

Tatjana Meschede, Maya Eden, Sakshi Jain, Branden Miles, Mariela Martinez,
Sylvia Stewart, Jon Jacob and Maria Madison

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Introduction

The 1944 Servicemen's Readjustment Act, commonly known as the GI Bill, gave returning WWII veterans access to a variety of benefits to ease the veterans' transition into civilian life, and to compensate veterans in gratitude for their service. The bill also stands as one of the premier vehicles that enabled Americans to build wealth and fostered a vibrant middle-class through the 20th century. When President Roosevelt signed the GI Bill into law in 1944, he opened the door for generous subsidies for education and housing, which constituted substantial financial transfers to many veterans. However, Black and White veterans faced two very different realities when they returned from the war. Consistent with many policies the era,ⁱ the GI Bill did not reference race. For many this omission of assuring fair and equitable administration of the bill across racial/ethnic groups across the country, resulted in localized discriminatory practices.

Moreover, Black veterans approved by the VA who attempted to use their benefits faced a society openly hostile to their success. Redlining and racial covenants kept Black veterans and their families from benefiting from the well-funded schools and blossoming property values of post-war suburbia.ⁱⁱ Educational segregation and discrimination limited the opportunities available to Black veterans and also overburdened HBCUs without providing funding to raise their capacity.ⁱⁱⁱ Historical accounts abound of discrimination in workforce training and placement.^{iv} Across large swaths of the country, Jim Crow enforced second-class citizenship in nearly every aspect of life for the very men and women who put their lives on the line to fight for their country.^v The purpose of our study is to empirically investigate the extent to which the GI Bill contributed to the racial wealth gap. Our findings thus far illustrate a complex set of interactions between policy and society that left Black veterans at a disadvantage compared to their White counterparts. Namely, that:

- the GI Bill provided benefits in sectors that were often segregated and rife with racially discriminatory policies and prejudice, such as housing and education;
- the real cash equivalent value of benefits for Black veterans was only 40% of the value of benefits for White veterans;
- GI Bill benefits and service in World War II led to a subsequent annual average increase in income of \$16,000 for White veterans, but effects on Black veterans' incomes were not statistically significant;
- and during the ages when wealth typically peaks, Black veterans had average net wealth holdings of approximately \$45,650, compared to White veterans' average wealth holdings of \$147,500.

The voices of Black veterans and their descendants reveal the shortcomings of the GI Bill

As part of this study, we have been speaking to Black and White veterans and their descendants about their experiences navigating and receiving GI Bill benefits. White veterans have been nearly unanimous in their positive experiences of the GI Bill. One White veteran described the policy as the “*greatest gift a country could have ever given its servicemen and women.*” One descendant of a White veteran highlighted the economic mobility that the bill facilitated for their family, “*If my father had not received the GI Bill, there was no money. He wasn't going to go to college. He would've been a draftsman probably somewhere. So, it changed our lives, it changed his life dramatically.*”

Our conversations with Black veterans and their descendants were more mixed, containing experiences of discrimination beginning with their time in the military and lasting through their attempts to receive the benefits they were entitled to. When speaking about discrimination in different military branches, one Black veteran said, “*I would go to jail before I go to the Navy.*” Many accounts in the literature and in our interviews include people who were excluded from utilizing their benefits. One descendant said of their father's experience,

“He spent three years in the Pacific. He earned three medals... He was able to avoid injury during the war and then come home, and within 5 hours, he's blinded for life at the age of 27 - after serving his country, after sacrificing everything. Only then to be denied veterans benefits.”

Another descendant said,

“He [my father] was a leader in terms of establishing a business to gain wealth - generational wealth. But it's sad that it took that long for the opportunity to come to fruition for him. He could have done so much more in those 15 years [he didn't have benefits].”

So far, our interviews paint a clear picture. While many Black veterans were able to collect GI Bill benefits which were often transformative for them and their families, many others were denied or given less support from VA offices and other post-war government programs. The empirical analysis that follows is an attempt to better understand this experience.

The average value of the benefits that Black veterans received was only 40% of the value of the benefits that White veterans received.

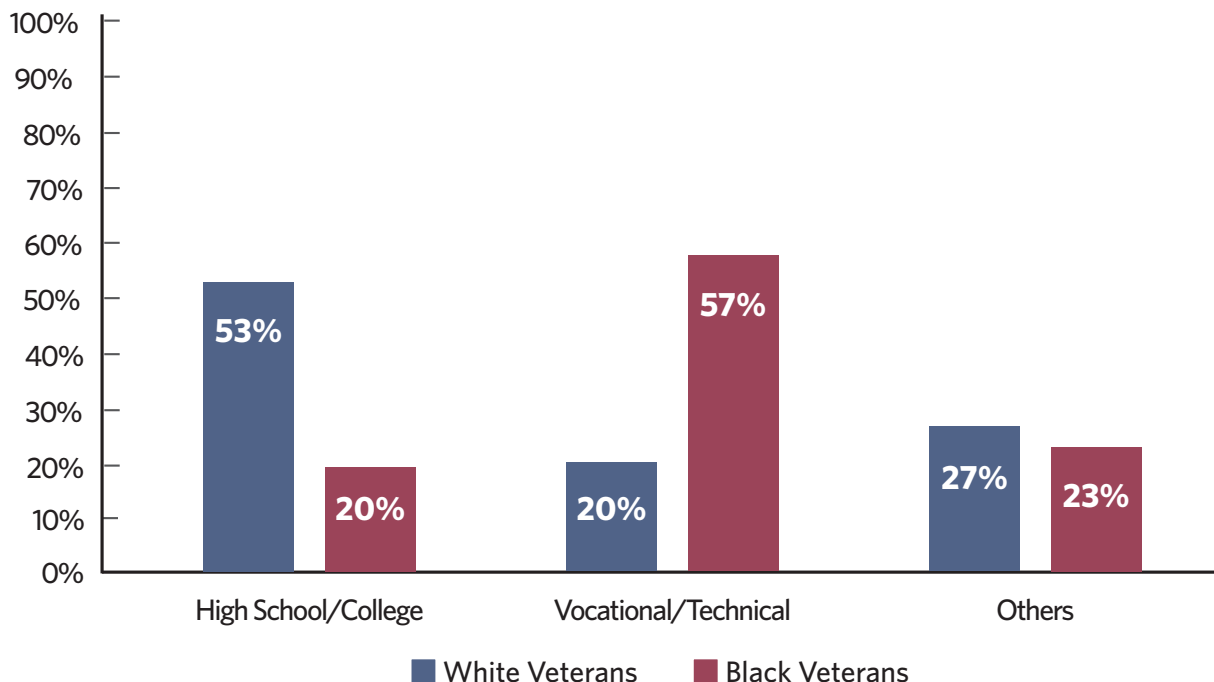
The GI bill had three components: education and training benefits, loan guarantees for home purchases and businesses, and readjustment allowances consisting of unemployment and self-employment benefits. [Eden \(2022\)](#)^{vi} constructs estimates of the disbursements of each of these benefits by race by combining data on participation rates from veteran surveys (1950, 1979 and 1987) and historical estimates of the programs' costs. The education and training benefits are priced using historical estimates of tuition rates (both for college and for vocational training), as well as the stipend amounts provided by the GI bill. Loan guarantees are monetized by combining data on home values from the 1979 Survey of Veterans with estimates of the difference between the guaranteed loan rates and the unsubsidized market mortgage

rates from the Census 1960 Residential Housing Survey. Finally, readjustment allowances are calibrated based on participation rates from the 1950 Survey of Veterans and total amounts reported in the VA Annual Reports 1945-1953.

The analysis suggests that the government spent roughly the same amounts on GI benefits for Black veterans and for White veterans. Average spending on loan guarantees was lower. This is consistent with Agbai (2022),^{viii} who uses VA administrative records to document that, in the years 1944-1956, Black veterans were significantly less likely to participate in the home loan guarantee program. At the same time, average spending on education and training benefits and on readjustment allowances were higher for Black veterans, resulting in higher total spending per-veteran.

However, segregation and systemic racism limited the ways in which Black veterans were able to use their benefits. To capture this, Eden (2022) makes two adjustments to the government spending numbers. First, she constructs estimates of nominal cash-equivalents for each of the benefits. The cash-equivalent of a benefit is the minimal amount of money that the veteran would be willing to accept in exchange for forgoing the benefit. Nominal cash-equivalents tended to be lower for Black veterans, who often took advantage of the GI benefits only because they were heavily subsidized, and not because they were particularly useful to them. For example, the education and training benefits included a stipend that was close to 100% of the average market wage for Black veterans, but only about 70% of the average market wage for White veterans, whose average wages were higher. At a subsidy rate of close to 100%, Black veterans were incentivized to enroll in education and training programs even if the only programs that they could access were of low quality.

Figure 1: Differences in Black and White Veterans' Institutional Enrollment^{xi}



This is reflected in Black and White veterans' educational enrollment patterns. Despite similar utilization rates, we found differences between how these education benefits were used by the Black and White veterans in our analysis of the 1987 veteran's survey data. We find that White veterans were more likely to enroll in high school, college, or graduate school, while Black veterans were more likely to enroll in vocational and technical institutions. This supports previous findings about veteran's educational enrollment patterns.^{viii} The literature suggests that vocational education does not match as well as academic education when we look at the lifetime earnings.^{ix,x}

The second adjustment explicitly accounts for segregation, which limited the ways in which Black veterans in the South could choose to use their benefits. In the segregated South, Black people could not use their money to buy education in White-only schools, or real estate in White-only neighborhoods. Money is only valuable because it can be used to buy things, and Black veterans could use their money to buy fewer things. The result of these two adjustments is an estimate of the real cash equivalents, which capture the value that each benefit had from the veterans' perspectives. In terms of real cash equivalents, Black veterans received less than half of the benefits that White veterans received.

The analysis is summarized in Table 1, and is detailed in [Eden \(2022\)](#).

Table 1: Participation rates, government spending and real cash equivalents by benefit^{xii}

	Participation rate: white	Participation rate: Black	Spending per veteran: white (1944 dollars)	Spending per veteran: Black (1944 dollars)	Real cash equivalent: white (1944 dollars)	Real cash equivalent: Black (1944 dollars)
Education and training	39.6%	46.5%	\$550	\$625	\$312	\$63
Home loan guarantees	37%	32%	\$101	\$70	\$85	\$42
Readjustment allowances	52%	61%	\$237	\$278	\$214	\$160
Total			\$889	\$974	\$611	\$264

Because Black veterans were more limited in the ways in which they could utilize the GI benefits, the benefits had more muted effects on their lifetime incomes.

Cohort analysis suggests that, for White men, service in WWII together with access to the GI benefits led to an increase in subsequent average annual income of about \$16,000 (in 2020 dollars, adjusted for market returns). In contrast, for Black men, service in WWII is estimated to have had a negative effect on subsequent income, although the estimate is not statistically significant.

These estimates are based on the figures below, which were compiled using Census data from 1950-1990, spanning most veterans' working lives (see Eden [2022] for methodological details). The first figure shows that White men born before 1927 were much more likely to have been eligible for GI benefits than men born in 1928 or 1929.

Figure 2: Veteran Shares by Cohort - White Men^{xiii}

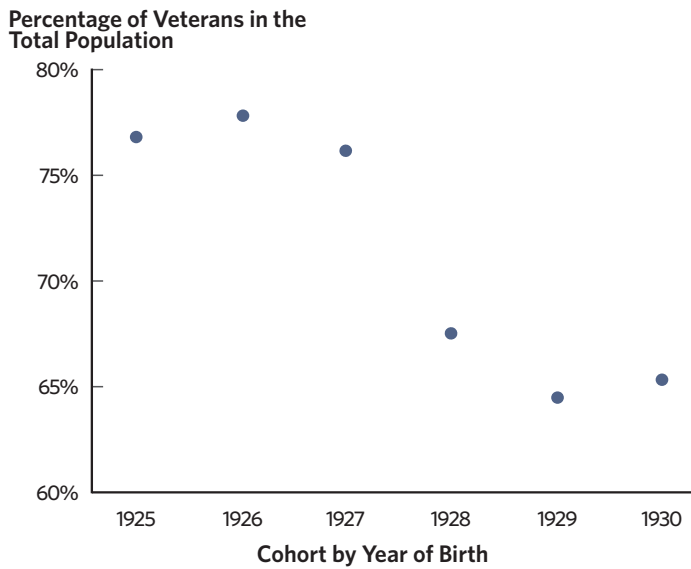


Figure 3: Average Income by Cohort - White Men^{xiv}

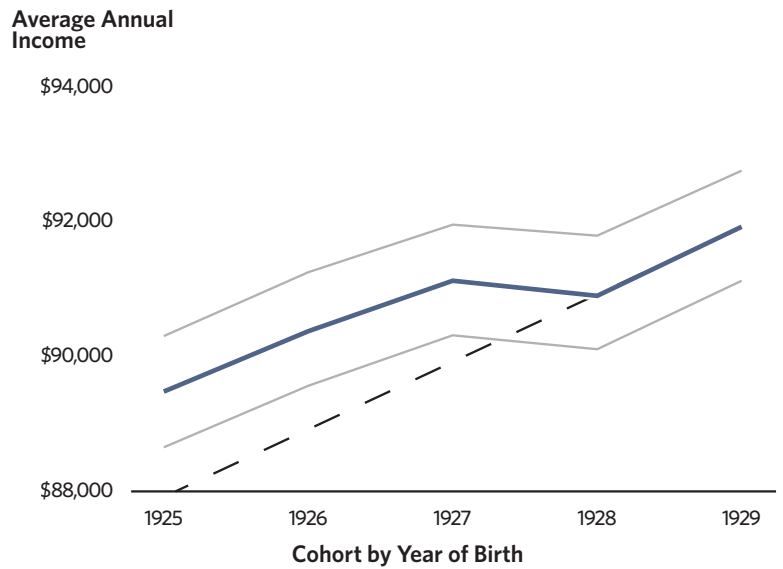


Figure 4: Veteran Shares by Cohort - Black Men^{xv}

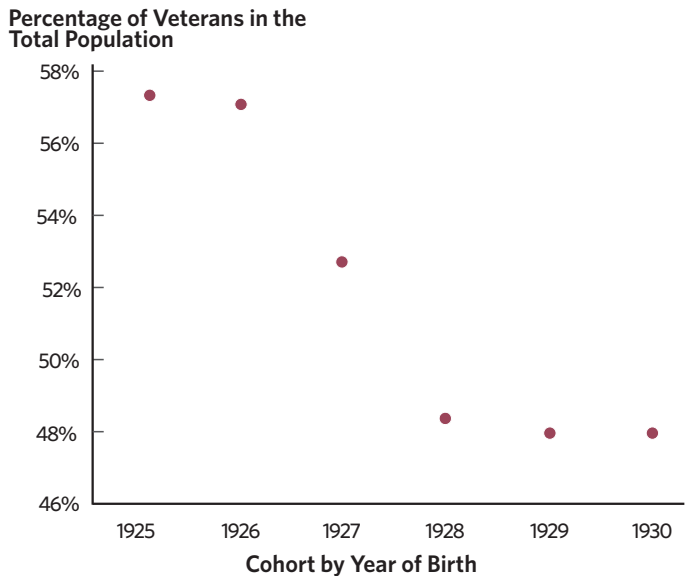


Figure 5: Average Income by Cohort - Black Men^{xvi}

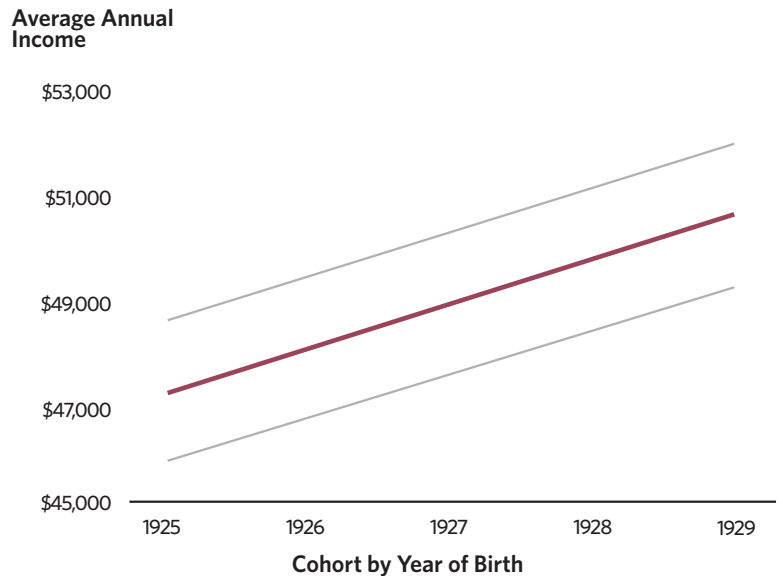


Figure 3 plots the average annual income of White men by birth cohort. Average annual income tends to be higher for later birth cohorts, reflecting growth in average incomes per-capita over time. Without the GI Bill, we would expect to see a smooth linear relationship between birth cohort and average annual income. But the relationship is not smooth: there is a discrete change between the 1927 cohort and the 1928 cohort. Because these are the cohorts in which eligibility for service in WWII dropped substantially, the size of this jump is informative about the effects of the GI benefits on subsequent income. The difference between the solid black line and the dashed line can plausibly be attributed to the GI benefits. Things look markedly different for Black men. Like White men, Black men born before 1927 were much more likely to have served in WWII. Yet, Figure 4 shows that despite this difference, there is no “jump” in their annual income levels. The relationship between average income and birth cohort in Figure 5 is completely linear. This suggests that the GI Bill had no measurable effect on veterans’ lifetime incomes.

Black veterans of WWII had less than 1/3 of the wealth of White veterans

To explore potential long-term impacts of disparate access to GI Bill benefits, we focus in our analyses on wealth holdings of veteran and non-veteran households. While income and wealth are highly correlated, wealth is a better indicator of economic wellbeing for the households and their subsequent generation. Unlike income, which provides financial resources for daily expenses, wealth presents a stock of resources that can be tapped into for education, home purchase, starting a business, or as a source of income during retirement. It is therefore especially critical not only for the veteran households, but also for the economic well-being of subsequent generations. And more importantly for these analyses, the racial wealth gap has been consistently much larger than the racial income gap, estimated at 10% of the White wealth compared to 70% of the White income.

In the following analyses, we test differences in wealth holdings for veteran households during the later stages in life. To conduct these analyses, we utilize a range of data sources needed due to the lack of one data source collecting the required data elements. Except for the Survey of WWII veterans, none of these surveys ask about whether a veteran has used the GI Bill. Estimates are therefore for all veterans as a group. For this on-going work, we plan to use the following 4 data sets:

1. The Asset and Health Dynamics among the Oldest Old (AHEAD) is a panel study that has been collecting data biennially from the same persons since 1992, age 70 or older at study initiation. To our knowledges, AHEAD is the only data set that collected data on net wealth of WWII veterans specifically.
2. The Panel Study of Income Dynamics (PSID) has been collecting data of the same households and their descendants since 1968 in annual and biannual surveys. Study participants were asked about their veteran status in 1968, information used together with corresponding age brackets to create a WWII sample. The PSID oversamples Black respondents which positions it well for the Black-White comparison for this study. Wealth data were collected for the first time in the 1984 data.
3. Survey of WWII veterans 1987, a subset of the Current Population Survey. This data set provides information on Black and White WWII veterans' use of the GI Bill benefits.
4. Census data tracking Black and White homeownership rates, typically the largest component of wealth holdings among US households.

For the analyses using the AHEAD data set, we aim at responding to the following research question:

What are racial wealth disparities among WWII veterans in their late stage in life?

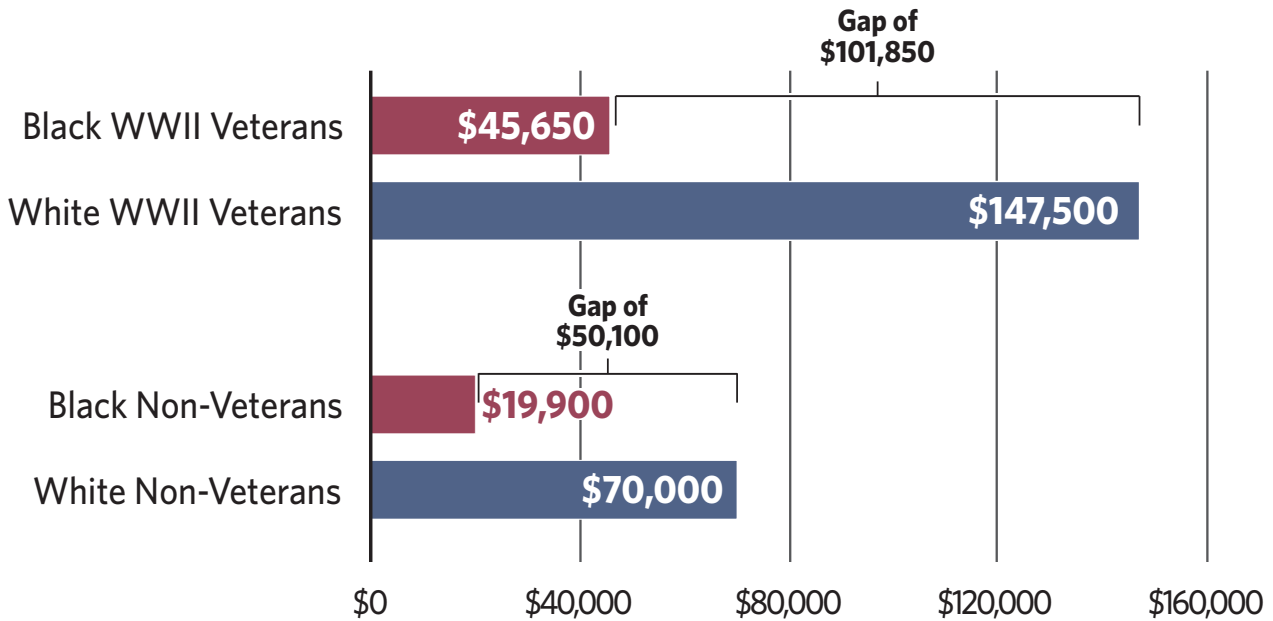
Preliminary Descriptive Analyses: Racial Wealth Disparities, as observed in the AHEAD data set

In Figure 6, we show the results of median net wealth disparities for Black and White WWII veteran households and compare these to Black and White non-veteran households.

These unadjusted net wealth estimates, in which we are not controlling for factors correlated with wealth, such as education and income, show large racial wealth gaps for both, WWII veterans and non-veterans. Overall, we see significantly higher wealth estimates for veterans, about twice as high for veterans compared to non-veterans.

For both groups, veterans and non-veterans, the relative racial wealth gap is similar in size. That is, for each one-dollar a household of a White WWII veteran owns, a household of a Black WWII veteran owns just 30 cents. This is a smaller racial wealth gap we typically observe for the general population which has been estimated at 10-15 cents a Black household owns for each one dollar a White household owns. One explanation for this finding may be that we are observing wealth for these households towards the end of their life course when household wealth holdings typically peak.

Figure 6: Median Net Wealth, Black and White WWII Veterans and non-Veterans, 1993



When we turn to the absolute differences, measured in absolute dollars, we see that the absolute racial wealth gap is twice as high for veterans. In 1993, the wealth of a typical Black WWII veteran household was \$100,000 less than the typical White WWII veteran household. The estimate for the average racial wealth gap is as expected, much larger and estimated at \$188,154. Converting these estimates into today's dollars, these estimates are close to double in size. The estimated median racial wealth gap for WWII veterans would amount to \$199,976, the average racial wealth gap to \$369,428.

Analyses for the South and North regions reveal slightly different trends in relative and absolute racial wealth disparities. While wealth holdings are higher for households in the North regardless of veteran status, the relative racial wealth gap is slightly smaller for veteran households in the North than for non-veteran households. In the South, we observe the opposite. The racial wealth gap there is larger for veteran households than non-veteran households. These differences are however small.

In sum, we observe large racial wealth disparities for Black WWII veterans when compared to White WWII veterans. These disparities are substantially larger than the income disparities for these groups which are estimated at 72-73 percent of White household incomes that Black households make, regardless of veteran status. Unequal ability to use GI Bill benefits for Black veterans contributed to this gap.

Research Illustrates the Unequal Implementation and Impact of the GI Bill

On May 23rd, the Heller School for Social Policy and management invited Chinyere Abgai from Brown University, Lukas Althoff and Christiane Szerman from Princeton University, and Maya Eden from Brandeis University to present their research into racial discrimination in the GI Bill. Following these presentations, Omer Ali from Duke University, Sarah Turner of the University of Virginia, and Job Boerma from the University of Wisconsin acted as discussants. Eden's work is reflected in this report already; however, Abgai and Althoff and Szerman's research revealed deep and intergenerational effects of racial disparities in the GI Bill, particularly in home ownership.

Abgai (2022) showed significant racial differences in who received the Home Loan Guaranty (HGL) among veterans. The unequal implementation of the HLG increased racial inequality in home ownership and, therefore, increased absolute racial wealth inequality. Althoff and Szerman (2022) also highlighted racial inequities in home ownership, showing that GI Bill housing benefits increased the home ownership gap by 60%. As housing is one of the primary ways families in the United States pass down wealth to their to the next generation, this cemented and widened the homeownership and wealth gaps for veterans' children.

Endnotes

- i. The American Soldier Study (WWII) was the first time information on veterans' racial experiences, attitudes, beliefs and practices was collected. https://www.jstor.org/stable/2749521?seq=1#metadata_info_tab_contents
- ii. Cohen, L. (2003). *A Consumers' Republic: The Politics of Mass Consumption in Postwar America*. "Residence: Inequality in Mass Suburbia". Vintage Books. 194-257
- iii. Turner, S., & Bound, J. (2003). Closing the Gap or Widening the Divide: The Effects of the GI Bill and World War II on the Educational Outcomes of Black Americans. *The Journal of Economic History*, 63(1), 34.
- iv. Onkst, D. H. (1998). "First a Negro ... Incidentally a Veteran": Black World War Two Veterans and the GI Bill of Rights in the Deep South, 1944-1948. *Journal of Social History*, 31(3), 517-543. <https://doi.org/10.1353/jsh/31.3.517>
- v. Equal Justice Initiative. (2017). *Lynching in America: Targeting Black Veterans*. <https://eji.org/wp-content/uploads/2019/10/lynching-in-america-targeting-black-veterans-web.pdf>
- vi. Eden, M. (2022). "Quantifying Racial Discrimination in the 1944 GI Bill". Working paper. Available at <https://drive.google.com/file/d/1ZMWGGBL-rUJoUAXBDULKIdfXhEl87EKbu/view>.
- vii. Chinyere Agbai, 2022. "Wealth Begins at Home: The GI Bill of 1944 and the Making of the Racial Wealth Gap in Homeownership and Home Value".
- viii. Katznelson, I., & Mettler, S. (2008). On Race and Policy History: A Dialogue about the GI Bill. *American Political Science Association*, Vol. 6(No. 3), 519-537.
- ix. Golsteyn, B. H. and Stenberg, A. (2017) Earnings over the Life Course: General versus Vocational Education. *Journal of Human Capital*. 11. 167-212. 10.1086/691798.
- x. Brunello, G. & Rocco, L.. (2017). The Labor Market Effects of Academic and Vocational Education over the Life Cycle: Evidence Based on a British Cohort. *Journal of Human Capital*. 11. 106-166. 10.1086/690234.
- xi. Source: Survey of Veterans data, 1987. Unadjusted percentages of difference in types of educational institutions White and Black veterans enrolled in using the GI Benefits. HS is High School, GS is Graduate School. Others include apprenticeship training, on-the-job, correspondence school training, flight training, farm training, tutorial assistance, other, don't know.
- xii. Sources: This table is compiled based on a variety of sources. For a detailed description of the sources and methodology, see Eden (2022).
- xiii. Source: US Census, 1950, 1960, 1970, 1980 and 1990.
- xiv. Source: US Census, 1950, 1960, 1970, 1980 and 1990. The solid black line represents average annual income, and the gray lines represent 95% confidence intervals. The average income corresponds to the average of total annual income in the years 1950-1990, where annual income is expressed in 2020 dollars, using the nominal interest rate on 3-month treasury bills for conversion. The dashed line is the projected average income based on the trend between 1928-1929.
- xv. See xii.
- xvi. See xiii.