Racial Inequities Among World War II Veterans in Old Age*

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More than 16 million Americans served during World War II. Even though America's soldiers were predominantly white, other racial groups shouldered a significant part of the war burden. Over one million Black Americans, more than 13,000 Chinese Americans, 20,000 Japanese Americans, almost 20,000 Native Americans, and half a million Hispanic Americans served in the U.S. armed forces (Hershey, 1948; U.S. Congress, 2007).[5] Previous work has found mixed evidence on the effects of service in the war on racial inequities (see Margo, 1995; Collins, 2000; Aizer et al., 2021; Ferrara, 2022). The differences even increased on some dimensions, such as higher education (Turner and Bound, 2003). Most of these studies focus on the immediate post-war period but the long-term effects, especially on racial inequities in old age, have received relatively less attention. How a society takes care of its veterans in the long-run, however, has significant implications not just for labor supply to a modern volunteer army but also for the social fabric by affecting differences in living standards across the racial dimension and generations.

We propose to study differences in retirement income for World War II veterans and non-veterans with between whites and Blacks, Hispanics, Native Americans, and Asians using administrative data from the Internal Revenue Service (IRS) spanning the years 1995 to 2021. We

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[5] The number of Hispanic soldiers is estimated to be between 400,000 and 500,000 because official statistics did not treat them as separate group in racial breakdowns and instead counted them as white soldiers.

merge these data to almost 7.5 million records from the Army and Army Air Force using the World War II Enlistment Records. This information allows us to observe around 25 million males in 1995 aged between 95 and 65 years old to study racial differences in retirement incomes and mortality in old age (Over 30 million aged 10-40 in 1940 Census). To the best of our knowledge, this is the first study to quantify such long-term racial disparities with administrative data for World War II veterans. Using the World War II Enlistment data, we can capture contextual economic information around time of enlistment, including branch of service, volunteer/draft status, as well as county and state of residence at time of enlistment. We have merged this data set to the 1940 complete census where we are able to observe key contextual information at time of enlistment including race, ethnicity, birthplace, citizenship, marital status, number of children, education, income, employment status, occupation, and prior state/county of residence, and migration history. Next, we merge this to IRS data on reported retirement income from 1099 Rs available from 1995-2021, which also contains state, city, and county of retirement residence. Specifically, we estimate

$$y_{igv} = \alpha_g + \alpha_v + \sum_g \beta_g (I[group = g]_i \times I[v = 1]_i) + X'_{igv}\gamma + \epsilon_{igv}$$

where y_{igv} is the outcome (retirement income, mortality) for individual i belonging to racial group g (Black, Hispanic, Native American, or Asian) with the comparison group being whites, for those who are veterans ($v = 1$) or non-veterans ($v = 0$). The vector X is a set of individual-specific controls. The parameter β_g captures a difference-in-differences type estimate of racial differences in y_{igv} between individuals of group g compared to whites, accounting for selection into service by considering retirement outcome differences between veterans and non-veterans within each group.

In an additional identification strategy, we follow Turner and Bound (2003) and exploit arguably random variation in service by comparing those who were just old enough to qualify for service versus those who were just young enough to not be inducted by the draft. This is akin to a regression discontinuity design where age is the running variable. It can be implemented for racial groups with sufficiently many individuals being close to the age threshold that makes them eligible or ineligible for service.

Our paper contributes to a substantial literature on the labor market outcomes of minority and underrepresented groups in the U.S. during and after World War II. The effect of World War II on Black workers has been studied in terms of the occupational upgrading of Black workers from mostly agricultural to industrial jobs during and immediately after the war in response to labor shortages in various industries (Collins, 2000; Aizer et al., 2021; Ferrara, 2022). These changes, in turn, narrowed the Black-White wage gap (Margo, 1995). Labor market gains were realized by both Black men and women (Bailey and Collins, 2006). Based on data from six cities, Collins (2000) does not find significant advantages for Black veterans in the labor market in terms of occupational upgrading or wages.[6] The impact of the second Great Migration to the industrial centers also contributed to Black economic progress in the 1940s (Boustan, 2016; Derenoncourt, 2022). Even though it is not always linked to World War II explicitly, the need for additional labor began with the rise of the war economy (Wolfbein, 1947). Black veterans could take advantage of the G.I. Bill and attend college, but these benefits mainly accrued to those living outside the South (Turner and Bound, 2003). For Asian and Native American veterans there is a substantial gap in the literature with respect to their economic post-war outcomes and the impact of service on their war on their later lives. Previous work has focused on the internment of Japanese citizens and Japanese Americans, where discriminatory behavior spilled over to other Asian groups (see Yui, 1992; Saavedra, 2021; Arellano-Bover, 2022). For Hispanics, evidence is even more scant due to official records not treating them as separate racial group. Using the one-percent sample of the 1960 Census, Browning et al. (1973) conclude that Black and Mexican American veterans earned higher wages than non-veterans, which they attribute to the idea that the military provides a bridge into better occupations via networks and knowledge acquired during service.

Our paper contributes a new view on the effect of service in World War II on racial disparities in old age, especially with a focus on groups that have received less attention in previous work. To the best of our knowledge, this is one of the first papers to leverage long-term administrative records to shed new light on such disparities.

[6] Angrist and Krueger (1994) even document a wage loss for veterans compared to non-veterans after controlling for selection into the military.

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