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Summary

The G.I. Bill 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 Servicemen's Readjustment Act 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. As consistent with the era of not collecting information on raceⁱ, the G.I. Bill did not reference color. 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. Local VA officers could refuse to process Black veterans' claims, and de facto and de jour practices promoted exclusionary, sometimes hostile barriers to quality education and housing opportunities.ⁱⁱ

There is a real empirical question, and a disagreement among respectable and well intentioned scholars, about the extent to which the G.I. Bill discriminated against Black veterans. Preliminary results from our study illustrate this complexity. Thus far, the data suggest the following:

- Though Black and White veterans accessed their G.I. Bill benefits at similar rates, our estimates suggest that the value of G.I. Benefits for Black veterans was only 40% of the value for White veterans.

- While both Black and White veterans had more wealth than non-veterans, the wealth gap between Black and White veterans was larger in absolute terms than the gap between non-veterans, though the percentage difference was similar.

Less Value for the Same Service

The language of the G.I. Bill did not discriminate based on race. All veterans who served more than 90 days during the war and were not dishonorably discharged were entitled to the same benefits. So, why is there a question about discrimination? There are three reasons to question the fairness of the G.I. Bill. The first is that G.I. benefits had to be approved by local Veterans Administration (VA) officers, too few of whom were Black. There is some evidence that, especially in the Deep South, local VA officers made it difficult for Black veterans to access their benefits.

The second reason has to do with the benefits themselves. Subsidized college tuition was of little use to Black veterans who did not have the necessary background to attend college. Similarly, VA home loan guarantees did not help Black veterans who lacked sufficient income or capital to purchase a home. Because of this, Black veterans were less likely to be able to take advantage of certain G.I. benefits.

Finally, the third reason to question the fairness of the G.I. Bill is segregation. Segregation is not the G.I. Bill's "fault" – it existed before the GI

Bill and affected both veterans and non-veterans alike. However, it restricted the ways in which Black veterans were able to use their benefits. For example, while White veterans could use their G.I. benefits to study at better-resourced private and White-only colleges and purchase housing in neighborhoods that were highly invested in, Black veterans did not have access to these opportunities.ⁱⁱⁱ

Quantifying discrimination

We are working to quantify the extent to which the G.I. Bill discriminated against Black veterans. Preliminary analysis shows that, despite documented instances of discrimination from local VA officials, Black and White veterans accessed their G.I. benefits at similar rates. Estimates suggest that the average government spending on Black veterans was roughly the same as the average government spending on White veterans.

... the value [of G.I. Bill benefits] for Black veterans was only 40% of the value for White veterans. In today's terms, this difference amounts to about \$170,000 per veteran.

The reason is that the G.I. benefits were fairly versatile. Black veterans were indeed less likely to use their G.I. benefits to attend college or to purchase homes. However, they were more likely to use their G.I. benefits for vocational training and other non-college education and training programs. At the end, the government spending per veteran was roughly the same for Black veterans and White veterans.

Does this mean that the GI bill was fair? Not necessarily. Consider the example of a parent of two siblings, a Black one and a White one. The parent gives each of his children a gift card for Christmas. The gift cards are for the same amounts, so the parent spent the same amount on each

child. But the gift cards are for different stores. The White sibling gets a gift card for a large department store that carries lots of his favorite brands. The Black sibling's gift card can be used only in a small, rundown store that does not carry anything that he particularly wants. Even if both siblings used their gift cards up to their full amounts, we would not consider this gift fair.

One way to quantify the unfairness is to compare the estimated prices at which each sibling would be willing to sell his gift card. Unwanted gift cards are often sold on eBay for prices that are lower than their face value. For example, assume that, while the White sibling is unwilling to sell his gift card for less than its face value, the Black sibling is willing to sell his at a 50% loss. In this case, we would say that the value for the Black sibling was only half of the value for the White sibling.

This is analogous to the G.I. benefits. The G.I. benefits effectively gave White veterans "gift cards" that could be used in a variety of colleges, vocational training programs, and real estate purchases. But segregation limited the ways in which Black veterans' "gift cards" could be used. Preliminary estimates suggest that the value for Black veterans was only 40% of the value for White veterans. In today's terms (after accounting for inflation and market returns), this difference amounts to about \$170,000 per veteran.

Cementing Racial Wealth Disparities

Compared to income, wealth provides a stock of financial resources for individuals and their families to pay for education, a home purchase, start of business, and financial support during loss of income. Access to these investments help individuals and families move toward greater economic security, as also evidenced through the work of Dr. Elora Derenoncourt's analysis of the Great Migration.^{iv}

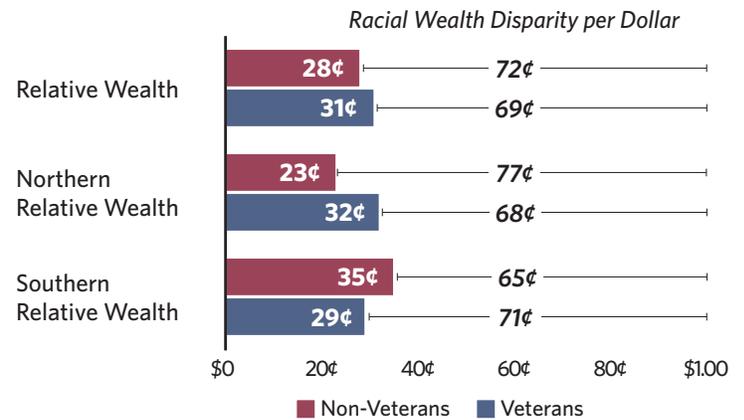
Troubling then is the consistent racial wealth gap which is much greater than racial income disparities. Due to intentional policies that left Black families from owning and amassing wealth, the typical Black family today owns just between 10 and 15 cents to the dollar a typical White family owns. These wealth divides have and continue to exclude Black families and communities from a plethora of opportunities typically enjoyed by White families, for example owning a home in a district with good schools, paying for the best college education possible, supporting the household wealth formation of the next generation.

The G.I. bill provided a range of benefits for returning soldiers, including paying for education and loans for home purchase, spurring the development of suburbs that more often than not excluded Black veterans.^v Both these benefits have been linked to wealth growth, mostly for White veterans who, as outlined above, had more opportunities to use the G.I. bill benefits.

Overall, veterans surveyed at ages 66-94, report larger wealth. A typical older veteran household has about 2.5 times the median wealth than a non-veteran household. This is true for Black and White veterans. Aside from the opportunities GI bill benefits provided for veterans, selection into serving as a WWII soldier that was premised on good health and abilities, could be another explanatory factor for the better economic position of veterans.

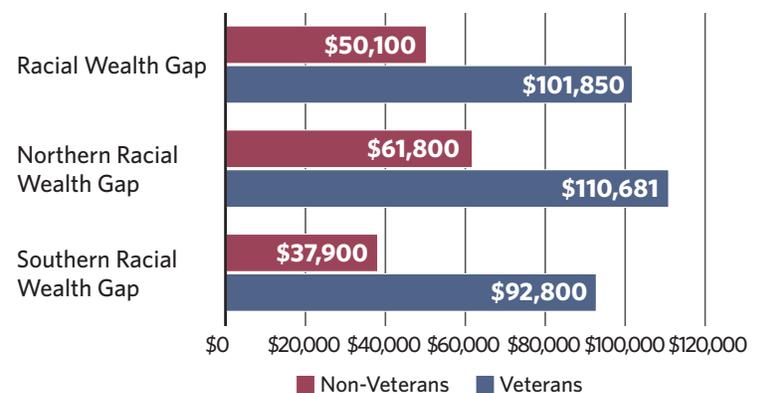
Racial wealth disparities are large for veteran and non-veteran households (see Figure 1). They are a little smaller for veterans overall and veterans in the North, as we would expect due to who gets selected to serve. However, in the South we see a very different trend where racial wealth disparities are larger for veterans.

Figure 1: Approximately 40 years after the end of WWII*, Black veterans had only 31 cents of wealth for every dollar owned by White veterans.



Another way to look at the racial wealth gap is to look at absolute dollar amounts (see Figure 2). The racial wealth gap is consistently larger for veterans compared to non-veteran households, twice as high among veterans at \$101,850 than for non-veterans, \$50,100.

Figure 2: In terms of absolute wealth, the gap between Black and White veterans was larger than the gap between Black and White non-veterans.



For all groups analyzed here, veterans reported higher wealth positions over non-veterans. In the South, the racial wealth gap for veteran is highest

* Wealth values present those of 1992 when these data were collected.

when compared to non-veterans, about 2.5 times in size. In the South, the economic advantage of having served in WWII is the lowest, estimated at 1.9 more wealth for Black veteran households there, compared to 2.88 for Black veteran households in the North, over Black non-veteran households.

Challenges and Next Steps

The work presented above should be considered as first step of our work aimed at estimating racial wealth and benefits disparities linked to the G.I. Bill. These preliminary data present observed net wealth values and don't control for factors related to selection into serving in WWII. To compare economically similarly situated households, we will expand our analyses in the next steps of this research controlling for education, income and other variables identified in prior research as related to net wealth.

Because of a large number of missing observations, we are limited in conducting analyses on homeownership and especially on home equity, one of the largest drivers of racial wealth disparities.^{vi} In our next round of analyses, we plan to take a closer look at the data to determine what housing outcome analyses can be conducted with this data set.

We are also gaining access to the 1950 Survey of Veterans, which may have more direct information about the racial breakdown of unemployment and self-employment benefits and pensions. We also hope to access VA administrative data, which would allow for more accurate assessments of the government costs associated with each of the G.I. benefits.

Current estimates of the values that the veterans assigned to each benefit are based on aggregate spending amounts. The researchers are planning to refine these estimates by looking at the distribution

of benefits within Black and White veterans.

Lastly, we plan to apply the IERE Racial Wealth Audit model to predict disparate outcomes over generations. Again, that approach is limited due to data showing similar uptake rates for educational and home purchase GI bill benefits which we didn't expect at the proposal stage. We will take a closer look at modifications of this approach that will consider the experience of Black veterans in using the GI bill benefits, such as fewer completing a college degree and the less affluent neighborhoods where they were permitted to purchase a home.

The transgenerational analysis will allow measurement of the cascading effects of discrimination over time.

We have begun interviews with World War II Veterans and/or their descendants and hope to add their voices to data from the American Soldiers Survey and longitudinal impact of the WWII GI Bill.

Data and Approach

Value of Benefits

Estimated government spending amounts were compiled from a variety of sources. National Surveys of Veterans were conducted in 1979 and 1987. These surveys provide some information on the rates at which Black and White veterans used their G.I. benefits. However, the surveys do not ask about the cost of the benefits.

The cost of the education and training benefits were estimated based on historical tuition rates. In addition to tuition, veterans were entitled to stipends, which varied with the number of their dependents. The 1950 Census was used to calculate the distribution of the number of dependents among WWII veterans in school.

The market value of the housing benefits was estimated based on a comparison of the mortgage terms associated with VA-guaranteed loans and the financing which veterans would have had access to in the absence of these guarantees. This comparison is based on data from the 1950 and 1960 Residential Finance Surveys.

Unfortunately, the veteran surveys did not ask about unemployment and self-employment benefits. However, the VA Annual Reports for 1945-1953 reveal that these benefits were substantial.

The racial breakdown of the unemployment and self-employment benefits was estimated based on unemployment and self-employment rates among WWII veterans, as reported in the 1950 Census.

Wealth

Data on wealth are rare, especially for the WWII generation. The data we accessed were collected in 1992 and present to the best of our knowledge the only such source. The data don't tell us who used the benefits provided by the GI bill, yet documented close to equal uptake rates of education and housing benefits let us proceed. To situate the wealth analyses within larger societal trends, WWII veterans are compared to an age matched non-veteran sample. Survey respondents are between 66 and 94 years old.

As a starting point to our study on wealth disparities, we computed median net wealth (sum of all assets minus debt) differences for Black and White veterans and non-veterans nationally and by region (South vs. North).

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. Herbold, Hillary (Winter 1994). "Never a Level Playing Field: Blacks and the GI Bill." *The Journal of Blacks in Higher Education* (6): 104-108.

The era and military perspective put forth a view that the melanin of Blacks, for example, made them an inferior population, while potentially better suited for frontline chemical warfare. "Mustard Gas and American Race-Based Human Experimentation in World War II." February 2008. *The Journal of Law Medicine & Ethics* 36(3):517-21

iii. Numerous sources including, "Closing the Gap or Widening the Divide: The Effects of the G.I. Bill and World War II on the Educational Outcomes of Black Americans." Turner and Bound, NBER 2002.

iv. "Can you move to Opportunity, Elora Derenoncourt. 2019. https://scholar.harvard.edu/files/elloraderenoncourt/files/derenoncourt_jmp_2018.pdf

v. Richard Rothstein (2017). *The Color of Law: A Forgotten History of How our Government Segregated America*: New York, NY: W.W. Norton & Company Ltd.

vi. Laura Sullivan, Tatjana Meschede, et al. (2015). *The Racial Wealth Gap: Why Policy Matters*. Institute on Assets and Social Policy, Brandeis University. <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/racial-wealth-gap-why-policy-matters.pdf>