Testimony for "An Enduring Legacy: The Role of Financial Institutions in the Horrors of Slavery and the Need for Atonement, Part Two"
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My name is Dania Francis. I am currently an Assistant Professor of Economics at the University of Massachusetts Boston. I am honored to have been asked to address the 117th Congress on this important issue. I have been studying the economics of reparations for Black Americans for over twenty years. During my career, I have also conducted extensive research on racial economic disparities, particularly the enduring effects of racial wealth gaps. In my testimony, I will address the lasting economic harms that slavery had on the descendants of the formerly enslaved.

From the date of Emancipation, Black households were at a significant disadvantage with regards to wealth accumulation. While the relatively small share of Black Americans who were free prior to the Civil War had accumulated some wealth and property, the vast majority of Black Americans were formerly enslaved with virtually no property or wealth at the time of Emancipation.

A team of economists that included Ellora Derenoncourt of Princeton University constructed a continuous series of White to Black wealth ratios in the U.S. from 1860 to 2020, compiled from multiple historic and contemporary sources. This was a huge undertaking. For example, they digitized 50 years of state tax reports and benchmarked their estimates against multiple established data sources. For the contemporary data, they relied heavily on the Federal Reserve Bank's Survey of Consumer Finances.

Derenoncourt's estimates suggest that in 1860, five years prior to Emancipation, Black Americans owned 2 cents for every dollar of White wealth. In 1870, five years after Emancipation the figure increased to a little over 4 cents for every dollar. However, the gap in wealth at Emancipation was so large that simulations suggest that even if Black households had the same capital gains and savings rates as White households from 1870 onward, White households would still have three times the wealth as Black households today.

Why do these racial wealth disparities matter?

Wages and income impact a family's ability to meet day to day expenditures and can feed into a family's ability to accumulate wealth through saving and investment of income. *Wealth,* however, provides additional benefits beyond those provided by stable wages and income. Having wealth can provide a protective safety net, helping families weather economic shocks such as unexpected unemployment or inability to work due to adverse health events. Having wealth as a protective safety net may also reduce stress and anxiety and improve health outcomes.

Wealth also provides access to opportunity. Households with greater wealth are better able to afford homes in neighborhoods with better schools, lower crime, and fewer environmental and health stressors. The risks associated with entrepreneurship can be less costly for higher wealth individuals who have more of a safety net to fall back on should their businesses not succeed. In that sense, wealth provides greater freedom to pursue self-actualization.

Thus, wealth provides access to education, provides security to take career risks, and provides seed money for creating small businesses that can eventually grow into big businesses. All of these things are instrumental in building future wealth. In this way, differential access to wealth leads to differential access to education, entrepreneurship and other wealth-building activities. If we ignore the fact that there are racial wealth gaps, we ignore an important root cause of other societal gaps – racial achievement gaps, income gaps, health gaps, etc.

In the face of the sizable wealth gap at Emancipation, Black families accumulated land and property at a rapid pace. In 1875, Black families owned 3 million acres of land; by 1890 they had acquired 8 million acres; and by 1910, they owned over 16 million acres. This, however, would be the peak of Black farmland ownership in the United States as the 20th century oversaw the rapid dispossession of Black-owned agricultural acreage.

Evidence demonstrates that many Black farmers lost land due to:

1) state-sanctioned violence, intimidation, and lynching;
2) discrimination by banks and financial institutions;
3) through the denial of access to federal farm benefits by local administrators who funneled those benefits to white farm owners;
4) through forced partition sales brought about by predatory third parties;
5) through discriminatory tax assessments and non-competitive tax sales;
6) and through longstanding, coordinated discrimination and control over access to credit and essential resources.

By 1997, Black farmers lost more than 90 percent of the 16 million acres they owned in 1910.

In a recent study, my co-authors and I used county-level Census of Agriculture data to estimate the value of the lost Black agricultural land from 1920 to 1997. We then compounded those land loss values forward to the year 2020 at a rate of return of six percent per year for the appreciation of the land and a rate of return of 5 percent per year for the income the land could provide.

Our results yield a cumulative value of Black land loss of about $326 billion. To put this figure in perspective, if this represented the gross domestic product (GDP) of a country, that country would have ranked 41st out of 213 countries in a world-ranking of GDP in 2020. This would be in the top 20 percent of countries, ahead of South Africa, Finland, and New Zealand.

The intergenerational aspect of land wealth makes the estimation of historic Black land loss relevant to discussions of racial wealth gaps today. As a result of having their land stolen from them, many Black landowners lost a valuable tool for wealth creation. Accordingly, while the children and grandchildren of white landowners reaped the benefits of ready access to capital – education, home ownership, and entrepreneurial safety nets – the children and grandchildren of dispossessed Black landowners faced the perils of migrating to distressed inner-cities riddled with crime, poverty, and instability.

These barriers to access to wealth and opportunity are not just in our past. They are ongoing. Today they may take the form of exclusionary zoning policies for example. If you want to exclude Black families from neighborhoods today, you don't have to engage in blatant discrimination. You can just pass a local zoning ordinance that requires all residential plots to be at least 1.5 acres or to be single-family dwellings. This has the effect of pricing many Black families out of these neighborhoods because they don't have the wealth endowment necessary to afford properties carrying those restrictions. In a sense these types of zoning laws then are a way of capitalizing on the results of past racial discrimination in a seemingly race-blind way.

In their book *From Here to Equality*, William Darity and Kirsten Mullen argue that enduring harms of slavery and ongoing, post-emancipation discrimination can be captured in and quantified by current racial wealth gaps. The intergenerational transmission of wealth makes relevant today the historic wealth differentials present at the time of emancipation, providing a direct link from the economic injustices of slavery to the economic disparities of today. The financial and insurance institutions that benefited from the injustices of slavery in the past, should have to reckon with the economic disparities of today.

What should atonement look like for these institutions?

1) Financial institutions should commission studies to fully examine their historic involvement in and benefit from slavery
2) There should be greater transparency in the financial services industry regarding racial disparities in their current lending practices.
3) Financial institutions should commit funding and resources to community development activities in Black communities. These efforts should be guided by local Black organizations.
4) They should review ways their current policies and practices may internalize and systemize racial discrimination in the form of race-neutral, wealth-related requirements.
5)

Importantly, however, these atonement activities should not be mistaken as reparations. Reparations involve a larger, federal effort.

I thank you for the opportunity to discuss the enduring legacy of harm from slavery and the role of financial institutions.

References

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