

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

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The vast majority of Black Americans were enslaved until the 1860s, and thus contributed 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 in 1863 was enormous. Recent estimates put the average wealth gap at 56:1 at the eve of the US Civil War (Derenoncourt et al. 2023a). 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 in the post-Emancipation South by Du Bois (1901) and later by economic historians like Margo (1984) and Higgs (1982), little has been 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

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the accumulation of wealth (Derenoncourt et al. 2023a). In the post-slavery period, Black Americans faced discrimination in labor and housing markets, exclusion from financial markets, and outright destruction of Black wealth that hindered continuous convergence in their wealth. On top of this, the rising importance of capital gains since the 1980s has reversed the racial wealth convergence process altogether: the average wealth gap today is larger than at the end of the civil rights era of the 1960s and 1970s.

The analysis in the paper proceeds along three 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 per capita, or average, white-Black wealth ratio started at an extreme level 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 white-Black wealth gap then stalled and started to increase again in the last third of the twentieth 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. Thus, a second step of our analysis is to explore the median wealth gap, which represents the situation of a typical Black and white household; for example, the median wealth gap between white and Black households was 10 to 1 in 2020, and therefore much higher than the average wealth gap of 6 to 1 that year. However, studying the median and the distribution of wealth is even more challenging than studying the average wealth differences between Black and white Americans, due to the lack of data availability. We 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 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 for this time relative to the median white wealth that we estimate to be positive throughout the period from 1870 to 1940.

Our third step focuses on the post-1950 period and explores 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 the Black and white wealth distributions. 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.

“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 Black population of 4.4 million were enslaved. These enslaved individuals were considered property and deprived of the right to own property themselves. Reconstruction-era proposals for providing land 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 from historical Census data on the distribution of Black and white wealth. We then 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 microdataset that would allow researchers to document the distribution of wealth by racial group after 1870.

Per capita Black wealth amounted to just \$0.13 on the eve of the Civil War in 1860,¹ but the bottom 90 percent of the Black Americans, who were enslaved, had no measurable wealth at all, as illustrated in panel A of Figure 1. What wealth was owned was concentrated in a small group within the free Black 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, 1986; Schwenger 1989, 1990).

The remaining millions of Black Americans toiled under lifetimes of bondage, with no recourse 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 (Schwenger 1990).² Yet, our estimates show that in 1870, a few years after Emancipation, over 80 percent still had no measurable wealth.

While the abolition of slavery rocked the economy of the US South 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 United States 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.

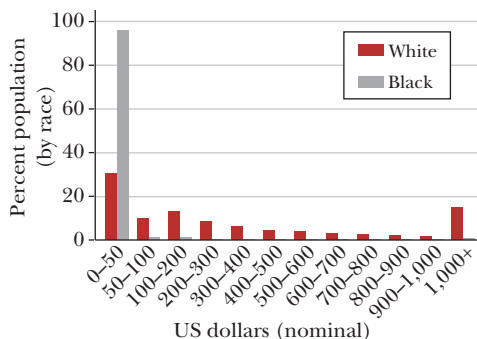
¹Estimate from Derenoncourt et al. (2023a). All datasets used in this paper are available in Harvard Dataverse (Derenoncourt et al. 2023b).

²See Ager, Boustan, and Eriksson (2021) for estimates of the decline in southern land prices after the Civil War.

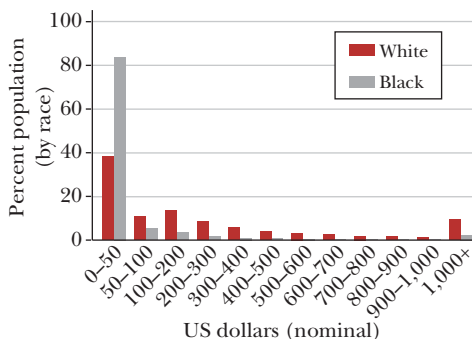
Figure 1

The Distribution of White and Black Wealth in 1860 and 1870

Panel A. Wealth distribution in 1860 by race



Panel B. Wealth distribution in 1870 by race



Source: US Census (Derenoncourt et al. 2023b).

Note: Wealth distribution of Black and white wealth in 1860 and 1870 (in current US dollars).

As shown in Figure 1, over 60 percent of white Americans owned some degree of wealth both before and after the Civil War, though an 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.

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 started carrying out the Survey of Consumer Finances, providing high-quality data on the financial situation of US households every three years. 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 Finances 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 Finances by harmonizing and reweighting the historical data to make them as compatible as possible with the post-1983 data.

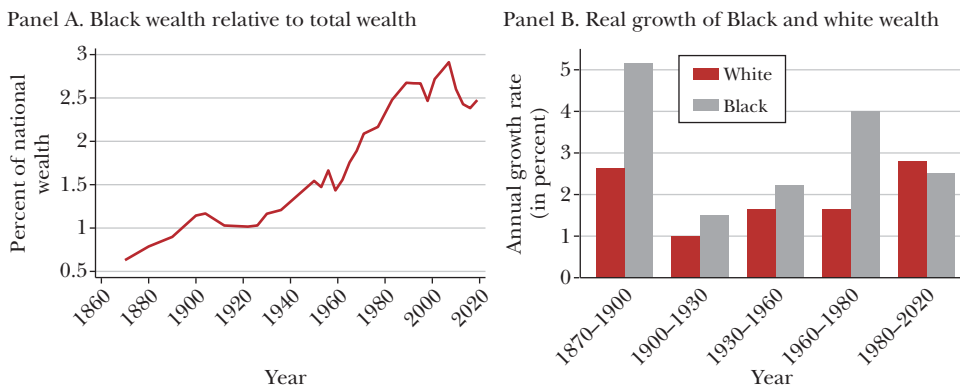
We will refer to this data as the augmented Survey of Consumer Finance, or SCF+. This novel dataset adds four decades of household-level microdata and effectively doubles the time coverage of the post-1983 Survey of Consumer Finances, without compromising on the detailed information with respect to socioeconomic 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 microdataset that would allow us to document the distribution of wealth by racial group after 1870. 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. (2023a) 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 nineteenth and early-twentieth centuries, an intricate system of taxation for real and personal property existed in every US state, in which 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. Of course, 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 (Department of Commerce 1924) 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. (2023a) 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 estimates of per capita wealth.

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. Panel A of Figure 2 tracks Black

Figure 2

Historical Evolution of Black Wealth, 1870–2020

Source: Final wealth gap series are from Derenoncourt et al. (2023a). Primary data sources are 1860 and 1870 complete count censuses (Ruggles et al. 2021), Southern state auditor reports 1866–1929, Work (1932), Work (1938), Saez and Zucman (2016), and US Census Bureau’s “Wealth, Public Debt, and Taxation report” (Department of Commerce 1924).

Note: 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.

wealth relative to total US household wealth. While the share of Black wealth in total wealth has also increased from less than 1 percent in the nineteenth century to around 2.5 percent today, the increase has stalled in recent decades. Despite a Black 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 nineteenth century.

In panel B of Figure 2, we plot the inflation-adjusted growth rates of Black wealth since Emancipation. The nominal wealth growth series are deflated by consumer price indices taken from the Jordà-Schularick-Taylor Macrohistory Database that is available for 1870–2020 (Jordà, Schularick, and Taylor 2017). 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: after all, the majority of Black Americans started with wealth levels close to zero, which allowed high relative increases in their wealth compared 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 time period, 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.³ 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 to 19 percent of total wealth (based on the SCF+ data; see also Piketty, Saez, and Zucman 2018). Hence, 0.1 percent of US households own a share of total household wealth that is an order of magnitude larger than the share of wealth that the entire US Black population owns.

Combining Wealth and Population: Average Wealth

Combining the estimates for total Black and white wealth from Derenoncourt et al. (2023a) 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 twentieth century, mirroring the stagnation of the Black wealth share since the 1980s, and the average wealth ratio was at 6:1 in 2019.

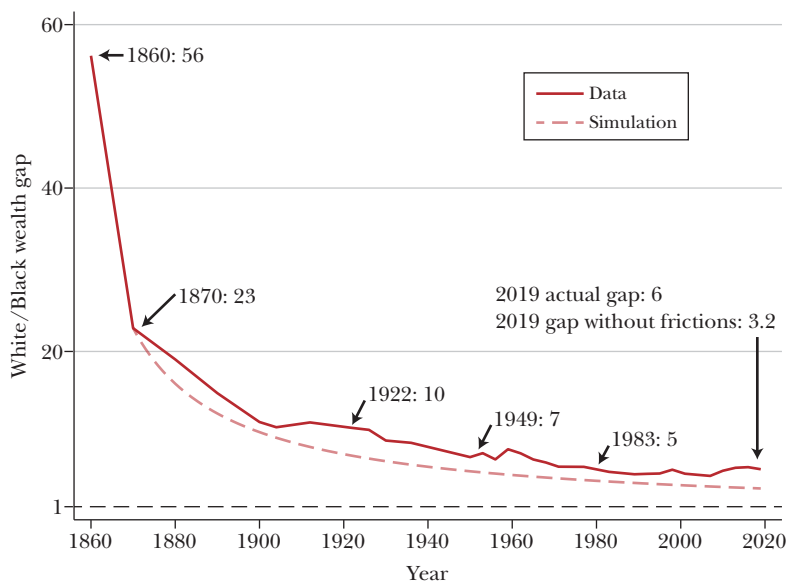
The pace of per capita wealth convergence was particularly fast in the early decades after Emancipation. In 1860, the average Black American owned less than \$0.02 for every white dollar of wealth. The racial wealth gap dropped sharply between 1860 and 1870, the first post-Emancipation observation, with 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?⁴ 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

³For an illustration of this pattern, see online Appendix Figure A.1.4. According 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.

⁴Data 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



Source: Racial wealth gap series are from Derenoncourt et al. (2023a). Primary data sources are 1860 and 1870 complete count censuses (Ruggles et al. 2021), Southern state auditor reports 1866–1929, Work (1932), Work (1938), Saez and Zucman (2016), and the US Census Bureau’s “Wealth, Public Debt, and Taxation report” (Department of Commerce 1924).

Note: The red solid line presents the white-to-Black per capita wealth ratios from 1860 to 2020. 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 Americans is coming from their initial starting point of wealth and income growth rates. Full details on the construction of this series are available in Derenoncourt et al. (2023a).

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 Black Americans, 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 rate of convergence per annum). However, the wealth gap left its convergence path in the last quarter of the twentieth century. The most recent numbers in 2019 shows that the wealth gap two decades into the twenty-first century has returned to a level of 6:1.

To understand the drivers of long-run racial wealth convergence, Derenoncourt et al. (2023a) use a stylized framework of wealth accumulation, where the racial differences in wealth accumulation depend on their (1) initial conditions after Emancipation and (2) 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 on today's wealth gap: white Americans would, on average, own \$3 per \$1 of wealth of Black Americans today.

By contrast, the actual white-to-Black per capita 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. (2023a), 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.

Wealth of the Median Black Household over Time

The average wealth gap might hide substantial heterogeneity and in this way miss the evolution of the financial situation of the typical household. Therefore, in this section we compile the first estimates of the wealth of the median Black household and compare this 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.

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 nontrivial 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 nonfinancial assets other than housing, such as livestock, plates, jewels, and furniture.

Homeownership is often the largest single asset for US households, and information on homeownership by race is available from 1860 to 2020 from US Census data. Our data are extracted from complete-count Census for the time period from 1860 to 1940.⁵ For the time period from 1960 through 2019, we add further data from the American Community Survey conducted by the Census Bureau. As a robustness check, we also construct homeownership rates with the augmented SCF+ data for 1950–2019.

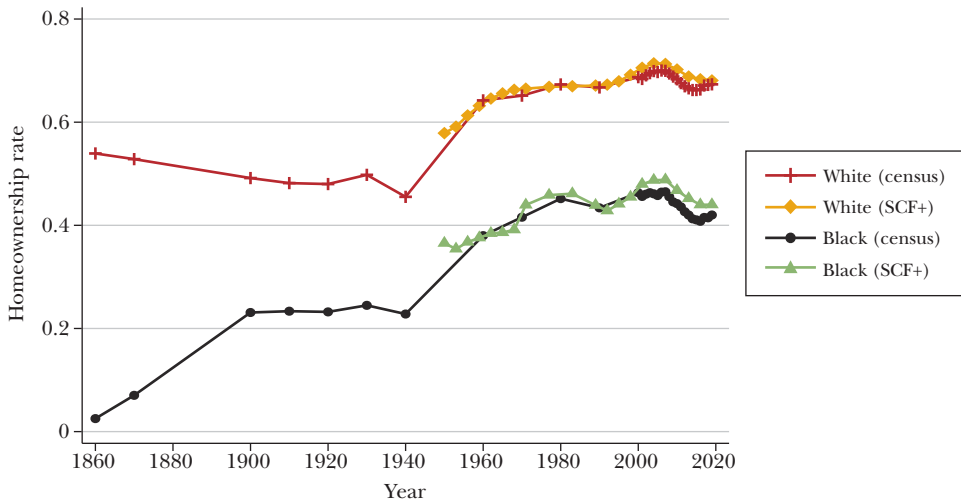
Figure 4 presents the results of this exercise. Homeownership rates of white households have been higher than for Black households throughout the 160-year period. At each point in time up through 1940, around 50 percent of white households owned a house. White homeownership trended down slightly until 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 Servicemen's Readjustment Act of 1944, better known as the "GI Bill" (Fetter 2013). Homeownership rates for white families continued to trend upwards until 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 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 2007–2009. In 2019, homeownership rates of Black households remain 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 and only came close

⁵The resulting series during this time period can be compared to the series compiled by Collins and Margo (2011).

Figure 4

White and Black Homeownership Rates, 1860–2020



Source: Census, ACS, and SCF+ (Derenoncourt et al. 2023b).

Note: 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.

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.

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 wealth in enslaved persons in 1860. But after that, a complete picture of wealth by asset class is only available starting from 1950 onwards with the augmented 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 sociodemographic characteristics of households with personal wealth first by projecting forward from the 1860 and 1870 censuses 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 sociodemographic 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 sociodemographic characteristics such as family size, gender, literacy, urban status, and 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.⁶ 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 sociodemographic characteristics and nonhousing wealth remained fixed, and if only the sociodemographic characteristics shifted over time

Of course, we are aware of the fact that the sociodemographics of property owners may have changed over time and the 1860/1870 characteristics may not be representative for the mid-twentieth century. Therefore, in a second step, we also compute backward-looking predictions using the same approach and sociodemographic 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. In comparison, white shares decreased to 78 percent, with the strong decrease in white shares mostly coming from southern states. This pattern is unsurprising because Emancipation led to the total nullification of all slave wealth, which hit wealthy Southerners the most (Ager, Boustan, and Eriksson 2021).⁷

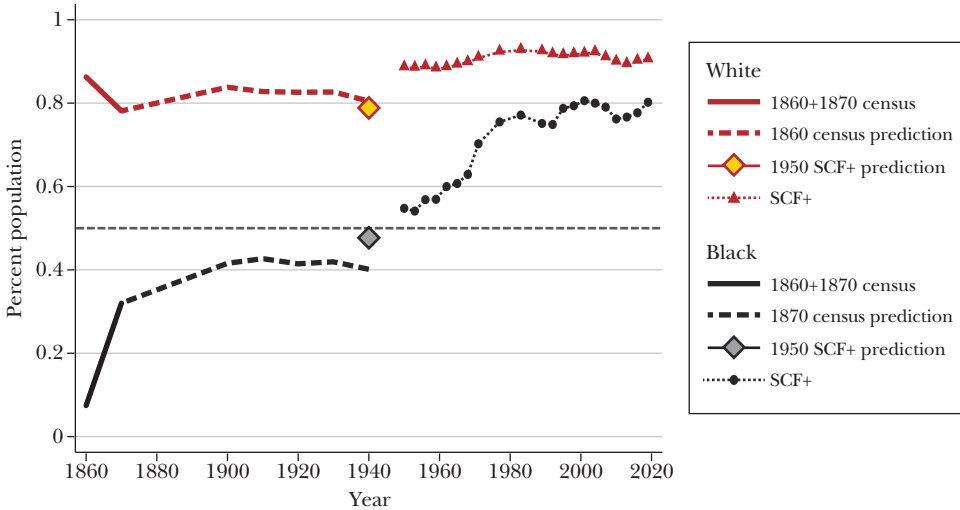
After Emancipation, our forward imputations (dashed red line for white and dashed black line for Black) show that white shares with positive wealth in 1900 recovered slightly from 79 percent to 83 percent, and remain quite stable throughout the next 40 years. Compared to this, we observe for the Black 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

⁶All census data were obtained from Ruggles et al. (2021).

⁷In panels A and B of Figure 1, 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



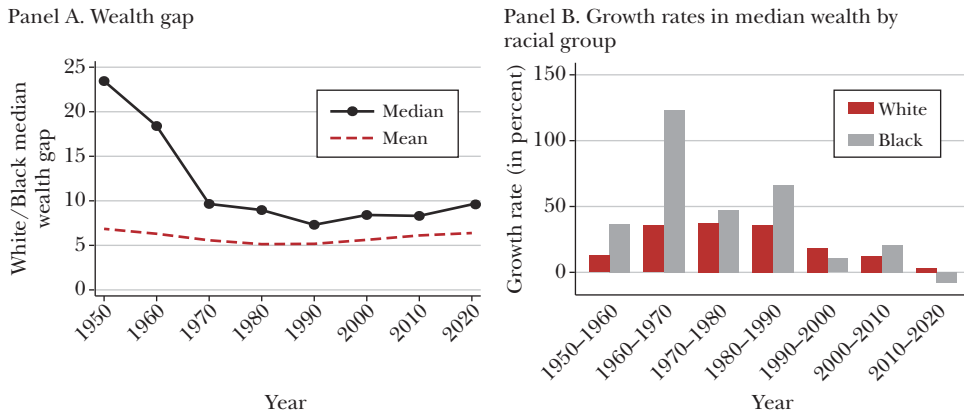
Source: Census, SCF+ (Derenoncourt et al. 2023b), and authors’ calculations.

Note: 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 results for Black shares. Finally, the grey dashed line visualizes the 50 percent threshold.

zero wealth for the median Black household until the mid-twentieth century. When we impute the 1940 values using 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 median Black household circa 1940 aligns with the fact that the early-twentieth century is characterized by high racial oppression, such as Jim Crow laws, the revival of the Ku Klux Klan 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-twentieth century, despite the overall growth in total and average Black wealth

Figure 6

The Racial Wealth at the Median

Source: SCF+ (Derenoncourt et al. 2023b).

Note: 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.

documented in the previous section, the majority of Black Americans remained propertyless. In the next section, we concentrate on the post-1950 period using data from the augmented SCF+ to investigate the development of the wealth gap at the median after World War II.

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 augmented SCF+ (Kuhn, Schularick, and Steins 2020). In panel A of Figure 6, we present 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 on policymakers' agendas, and analysis of the average alone can only inform these debates to a limited extent.

What can explain the sharp drop in the median wealth gap, particularly between 1960 and 1970? Panel B of Figure 6 shows the growth rates in median wealth by racial group for each decade between 1950 and 2020. Recall that it was only during

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 strongly from low wealth levels 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 and much stronger trends at the median that, as argued before, might be of particular policy relevance.

In short, the post–World War II period and, in particular, the first two postwar decades witnessed improvement in a substantial widening of wealth holdings among Black Americans. The trend continued until the 1980s, but stagnated in recent decades.

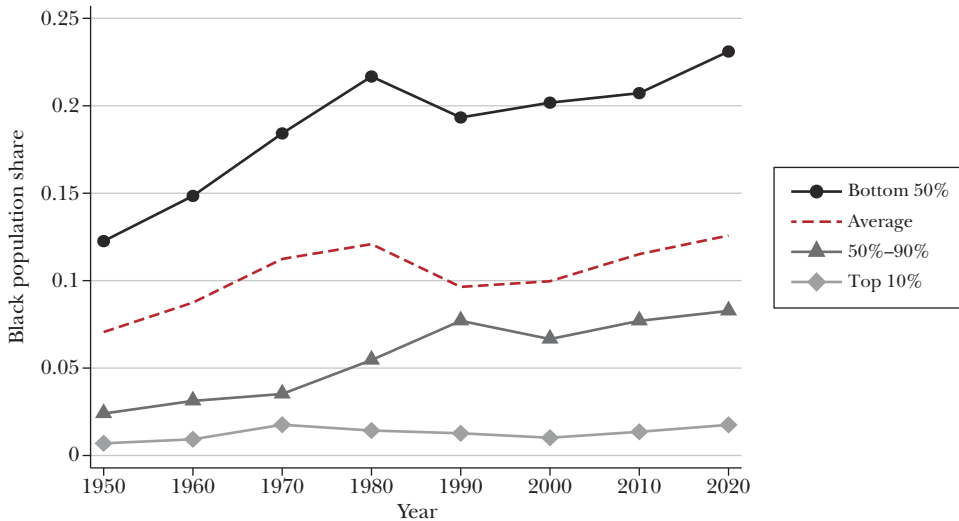
The Evolution of Black Wealth at the Top and Bottom of the Distribution

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 United States 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 United States. Conversely, 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 in the United States, 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 levels throughout the entire distribution.

The concept of a racial “rank gap” offers an alternative way 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 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 wealth means that the place of that household in the white distribution would be

Figure 7

Black Population Shares along the Wealth Distribution

Source: SCF+ (Derenoncourt et al. 2023b).

Notes: The red dashed line presents the Black population shares in the United States. The solid black line with dots plots the Black population share among the bottom 50 percent, the dark grey line with triangles the share among the 50 percent–90 percent, and the light grey line with squares the share among the top 10 percent of the total US wealth distribution.

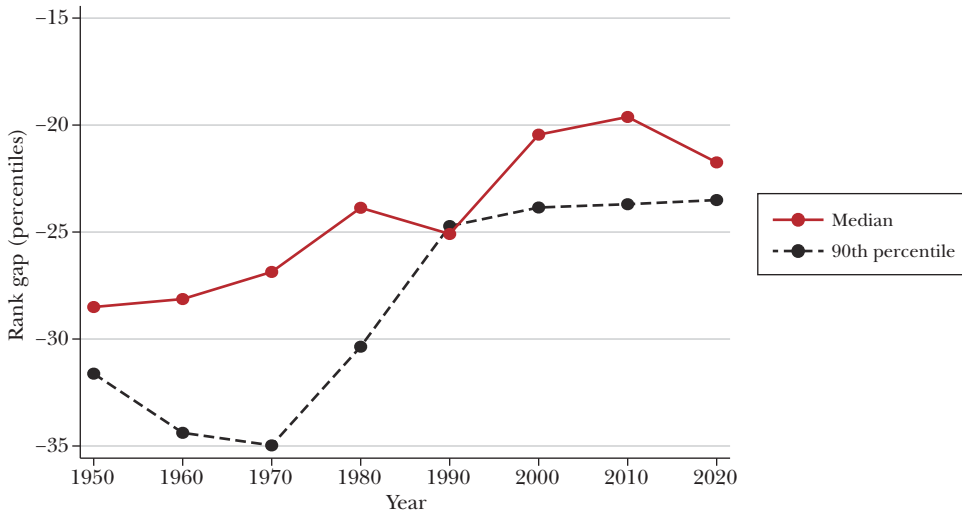
20 percentile points lower—that is, only at the 30th percentile. Figure 8 shows the wealth rank gap at the median (red solid line) and at the 90th percentile (black dashed line). We expand earlier results for the wealth rank gap at the median and the 90th percentile from Kuhn, Schularick, and Steins (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 close 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 percent of Black households puts such 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 ends. Black Americans are overrepresented in the bottom 50 percent

Figure 8

Racial Wealth Rank Gaps: Median and 90th Percentile



Source: SCF+. (Derenoncourt et al. 2023b).

Note: The racial rank gap is the difference in percentile points between the rank that the Black median and 90th percentile households take in the wealth distribution of white households.

of the overall US wealth distribution and underrepresented 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.

Conclusion

The exclusion of the enslaved Black population from wealth accumulation until 1865 continues to leave its mark on the wealth distribution 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 white Americans, 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 assets 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 white households 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. In 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.

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