

Discussion Paper Series – CRC TR 224

Discussion Paper No. 507
Project A 03, C 02

Changes in the Distribution of Black and White Wealth Since the US Civil War

Ellora Derenoncourt¹
Chi Hyun Kim²
Moritz Kuhn³
Moritz Schularick⁴

February 2024

¹Princeton University

²University of Bonn

³University of Mannheim

⁴Kiel Institute for the World Economy & Sciences Po Paris

Support by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)
through CRC TR 224 is gratefully acknowledged.

Changes in the Distribution of Black and White Wealth Since the US Civil War*

Ellora Derenoncourt (Princeton University)

Chi Hyun Kim (University of Bonn)

Moritz Kuhn (University of Mannheim)

Moritz Schularick (Kiel Institute for the World Economy, Sciences Po Paris)

December 19, 2023

Abstract

The difference in the average wealth of Black and white Americans narrowed in the first century after the Civil War, but remained large and even widened again after 1980. Given high levels of wealth concentration both historically and today, dynamics at the average may not capture important heterogeneity in racial wealth gaps across the distribution. This paper looks into the historical evolution of the Black and white wealth distributions since Emancipation. The picture that emerges is an even starker one than racial wealth inequality at the mean. Tracing, for the first time, the evolution of wealth of the median Black household and the gap between the typical Black and white household over time, we estimate that the majority of Black households only began to dispose of measurable wealth around World War II. While the civil rights era brought substantial wealth gains for the median Black household, the gap between Black and white wealth at the median has not changed much since the 1970s. The top and the bottom of the wealth distribution show even greater persistence, with Black households consistently over-represented in the bottom half of the wealth distribution and under-represented in the top-10% over the past seven decades.

JEL: D31, E21, J15, N11, N12

Keywords: Racial Wealth Inequality, Distribution

*Victoria Agwam, Isbah Bandedali, Santiago Deambrosi, Kendra Marcoux, Will McGrew, and Moritz Scheidenberger provided outstanding research assistance. This work is generously supported by the Russell Sage Foundation (Award # 2011-29464) and Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) under Germany's Excellence Strategy – EXC 2126/1 – 390838866 and the CRC TR 224 (Project A03 and C02). Schularick gratefully acknowledges support by the European Research Council Grant (ERC-2017-COG 772332).

1 Introduction

The vast of Black Americans were enslaved until the 1860s, and thus contributing to building the nation’s prosperity while being barred from accumulating wealth themselves. As a result, the wealth gap between Black and white Americans at the time of Emancipation was enormous. Recent estimates put the average wealth gap at 56:1 at the eve of the US Civil War (Derenoncourt et al., 2023b). Thus, Black Americans embarked on freedom with extremely low levels of wealth compared to white Americans.

This paper assembles the available historical evidence on the evolution of Black and white wealth since Emancipation. Despite some pioneering research on Black wealth accumulation by Du Bois (1901) and later by economic historians,¹ until today relatively little was known about the long-term trajectory of the wealth gap between Black and white households. We understand now that the wealth gap between Black and white Americans narrowed in the first century after Emancipation despite grave obstacles to Black wealth accumulation. However, Black-white wealth convergence proceeded more slowly than in a counterfactual world with equal conditions for the accumulation of wealth (Derenoncourt et al., 2023b). In reality, Black Americans faced discrimination in labor and housing markets, exclusion from financial markets, and outright destruction of Black wealth post-slavery that hindered continuous convergence in their wealth. Even worse, since the 1980s, the rising importance of capital gains for the dynamics of wealth inequality has even reversed the convergence process altogether: the average wealth gap today is larger than at the end of the civil rights era.

The analysis in the paper proceeds along three different dimensions. We first summarize what we have learned from research on the evolution of aggregate Black and white wealth since the Civil War and discuss the evolution of racial wealth differences based on the *average* wealth of both groups. We present evidence of how the average per capita Black-white wealth gap started at an extreme ratio of 56 to 1 on the eve of the US Civil War, fell to a ratio of 10 to 1 by 1920, and to 7 to 1 during the 1950s. However, the Black-white wealth convergence then stalled and started to increase again in the last third of the 20th century.

Of course, such averages can hide substantial heterogeneity in the distribution of wealth and therefore miss important changes in the situation of the majority of Black households. For example, the median wealth gap – which represents the situation of a typical Black and white household – is still at a level of 10 in 2020, and therefore much higher than the average wealth gap (which is 6 in the same year). Studying the median and the distribution of wealth is however even more challenging than studying the average wealth differences between Black and white Americans, due to the lack of data availability. In a second step of our analysis, we therefore provide new estimates for the evolution of the share of Black and white households with (measurable) positive net wealth. The key result from this analysis is that the median Black wealth level was mostly zero during

¹For example, Margo (1984) and Higgs (1982) use state auditor reports to study the evolution of Black and white wealth in southern states in the years after Emancipation.

the post-Emancipation period and only turned positive between 1940 and 1950. Combining this information with microdata on wealth for the post-1950 period allows us to construct the *median* racial wealth gap since 1860. Strikingly, the zero wealth level for the median Black household from 1860 to 1940 implies an infinite median wealth gap independent of the median white wealth that we estimate to be positive throughout the period from 1870 to 1940.

The third step focuses on the post-1950 period and explores also the tails of the wealth distribution. The wealth distribution is highly skewed, so that wealth growth at the top can exert a large influence on the average while there is little movement for households at the bottom or in the middle of the distribution. Thus, we also look into the distribution of wealth shares and population shares over time, as well as the rank gap of the median and 90th percentile of Black and white wealth distribution. All evidence points to the persistent and in some aspects rising over-representation of Black Americans at the bottom of the wealth distribution as well as their declining share in total US wealth in post-World War II America. These new facts enrich the evidence on the secular evolution of the racial wealth gap and the historical wealth-building of the typical Black household.

2 “Landless, homeless... without money or tools”: Black wealth and the racial wealth gap at the time of the Civil War

Immediately before the US Civil War, nearly 4 million Black Americans out of a total population of 4.4 million were held as slaves. These enslaved individuals were considered property and deprived of any legal rights, including the right to own property, earn wages, or pass property onto heirs. Reconstruction-era proposals for land provision to freed persons failed and the vast majority of the formerly enslaved embarked on freedom “landless, homeless... without money or tools” and in circumstances where “starvation or practical re-enslavement awaited them” (Du Bois, 1901). In the first step of our discussion of racial wealth differences, we begin with the evidence available from historical census data on the distribution of Black and white wealth. In the next section, we discuss research that has worked with estimates for wealth totals and population numbers to determine the average wealth of Black Americans over time. The reason is that for the pre-1950 period, there is no consistent micro data set that would allow researchers to document the distribution of wealth by racial group after 1870.

Per capita Black wealth amounted to just 13 cents on the eve of the Civil War in 1860,² but the bottom 90% of the Black Americans, who were enslaved, had no measurable wealth at all (see Figure 1a). What wealth was owned was concentrated in a small group within the free population. Historians of Black property holding have documented that this group consisted primarily of planters in the Lower South, craftsmen and entrepreneurs in the Upper South, and merchants and real estate owners in the North (Berlin, 1975; Walker, 1983; Walker, 1986; Schweninger, 1989; Schweninger,

²Estimate from Derenoncourt et al. (2023b). All datasets used in this paper are available in Harvard Dataverse (Derenoncourt et al., 2023a).

1990).

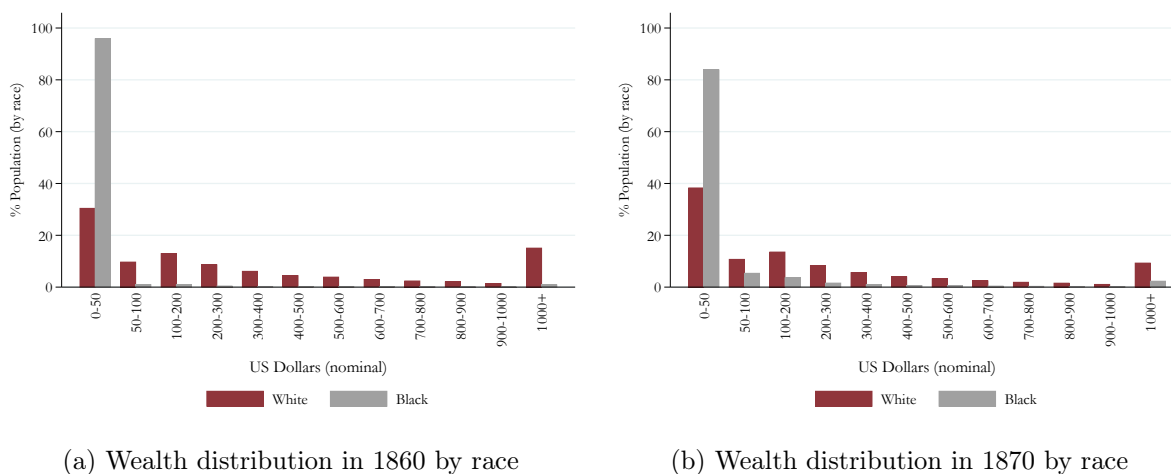
The remaining millions of Black Americans toiled under lifetime bondage, with no legal right to own property or to earn, save, or invest the fruits of their labor. Emancipation saw some of the formerly enslaved defy all odds to purchase land, facilitated by fallen land prices in the wake of the Civil War, giving rise to an emergent property-owning class among the formerly enslaved, particularly in more urban areas of the Upper South (Schweninger, 1990).³ Yet, our estimates show that in 1870, a few years after Emancipation, over 80% still had no measurable wealth.

While the abolition of slavery rocked the southern economy to its core and eliminated the South’s wealth advantage in the country (Dray, Landais, and Stantcheva, 2023), the median white household was far less directly connected to the institution. There were fewer than 500,000 slaveholders in the US on the eve of the Civil War and slaveholding was itself highly unequally distributed (Ager, Boustan, and Eriksson, 2021). Thus, the typical white southerner and all northerners had no direct wealth in the enslaved to lose as a consequence of the Civil War.

As shown in Figure 1, over 60% of white Americans owned some degree of wealth both before and after the Civil War though the increase in wealthlessness in the white distribution is apparent between 1860 and 1870. Nevertheless, research suggests that even those slaveholders most affected by the abolition of slavery recovered their socioeconomic position within a generation (Ager, Boustan, and Eriksson, 2021).

After the 1870s, it becomes difficult to trace the full distribution of Black and white wealth due to the lack of microdata. Instead, we summarize insights from our recent work on the average racial wealth gap before presenting new estimates of positive wealth holding among median Black households.

Figure 1: The distribution of white and Black wealth in 1860 and 1870



Notes: Wealth distribution of Black and white wealth in 1860 and 1870 (in current USD). Data source: Census.

³See Ager, Boustan, and Eriksson (2021) for estimates of the decline in southern land prices after the Civil War.

2.1 A More Comprehensive Picture of Black Wealth since Emancipation

Obtaining a more comprehensive picture of Black and white wealth since Emancipation has proven challenging. Starting in 1983, the Federal Reserve Bank started carrying out the *Survey of Consumer Finance* providing every three years high-quality data on the financial situation of U.S. households. These data allow researchers to study the distribution of Black and white wealth over the decades after 1980.

For the period since 1950, national surveys similar to the Survey of Consumer Finance were taken as early as 1947, directed by the Economic Behavior Program of the Survey Research Center of the Institute for Social Research at the University of Michigan. The surveys were taken annually between 1947 and 1971, and then again in 1977. Kuhn, Schularick, and Steins (2020) have linked the archival survey data to the modern Survey of Consumer Finance by harmonizing and re-weighting the historical data to make them as compatible as possible with the post-1983 data. We will refer to this data as the augmented Survey of Consumer Finance, or SCF+. This novel data set adds four decades of household-level microdata and effectively doubles the time coverage of the post-1983 Survey of Consumer Finance without compromising on the detailed information with respect to socioeconomic and other characteristics. The historical waves come with direct measurements of assets and debt of Black and white households, as well as additional information to stratify households by other characteristics such as educational attainment, family size, and marital status.

For the pre-1950 period, there is no consistent micro data set that would allow us to document the distribution of wealth by racial group throughout the post-Emancipation period. We therefore have to follow the example of the fragmentary earlier research and rely on a variety of different sources, employ different methods, and sometimes connect different concepts of measuring inequality. We follow our work in Derenoncourt et al. (2023b) and quantify the growth of average Black wealth in the long run, relying on a variety of sources to approximate the trend. From 1870 to 1929, we extrapolate aggregate Black wealth in the 1870 census using growth rates estimated from state-level data on assessed property and tax payments. In the 19th and early 20th centuries, an intricate system of real and personal property taxation existed in every US state, where state auditor, treasurer, or comptroller offices regularly published reports on the finances of their state, including assessed property, taxes, and revenue collected. We used the assessed wealth of Black taxpayers in six southern states (Arkansas, Georgia, Kentucky, Louisiana, North Carolina, and Virginia), as these were the only states that reported property or taxes separately by race. The underlying assumption is that the national growth rate of Black wealth is accurately represented by the growth rate of Black wealth in the aforementioned states. After estimating total Black wealth, non-Black wealth is calculated as the difference between total national wealth (coming from the census report “Wealth, Public Debt, and Taxation”) and Black wealth.

For the period from 1930 to 1940, we obtained estimates of total Black wealth from Monroe Nathan Work’s “The Negro Year Book.” This collection of annual reports focused on the economic progress of Black individuals and covered aspects such as business, education, wealth, and social

progress. Estimates of national Black wealth are available for 1930 and 1936 from these reports. The underlying method to generate these estimates is not explicitly described in these reports. However, Derenoncourt et al. (2023b) show that Work referenced Black real and personal property valuations from Georgia, North Carolina, and Virginia auditor reports, similar to our method for the 1870-1929 estimation. We combined Work’s estimates with national wealth estimates from Saez and Zucman (2016), by subtracting Black wealth from total wealth and dividing the non-Black and Black wealth by their respective populations, allowing us to calculate per capita wealth estimates.

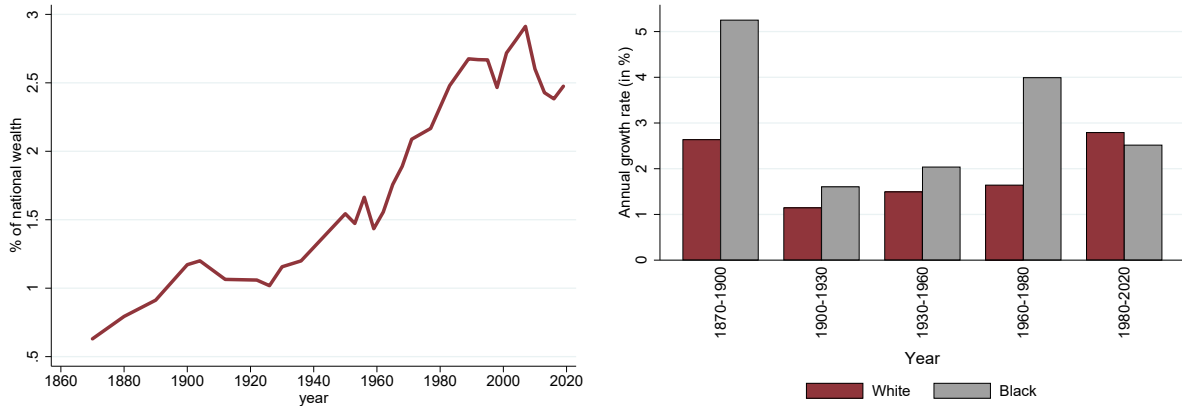
While confidence intervals are sometimes wide, we believe that the broad trends from these calculations provide an accurate account of the evolution of racial wealth differences in the United States. Figure 2a tracks Black wealth relative to total U.S. household wealth. While the share of Black wealth in total wealth has also increased from less than 1 percent in the 19th century to around 2.5 percent today, the increase has stalled in recent decades. Despite a population share of close to 14 percent, the Black wealth share has remained stuck at 2.5 percent since the 1980s, ending its continuous upward trajectory since the 19th century.

In Figure 2b, we plot the inflation-adjusted growth rates of Black wealth since Emancipation. The nominal wealth growth series are deflated by consumer price indices available from the Jordà-Schularick-Taylor Macrohistory Database that is available for 1870-2020. The growth rate of Black wealth was the highest during the first three decades after Emancipation (1870-1900), with an annual growth rate exceeding 5 percent. Such high growth rates are not surprising, as the majority of Black Americans started with wealth levels close to zero which allowed high relative increases in their wealth compare to their white counterparts. Black wealth also experienced high growth during the civil rights era from 1960-1980, when the nation experienced dramatic changes in the landscape of racial progress and discrimination. Compared to this, during 1900-1960 Black wealth growth was significantly slower compared to the first decades after Emancipation, yet higher than white wealth growth. After 1980, however, Black wealth growth became smaller than white wealth growth.

To put this stagnation of the Black wealth share in recent decades in perspective, it is useful to remember that the share of national wealth held by the top 0.1 percent of the population (which is predominantly white) has risen substantially in recent decades, see Appendix Figure A.1.⁴ The top 0.1 percent of households held roughly 10 percent of total national wealth from 1950 into the mid-1980s, but since then the share of the top 0.1 percent has risen to about 18-19 percent of total wealth (based on the SCF+ data; see also Piketty, Saez, and Zucman (2018)). Hence, 0.1% of U.S. households own a share of total household wealth that is an order of magnitude larger than the share of wealth that the entire U.S. Black population owns.

⁴According to the SCF+, in 2019 the share of Black in the wealthiest 0.1 percent is less than 1 percent. Note that besides Black and non-Hispanic white, the SCF+ provides an additional racial category defined as “Others”, which includes among others Asians and Hispanics. This group’s share in the top 0.1 percent is around 7 percent in the same year.

Figure 2: Historical evolution of Black wealth, 1870-2020



(a) Black wealth relative to total wealth

(b) Real growth of Black and white wealth

Notes: Panel (a) presents the authors’ series of the Black share of national wealth from 1860 to 2020. Black share is computed as total Black wealth as share of national wealth over time. Panel (b) presents the annual growth rate of Black and white wealth during 1870-2020. Data sources: Final wealth gap series are from Derenoncourt et al. (2023b). Primary data sources are 1860 and 1870 complete count censuses (Ruggles et al., 2021), Southern state auditor reports 1866-1929, Work (1931), Work (1938), Saez and Zucman (2016), and U.S. Census Bureau’s “Wealth, Public Debt, and Taxation report”.

2.2 Combining Wealth and Population: Average Wealth

Combining the estimates for total Black and white wealth from Derenoncourt et al. (2023b) with population data allows us to track the average wealth gap between Black and white Americans. Figure 3 plots the resulting long-run time series (red solid line), which exhibits a hockey-stick pattern. The fastest convergence of Black and white wealth occurred in the first decades after Emancipation. The wealth gap started at 56:1 at the eve of the US Civil War, fell to 10:1 by 1920, and to 7:1 during the 1950s. Wealth convergence stalled in the last third of the 20th century, mirroring the stagnation of the Black wealth share since the 1980s, and the ratio was at 6:1 in 2019.

The pace of per capita wealth convergence was particularly fast in the early decades after Emancipation. In 1860, the average Black American owned less than 2 cents for every white dollar of wealth. The racial wealth gap dropped sharply between 1860 and 1870, the first post-Emancipation observation, with the gap falling to a level of 23:1, or a more than 50 percent decrease relative to 1860. According to US Census data, the reason was strongly growing Black wealth. Black per capita wealth tripled between 1860 and 1870, while white wealth grew by only 18 percent.

The Civil War eliminated the wealth that slaveholders held in enslaved individuals through the abolition of slavery. It also resulted in the depreciation of southern land values and afforded the formerly enslaved an opportunity to accumulate wealth for the first time. How much of the decrease in the wealth gap in the decade of the Civil War can be attributed solely to the elimination of slave

wealth?⁵ Using an estimate of total slave wealth from the *Historical Statistics of the United States* (Sutch, 1988), slave wealth likely made up around 15 percent of total wealth in 1860. Subtracting slave wealth from white wealth in 1860, the wealth gap “mechanically” falls from 56:1 to 47:1. Thus, eliminating slave wealth accounted for about 25 percent of the total drop in the wealth gap. While important, the elimination of slave wealth alone does not account for the bulk of the reduction in the wealth gap from 1860 to 1870. There was also a sharp drop in Southern land prices and wartime destruction of Southern property (Ager, Boustan, and Eriksson, 2021). In combination, these forces depressed wealth growth of the white population over these decades.

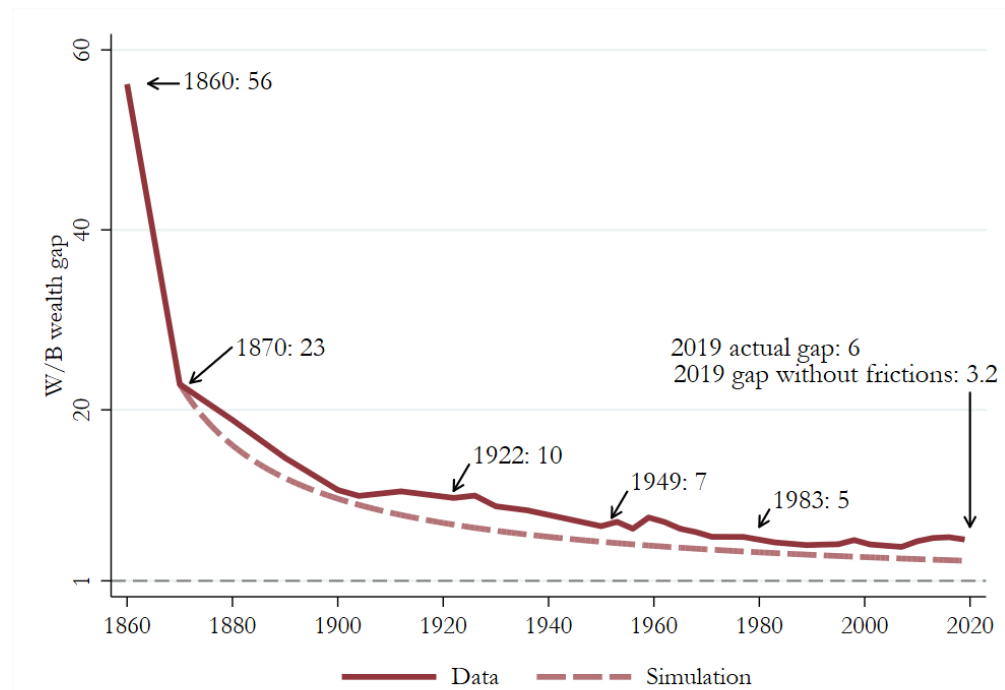
Despite the ongoing presence of Jim Crow legislation hindering equal opportunity for Blacks, the racial wealth gap continued to fall in the decades after 1870, reaching about 10:1 by 1920. During the Great Depression, the wealth gap declined further, despite the fact that New Deal era relief and social insurance policies tended to exclude regions or sectors with a large representation of Black workers (Katznelson, 2005). Rather, the decline in asset prices during the Great Depression, especially the drop in valuation of stocks and business equity that were predominantly in the hands of white Americans, seems to have resulted in a substantial drop in white wealth and a narrowing of the wealth gap. The decades after World War II until 1980 saw dramatic progress along a number of dimensions of racial justice. Starting from a level of 7:1 in 1949, the wealth gap reached a level of 5:1 in 1983 (almost 1 percent convergence rate per annum). However, we also see that the wealth gap left its convergence path in the last quarter of the 20th century. The latest number in 2019 shows that the wealth gap two decades into the 21st century has returned to a level of 6:1.

To understand the drivers of long-run racial wealth gap convergence, Derenoncourt et al. (2023b) use a stylized framework of wealth accumulation, where the racial differences in wealth accumulation depend on their (i) initial conditions after Emancipation and (ii) different wealth accumulating conditions such as saving rates and capital gains. The light red dashed line in Figure 3 presents the simulated wealth gap series under the scenario that Black and white Americans have had identical saving rates and capital gain rates since Emancipation. Interestingly, the convergence follows the same hockey stick shape, thus highlighting that the convergence path can be mainly explained by huge differences in initial conditions of Black and white Americans, and not because of their differences in savings rates and capital gains. In addition, the simulation shows that even under equal wealth accumulation conditions the historical differences in 1870 still leave their trace on today’s wealth gap: White Americans would, on average, own three dollars per dollar of wealth of Black Americans today.

By contrast, the actual Black-white wealth ratio in 2019 is 6:1, which suggests that Black-white differences in savings rates and in capital gains contributed to slower convergence. In Derenoncourt et al. (2023b), we argue further that the stagnation of the Black-white wealth gap since the 1980s is largely due to the ways in which white and Black capital gains became less favorable to wealth convergence during this time.

⁵Data on slave wealth are available at: <https://hsus.cambridge.org/HSUSWeb/toc/showTable.do?id=Bb209-218>.

Figure 3: White-Black per capita wealth ratio: 1860-2020



Notes: The red solid line presents the white-to-Black per capita wealth ratios from 1860 to 2020. The other two lines are simulated from a stylized wealth accumulation model, where wealth today is a function of wealth of the previous period, savings from income, and capital gains on these two components. The light red dashed line presents the simulated wealth gap series under the scenario that after Emancipation Black and white Americans had the same saving rates and capital gains. The only difference across Black and white is coming from their initial starting point of wealth and income growth rates. Finally, the dark gray dashed line presents the simulated wealth gap series that provide the best fit to the data. Full details on the construction of this series are available in Derenoncourt et al. (2023b). Data sources: Racial wealth gap series are from Derenoncourt et al. (2023b). Primary data sources are 1860 and 1870 complete count censuses (Ruggles et al., 2021), Southern state auditor reports 1866-1929, Work (1931), Work (1938), Saez and Zucman (2016), and U.S. Census Bureau’s “Wealth, Public Debt, and Taxation report”.

3 Wealth of the Median Black Household Over Time

The average wealth gap might hide a lot of heterogeneity and miss the evolution of the financial situation of the typical household. Therefore, in this section we compile the first estimates for the wealth of the median Black household and compare their evolution to median white wealth. There is an age-old argument on whether the mean or the median offers a better representation of a right-skewed distribution. For assessing the situation of the majority of Black households, looking at the median of the wealth distribution, rather than the mean, can provide important additional insights. At the time of Emancipation, the median black household had zero wealth. Studying when that median value turns positive helps us understand whether the gains in average wealth shown in the previous section were broadly shared across the majority of Black households, or whether wealth

gains for Black Americans were mainly associated with a smaller group at the top of the Black wealth distribution.

3.1 Before 1940: When Did the Majority of Black Households Have Positive Net Wealth?

To obtain a more comprehensive picture of the evolving distribution of Black wealth over time, the first step is to determine what share of the Black population possessed non-trivial and measurable wealth over time. By definition, we can only study the difference in wealth between the median Black and white households from the time when at least half of the Black population owned some marketable assets. In essence, we will go through the evolution of the main assets on the household balance sheet to determine when the majority of Black households possessed different types of assets. We will focus on homeownership and personal property that includes financial assets such as stocks, bonds, mortgages, and notes, as well as non-financial assets other than housing, such as livestock, plate, jewels, and furniture.

Homeownership is often the largest single asset for US households, and information on homeownership by race is available from 1860-2020 from US Census data. Our data are extracted from complete-count census for the time period from 1860 to 1940.⁶ For the time period from 1960 through 2019, we add further data from the American Community Survey conducted by the US Census Bureau. As a robustness check, we also construct homeownership rates with the SCF+ for 1950-2019.

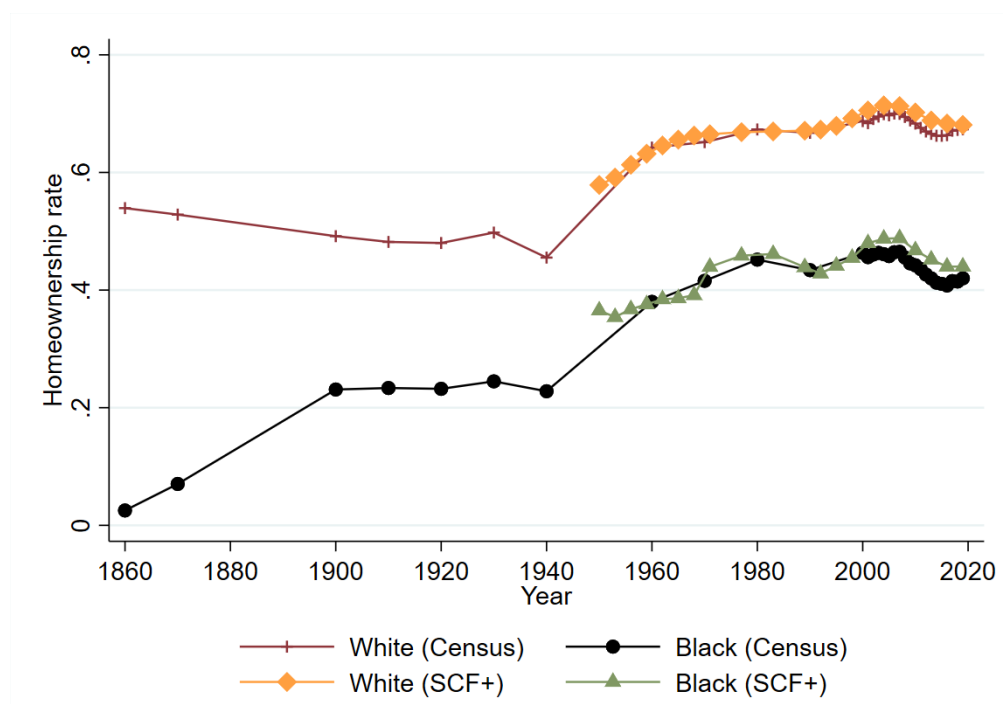
Figure 4 presents the results of this exercise. Homeownership rates of white households have been higher than for Black households throughout the 160-year period. At each point in time up through 1940, around 50 percent of white households owned a house. White homeownership trended down slightly until 1940 (and especially during the Great Depression decade of the 1930s), but then surged strongly until the 1960s in the postwar housing boom, partly aided by policies like the GI Bill (Fetter, 2013). It continued to trend upwards until the drop in and after the financial crisis of 2008. Thus, based on homeownership alone, the median white household held positive wealth since 1860.

For Black households, homeownership rates increased substantially in the first 30 years after Emancipation. Starting from almost zero before Emancipation, in 1900 around 20 percent of Black households were homeowners. Between 1900 and 1940, however, Black homeownership rates are flat lined. In the decades after World War II, Black homeownership rates increased strongly between 1940 and 1960, from 20 percent to almost 40 percent, mirroring the developments observed for white Americans, albeit on a persistently lower level. Black homeownership also dropped much more strongly during the global financial crisis of 2007-09. In 2019, homeownership rates of Black households remains at around 45 percent, roughly the same level as in 1970. Despite the increase in homeownership rates in the last 160 years, Black homeownership rates never exceeded 50 percent

⁶The resulting series during this time period can be compared to the series compiled by Collins and Margo (2011).

and only came close for a short moment in the housing boom of the 2000s. Thus, homeownership alone would not be enough for the median Black household to have positive wealth.

Figure 4: White and Black homeownership rates, 1860-2020



Notes: The line with cross marks plots white homeownership rates from the census, and the line with dots shows Black homeownership rates from the census. The squares and triangles show white and Black homeownership rates, respectively, estimated from the SCF+ microdata. Data sources: Census, ACS, and SCF+.

What about other personal property other than housing? Detailed individual-level data on holdings of personal wealth are scarce: We have information on certain elements of personal property for 1860 and 1870 coming from the Census, including bonds, notes, and enslaved persons in 1860. But after that, a complete picture of wealth by asset class is only available starting from 1950 onwards with the SCF+ data. In the 1870 Census data, around 30 percent of Black households reported some form of wealth, which was substantially higher than the roughly 10 percent of Black households that owned a house that year. In the 1950 SCF+ data, slightly more than 50 percent of Black households reported positive wealth, which is higher than the approximately 30 percent of Black households that owned houses at that time. Thus, at some point between 1870 and 1950 the majority of Black households accumulated measurable wealth. But when?

In light of the data gap between 1870 and 1950, we can only approximate this transition indirectly. We impute the shares of the Black and white population with positive wealth by exploiting socio-demographic characteristics of households with personal wealth first by projecting forward from the 1860 and 1870 census and then by projecting backward from the 1950 SCF+ survey

wave. Details of our calculations are available in the online Appendix. Our basic approach was to begin by investigating the socio-demographic characteristics of a household head i that had personal property, who lives in state s in year t and does not possess housing wealth. We included socio-demographic characteristics such as family size, gender, literacy, urban status, age (and its square), as well as labor market characteristics such as labor force status and occupational characteristics (farmer/laborer/professionals). We first implement forward-looking predictions from the 1860 and 1870 Census data.⁷ We use our estimated coefficients to impute the share of positive wealth holdings including homeownership for the decadal years up to 1940. In effect, we are asking how the share of the Black population with personal wealth would have changed if the relationship between socio-demographic characteristics and non-housing wealth remained fixed, and if only the socio-demographic characteristics shifted over time

Of course, we are aware of the fact that the socio-demographics of property owners may have changed over time and the 1860/1870 characteristics may not be representative for the mid-20th century. Therefore, in a second step, we also compute backward-looking predictions using the same approach and socio-demographic characteristics based on the 1950 data of the SCF+, and then work back to 1940. Hence, we ask what share of white and Black households had wealth in 1940 if the relationship between sociodemographic characteristics and wealth holding from 1950 also applied in 1940.

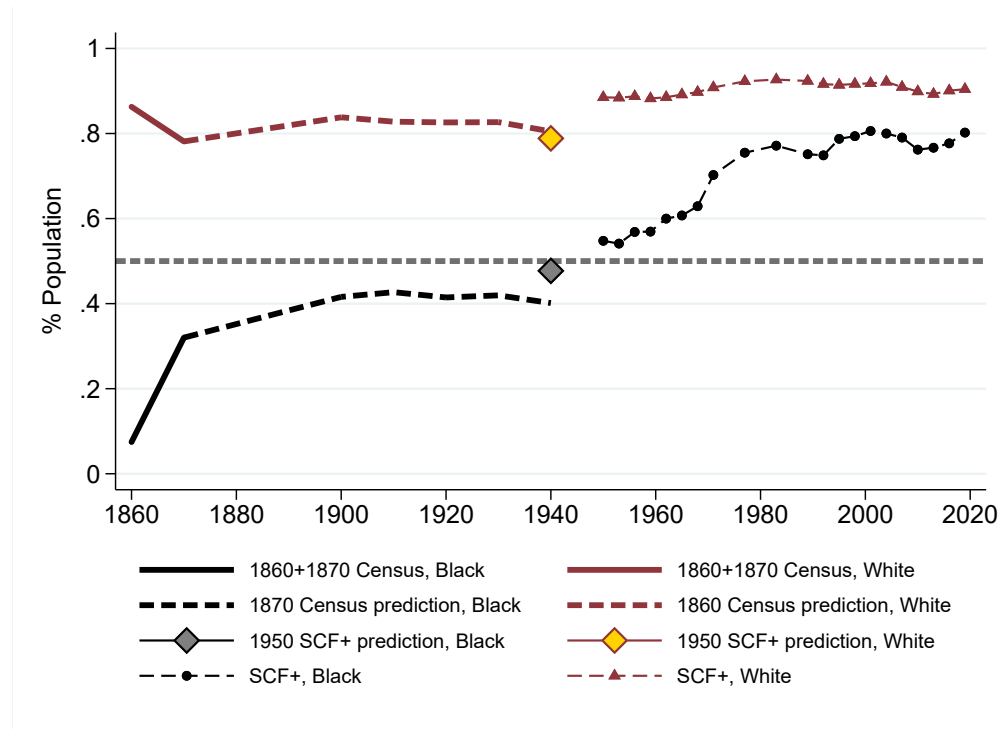
Figure 5 presents the data for 1860, 1870, and from 1950 onward together with our imputation results for the period from 1880 to 1940. In 1860 and 1870, we observe opposite dynamics in the Black and white shares with positive wealth. In 1860, only around 10 percent of the Black population possessed wealth, while more than 85 percent of white had positive wealth holdings. In the aftermath of Emancipation, Black shares increased drastically to a level of around 32 percent, which is not surprising as Black Americans were finally allowed to possess wealth. Compared to this, white shares decreased to 78 percent, with the strong decrease in white shares mostly coming from Southern states. This pattern is unsurprising since Emancipation led to the total nullification of all slave wealth which hit wealthy Southerners the most (Ager, Boustan, and Eriksson, 2021).⁸

After Emancipation, our forward imputations (dashed red line for white and dashed black line for Black) show that white shares with positive wealth in 1900 recovered slightly from 79 percent to 83 percent, and remain quite stable throughout the next 40 years. Compared to this, we observe for the Black population a stronger increase in 1900, with around 40 percent of the total Black population owning positive wealth (in 1870, the share was 32 percent). Nevertheless, the share of the Black population with positive wealth remained stable over the time period from 1900 to 1940 and never reached the 50 percent threshold. Hence, our estimation predicts zeros wealth for the typical Black household until the mid-20th century. When we impute the 1940 values using

⁷All census data were obtained from Ruggles et al. (2021).

⁸In Figure 1a and Figure 1b we also present the distribution of Black and white wealth during 1860 and 1870. In line with our results with the shares with positive wealth, we also observe a larger spread in Black wealth distribution after Emancipation, while the white wealth distribution contracts.

Figure 5: Black and white shares with positive wealth, 1860-2020



Notes: The solid black and red line present Black and white shares with positive wealth, respectively, during 1860-1870 using census data. The solid red line with cross marks plots white shares with positive wealth, and the black line with dots shows Black shares during 1950-2020 coming from data of the SCF+. The dashed black and red lines present our forward imputations of Black and white shares with positive wealth, respectively. The yellow diamond plots our backward imputation of white shares in 1940, while the grey diamond plots the result for Black. Finally, the grey dashed line visualizes the 50% threshold. Data sources: Census, SCF+, and own calculations.

backward-looking imputation based on the 1950 data, we obtain similar results for white (yellow diamond) and corroborate the zero wealth result for the Black median. Using the 1950 data, the share of positive wealth holdings of Black Americans is slightly higher than the share imputed with the 1870 estimates (forward-looking imputation, grey diamond), but still below the 50 percent threshold. This finding of zero wealth for the typical Black household aligns with the fact that the early 20th century is characterized by high racial oppression, such as Jim Crow laws, the revival of the KKK during the early 1920s and various events of violent destruction or expropriation of their property (Albright et al., 2021; Cook, 2014; Messer, Shriver, and Adams, 2018). The Great Depression during the early 1930s and its aftermath further suppressed the accumulation of wealth.

Our analysis suggests that the median Black household started to possess measurable levels of wealth only after 1940. From Emancipation until the mid-20th century, despite the overall growth in total and average Black wealth documented in the previous section, the majority of Black Americans remained property-less. In the next section, we concentrate on the post-1950 period using data of the SCF+ to investigate the development of the wealth gap at the median after World War II.

3.2 Post-World War II: The Evolution of the Median White-Black Wealth Gap

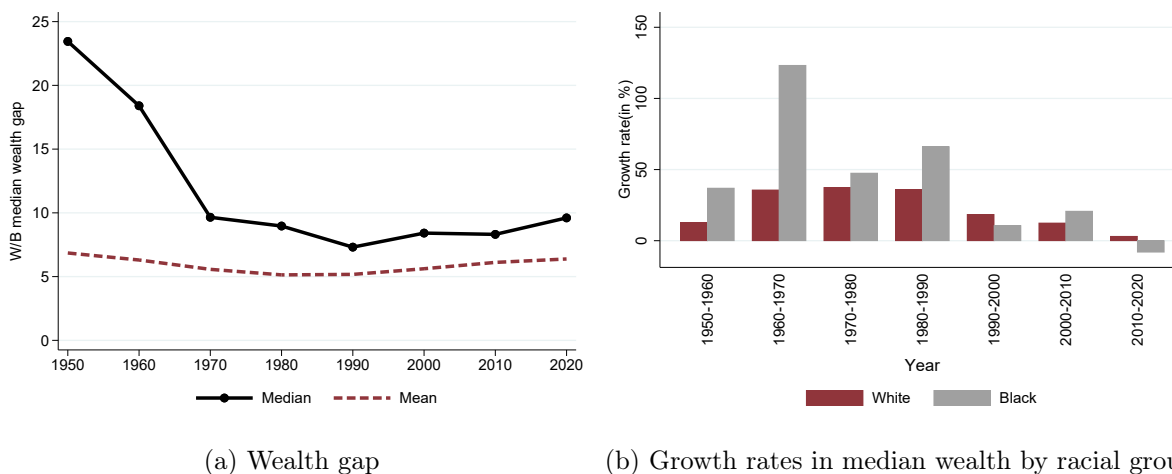
For the post-World War II period, we track the evolution of the racial wealth gap for the median household using the microdata from the SCF+ (Kuhn, Schularick, and Steins, 2020). In Figure 6a, we start by presenting the evolution of the white-to-Black wealth gap at the median of the household wealth distribution—while also showing the mean for comparison. Throughout the post-World War II period, the Black-white wealth gap at the median was substantially larger than the wealth gap at the mean. In 1950, the median wealth gap was nearly 25:1. By 1970, this number has fallen substantially, reaching a level of 10:1, however, the gap has remained at this level for the last five decades. In contrast to the wealth gap at the median, the gap at the mean followed a u-shape over the last 70 years, ranging from just under 5:1 to around 7:1. Hence, a focus on the average wealth gap alone hides important trends in terms of wealth building and financial inclusion for the typical Black household. Financial inclusion and the support for broad-based wealth building are regularly important topics on the policy agenda that an analysis of the average alone can only inform to a limited extent.

What can explain the sharp drop in the median wealth gap, particularly between 1960 and 1970? Figure 6b shows the growth rates in median wealth by racial group for each decade between 1950 and 2020. Recall that it was only in the decade between 1940 and 1950 that our estimation points to positive wealth levels for the median Black household. Black wealth at the median grew from low wealth levels strongly between 1960 and 1970, precisely when the wealth gap at the median fell by more than half. This stark increase in median Black wealth during this decade suggests that civil rights era policies and improvements in labor standards that disproportionately benefited Black workers in the late 1960s may have also translated into absolute and relative improvements in the wealth position of median Black households. Although the average wealth gap shows a declining

pattern over this time period, too, it misses the contemporaneous much stronger trends at the median that, as argued before, might be of particular policy relevance.

In short, the postwar period and in particular the first two postwar decades witnesses a substantial widening of wealth holdings among Black Americans. The trend continued until the 1980s, but stagnated in recent decades.

Figure 6: The racial wealth at the median



Notes: Panel (a) presents the household-level white-to-Black wealth gaps at the mean and median. Panel (b) presents growth rates in Black and white wealth at the median for each decade from 1950 to 2020. Data sources: SCF+.

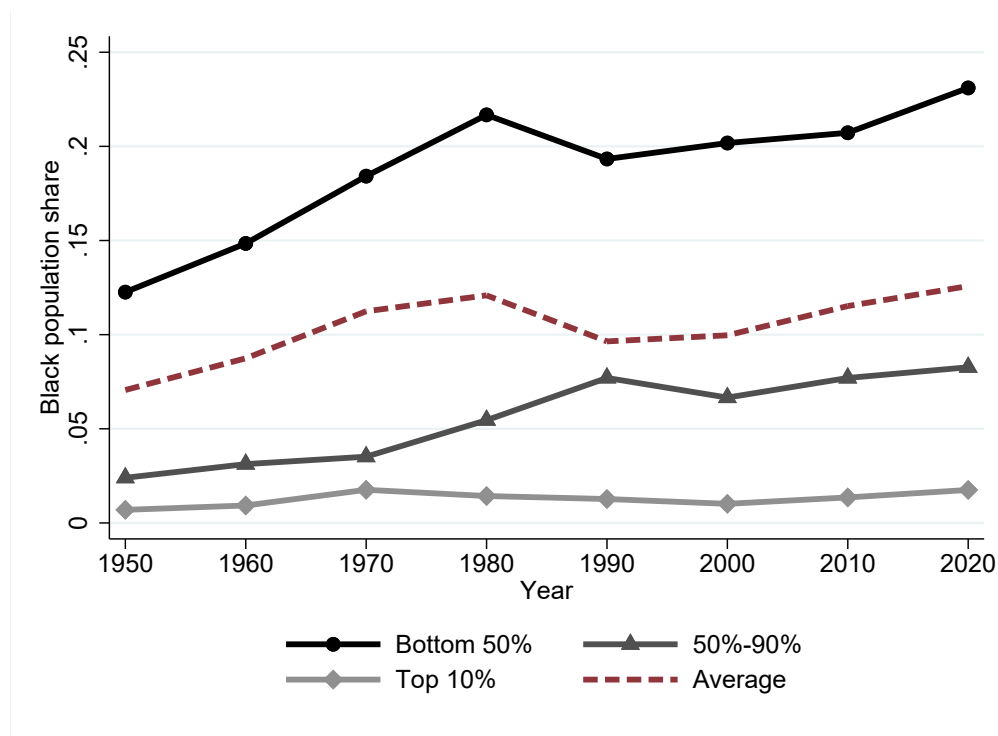
4 The Evolution of Black Wealth at the Top and Bottom of the Distribution

In a final step in our investigation, we study the available information for trends in Black wealth in the tails of the distribution. As a starting point, Figure 7 presents the Black population shares in the bottom 50 percent, 50-90 percent, and top 10 percent of the US wealth distribution. As a comparison, we also plot the total Black population share in the US as a red dashed line.

While the Black population share shows a secular upward trend from roughly 8 to 13 percent of the total US population during 1950-2020, the Black population share in the bottom 50 percent is significantly higher. Whereas one in eight Americans is black overall, almost one in four Americans is black if we look at households below the median wealth level. Interestingly, the share in the bottom 50 percent has steadily increased since 1950 and closely follows the trend of the overall population share. Such trends emphasize once again the large representation of Black Americans in the poorest group in the US. By contrast, Black Americans are underrepresented in the upper half of the wealth distribution. Black Americans represent less than 10 percent of the 50-90 percent slice of the wealth distribution US, and less than 2 percent of the top 10 percent. In particular, Black

representation at the very top is persistent with barely any change since 1950. Looking along the entire wealth distribution, we find that the Black wealth distribution is shifted towards lower level throughout the entire distribution.

Figure 7: Black population shares along the wealth distribution



Notes: The racial rank gap is the difference in percentage points between the rank that the wealth level of the Black median and 90th percentile households take in the wealth distribution of white households and the rank of the median and 90th percentile white household. Dashed line shows the long-run average of the racial wealth rank gap. Data sources: SCF+.

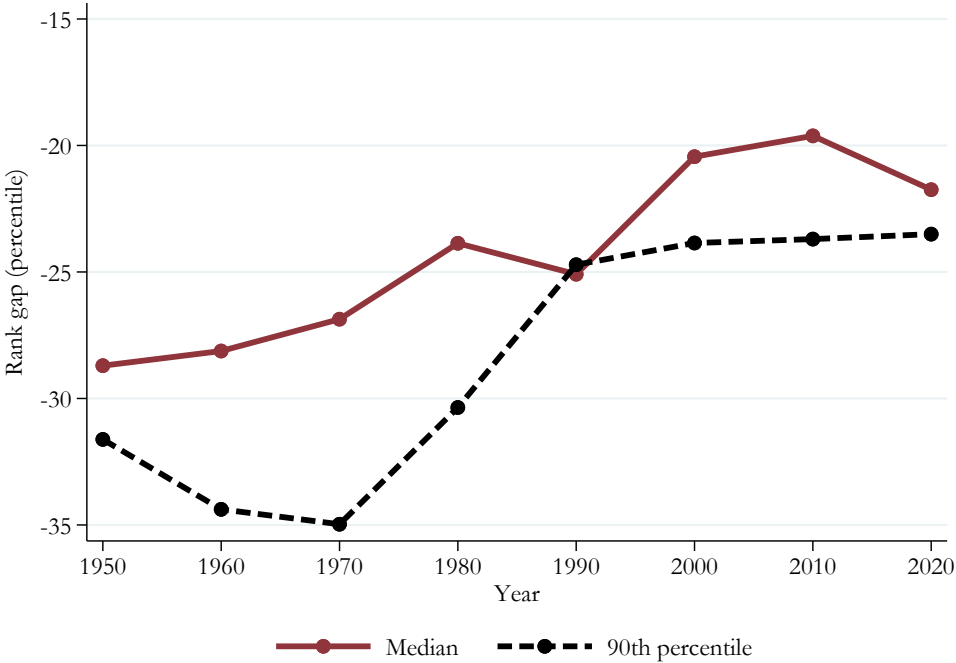
The concept of a racial “rank gap” offers an alternative to conceptualize the evolution of wealth differences between groups at specific parts of the distribution (Bayer and Charles, 2018; Kuhn, Schularick, and Steins, 2020). The (wealth) rank gap is the percentage point difference between the rank of a given percentile in the black and white wealth distribution. A rank gap of -20 for the median Black household means that the place of that household in the white distribution would be 20 percentage points lower, that is, only at the 30th percentile. Figure 8 shows the wealth rank gap at the median (red solid line) and at the 90th percentile (black dashed line). We expand earlier results for the wealth rank gap at the median and the 90th percentile from Kuhn, Schularick, and Steins (2020).

For the median, the average rank gap since 1950 is close to -30 percentage points, implying that the median black household finds itself at the 20th percentile of the wealth distribution of white households. Put differently, the typical black household is poorer than 80 percent of white households. The rank gap at the median has improved consistently until 2010, but has increased

again since then. Today, the median Black household would find itself in bottom third of the white distribution. The rank gap is equally large and persistent at the top. The 90th percentile of the Black wealth distribution yields a rank gap of close to -30 on average. In other words, the Black household at the 90th percentile is fairly closer to the median white household. Although some progress is visible here, too, the gap has stalled at -25 since the 1990s. Being at the threshold for the top 10% of Black households puts a Black households only at the 60th percentile of the distribution of white households.

In summary, our inspection of the tails shows that Black Americans are disadvantaged at both sides. Black Americans are over-represented at the bottom 50% of total US wealth distribution and under-represented at the top. Also, given the same rank, Black Americans are consistently worse off than their white counterparts. In particular, this gap seems to be highly persistent at the top. Given that the recent divergence in the racial wealth gap can be explained through asset price surges and rising wealth concentration at the very top, such trends set a sobering perspective for the future development of the average racial wealth gap.

Figure 8: Rank gap at the median



Notes: The red dashed line presents the Black population shares in the US. The solid black line with dots plots the Black population share among the bottom 50%, the dark grey line with triangles the share among the 50%-90%, and the light grey line with squares the share among the top 10% of the total US wealth distribution. Data sources: SCF+.

5 Conclusion

The exclusion of the enslaved Black population from wealth accumulation until 1865 has left its mark on the wealth distribution until today. While there has been some convergence in wealth levels over the past 150 years, convergence processes can be inherently slow when initial gaps are so large. Even under hypothetical conditions where Black Americans had slightly higher income growth than whites, but equal savings rates and capital gains, full wealth convergence remains a distant goal over the next two centuries. Reality is less optimistic, given that we live in an era of high wealth-to-income ratios in which differences in capital gains on existing asset play a dominant role for wealth growth. In recent decades, capital gains differentials between Black and white Americans were much more than before, mainly due to the greater exposure of the wealth of whites to equity markets and the strong performance of those markets.

There have been some relative improvements for the median Black household. The wealth gap at the median remains wide, but has shrunk substantially in the post-World War II era, especially early in this period. As a matter of fact, the median Black household only started to dispose of meaningful wealth around the time of World War II. In other parts of the wealth distribution, Black progress is visible over the past century, but often at a glacial pace and with a tendency towards stagnation or even outright reversal during the past three decades of asset price surges and rising wealth concentration at the very top in the hands of mostly white rich households.

References

- Ager, Philipp, Leah Boustan, and Katherine Eriksson (2021). “The intergenerational effects of a large wealth shock: white southerners after the Civil War”. In: *American Economic Review* 111.11, pp. 3767–94.
- Albright, Alex, Jeremy A. Cook, James J. Feigenbaum, Laura Kincaide, Jason Long, and Nathan Nunn (2021). *After the Burning: The Economic Effects of the 1921 Tulsa Race Massacre*. Working Paper No. 28985. National Bureau of Economic Research. DOI: [10.3386/w28985](https://doi.org/10.3386/w28985).
- Bayer, Patrick and Kerwin Kofi Charles (2018). “Divergent Paths: A New Perspective on Earnings Differences between Black and White Men since 1940”. In: *The Quarterly Journal of Economics* 133.3, pp. 1459–1501.
- Berlin, I. (1975). *Slaves Without Masters: The Free Negro in the Antebellum South*. Pantheon Books.
- Collins, William J. and Robert A. Margo (2011). “Race and Home Ownership from the End of the Civil War to the Present”. In: *American Economic Review* 101.3, pp. 355–59.
- Cook, Lisa D. (2014). “Violence and Economic Activity: Evidence from African American Patents, 1870–1940”. In: *Journal of Economic Growth* 19.2, pp. 221–257.
- Derenoncourt, Ellora, Chi Hyun Kim, Moritz Kuhn, and Moritz Schularick (2023a). *Replication Data for: 'Wealth of Two Nations: The U.S. Racial Wealth Gap, 1860-2020'*. Version V1. DOI: [10.7910/DVN/H6NXUH](https://doi.org/10.7910/DVN/H6NXUH).
- (Sept. 2023b). “Wealth of Two Nations: The U.S. Racial Wealth Gap, 1860–2020*”. In: *The Quarterly Journal of Economics*, qjad044. DOI: [10.1093/qje/qjad044](https://doi.org/10.1093/qje/qjad044). eprint: <https://academic.oup.com/qje/advance-article-pdf/doi/10.1093/qje/qjad044/51666531/qjad044.pdf>.
- Dray, Sacha, Camille Landais, and Stefanie Stantcheva (2023). *Wealth and property taxation in the United States*. Tech. rep. National Bureau of Economic Research.
- Du Bois, William E. B. (1901). *The Negro Landholder of Georgia*. Washington, D.C.: Bulletin of the United States Department of Labor, N. 35, Vol VI, 647-777.
- Fetter, Daniel K (2013). “How do mortgage subsidies affect home ownership? Evidence from the mid-century GI Bills”. In: *American Economic Journal: Economic Policy* 5.2, pp. 111–147.
- Higgs, Robert (1982). “Accumulation of Property by Southern Blacks before World War I”. In: *The American Economic Review* 72.4, pp. 725–737.
- Katznelson, Ira (2005). *When affirmative action was white: An untold history of racial inequality in twentieth-century America*. WW Norton & Company.
- Kuhn, Moritz, Moritz Schularick, and Ulrike I. Steins (2020). “Income and Wealth Inequality in America, 1949–2016”. In: *Journal of Political Economy* 128.9, pp. 3469–3519.
- Margo, Robert A. (1984). “Accumulation of Property by Southern Blacks Before World War I: Comment and Further Evidence”. In: *American Economic Review* 74.4, pp. 768–776.
- Messer, Chris M., Thomas E. Shriver, and Alison E. Adams (2018). “The Destruction of Black Wall Street: Tulsa’s 1921 Riot and the Eradication of Accumulated Wealth”. In: *American Journal of Economics and Sociology* 77.3-4, pp. 789–819.

- Piketty, Thomas, Emmanuel Saez, and Gabriel Zucman (2018). “Distributional national accounts: methods and estimates for the United States”. In: *The Quarterly Journal of Economics* 133.2, pp. 553–609.
- Ruggles, Steven, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, José Pacas, and Matthew Sobek (2021). “IPUMS USA: Version 11.0 [dataset]. Minneapolis, Minnesota: IPUMS”. In.
- Saez, Emmanuel and Gabriel Zucman (2016). “Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data”. In: *The Quarterly Journal of Economics* 131.2, pp. 519–578.
- Schweninger, Loren (1989). “Black-owned Businesses in the South, 1790-1880”. In: *The Business History Review*, pp. 22–60.
- (1990). *Black Property Owners in the South, 1790-1915*. Vol. 82. Champaign, Illinois: University of Illinois Press.
- Sutch, Richard (1988). “Replication Data for: Appendix: The Value of the Slave Population, 1805-1860 (Table A.4 and A.1)”. In: *Agricultural History* 62 (3), pp. 150–156.
- Walker, Juliet EK (1983). “Black entrepreneurship: An historical inquiry”. In: *Business and Economic History*, pp. 37–55.
- (1986). “Racism, slavery, and free enterprise: Black entrepreneurship in the United States before the Civil War”. In: *Business History Review* 60.3, pp. 343–382.
- Work, Monroe N. (1931). *Negro Year Book: An Annual Encyclopedia of the Negro, 1931-1932*. Tuskegee Institute, Alabama: The Negro Year Book Book Publishing Co.
- (1938). *Negro Year Book: An Annual Encyclopedia of the Negro, 1937-1938*. Tuskegee, Alabama: Negro Year Book Publishing Co.

Online appendix for “Changes in the Distribution of Black and White Wealth Since the US Civil War”

A Alternative representation of Black and white wealth

In this appendix section, we provide alternative visualizations of the development of Black and white wealth since Emancipation.

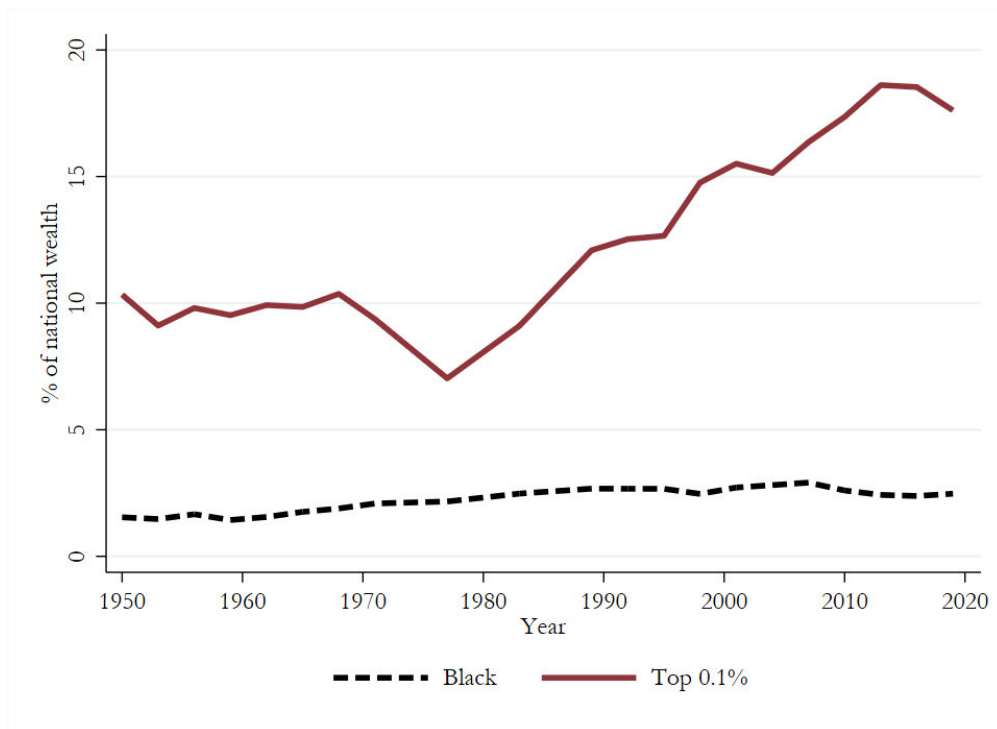
Comparison Black share with top 0.1% share of national wealth Figure [A.1](#) compares Black wealth share in total national wealth with the wealth share of the wealthiest 0.1% Americans (which are mostly white).⁹ Not only is the wealth share of the top 0.1% significantly larger than the share of Black wealth, it has also grown much faster than Black wealth during the last several decades. Such patterns provide an additional perspective on the recent growing divergence of the racial wealth gap.

The white-to-Black wealth gap in logs Figure [A.2](#) presents our per capita white-to-Black wealth gap of Figure [3](#) in logs. This figure highlights once again how the most rapid decline in the wealth gap occurred in the first 30 years after Emancipation. Afterwards, wealth convergence slowed down in the first decades of the 20th century, resumed between 1930 and 1980, and stalled thereafter.

White share with positive wealth by region, 1860 and 1870 In Table [A.1](#) we present the white share with positive wealth during 1860 and 1870 by region (South vs. Non-South). While white shares of positive wealth in non-Southern countries decreased by around 8 percent, Southern wealth holders decreased by more than 13 percent. This is again in line with history, as Emancipation led to the total nullification of all slave wealth which hit wealthy Southerners the most, see Figure [1a](#) and Figure [1b](#).

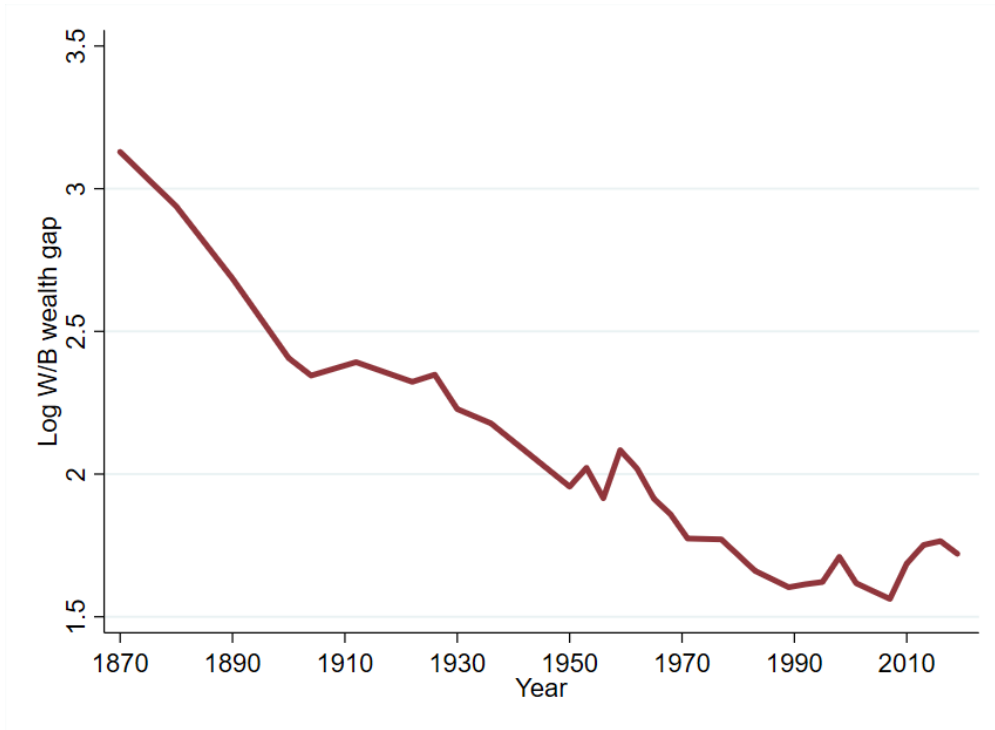
⁹National wealth shares are provided by Piketty, Saez, and Zucman (2018).

Figure A.1: Black share of national wealth vs. top 0.1% share of national wealth



Notes: The black solid line presents the Black share of total national wealth during 1950-2020. The red solid line presents the national wealth shares of the top 0.1% wealthiest Americans. Data sources: SCF+ and Piketty et al. (2018).

Figure A.2: Wealth gap in logs



Notes: The per capita average white-to-Black wealth gap series in logs from 1860 to 2020. Data sources: Derenoncourt et al. (2023b).

Table A.1: White share with positive wealth: South vs. Non-South

	1860	1870	% Change
Benchmark white	86.4%	78.1%	-9.6%
White in South	89.8%	77.9%	-13.3%
White in Non-South	84.9%	78.2%	-7.9%

Notes: White population share with positive wealth. The first row presents our benchmark results. In the second and third row, we divide the white population living in southern states and other states. *Data source:* Census.

B Imputing personal property

In Figure B.1 we present Black and white population shares with positive total wealth together with homeownership rates during 1860-2020. The share of Black households with positive wealth rose substantially between 1870 and 1950. At the beginning, less than 10% of Black households owned any form of wealth. By 1950, slightly more than 50% possessed a positive amount of wealth, and 80% by 2020. But when exactly, had the majority of Black households accumulated measurable wealth?

While we have full information on homeownership rates during 1860-2020, data availability on total wealth including information on different asset classes is scarce: We have information on personal property for 1860 and 1870 coming from the Census (including bonds, notes, and enslaved persons in 1860), but a complete picture of wealth by asset class is only available starting from 1950 onwards with the SCF+. For the years when we have data on both total wealth holdings and homeownership rates, we observe a difference between population shares with positive wealth shares and homeownership rates, for both racial groups. This indicates that a significant amount of Black and white Americans possessed personal property, without being a homeowner.

In light of the data gap between 1870 and 1950, we can only approximate this transition indirectly. We impute the shares of the Black and white population with positive wealth by exploiting socio-demographic characteristics of households with personal wealth both from the 1860 and 1870 census and the 1950 SCF+ survey wave. Specifically, we investigate the socio-demographic characteristics of a household head i that had personal property, who lives in state s in year t , and does not possess housing wealth using the following equation:

$$\text{Pers. prop}_{i,s,t|\text{house}_{i,s,t}=0} = \alpha + \beta X_{i,s,t} + \gamma_s + \varepsilon_{i,t}. \quad (1)$$

$X_{i,s,t}$ includes socio-demographic characteristics such as family size, gender, literacy, urban status, age (and its square), as well as labor market characteristics such as labor force status and occupational characteristics (farmer/laborer/professionals). γ_s are state-level fixed effects.

Our imputation method is as follows. First, we implement forward-looking predictions by estimating Equation (1) using 1870 census data for Black, and using 1860 census data for white. The reason why we do not use the 1870 census for white is due to the fact that in the aftermath of Emancipation, white wealth experienced a shock, especially slaveholders, and may not be representative for the post-Emancipation periods (Ager, Boustan, and Eriksson, 2021). We then use the estimated coefficients to impute the share of positive wealth holdings for $t \in [1900, \dots, 1940]$ ¹⁰:

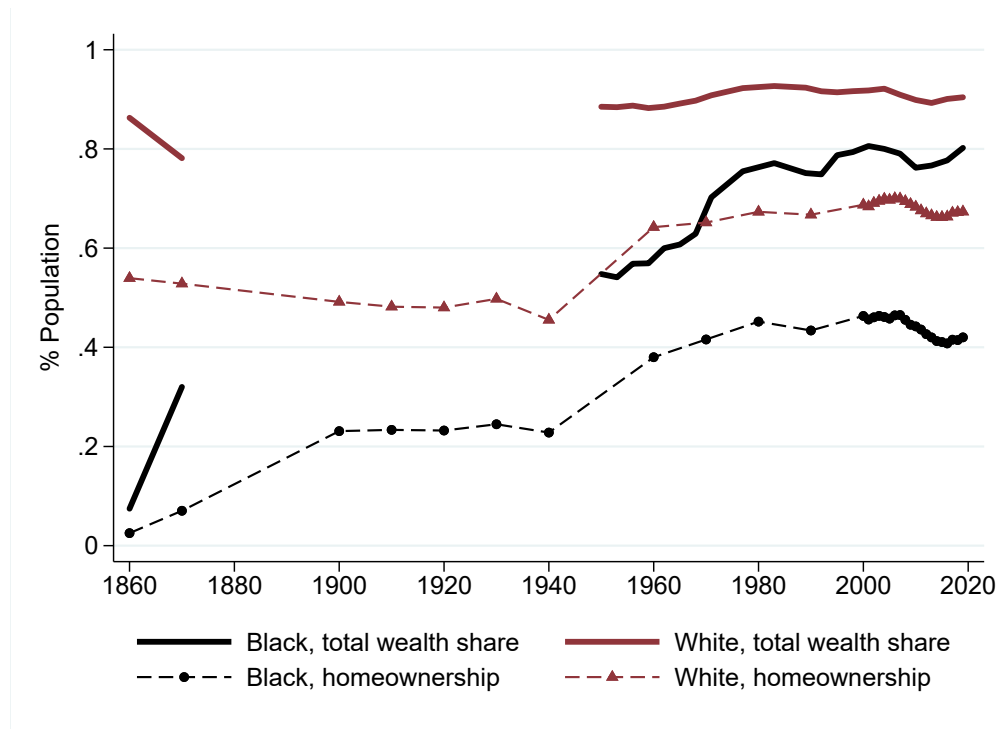
$$\hat{P}_t(\text{wealth} > 0) = (1 - \% \text{homeowner}_t) \cdot \text{Pers. } \hat{\text{prop}}_t + \% \text{homeowner}_t. \quad (2)$$

We are aware of the fact that the socio-demographics of property owners may have changed

¹⁰We start our imputation in 1900, as census data during 1880-1890 does not have information on homeownership.

over time and the 1860/1870 characteristics may not be representative for the mid-20th century. Therefore, in a second step, we also compute backward-looking predictions by estimating Equation (1) using the 1950 data of the SCF+. In particular, we will provide imputation results for 1940, as the 1940-1950 period is characterized through important events such as the WWII, the New Deal era relief and social insurance policies, as well as GI Bill. All regression outputs are presented in Table B.1.

Figure B.1: Black and white shares with positive wealth, 1860-1870 and 1950-2020



Notes: The solid black and red line present Black and white shares with positive wealth, respectively, during 1860-1870 (using census) and 1950-2020 (using SCF+). The solid red line with cross marks plots white homeownership rates from the census, and the line with dots shows Black homeownership rates from the census. Data sources: Census and SCF+.

Table B.1: Regression output for forward and backward imputation

	Forward		Backward	
	Black	White	Black	White
Sample year	1870	1860	1950	1950
Family size	0.12***	0.08***	-0.13***	-0.17***
Male	0.92***	-0.15**	0.64***	0.78***
Farmer	-0.91	1.72***	1.44***	0.80***
Laborer	-1.42	1.09***	0.40	0.50***
Professional	-0.30	1.80***	1.23**	1.27***
Education	0.27***	0.16***	0.17	0.61***
Age	0.06***	0.00	0.09**	0.10***
Age squared	0.00***	0.00	-0.001***	-0.001***
State fixed effects	yes	yes	yes	yes
Constant	yes	yes	yes	yes
Pseudo R^2	0.10	0.09	0.10	0.13

Notes: Regression output for property holders (none-homeowners) by race. For forward imputation for Black, we use 1870 census data and for white 1860 data. For backward imputation we use for both racial groups the 1949 wave of the SCF+. *, **, and *** present the significance level at 1%, 5%, and 10%, respectively. *Data source:* Census and SCF+.