forming communities and settling down by barring the immigration of women and forbidding people of Asian descent from owning land (Odo, 2002). As a result, Asian American economic growth was only allowed following the repeal of these policies, making immigration and

immigration policy a crucial part of discussions around the socioeconomic circumstances of Asian Americans today.

As immigration policy up until the 1960s had the specific aim of curbing both Asian immigration and Asian American economic growth, it is especially unlikely for any immigration to boost the socioeconomic status of native Asian Americans. During the rush of Asian immigration in the 1970s, the majority of Southeast Asian immigrants entered the United States through the Indochina Migration and Refugee Assistance Act of 1975 and Refugee Act of 1980. These Southeast Asian refugees were rehomed by the government in places with low Asian American populations, making it impossible to form a strong community and find economic support from established late-generation Asian Americans (Choy, 2018). As economic models of immigration show that immigrants assimilate in communities (Hatton & Leigh, 2011), this suggests that the first generation of Southeast Asian refugees are unlikely to find as much success as their counterparts with established community enclaves in the United States and thus not be able to contribute to improve the socioeconomic status of their country group.

Figure 10 compares the median income of Asian Americans between immigrants and natives, wherein an immigrant is defined as a first-generation immigrant who has a foreign birthplace and a record of year immigrated in microdata from the US Census and the American Community Survey. Data shows that native Asian Americans outperform immigrants for most country groups. This is consistent with previous immigration economics literature which shows that the earnings gap between immigrants and natives are unlikely to close over time, suggesting that the overall socioeconomic success of particular country groups is dependent on the socioeconomic attainment of native rather than immigrant Asian Americans.



It is clear from the analysis of disaggregated data that Asian American inequality is present and will continue to perpetuate. Strong trends of high achievement in certain country groups and low achievement in others suggest that there may be systematic factors at play in creating this inequality, similar to intergroup racial inequality. Given this, established frameworks for analyzing and discussing racial economic inequality between black and white Americans may be helpful when applied in the Asian American context. One such framework is stratification economics.

4. Theory

4.1 Stratification Economics

Stratification economics, first introduced in William Darity Jr.'s 2005 paper, is a field of economics dedicated to examining economic inequality more comprehensively by moving beyond labor market outcomes and integrating insights from different social science disciplines such as

sociology and psychology. Under stratification economics, individual and social forces such as the relative position of one's social group, one's position in the group, the strength of identification with one's social identity, and institutional discrimination can strongly affect economic outcomes. Four main principles encapsulate Darity's original conceptualization of stratification economics.

1. Privilege is rational
2. Discrimination will persist
3. Intergenerational wealth transfers perpetuate socioeconomic stratification
4. Group action and group identity play a large role in influencing economic outcomes

As there are inherent benefits to being in a privileged position, the dominant group is motivated to maintain their status regardless of their 'taste' for discrimination, which manifests into discriminatory practices in the labor market and other institutions. Intergenerational transfer of material sources contributes significantly to socioeconomic stratification, especially when the effect of parental wealth on economic outcomes is taken into consideration. Past economic literature has well established this link: 10 – 20% of the racial wealth gap can be explained by family transfers in 1997, and 27% of the racial wealth gap among middle-income households in 2002 can be explained by family background (Chiteji and Hamilton, 2002). In response, Williams (2017) proposed the use of the Wealth Privilege Model instead of the conventional Life Cycle Model in the study of the racial wealth gap, wherein household wealth serves as a source of economic stratification. In the Wealth Privilege model, the three pathways of wealth accumulation all function as a self-reinforcing feedback loop that complement and reinforce each other to further build up wealth. Through *household saving*, past income can fund income-generating assets which then accumulate and appreciate in order to give households greater access to diverse portfolios and higher-return assets which comprise the *asset appreciation* pathway. Through *family support*,

affluent parents can boost their children's prospects and provide financial support. These three cycles are inaccessible to wealth-poor households, who must liquidate assets and draw upon credit to meet consumption needs, are more likely to have wealth in the form of depreciating assets like cars or household appliances, and must provide financial support to family members. The current dominant racial group maintains and cultivates both institutional and wealth privilege, thus ensuring that structural disadvantage is more likely to persist across generations rather than disappear due to the forces of the market.

Stratification economics also considers a broader range of factors beyond labor market outcomes, such as socioeconomic and political barriers to achievement rooted in the desire of the dominant group to maintain privilege (Darity, 2017), and insights from psychology such as group identity and group action. In a racially heterogeneous society, individuals experience an increased salience of racial identity (Turner et al, 1994) which allows group behavior to manifest in individuals. Members of the dominant social group will then act to uphold the current social order in all contexts including the labor market, which directly contradicts the claim that inequality in the labor market can and will be competed away over time. Darity's original framework is consistent with the reality of widening racial wealth gaps and is thus extremely valuable in the study of economic racial inequality.

Numerous papers following Darity have shown that the stratification economics framework is a better explanation of racial inequality than the existing conventional economic wisdom which relies on concepts such as statistical and taste-based discrimination, with the black-white wealth gap being the primary subject of application.

4.2 Asian American Immigration: Economics and History

The first Asian Americans recorded in the history of the United States were Chinese immigrants in the 19th century; from then onwards immigration has played a major role in bolstering the presence of Asian Americans in the United States and creating the current socioeconomic circumstances of Asian America. Contrary to what the continued perpetuation of the model minority myth may suggest, Asian Americans – as with other minority groups in the United States – have also faced a long history of discrimination that has evolved into different forms over time but have its roots in immigration policy (Odo, 2002). Racial discrimination coded into immigration policies have been the biggest hindrance against Asian American social mobility, starting with the passing of the Chinese Exclusion Act in 1882 which barred Chinese immigration and forbade legal residents of Chinese origin from becoming American citizens. In 1920, the Alien Land Law prevented anyone of Asian ancestry from owning land in the United States. This was a major socioeconomic blow to the Asian American community at the time, and circumstances worsened with the Immigration Act of 1924, which forbade anyone who could not become a US citizen to immigrate to the United States – a policy specifically meant to curb Japanese immigration. In 1934, the Tydings-McDuffie Act converted the Philippines into a US commonwealth while simultaneously barring Filipinos from gaining American citizenship. The years leading up to US involvement in World War II also saw the internment of Japanese Americans, due to their perceived association with the enemy country of Japan. The increase of anti-Japanese sentiment during World War II improved the public opinion of other Asian countries somewhat, and the decade following the war saw the repeal of the Chinese Exclusion Act as well as laws that barred Filipinos, Indians, Koreans, and eventually Japanese from citizenship. Asian immigration began to increase with the Immigration Act of 1965, which eliminated the quota

system that favored white immigrants, allowing the influx of refugees from the Vietnam War in the 1970s (Zia, 2001).

This brief history of Asian immigration shows the ways in which immigration has been used as a tool to discriminate against Asian Americans, in terms of both government policy and societal attitudes. Early immigration policies withholding citizenship and the ability to own land set back the economic development of Asian Americans by decades, considering its instatement in the late 19th century and repeal in the 1950s. Thus, contrary to what might seem like the likeliest outcome, the length of time an immigrant group has spent in the United States might not be directly correlated with their socioeconomic success, although it plays a large role in the socioeconomic success of following generations. According to Hatton and Leigh (2011), immigrants tend to assimilate in communities and not as individuals, so despite past immigration-based socioeconomic discrimination immigrants with a more established community in the United States may tend to perform better than newer immigrant groups.

Consider also the internment of Japanese Americans during World War II, many of whom were born in the United States and had never even set foot in Japan. Even prior to the Pearl Harbor incident, Japanese Americans were subjected to surveillance and suspicions, with community leaders arrested based on their positions in the community and bank accounts of first-generation Japanese immigrants frozen for ‘suspicious activity’. This suspicion was on the account that Japanese Americans are still truly Japanese at heart, and thus their loyalties must lie with the Emperor of Japan. In addition to being racially motivated, Japanese internment was also politically and economically motivated. A direct quote from the February 6, 1942 meeting on the issue states “This is our time to get things done that we have been trying to get done for a quarter of a century”, referring to the seizing of Japanese American land (Niiya, 2018). The example of Japanese

American internment demonstrates the dual purpose of using the act of immigration itself against Asian Americans, as it authorized the mass removal of rightful American citizens based solely on the fact that they are descendants of immigrants – proving that Asian Americans are not truly considered American citizens – as well as casting Asian Americans as ‘forever foreigners’ who will always be innately connected to their motherlands and thus never be able to truly assimilate into American society. This attitude is further reinforced by the prominence of immigration in the Asian American narrative, where it has now become inseparable from Asian American identity. Thus, the discrimination faced by Asian Americans can be both systematic and rooted in social attitudes, making Asian American inequality a prime candidate for application of Darity’s stratification economics framework.

4.3 Stratification Economics and Asian Americans

Adapting the stratification economics framework to Asian American inequality emphasizes the systematic nature of the issue and can clearly break down the perceived success to show the hidden inequality present in the community, although at first glance the socioeconomic struggles of Black Americans and Asian Americans are wholly unlike. Through the lens of stratification economics, we can find a common thread of similarity between black and Asian socioeconomic circumstances: that they are reinforced through systematic means of exclusion from whiteness and that the myths surrounding them are perpetuated in order to support the existing racial hierarchy. Following Darity’s approach, we can examine in turn the rationality of privilege, the persistence of labor market discrimination, the central role of intergenerational transfers, and the effect of group action as it applies to Asian Americans.

4.3.1 How the 'Privilege' of the Model Minority myth is rational

Any discussion of Asian Americans necessarily warrants a discussion of the stereotype most closely associated with this particular racial group: the *model minority*, which casts the typical Asian American as a hardworking individual who is highly educated and defers well to authority, hesitant to rock the boat but a particularly diligent worker with a strong, cohesive family unit and supportive community to support their endeavors. While the model minority myth can easily be disproved with the disaggregation of Asian American data into specific country-of-origin groups, the question of why the myth persists is central to our understanding of the rationality of privilege. While undoubtedly harmful in its own way, it is undeniable that the association with the concept of the model minority shields Asian Americans from much of the racial violence facing other communities of color in the United States by portraying Asian Americans as 'white-adjacent'. But ultimately, the model minority myth serves the existing racial hierarchy by absolving the dominant white majority of racial guilt and complicity in maintaining racial inequality. The existence of the *model minority*, if true, necessitates the existence of *problem* minorities, and it is no coincidence that many of the positive elements associated with the myth are reflections of the criticism often levied at the Black community in the United States: that the lack of education drives the lack of social mobility, that the relatively larger population of single mothers and thus lack of family stability is to blame for poor socioeconomic performance, and that poor work ethic results in poor socioeconomic outcomes. In *An American Dilemma* (1944), Gunnar Myrdal elevated the general white American culture as the standard in order to judge Black American culture as distorted from that standard. The Asian American insistence on conforming to the standard, born from collectivist origins, aligns perfectly with the assimilationist mindset where racial groups can, with effort and intention, reach superior cultural (white) standards. In the eyes of the current racial hierarchy, this insistence to conform makes Asian American culture superior to other minority

cultures, leading to the conclusion that the factors behind Asian American success must be cultural. Thus, Asian Americans are used as a foil for Black Americans in order to make ‘assimilation’ into white society a personal responsibility. In short, the model minority myth provides a more politically correct method of absolving the more privileged racial groups of responsibility for the racial wealth gap.

The model minority myth also serves as an example to other minority groups in the United States that compliance to the existing racial hierarchy will be rewarded. In addition to proving that social mobility is possible if one ‘plays by the rules’, the model minority myth also serves as a *racial wedge* between Asian Americans and other minority groups. By elevating Asian Americans as white-adjacent and rewarding their political silence, the perpetuation of the model minority myth simultaneously silences one minority group and pits it against other minority groups in order to foster racial resentment and prevent unity – as evidenced in devastating racial incidents such as the Los Angeles Koreatown Riots in 1992 where racial tensions between black and Asian Americans culminated in a weeklong riot which injured more than 1,000 people, killed over 50, and caused approximately \$1 billion in damages (with about half borne by Korean-owned businesses) following the acquittal of white LAPD officers who were videotaped beating Rodney King to death (Zia, 2001). Thus, the model minority myth performs the dual function of dispelling white accountability and suppressing minority groups by preventing unity and promoting Asian American complacency. Due to its critical role in maintaining the racial hierarchy, it is undeniable that the continued perpetuation of the model minority myth is a rational act meant to preserve white privilege rather than an act meant to benefit Asian Americans.

4.3.2 The Effect of Group Identity on Asian American Socioeconomic Outcomes

Neoclassical economics relies on three key assumptions: that people have rational preferences between outcomes that can be identified, that individuals act in self-interest and seek to maximize their own utility, and that individuals act independently on the basis of full and relevant information.¹ However, these assumptions do not reflect the reality of human behavior, which can be influenced by a number of other factors including social dynamics. Stratification economics addresses the tendency for group behavior to affect individual behavior by directly incorporating the concept of group action and group identity from social psychology, which is more reflective of the social reality in which individuals make decisions. Insights from social psychology can be particularly salient in the economics of racial inequality as each choice made by an individual – a choice which is determined through their assumed identity and self-perception – has the potential to affect socioeconomic outcomes. Indeed, we may find that what economists consider a ‘choice’ which leads to a certain socioeconomic outcome may not be a choice at all when considered in a human psychology framework.

When it comes to Asian Americans, group identity comes with a complicated history. Any individual who originally comes from the Asian continent may consider themselves to be Asian, but the general public perception may not agree with their decision to identify themselves as Asian due to the limited view of what constitutes ‘Asian-ness’ which has been formed by history and larger socio-political forces. The United States’ first introduction to Asian immigration were Chinese immigrants, made infamous by their work on the transcontinental railroad between 1863 and 1869. Policies such as the Chinese Exclusion Act laid the groundwork for the Immigration Act of 1924 which curtailed Asian immigration to the United States and led the American public

¹ “Neoclassical Economics, by E. Roy Weintraub: The Concise Encyclopedia of Economics | Library of Economics and Liberty.”

to associate the concept of Asian with Chinese (Gold, 2012). The next major brush with Asia came during World War II, with the introduction of Japan into the wider American conception of Asia, followed by the Korean War in the 1960s. As China, Japan, and South Korea are all East Asian countries whose inhabitants share similar physical features and cultural customs, the American perception of Asia is closely tied to East Asia – a perception that is further solidified by decades of biased media representation and propaganda which emphasize physical traits exclusive to people of East Asian origin such as ‘yellow’ skin and small, slanted eyes as well as caricatures rooted in East Asian cultural stereotypes such as the submissive *geisha* and the sexually aggressive dragon lady.

By the beginning of the Vietnam War, the American conception of ‘Asian’ had already been set. As Asia is an incredibly diverse continent, other ethnic groups such as South Asians and Southeast Asians differ greatly from East Asians in terms of physical appearance and culture. As the American public conflates the geographically accurate term ‘Asian’ – *someone originating from the continent of Asia* – with the physical appearance and cultural traits of someone from East Asia, other Asian ethnicities are erased and may not be able to comfortably claim the label ‘Asian American’. The 2016 National Asian American Survey found that 42% of white Americans believed that Indians are “not likely to be” Asian or Asian American, with 45% believing that Pakistanis are “not likely to be” Asian or Asian American. This problem exists even within the Asian American community, with 27% of Asian Americans believing that Pakistani people are “not likely to be” Asian or Asian American. This conflation extends beyond public perception alone and has even been coded into the law. Prior to 1980, the United States classified Indian Americans as a separate race from Asian Americans under the label ‘Hindu’.

The erasure of other Asian ethnicities in favor of East Asians, combined with the geographical ambiguity of what countries are included in the Asian continent, complicates the term ‘Asian American’ in the context of racial identity and racial dynamics. Someone may self-identify as Asian American and be classified as Asian on paper, but unless they fit the widely held perception of ‘Asian’ they are unable to claim the supposed benefits of being the model minority. At the same time, other pathways open for disadvantaged people of color are inaccessible to them on the account of them being considered Asian legally due to the larger social perception that Asian Americans are already successful, thus creating a self-reinforcing loop which condemns disadvantaged Asian Americans to remain in poverty. The aforementioned diversity of Asian cultures also results in strong cultural identities largely tied to country-of-origin, which drives intra-group divisions and creates a lack of cultural solidarity and unity that further obscures the plight of the most disadvantaged members of the community.

In addition to the complexities hidden under the term ‘Asian American’, group identity can play an insidious role in keeping disadvantaged groups hidden and out of sight. In his book *How to Be an Antiracist*, Ibram X. Kendi reflects on how the civil-rights generation evoked Martin Luther King Jr. and his struggle for equal rights to shame young Black Americans for their shortcomings and advocate for personal responsibility in bettering one’s circumstances, so that their successes can reflect positively on the Black community. Kendi called this phenomenon ‘*behavioral racism*’, which asks every average Black person to be extraordinary since as members of the community they are individually responsible for the perceived behavior of the community as a whole. The concept that racial groups themselves are responsible for the behavior of individuals is behaviorally racist, according to Kendi, and so is the belief that a racial group’s

seeming success or failure redounds to each of its individual members and an individual's success or failure redounds to the entire group.

Behavioral racism as defined by Kendi runs rampant in the Asian American community in two ways: one where each country group is analogous to a member of the community, and one where each individual is a member of the community as Kendi originally envisioned. Due to the collectivist nature of most Asian cultures, where the good of the whole outweighs the good of the individual, poor performance by one of its country group members would gladly be overlooked by other country groups in order to reinforce the positive image of the model minority granted by the dominant racial hierarchy. Synonymous with how the election of Barack Obama became associated with the achievement of the whole Black community and was hailed as the 'end of racism' in the United States regardless of the many systematic barriers still faced by the Black community today, the success of a few Asian country groups similarly signaled the 'truth' of the model minority stereotype regardless of the consistent underachievement of disadvantaged country groups. On a more individual level, the pervasiveness of the model minority myth has set a level of expectation that all Asian Americans are high achieving. Rather than ask every average Asian American to be extraordinary, high achievement is simply expected. Successful Asian Americans are just simply 'being Asian American'. Thus, Asian American success is attributed to the culture rather than to the individual, while Asian American failure is deemed a personal failure, judged and looked down upon by the members of the Asian American community themselves, and hidden in order to maintain the positive public image of Asian Americans. Thus, Asian Americans 'failures' are doomed to keep failing due to the complex social factors underlying their racial identity and how they are perceived in society.

4.3.3 The Role of Intergenerational Transfers in in-group inequality

Intergenerational wealth transfers are one of the biggest sources of socioeconomic stratification which serves to perpetuate and widen the racial wealth gap. This is particularly the case when it comes to intragroup Asian American inequality. Darity directly addresses the notion of Japanese American success in his 2006 paper using the lateral mobility hypothesis, which posits that the relative social standing of the majority of an ethnic group in their country of origin correlates with the highest social status attained by the first generation of adult immigrants in the receiving country, which then plays a critical role in the social status achieved by the following generations through intergenerational wealth transfers. With regards to Japanese Americans, Darity references the rigorous selection of people who were allowed to immigrate to the United States by the Japanese government, and the return immigration of people who were unable to find success in the United States back to Japan. When contrasted with the involuntary immigration of African Americans to the United States as slaves combined with the intense discrimination, both de jure and de facto, following the abolition of slavery, the lateral mobility hypothesis explains why Asian Americans as a group seem to be more successful than African Americans as a group.

While this particular example generalizes the Japanese American experience to the larger Asian American community, the lateral mobility hypothesis can be adapted to explain intra-group inequality between different Asian American country groups. Each country group arrived in the United States under dramatically different circumstances – which are largely dictated by foreign policy – and faced differing levels of discrimination depending on the social climate at the time of their arrival. On the most basic level, the clear disadvantage faced by Southeast Asian groups such as Vietnamese, Cambodian, and Burmese stemmed from their arrival into the United States as refugees of the Vietnam War – their lack of social capital and status in their country of origin served as a method of self-selection by forcing them to immigrate to the United States as refugees

rather than remain in their home countries following the war. This lack of social status continues to be reflected in the first generation of immigrants in the United States and is passed down to their descendants through intergenerational wealth transfers and human capital – or lack thereof.

On the other hand, some immigrant groups may come from respected backgrounds in their home country and might be highly educated. While this first generation of immigrants may not find much success in the United States, the social and cultural capital that they bring ensures that their children -- the second generation -- will find success in the United States. Thus lies the illogical combination of being a first-generation college student whose parents may not speak much English but were themselves highly educated and understand how to best support their children so that they can achieve success in American society. This could explain why some Asian American country groups show socioeconomic improvement after some time in the United States while some country groups -- like the aforementioned Southeast Asian countries -- do not.

In contrast, the high income of Indian Americans could be traced back to the group of highly educated Indian immigrants who entered the United States on the H1-B visa for skilled workers in 1999 as the cap for H1-B visas was sharply raised in order to meet the rising demand for skilled labor in the technology sector.² Their entry into high-income jobs upon arrival resulted in an accumulation of wealth that could be passed down to their descendants, further increasing their ‘wealth privilege’ and likelihood of success. From these two examples, it is clear that immigration policy can serve to reinforce class differences among different country groups through determining the level of human capital that a particular immigrant group has upon arrival to the United States, a difference that then becomes exacerbated over time through intergenerational transfers of wealth. The oft-repeated narrative of the American Dream, where

² Batalova, “H-1B Temporary Skilled Worker Program.”

immigrants from humble beginnings succeed by the dearth of their hard work and move into the middle class, is much less likely to occur given the facts of our reality where the likelihood of achieving success in the United States is determined before the act of immigration itself. Darity's narrative of lateral mobility, where human capital backgrounds determine the success one is likely to find upon entry to the United States and thus determine the social status and capital of one's descendants, is a much more likely alternative to the impossible American Dream.

4.3.4 How Discrimination works against Asian Americans in labor markets

Discrimination still persists even in labor markets where the model minority myth seems like it could be an asset. While on the surface level, Asian Americans are overrepresented in high-paying entry level jobs in fields such as law, medicine, and technology, this success is not evenly applied to all Asian Americans. The prevalence of the model minority stereotype, further reinforced by the high visibility of socioeconomically successful Asian Americans, has led to the close association between the Asian American racial group and the upper middle class. However, in a racially diverse United States with its complex racial politics, race and class are not necessarily synonymous terms and should never be conflated.

Historically, the highest-performing Asian American country groups in terms of income are of South Asian and East Asian backgrounds, while Southeast Asians lag behind significantly. This could suggest that the supposed overrepresentation of young Asian professionals in lucrative fields such as technology, medicine, law, and corporate in general comprises East Asians and South Asians, with no pathways for Southeast Asians to access the same level of success. While the model minority stereotype of Asian Americans as highly educated hard workers may act as a boost for Asian Americans seeking jobs in the labor market, the stereotype is only beneficial for as long as they are perceived as Asian, again circling back to the complexities of racial identity.

Due to the association of Asian Americans with socioeconomic success and social mobility, diversity programs available to other racial minorities are not accessible for Asian Americans, regardless of what their ethnicity or country-of-origin are. In combination with the behavioral racism of the Asian American community which claims successes as a reflection of community achievement while condemning failure as personal irresponsibility, the lack of support and available pathways to success condemns those at the very bottom of the hierarchy to remain there with no possibility of social mobility.

Even with one foot in the door due to the model minority status, career advancement continues to be a problem for Asian Americans who are consistently perceived as good workers and not necessarily good leaders due to the very same traits that make them the model minority. In other words, the model minority myth acts as both a privilege and a constraint, reinforcing the fact that this modicum of privilege is afforded to Asian Americans by the system on the condition that they do not usurp the positions that belong to the dominant white racial group. This leads to a phenomenon of the *bamboo ceiling* on the other end of the income spectrum, where Asian Americans are underrepresented in leadership positions of industries where they dominate at entry level (Hyun, 2005). The social mobility allowed by conforming to the model minority stereotype ends at the middle class and is inaccessible to those who are not perceived as Asian. Not being easily identifiable as Asian American -- similar to how the model minority myth can be both a privilege and constraint -- can also be an asset to some Asian Americans in corporate positions. One could argue that the higher income of Indian Americans could be the result of their ability to transcend the bamboo ceiling due to their ability to de-identify with the model minority stereotype. This further reinforces the rationality of the continued perpetuation of the model minority myth, which simultaneously rewards Asian Americans, limits them to the confines dictated by the current

racial hierarchy, and hides the existence of disadvantaged individuals in order to project the notion that Asian American success means that racial inequality has been eliminated.

5. Further Data Analysis

Theoretical predictions from the application of stratification economics to Asian American inequality can be tested using data from the Census and the American Community Survey. One of the key takeaways from the theoretical framework lies in the rationality of the privilege of the model minority, which assumes that all Asian Americans are socioeconomically successful.

5.1 The Model Minority Effect

Table 2 shows the effect of being perceived as the model minority by regressing the log of income on race, ethnicity, and country-of-origin characteristics, controlling for sex, age, and education. Based on previous trends in data showing Indian Americans as disproportionately successful relative to other Asian country groups, future regressions separate Indians from other South Asian countries in order to prevent inaccurate data aggregation. Note the positive coefficient on the Asian race variable in Models (1) and (3), which shows that Asians have comparable – if not slightly better – outcomes relative to white Americans, with a 5.6% premium on income before controlling for education and an almost negligible 0.02% premium after controlling for education. The positive coefficient on Asian compared to the negative coefficient on other minority races is consistent with the perception that as a model minority, Asian Americans are white-adjacent. However, the large decrease in coefficient after controlling for education in Model (3) suggests that most of the premium associated with the model minority effect can be explained through education – indeed, once education is controlled for, there is almost no net benefit to being Asian at all as opposed to what the model minority myth might lead us to believe.

However, when the Asian race variable is decomposed into separate ethnicities in Model (2), it becomes clear that not all Asian Americans experience the model minority effect similarly. While the overall effect of being Asian prior to controlling for education is a 5.6% premium on income, decomposition into ethnicity variables results in a wide range of values: from a 26.5% premium associated with being Indian American to a 2% penalty associated with being Southeast Asian American. Regressing on ethnicity instead of race begins to illuminate how intragroup inequality can be driven by ethnicity differences. This trend continues even after controlling for education in Model (4), where the overall Asian premium of 0.02% decomposes into a range between a 17.8% premium associated with being Indian American and a 6% penalty associated with being Southeast Asian American. The consistent trend between coefficients on ethnicities between Models (2) and (4) suggests that ethnic disparities in income are driven by factors other than education.

Table 2. The 'Model Minority' Effect.

	(1) <i>Race</i>	(2) <i>Ethnicity</i>	(3) <i>Race & Educ</i>	(4) <i>Ethnicity & Educ</i>
Education: High School			-0.708 ***	-0.709 ***
			0.000	0.000
Education: College			0.069 ***	0.068 ***
			0.000	0.000
Sex	-0.294 ***	-0.294 ***	-0.292 ***	-0.292 ***
	0.000	0.000	0.000	0.000
Age	-0.074 ***	-0.074 ***	-0.072 ***	-0.072 ***
	0.000	0.000	0.000	0.000
Race - Black	-0.17 ***	-0.17 ***	-0.161 ***	-0.161 ***
	0.000	0.000	0.000	0.000
Race - Hispanic	-0.091 ***	-0.09 ***	-0.070 ***	-0.070 ***
	0.000	0.000	0.000	0.000
Race - Asian	0.056 ***		0.002	
	0.000		0.000	
Race - Other	0.180 ***	0.180 ***	0.186 ***	0.187 ***
	0.000	0.000	0.000	0.000
Ethnicity - East Asian		0.029 ***		-0.026 ***
		0.000		0.000
Ethnicity - Southeast Asian		-0.02 ***		-0.059 ***
		0.000		0.000
Ethnicity - South Asian (Indian)		0.265 ***		0.178 ***
		0.000		0.000
Ethnicity - South Asian (not Indian)		0.133 ***		0.079 ***
		(0.01)		0.000
Ethnicity - Other Asian		0.082 ***		0.049 ***
		(0.01)		0.000
Constant	14.400 ***	14.399 ***	14.42 ***	14.419 ***
	0.00	0.00	0.000	0.000

Notes: Regression on sample of 95,417,630 Americans from the Census and American Community Survey over the years 1980 to 2019. Control variables include sex and age, with dummy variables for race and ethnicity. Significance is indicated by * for $p < 0.05$, ** for $p < 0.01$, and *** for $p < 0.001$. Full regression table is included as Appendix Table 1.

The coefficient on Southeast Asian remains negative before and after controlling for education in both Models (2) and (4), but interestingly the coefficient on East Asian decreases and becomes negative after controlling for education, from a 2.9% premium to a 2.6% penalty. As the American perception of 'Asian-ness' is most closely tied to East Asians, this could suggest that

Table 3. Comparison of the Average Asian Country Group with Select Country Groups (2019).

Characteristic	Average	Asian Indian	Chinese	Korean	Filipino	Burmese	Vietnamese
Median Income	\$31,521	\$56,501	\$35,585	\$30,297	\$35,506	\$25,274	\$27,191
Share with College	50%	76%	58%	59%	51%	33%	34%
Share High Income	6%	17%	11%	8%	4%	4%	5%
Share under FPL	39%	33%	39%	40%	31%	41%	40%
Share Unemployed	4%	4%	3%	3%	3%	2%	3%

Notes: Data source and analysis as indicated in text. Share High Income is calculated using \$150,000 as a reference point. Share under FPL uses the 2019 federal poverty line of \$12,490 for a single-person household as a reference.

being perceived as Asian alone has a positive effect on income as in Model (2), but the effect is mainly superficial and does not remain when educational level is taken into account. Further decomposing the ethnicity variables into country-of-origin variables in Appendix Table 1 results in an even wider range of coefficients spanning from a 17.8% premium to a 70.3% penalty even after controlling for education, which further emphasizes the fact that there is no singular Asian American socioeconomic experience despite the belief that all Asians fit into the model minority stereotype.

Table 3 presents socioeconomic characteristics of select Asian American country groups, along with a construction of what the average Asian American country group should look like based on data from the 2019 American Community Survey. From a preliminary glance alone, it is clear that the ‘average’ Asian American country group is hardly representative of the Asian American socioeconomic condition. Notice that the ‘average’ Asian American country group is closer to the more disadvantaged Burmese socioeconomic profile than the Asian Indian socioeconomic profile, and yet the narrative of Asian American success that is widely perpetrated is closer to the Asian Indian socioeconomic profile. Interestingly, it seems that Asian American success may be driven by Asian Indians, while the model minority myth and the American

conception of who is considered Asian is mainly associated with East Asians. This raises the question of how the model minority myth actually affects different ethnic groups, and whether being perceived as a model minority has a positive or negative effect on income and other human capital characteristics.

5.3 Ethnicity Effects

Figure 11: Returns to Human Capital Characteristics by Ethnicity and Gender

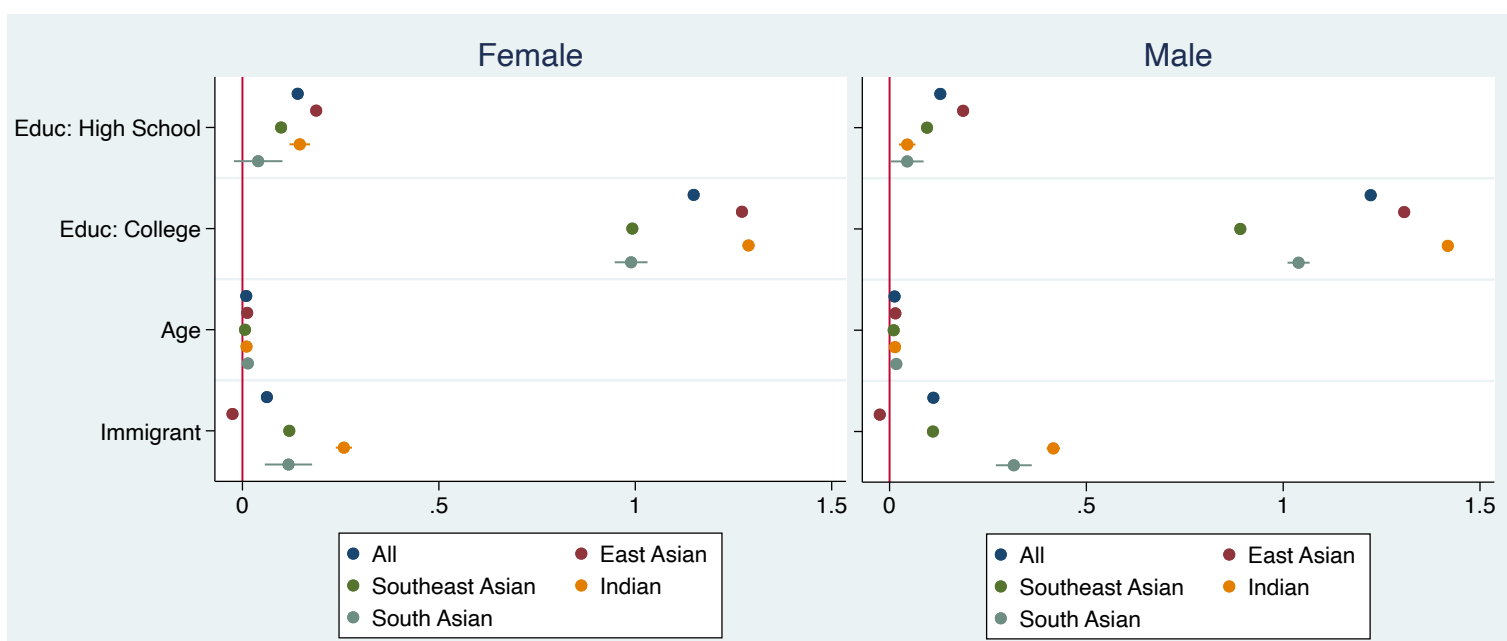


Figure 11 is generated by regressing the log of income on human capital characteristics which drive income differentials on separate samples of different ethnicities. Following the hypothesis that there is a benefit to being perceived as a model minority, and that East Asians are generally more recognizable as ‘Asian’, one would expect that returns to education, whether at the high school or college level, would be higher for East Asians (demonstrated in red). This is indeed the case, however, East Asians lag behind Indians specifically in returns to a college education. This is consistent with data from Tables 2 and 3 and supports the theory of the ‘bamboo ceiling’,

Table 4. Effect of Ethnicities

	<i>Female</i>				<i>Male</i>			
	(1) <i>All Asian</i>	(2) <i>Ethnicity</i>	(3) <i>Eth. Effects</i>	(4) <i>Immigration Effects</i>	(5) <i>All Asian</i>	(6) <i>Ethnicity</i>	(7) <i>Eth. Effects</i>	(8) <i>Immigration Effects</i>
Education: High School	0.141 *** 0.000	0.146 *** 0.000	0.149 *** 0.000	0.149 *** 0.000	0.129 *** 0.000	0.127 *** 0.000	0.128 *** 0.000	0.129 *** 0.000
Education: College	1.149 *** 0.000	1.158 *** 0.000	1.251 *** 0.000	1.249 *** 0.000	1.222 *** 0.000	1.185 *** 0.000	1.286 *** 0.000	1.292 *** 0.000
Age	0.010 *** 0.000	0.010 *** 0.000	0.010 *** 0.000	0.01 *** 0.000	0.013 *** 0.000	0.013 *** 0.000	0.014 *** 0.000	0.013 *** 0.000
Immigrant	0.062 *** 0.000	0.042 *** 0.000	0.041 *** 0.000	-0.018 *** 0.000	0.111 *** 0.000	0.072 *** 0.000	0.065 *** 0.000	-0.020 *** 0.000
<i>Ethnicity</i>								
Southeast Asian		0.144 *** 0.000	0.240 *** 0.000	0.174 *** 0.000		0.034 *** 0.000	0.175 *** 0.000	0.114 *** (0.010)
South Asian (Indian)		0.074 *** 0.000	0.028 *** (0.010)	-0.197 *** (0.010)		0.256 *** 0.000	0.109 *** (0.010)	-0.244 *** (0.010)
South Asian (Non-Indian)		-0.147 *** (0.010)	-0.040 *** (0.010)	-0.192 *** (0.030)		0.059 *** (0.010)	0.163 *** (0.010)	-0.159 *** (0.030)
Other Asian		-0.022 (0.010)	0.079 *** 0.000	-0.02 (0.020)		-0.048 *** (0.010)	0.065 *** (0.020)	-0.112 *** (0.020)
<i>Interactions with Education</i>								
College Educated Southeast Asian			-0.247 *** (0.010)	-0.246 *** (0.010)			-0.394 *** (0.010)	-0.400 *** (0.010)
College Educated Indian			0.049 *** (0.010)	0.039 *** (0.010)			0.183 *** (0.010)	0.148 *** (0.010)
College Educated South Asian			-0.230 *** (0.020)	-0.229 *** (0.020)			-0.196 *** (0.010)	-0.215 *** (0.010)
College Educated Other Asian			-0.249 *** (0.030)	-0.251 *** (0.030)			-0.257 *** (0.020)	-0.285 *** (0.020)
<i>Interactions with Immigration</i>								
Southeast Asian Immigrant				0.088 *** (0.010)				0.440 *** (0.010)
Indian Immigrant				0.280 *** (0.010)				0.092 *** (0.010)
South Asian Immigrant				0.185 *** (0.030)				0.385 *** (0.030)
Other Asian Immigrant				0.143 *** (0.030)				0.270 *** (0.030)
Constant	8.735 *** 0.000	8.674 *** 0.000	8.621 *** (0.010)	8.671 *** (0.010)	8.933 ***	8.889 *** (0.010)	8.834 *** (0.010)	8.900 *** (0.010)

Notes: Regression on log of income for two separate Asian female and male samples, with 1,097,588 and 1,084,973 observations respectively, controlling for sex, age, and education. Dummy variables include race and ethnicity. Interaction variables are employed as described in text. Significance is indicated by * for p<0.05, ** for p<0.01, and *** for p<0.001

which prevents East Asians from advancing in corporate careers as the personality traits associated with the model minority stereotype are seen as inconsistent with the American leadership style.

A more detailed analysis on ethnicity effects, as opposed to the effect of being Asian alone, is presented in Table 4. The regression was run on separate Asian male and female samples in order to demonstrate how gender can interact with race and ethnicity to produce different outcomes. Following the hypothesis that East Asian are the most closely associated with the model minority stereotype, the omitted variable in Table 4 is East Asians in order to allow us to examine how other

Asian ethnicities perform relative to East Asians. Models (3) and (7) introduces interaction terms between ethnicity and college education in order to account for the fact that ethnicity can influence educational attainment. While there is a positive coefficient on Southeast Asians initially for both the male and female sample in Models (2) and (6), after controlling for ethnicity effects through interaction variables with college education in Models (3) and (7), the overall effect becomes negative, with the coefficient on the male sample being more negative than the female sample. Consistent with earlier results, in all models only Indian Americans have a positive coefficient on the interaction terms with education. This suggests that college-educated Indian Americans benefit from not being perceived as the model minority, while the negative coefficients on Southeast Asians and other South Asians show the same effect in reverse. Again, this is consistent with the bamboo ceiling theory, where in high-income corporate careers the traits associated with the model minority are deemed incongruous with markers of good leadership and thus become a liability rather than an asset. Indian Americans who are able to avoid association with Asian American identity and the model minority thus benefit from the lack of association. In contrast, the association of Asian Americans with socioeconomic success could also translate to a lack of support and available pathways for underprivileged Southeast or South Asians, who are Asian American on paper but may not necessarily be perceived as such in the hiring process for post higher-education careers, resulting in lower income compared to East Asians.

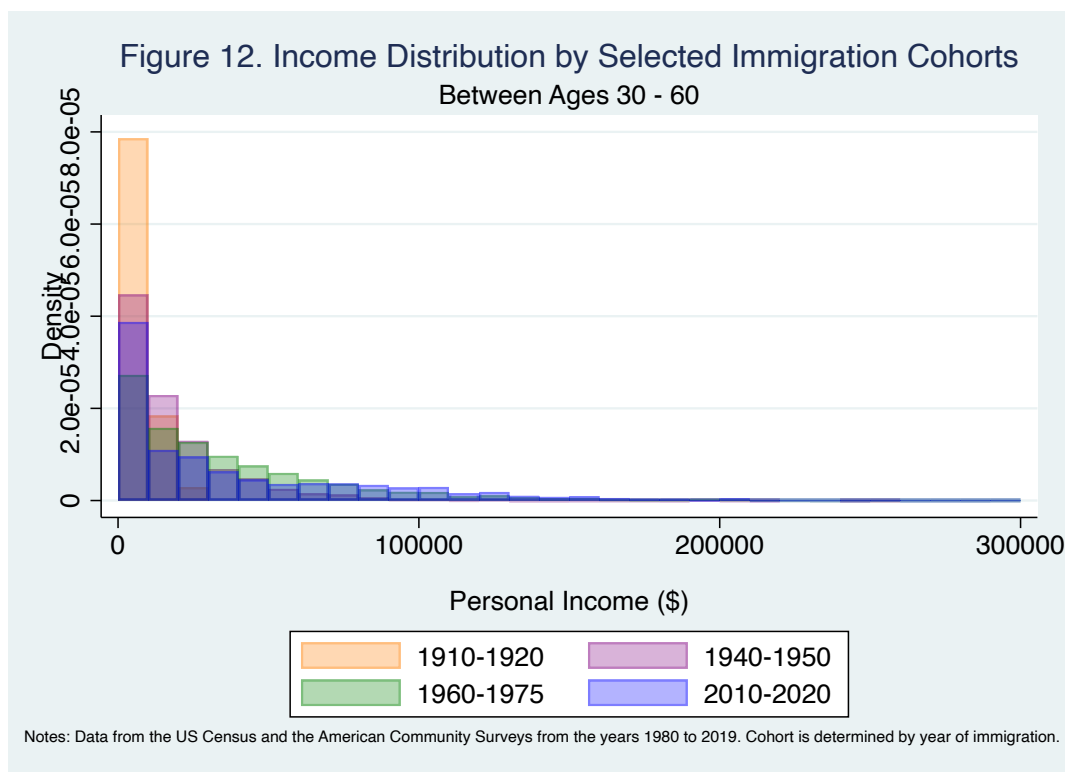
Interestingly, the coefficient on the Southeast Asian ethnicity variable alone is greater than the coefficient for Indian without including the interaction with education terms. Again, the social perception of Asian could account for this seeming anomaly. As discussed in an earlier section of the thesis, the Vietnam War and the subsequent wave of Vietnamese and other Southeast Asian refugees were one of the bigger events related to Asia and Asian Americans, which could mean

that Southeast Asians are more likely to be seen as ‘Asian’ when compared to South Asians. Thus, in terms of pure ethnicity effects, Southeast Asians would have an advantage relative to even Indian Americans due to the model minority effect and their ability to access it.

5.3 Immigration Effects

Models (4) and (8) introduce interaction terms with immigration status, and seemingly contradicts earlier findings that immigrants tend to earn less than natives. This could be explained by the fact that the regression controls for both high school and college education, and the fact that the demographic of Asian immigrants to the United States is rapidly becoming more diverse in terms of socioeconomic status. Historically, Asian immigrants have worked in manual labor and service sectors. In the present day, the socioeconomic circumstances of Asian immigrants are much more diverse: immigrants who arrive through family reunification policies tend to work at lower-paid jobs, while skilled Asian immigrants recruited by industries such as medicine, technology, and computer science are high earners. The recruitment of skilled Asian immigrants is a more recent development made possible due to the extra allotment of H-1B visas in specialty occupations with worker shortages and has created a ‘brain drain’ phenomenon of computer programmers and engineers mostly from China, India, and Taiwan – some of the top-performing country groups. Further adding to the pool of skilled labor are Asian international students who are encouraged to study in the United States for their ability to pay full tuition amidst cutbacks in education (Võ, 2017). Thus, it is highly likely that Asian immigrants on H-1B visas and international Asian college graduates are the driving force behind the positive coefficient on interaction terms with immigration.

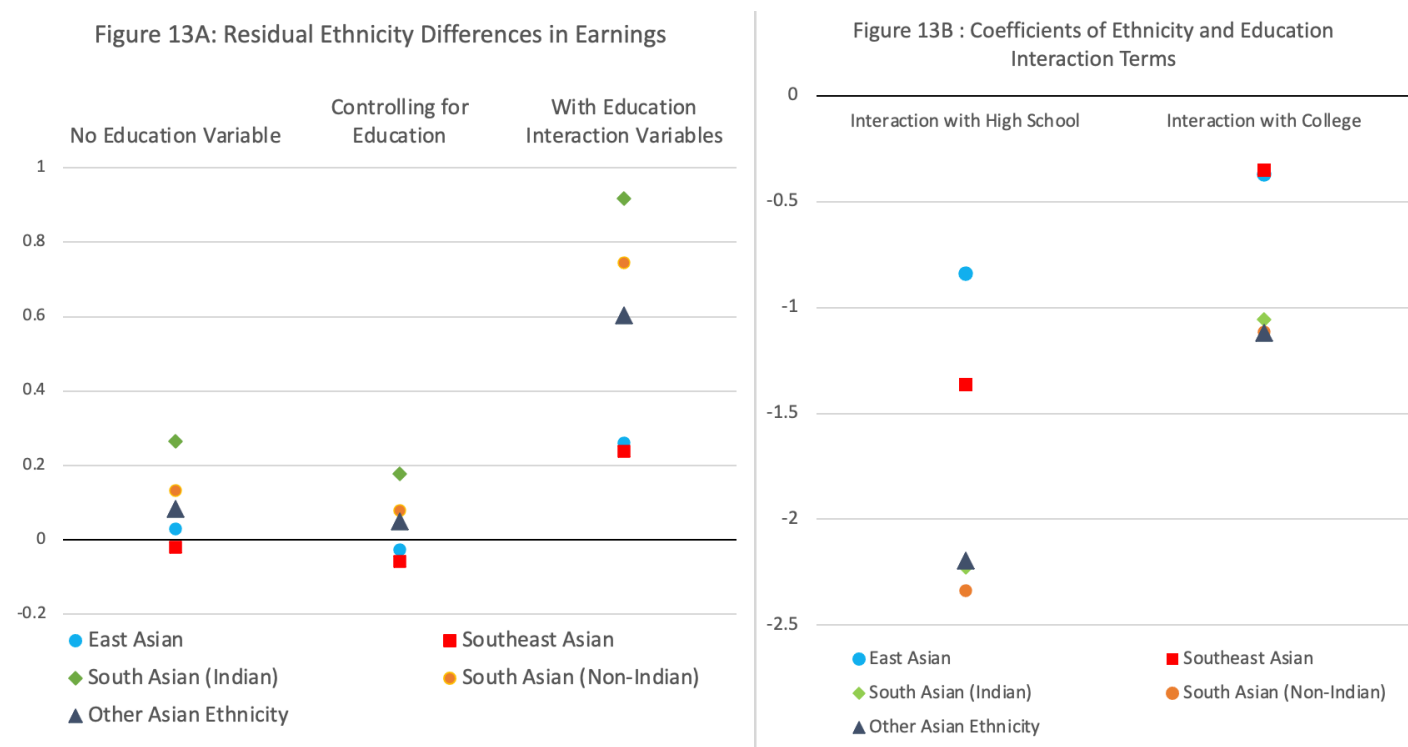
The increasing socioeconomic diversity amongst Asian immigrants is further demonstrated in Figure 12, which shows the income distribution for selected immigration cohorts. For each new



cohort, it is clear that the frontiers of income are being pushed forward, likely due to the aforementioned change in H1-B visa policy and the influx of wealthy international students. However, the majority of immigrants still fall within the lower income ranges even within the latest cohort of 2010 to 2020 and the overall shape of the distribution remains skewed left, showing that the seeming socioeconomic success of Asian immigrants is driven by the minority ‘success stories’.

5.4 The Illusion of the Model Minority Effect

Interpretation of Table 2 revealed that the model minority effect can be accounted for by controlling for education and that ethnic disparities may be the driver for Asian American inequality. Table 4 highlights the issue of ethnic disparities by regressing on an all-Asian sample to reveal that each ethnic group experiences *not* being perceived as the model minority differently – de-identification is costly for Southeast Asians when interactions with education are considered,



Notes: Both figures are generated by regressing the log of income on race and ethnicity dummy variables, controlling for sex, age, and education on the nationwide sample with 95,417,630 observations including all races. Figure 13A plots the coefficients on ethnicities for three regression models: one with controls for education, one without controls for education, and one with interaction terms between education and ethnicity. Figure 13B plots the coefficients on the interaction terms from the same set of models.

while de-identification is beneficial for Indian Americans all else equal. Thus, the question that remains is how the model minority effect can interact with ethnicity effects to influence Asian American outcomes relative to their white peers.

Figure 13A addresses this question by displaying the coefficient on just the ethnicity variable before and after controlling for education and adding interaction terms between ethnicity and education. As expected, Indian Americans perform better relative to other Asian ethnicities, some of which have negative coefficients. After interaction terms are added however, the gap between ethnicities increases and all ethnicity coefficients become positive. This indicates that there is indeed a ‘model minority effect’ relative to white Americans when coefficients of ethnicity alone are taken into consideration. Figure 13B plots the coefficients on interaction terms from the same set of regressions. The negative coefficients on the interaction terms with education once

again confirms that the model minority effect is only superficial and college-educated Asian Americans still face substantial disadvantages in the labor market relative to their white peers.

Decomposing the ethnicity variables into individual country-of-origin variables in Appendix Figure 1 widens the range of coefficients even further, once again making it clear that there is no singular Asian American experience.

6. Implications and Conclusion

It is first important to acknowledge once again that while Asian Americans still face barriers to success and labor market penalties associated with ethnicity differences, their struggle is not meant to be compared to the struggle of other minority groups in the United States. In their 2004 paper, Bonilla and Silva include Southeast Asian Americans as a part of the ‘Collective Black’, suggesting that they face discrimination on a comparable level to Black and Hispanic Americans. As earlier discussed, this is hardly the case as Southeast Asian Americans are still able to access the model minority privilege on some level. However, Sakamoto’s opposing viewpoint that class characteristics and education are the key determinants of socioeconomic differences among Asian Americans is not entirely accurate either, as ethnicity and country-of-origin clearly influence educational attainment and income on some level. As a result, Asian Americans exist as a white-adjacent minority group, with complex intergroup and intragroup social dynamics that cooperate to present the positive image of the ‘model minority’.

This thesis focuses mainly on the disaggregation of data to display hidden socioeconomic trends centered around ethnicity and country-of-origin, with a particular focus on education. This is by no means comprehensive, and there are several limitations within the data including the poor categorization of Asian American country-of-origins in earlier years of the census. As a result, the category ‘Other Asian’ may also consist of some of the named countries-of-origin in the newer

iterations of the American Community Survey. However, the trends uncovered from data disaggregation remains an important starting point in the discussion of whether Asian Americans should truly be considered a monolith. While the broader label of Asian American can be unifying and convenient for political action, when it comes to data collection that will inform policy decisions and guide public expectations, it might be time to reconsider the homogeneity of the Asian American racial group.

Although this thesis has disproved the notion that all Asian Americans fit into the image of the model minority, there is no doubt that the model minority myth affords some level of privilege to Asian Americans. However, widening ethnic disparities in several aspects such as educational attainment, income, and returns on education also exist underneath the veneer of privilege. Given the compounding effect of generational wealth transfers, it is highly likely that if left unaddressed, these disparities will further continue to reinforce socioeconomic stratification within the Asian American community. Due to the rationality of privilege, it is within the best interests of both the current racial hierarchy and more successful Asian American groups to maintain the image of the perfect model minority – to quell conversations around structural racial inequality and to continue reaping what little benefit the concept of the model minority affords respectively. Incorporating group dynamics and the influence of social forces on socioeconomic outcomes is incredibly important in helping us understand the circumstances of Asian America and how to best address it.

Future work on this issue could focus on the other complexities hidden within the Asian American community by looking at the socioeconomic attainment of first-generation and later-generation Asian Americans, as well as the intersectionality of cultural identities – for instance, the Chinese diaspora in Southeast Asia could mean that someone who is Southeast Asian may be

able to access the model minority effect in the same way as someone who is East Asian. However, given the complex reality and diversity of the Asian American experience, ultimately future work on Asian American inequality in the economics discipline must focus on more detailed data disaggregation in order to uncover long-standing trends of inequality within the community. It is even more important to acknowledge the model minority stereotype for what it is – a harmful myth that ultimately only serves the racial hierarchy and obscures intragroup inequality.

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Appendix

Appendix Table 1. The 'Model Minority' Effect.

	Model (1) <i>Race</i>	Model (2) <i>Ethnicity</i>	Model (3) <i>Country-of-origin</i>	Model (4) <i>Race & Educ</i>	Model (5) <i>Ethnicity & Educ</i>	Model (6) <i>Country & Educ</i>
Education: High School				-0.708 *** 0.000	-0.709 *** 0.000	-0.708 *** 0.000
Education: College				0.069 *** 0.000	0.068 *** 0.000	0.068 *** 0.000
Sex	-0.294 *** 0.000	-0.294 *** 0.000	-0.294 *** 0.000	-0.292 *** 0.000	-0.292 *** 0.000	-0.292 *** 0.000
Age	-0.074 *** 0.000	-0.074 *** 0.000	-0.074 *** 0.000	-0.072 *** 0.000	-0.072 *** 0.000	-0.072 *** 0.000
Race - Black	-0.17 *** 0.000	-0.17 *** 0.000	-0.170 *** 0.000	-0.161 *** 0.000	-0.161 *** 0.000	-0.161 *** 0.000
Race - Hispanic	-0.091 *** 0.000	-0.09 *** 0.000	-0.090 *** 0.000	-0.070 *** 0.000	-0.070 *** 0.000	-0.070 *** 0.000
Race - Asian	0.056 *** 0.000			0.002 0.000		
Race - Other	0.180 *** 0.000	0.180 *** 0.000	0.181 *** 0.000	0.186 *** 0.000	0.187 *** 0.000	0.187 *** 0.000
Ethnicity - East Asian		0.029 *** 0.000			-0.026 *** 0.000	
Ethnicity - Southeast Asian		-0.02 *** 0.000			-0.059 *** 0.000	
Ethnicity - South Asian (Indian)		0.265 *** 0.000			0.178 *** 0.000	
Ethnicity - South Asian (not Indian)		0.133 *** (0.01)			0.079 *** 0.000	
Ethnicity - Other Asian		0.082 *** (0.01)			0.049 *** 0.000	
<i>East Asian Origin</i>						
Chinese			0.014 *** 0.000			-0.053 *** 0.000
Taiwanese			-0.031 (0.02)			-0.132 *** 0.000
Japanese			0.126 *** 0.000			0.086 *** 0.000
Korean			-0.015 ** 0.000			-0.051 *** 0.000
Mongolian			-0.154 * (0.08)			-0.222 ** (0.080)
<i>Southeast Asian Origin</i>						
Filipino			0.026 *** 0.000			-0.030 ** 0.000
Vietnamese			-0.057 *** 0.000			-0.078 *** 0.000
Cambodian			-0.125 *** (0.01)			-0.122 *** (0.010)
Hmong			0.103 *** (0.01)			0.103 *** (0.010)
Laotian			-0.17 *** (0.01)			-0.146 *** 0.000
Thai			-0.299 *** (0.01)			-0.337 *** 0.000

Burmese			0.15 ***			0.115 ***
			(0.03)			0.000
Indonesian			-0.175 ***			-0.209 ***
			(0.02)			0.000
Malaysian			-0.647 ***			-0.703 ***
			(0.05)			0.000
<i>South Asian Origin</i>						
Indian			0.265 ***			0.178 ***
			0			0.000
Bangladeshi			0.088 ***			0.039 *
			(0.02)			(0.020)
Bhutanese			-0.422 ***			-0.421 ***
			(0.07)			(0.070)
Nepalese			-0.370 ***			-0.411 ***
			(0.03)			(0.030)
Pakistani			0.241 ***			0.184 ***
			(0.01)			(0.010)
Sri Lankan			0.100 ***			0.032
			(0.03)			(0.030)
Other Asian			-0.150 ***			-0.211 ***
			(0.02)			(0.020)
Constant	14.400 ***	14.399 ***	14.399 ***	14.42 ***	14.419 ***	14.419 ***
	0.00	0.00	0.00	0.000	0.000	0.000

Notes: Regression on sample of 95,417,630 Americans from the Census and American Community Survey over the years 1980 to 2019. Control variables include sex and age, with dummy variables for race and ethnicity. Significance is indicated by * for $p < 0.05$, ** for $p < 0.01$, and *** for $p < 0.001$.

