Counterfactual Reparations: The Effects of Federal Wealth Transfers to Black Sailors during the Reconstruction Era

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Abstract

What benefits might have accumulated to freed people and their families had they been paid reparations for slavery after 1865? This paper examines the individual- and family-level effects of one-time cash transfers from the federal government to Black Union Navy sailors, many of whom had been enslaved in 1860. Because these transfers were payouts from "prizes"— Confederate vessels captured during the war —conditional on when and where sailors served, these payments were as-if random. Linking Black prize winners to the 1870 and 1880 US Censuses, we examine the effects of prizes on wealth, education, and geographic mobility. Preliminary results show that prize money increased real estate wealth, literacy, and mobility out of the former Confederacy.

Keywords: race, slavery, reparations, Reconstruction, civil war, military service

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Introduction

Since the legal end of slavery in the United States, attempts to understand the legacy of emancipation have been tightly linked to questions about African-American land ownership. On the one hand, the Reconstruction era saw the occupation of former plantations by freed people, unfulfilled hopes for "40 acres and a mule", and congressional attempts at land reform (Hahn 2003; Foner 1988; Du Bois 1935). On the other, scholarly efforts to describe and quantify the origins and magnitude of racial economic inequality often focus on the effects of acquiring or losing property (Miller 2011, 2020; Collins and Margo 2011) and the effects of discriminatory housing and lending policies (Dereroncourt 2022). As a result, concerns about land ownership have loomed large in debates about reparations, which frequently point to both the value of property lost through violent expropriation (Coates 2014) and the returns to improvements on land held by slaveholders (Craemer et al. 2020).

Yet even during the most radical phase of Reconstruction, land redistribution presented a number of practical-economic and political problems that proved insuperable (Jaynes). Those problems would be compounded today, which is why most advocates for reparations have focused on cash transfers in lieu of real property. But cash transfers were not unthinkable in 1865 either. One could imagine that, with the emergence of new bureaucratic capacities during the war (Bensel 1991), the reach of the Army and Freedmen's Bureau into the Reconstruction South (Downs 2015), and the payment of benefits and pensions to white Union soldiers (Skocpol 1993), the federal government might have been able to make reparation payments to freed men and women. After all, Lincoln paid cash reparations to *slaveowners* as compensation for freeing the slaves of Washington DC in 1862.

This paper investigates not what conditions would have enabled such a counterfactual world but rather the effects of actual cash transfers from the federal government to African American men on those individuals and their families during the reconstruction era. We examine the effects of prize money earned by African American sailors in the Union Navy and benchmark these effects against prior estimates of the effect of land transfers (40 acres

and a mule).

This prize money was allotted to sailors serving on navy vessels that captured ships and cargo running the Union blockade of the Confederacy. These captured contraband (both ship and cargo) were sold at auction, and the proceeds were split between the Navy and the officers and sailors involved. Because the Union Navy was integrated (by ship, though not by rank), Black sailors were eligible to earn prize money.

By linking records on Union naval vessels, lists of prize payments, the enlistment details and service histories of Black Union sailors, and individual census records from 1870 and 1880, we estimate the prize money sailors were eligible to claim and the expected prizes and prize money sailors with similar wartime experiences earned. Then, assuming that prize money is likely independent of key features of wartime service (when they enlisted, the kind of vessel they served on, and where they served), we estimate the effect of prize money eligibility on several social and economic indicators.

Despite the fact that prize eligibility is measured with error (biasing estimates toward zero), the effect of prize eligibility is an intent-to-treat effect (many sailors likely did not receive any of their prize money), and outcomes are noisy due to the difficulties of historical record linkage, we find that prize eligibility increased real estate wealth, literacy, and mobility out of the former Confederacy.

Background

Dereroncourt et al. (2024) find that racial wealth inequality declined more slowly after Reconstruction largely due to obstacles Black Americans faced in saving and accumulating capital gains, which they attribute to discrimination in purchasing and retaining property. This is corroborated by recent findings that land ownership during Reconstruction was strongly correlated with long-term intergenerational benefits for African Americans. Miller (2011) compares racial wealth inequality of freed Blacks living in the Cherokee Nation — who were

given land by former owners due to negotiations between the Cherokee and the federal government — against Blacks living elsewhere in the South. She finds that by 1880, Blacks who had been given land owned and developed more acreage, held more valuable livestock, and generated more crop income per acre. By 1900, Blacks given land by the Cherokee were between 13 and 24 percentage points more likely to own their homes. Beyond wealth accumulation, Miller finds land transfers increased Black school attendance and literacy in 1900 (Miller 2020). And Collins, Holtkamp and Wanamaker (2022) compare the intergenerational economic outcomes in 1900 of sons of Black landowners and Black farm laborers and sharecroppers in 1880. In 1900, the sons of Black landowners in 1880 were 7 percentage points more likely to own their homes and 11 percent more likely to be literate than the sons of Black farm workers.

This raises a series of questions about the possible effects of cash transfers. Would cash transfers have led to more property accumulation by Black Americans? Would they have led to higher economic status (as captured by occupation)? Would they have increased key characteristics of human capital such as literacy, schooling, and health? And would there be intergenerational gains? More broadly, we might go beyond questions of economic inequality itself to ask whether cash transfers would have enabled Blacks to better exercise the *de jure* rights promised them during Reconstruction.

Given that actual land redistribution by the federal government was limited and no cash reparations policy was considered or implemented, we examine an actual cash transfer to better understand what the individual consequences of a federal policy of cash transfers for reparations might have been.

Prize Money

During the Civil War, the Union Navy was largely used to blockade the Confederacy. The goal of the blockade was to deny Naval power to the South and prevent it from exporting cotton to Europe. Yet, given high war-time cotton prices, many Southerners made the attempt.

When Navy vessels captured blockade runners, these captured vessels and their cargo would be sent to Prize Courts to be prosecuted *in rem* and condemned as a "prize of war". If the vessel and cargo were successfully shown to be enemy property, they would be auctioned. The proceeds of these auctions were divided in the following way: 50% would be held by the Department of the Navy, 5% was taken by the commander of the blockading squadron (corresponding to different regions of the coast), and 1% taken by the local commodore. The remaining 44% was divided among the capturing vessels. On each vessel, prize money was allocated as follows: 3/20ths went to the Captain, 10/20ths divided among the officers and midshipmen, and 7/20ths divided among the enlisted men (Underwood 2003).

The process of receiving prize money was quite involved. Sailors had to wait for prize court proceedings to finish — which in some cases took years — and for prize vessels and eligible sailors to be reported from the Navy to the Fourth Auditor of the Treasury. The sailors would then have to individually claim the prizes for which they were eligible. This involved sending a written claim and a notarized affidavit with two witnesses, discharge papers, and a copy of the paymaster's records(Davis 2019, p 15).

This process was time-consuming and involved considerable work on the part of claimants — yet this was similar to other requirements for soldiers and sailors to claim bounties and pensions (Skocpol 1995). Presumably, any counterfactual cash payments for reparations would have taken a similar form.

Black Sailors

African Americans made up a substantial portion of Union Navy sailors. Unlike the Army, which had barred African Americans since 1792, the Navy permitted Black sailors even before the War. Researchers using Navy muster rolls have identified nearly 18,000 black sailors (approximately 20% of all Union sailors, a greater share than in the Union Army). Moreover, unlike the Army, which segregated units by race, in principle the Navy was racially integrated. Nevertheless, Black sailors faced considerable discrimination: they were far more

likely to be assigned to supply and ordnance ships than warships; they were exclusively in enlisted ranks, and unlikely to attain even petty officer commissions; and even among enlisted sailors, they were assigned more frequently to duties pertaining to ship maintenance and serving the crew. In addition, African-American sailors were routinely hazed by sailors. This was particularly true for newly emancipated recruits, who were often given the rank of "contraband" on muster rolls (Reidy 2001).

Yet, despite the ordeals they faced on board, Black sailors were entitled to cash prizes when their ships were within a 20 mile radius of a captured confederate prize and the evidence we have consulted so far suggests that most sailors who were entitled to prizes received them. Moreover, many Black sailors received large prizes of $500 or higher (more than $150,000 in today's money). Navy prizes awarded to Black sailors thus represent a considerable cash transfer from the federal government to individual Black Americans at the time of emancipation. As a result, examining the effects of these transfers allows us to draw inferences, albeit limited, about what a broader transfer of money to African Americans would have achieved at this time.

There are, of course, important caveats. The overall scale of of Navy prize payments was considerably smaller than any just reparations program would have been. Moreover, we cannot directly extrapolate from the population of Black sailors to the population of African Americans after emancipation, for African American sailors were not representative of the overall African American (male) population. Approximately 7,700 of the 18,000 sailors were born in states that did not secede, with the largest contingents coming from states on the East Coast with a maritime tradition, including New York, New Jersey, and — the largest — Maryland. Another 1,800 came from outside the United States and only 7,800 (fewer than 50%) were born in the Confederacy. This reflected different paths to service in the Navy. In many Northern coastal states, free Blacks had long traditions of maritime trades and were near to Navy recruitment centers in major port cities. By contrast, Black sailors from the South often emancipated themselves and joined the Navy at coastal ports seized as part of

the Union blockade or at cities and towns along rivers. As a result, freedmen who joined the Navy were mostly from the Carolinas, Louisiana, and Mississippi: places where the Navy operated on the coast and rivers (Reidy 2001).

In future iterations of this project, we intend to account for these differences by considering the heterogeneous effects of transfers on groups of sailors from different backgrounds (e.g., those from Confederate states, those with agricultural occupations, and those who had been enslaved in 1860) and generate a policy-relevant weighted effect.

In the following sections, we describe the data and design used to analyze the effects of these prize payments.

Data

To estimate the effects of prize money, we compiled data on Black Sailors, prizes, vessels, and sailor attributes.

Black Sailors The National Parks Service Civil War Soldiers and Sailors database includes data collected by Joseph Reidy, of Howard University, on Black Sailors. This was compiled by examining the extant Naval muster rolls to identify sailors and to track them across vessels. This project found approximately 17,000 sailors (using skin tone descriptions recorded in the muster rolls to identify those of African descent). These records include (for most sailors): first and last name, age, birth place, occupation, the ship and month of each muster roll that the sailor appears on, their recorded rating (rank), and the place and date of enlistment.

Prizes, captures, encounters The Department of the Navy provided lists of vessels sunk and captured and lists of prizes in reports to Congress and the Treasury Department recorded all prize payments to individual sailors. We digitized the prize lists and linked them by the names of the captured vessels to identify the date of the encounter. This permits identifying which Union Navy vessels were eligible to claim prizes, the dates of the action that earned

the prize, the total value of that prize, and the typical prize payment to sailors of different ratings (rank). (We are also in the process of identifying individual Black sailors as prize recipients in the Fourth Auditor's Office's *Abstracts of Prize Accounts* but this work will take time to complete as the volumes contain 7,000 pages, so the results we report below measure prize eligibility rather than prize receipts).

Vessels To account for different wartime services shaping the value of prizes available, we also collected data on each Navy vessel. Drawing on the Official Records of the Union and Confederate Navies in the War of the Rebellion, we were able to identify which blockading squadron each vessel served in during different time periods of the war (these records make it possible to identify all ships serving with each squadron during specific periods of time: usually 6 months to a year; they do not permit a more granular accounting of the ships' movements). The same records, supplemented by the Dictionary of American Naval Fighting Ships, make it possible to record many other attributes of vessels: the type of vessel, displacement, dimensions, speed, propulsion type, armament, and size of crew.

Prize Eligibility we estimate the prize money each sailor was *eligible* to receive in the following way. First, we transcribed the typical prize payment for different sailor ranks on each capturing ship in the Fourth Auditor's Office's *Abstracts of Prize Accounts*. Second, we create a sailor-month panel recording the ships Black sailors were mustered on. We filled in gaps in the muster record by interpolating dates of service where missing. Then we matched prizes to sailors by ship and month. Finally, we assigned to each sailor a prize value by dividing the 7/20ths of the ship's share to enlisted men by the size of the crew (less the captain). This is likely an underestimate of prize money, since we divide the share for enlisted men (the vast majority of sailors were enlisted) by the total crew.

Outcomes We first test our measure of prize eligibility by identifying the bank holdings of Black sailors in Freedman's Bank account records.[1] We then measure outcomes for sailors and their families using the 1870 and 1880 censuses. These include: attributes of where they live (size, urban, former Confederacy); marital status; number of children; literacy (of sailor and family); socioeconomic status (based on occupational codes); disability and sickness; and, in 1870, personal and real estate value. We link sailors to these censuses using the FastLink algorithm (Enamorado, Fifield and Imai 2019), matching on cleaned first and last name[2], birth year, and birth place. We only keep the best matches for each sailor (which may include multiple matches). We then weight the analyses by 1/M where M is the number of matches the census records for each sailor.

Design

We estimate the effects of prize eligibility (or the *intent to treat effects* of prize money) using least squares. The estimation equation takes the following form:

$$Y_i j = \alpha + \beta \text{PrizeValue}_i > c) + \lambda \mathbf{X_i} + \epsilon_i \tag{1}$$

Here, $Y_i j$ is the measured census outcome for sailor i and matched census respondent j. $\text{PrizeValue}_i > c)$ is an indicator variable for whether a sailor i is eligible for a prize value greater than some cutoff c. Rather than estimate the linear effect of earnings, we compared the effect of being eligible for prizes above some threshold c versus not eligible for prizes at all. Thus, we estimate multiple models with different values of c; this keeps the 'untreated' group the same, but drops all sailors eligible for prize amount between 0 and c.

In the results, we estimate these models without adjustment and then subsequently

[1]These data were kindly shared by Richard Hornbeck.

[2]We cleaned first names by linking reported names, which may be misspelled or abbreviated, to full names, using a crosswalk created by Abramitzky et al. (2019).

include conditioning variables ($\mathbf{X_i}$) that correspond to factors that might shape both post-war outcomes and the attributes of military service that might affect prize earnings. First, we condition on birth state and year of enlistment. Second, we add dummies that indicate service in each Blockading Squadron at different time periods of the war. Finally, we condition on the occupation sailors reported upon enlistment.

In all of these models, the key identifying assumption is that, conditional on serving in similar contexts, the allocation of prizes is effectively random. On the one hand, sailors likely had little individual control over where they were sent, the kinds of vessels they served on, and the behavior of their commanding officers that might affect capturing prizes. However, it is likely that different recruitment patterns by location and prior naval experience lead soldiers from different areas and recruited at different times to have different propensities to receive prize money. Thus, we argue that this assumption is met, conditioning on these selection processes.

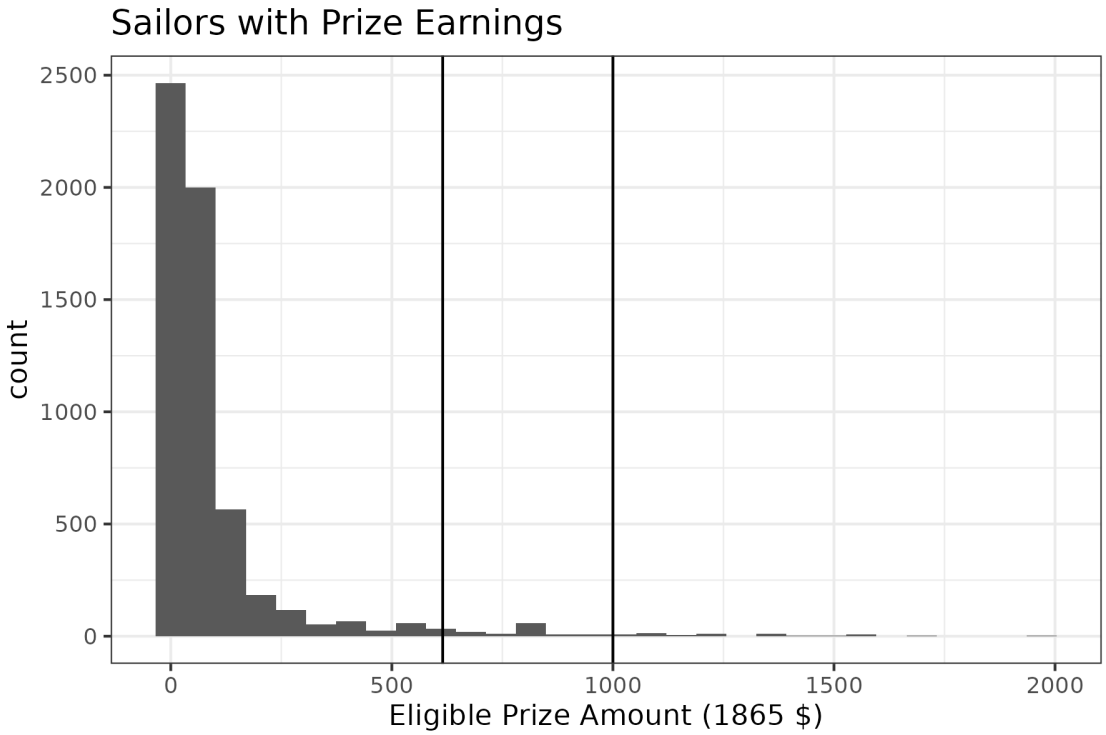
Results

Before reporting the results of our analyses, we first describe the distribution of prize money. Of the 17,859 Black sailors identified by Reidy, 6,732 (38%) were eligible to claim any prize money. The vast majority of prize earnings were small: 20 percent were eligible to claim 5 dollars or less. Only the top 23 percent of prizes were in excess of 100 dollars (over 30,000 dollars today).[3] And only 224 sailors were eligible for prizes greater than 615 dollars (almost

[3]In terms of labor earnings, 1 dollar in 1865 is approximately 319 dollars today. But in terms of relative output — the size of this wealth transfer to the overall economic output — 1 dollar in 1865 would be 2,770 dollars today. We use the labor earnings conversion rate (from the Measuring Worth website) in the text.

200,000 dollars today), which is our estimate of the value of "40 acres and a mule" in 1870.[4]

Figure 1: Distribution of Eligible Prize Amounts Among Sailors with Any Prizes

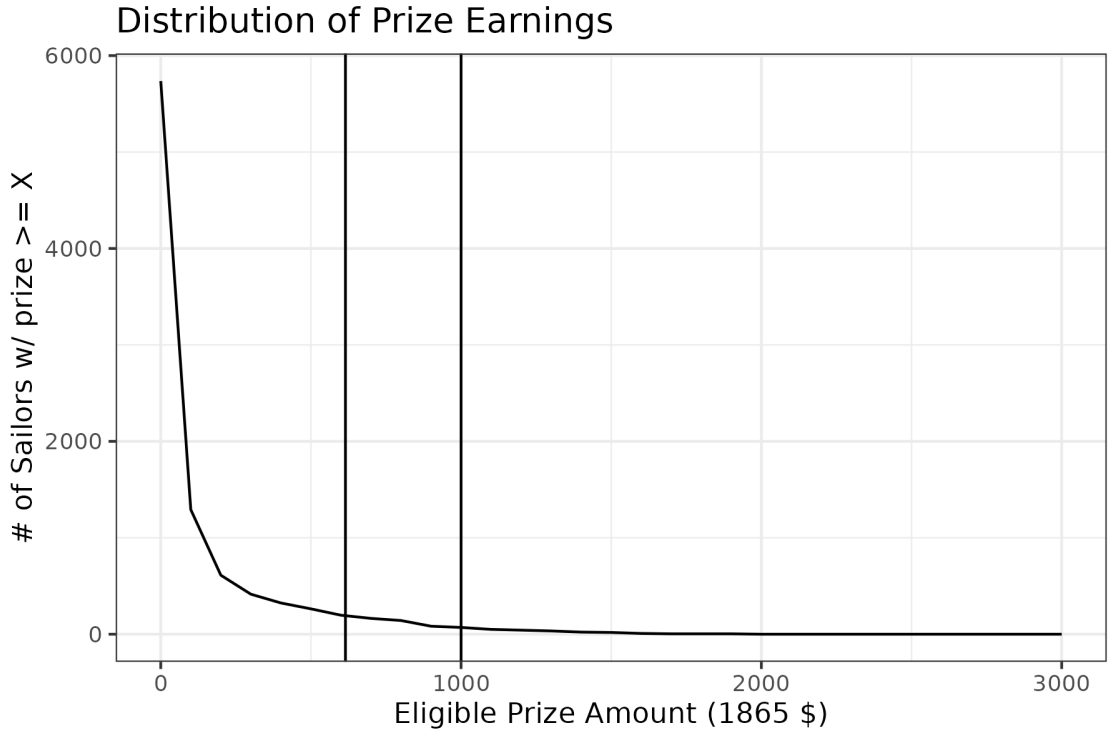


It is important to remember that these values are estimates and also do not reflect the effects for those who *received* the prize money but only *eligibility*. We will address this deficit in future iterations of this paper when we are able to analyze actual prize receipts from the Fourth Auditor's Office.

Bank holdings We first seek to verify our measure of eligibility and estimate the short-run impact of prizes on the personal finances of individual Black sailors by analyzing a subset of sailors with deposits at the Freedman's Bank, which existed from 1865 to 1874. With the help of Richard Hornbeck, we were able to match 557 sailors to deposit records at the 27 Freedmen's Bank branches. Of these 34% had a positive balance at the time of the bank's collapse in 1874. Figures 3 and 4 show that eligibility for prizes above $615 is associated

[4]We estimated this using an African American population weighted average of county land values and the cost of mules in 1870.

Figure 2: Count of Sailors Earning Prizes Above Threshold



with a higher likelihood of having a Freedman's Bank account and a higher level of bank holdings in 1874. While the standard errors are too wide to reject the null of no causal effect, from a purely descriptive perspective, because we use data on all sailors, we do not need standard errors to draw inferences. This may thus be taken as suggestive evidence that (1) the measurement of prize eligibility has some validity and (2) that some amount of prize money was deposited at the Freedman's Bank. Note, however, that if so many if not most of these depositors would have lost all or some of their deposits in the subsequent bank failure, such that any subsequent effects of prizes (e.g. those measured below in 1880) would be net of such losses.

Property Second, we examine whether eligibility for prize money is associated with greater property holdings (both in terms of real estate and personal estate) in 1870. Figures 5 and 6 show in both the naive and conditioning models that a higher eligibility for prizes is associated with higher real estate values (although not higher personal estate values). This

is further suggestive evidence that (1) the measurement of prize eligibility has some validity and (2) that some if not all the prize money recieved by 1870 was likely used to acquire property.

Socioeconomic Status Figure 7 shows the relationship between prize eligibility and socioeconomic status in 1880. This outcome is a measure of income and educational attainment associated with occupational categories, based on 1950 data. Thus, while it may not translate clearly to the 1880s, it nevertheless is a rough indicator of economic status. Again, greater prize eligibility increases economic status. Although this is hard to interpret, it is possible that this suggests prize money was used to invest in human capital that might be translated to higher status and more remunerative occupations.

Literacy Figures 8 and 9 show the relationship between prize eligibility and literacy among sailors in 1870 and 1880. The naive models show that prize eligibility increases literacy for sailors, with diminishing returns for prize values in excess of $500. In models with covariates, there appears to be little effect for high prize values (likely due to selection effects into higher prize amounts), but shows that even small prize eligibility increased sailor literacy by about 5 percentage points. Figure 10 shows the effect of prize eligibility on literacy of the sailors' family-members. The naive model shows that prizes in excess of $500 were associated with a literacy rate 15 percentage points higher; and even in models with controls these prizes were associated with a 10 percentage point increase in literacy. These effects are similar in magnitude to the difference in literacy between the children of landowning farmers and farm laborers described above.

Disability Income might also have long-term health benefits — either from being able to afford medical treatment or from avoiding dangerous and taxing labor. Figure 11 shows that increased prize money reduces the incidence of disability by more than 1 percentage point. This may appear small, but the incidence of disability in this sample of sailors is only 2

percent, so it represents a 50 percent reduction in reported disability.

Other Outcomes It also appears from Figures 12 and 13 that by 1880, sailors earning prizes were less likely to live in the former Confederacy (between 5 and 10 ppts) and more likely to live in urban areas (between 5 and 10 ppts).

Conclusion

This preliminary investigation of the effects of prize money transfers shows that cash transfers from the federal government likely increased property ownership, economic status, literacy, and health for African Americans in the 1860s and 70s. Importantly, it appears that larger prizes had effects comparable to land ownership. At this stage, we cannot easily assess the intergenerational consequences of these effects, but we intend to use named children in pension records to extend the analyses to the next generation.

The magnitudes of these effects are hard to assess due to extensive measurement error of the prize amounts and outcomes and the fact that not all sailors claimed their prizes. Another major limitation is that census data may miss important outcomes of interest.

We are currently working on improving upon this iteration of the project by identifying the actual amounts sailors were eligible to claim and actual claimants using records from the Treasury Department. The prima facie evidence presented here shows that it is worth investing more resources to cleanly match sailors to post-emancipation census and other records.

Figure 3: Relationship between Prize Eligibility and whether a sailor has a deposit at the Freedman's Bank Account

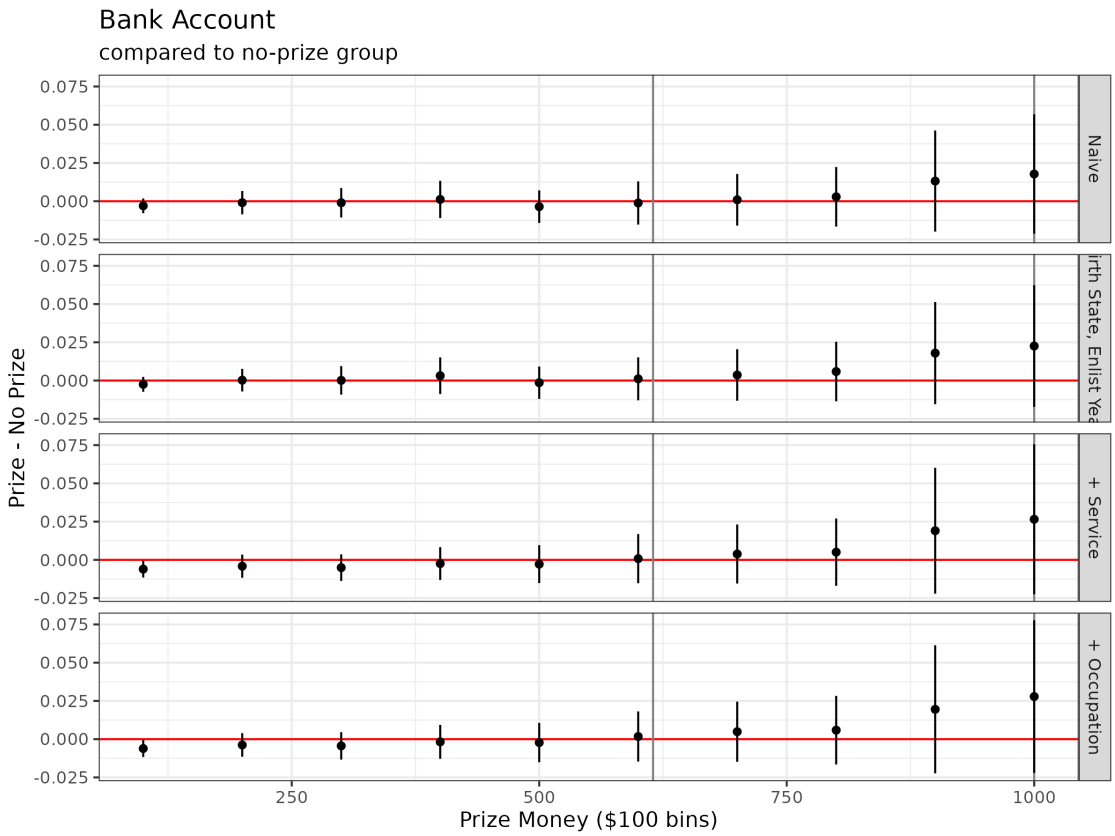


Figure 4: Relationship between Prize Eligibility and Freedman's Bank Account holdings in 1874

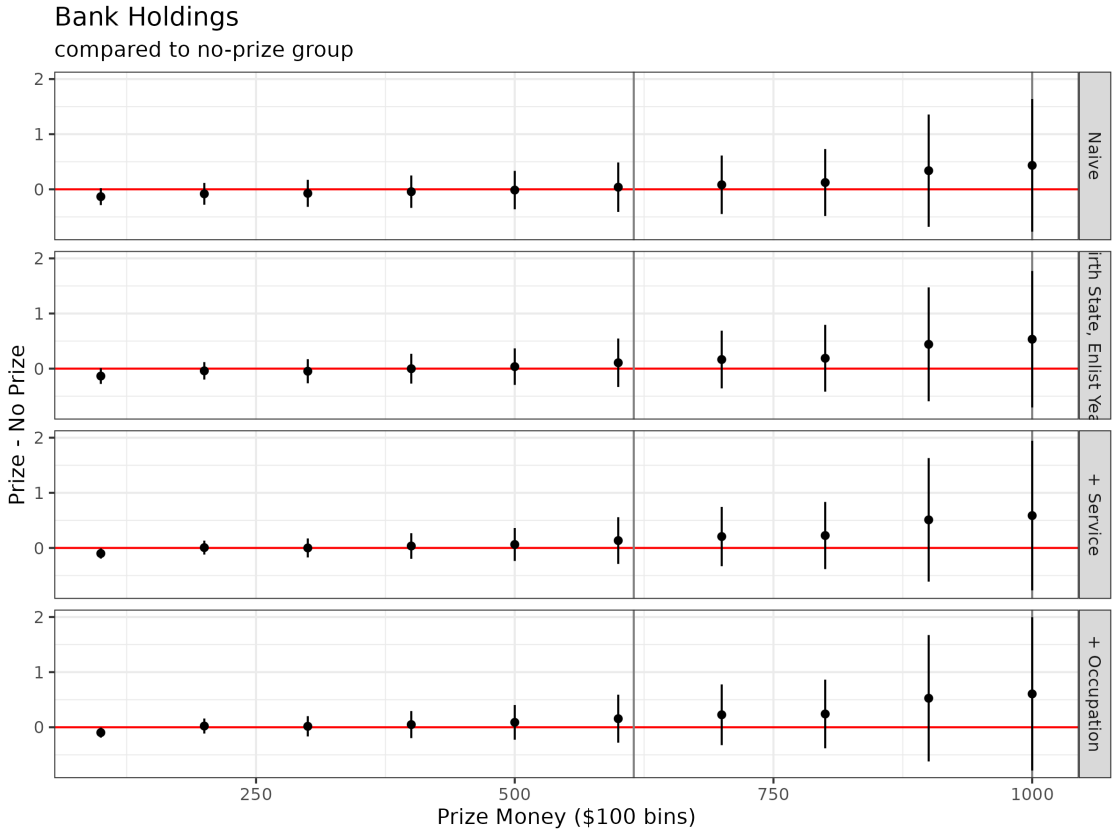


Figure 5: Relationship between Prize Eligibility and Real Estate Value (1870)

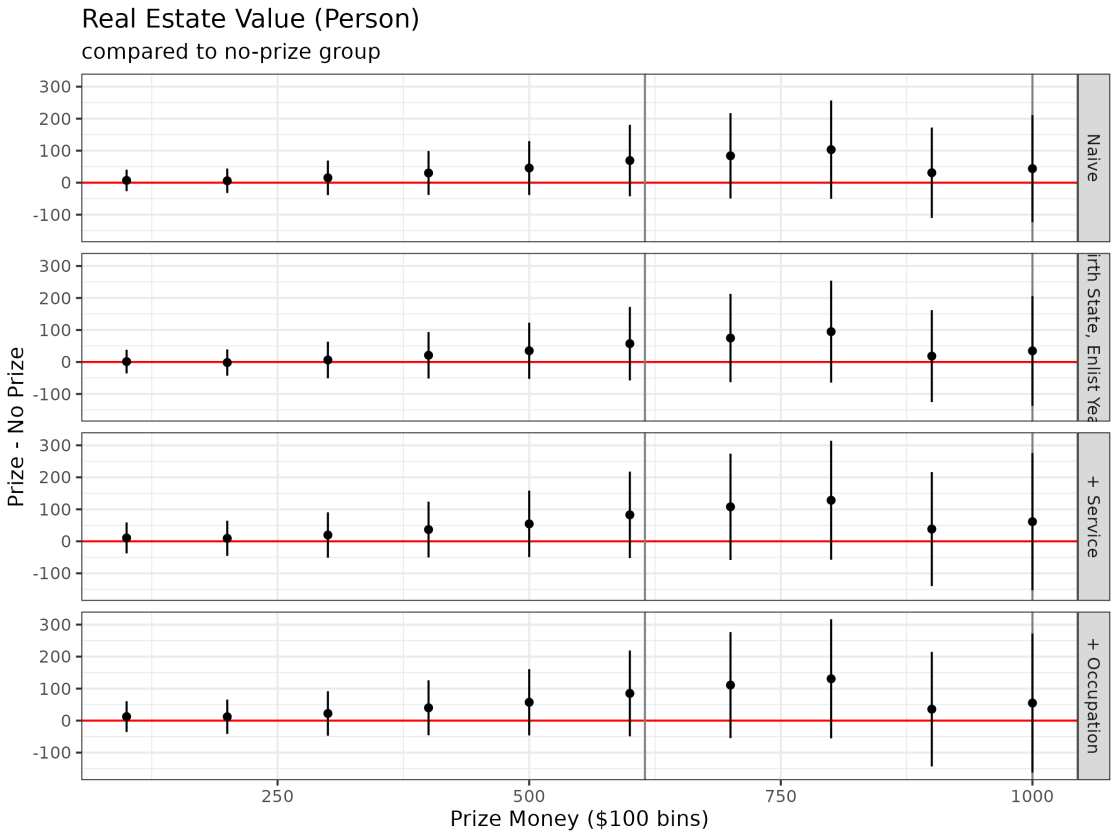


Figure 6: Relationship between Prize Eligibility and Personal Estate Value (1870

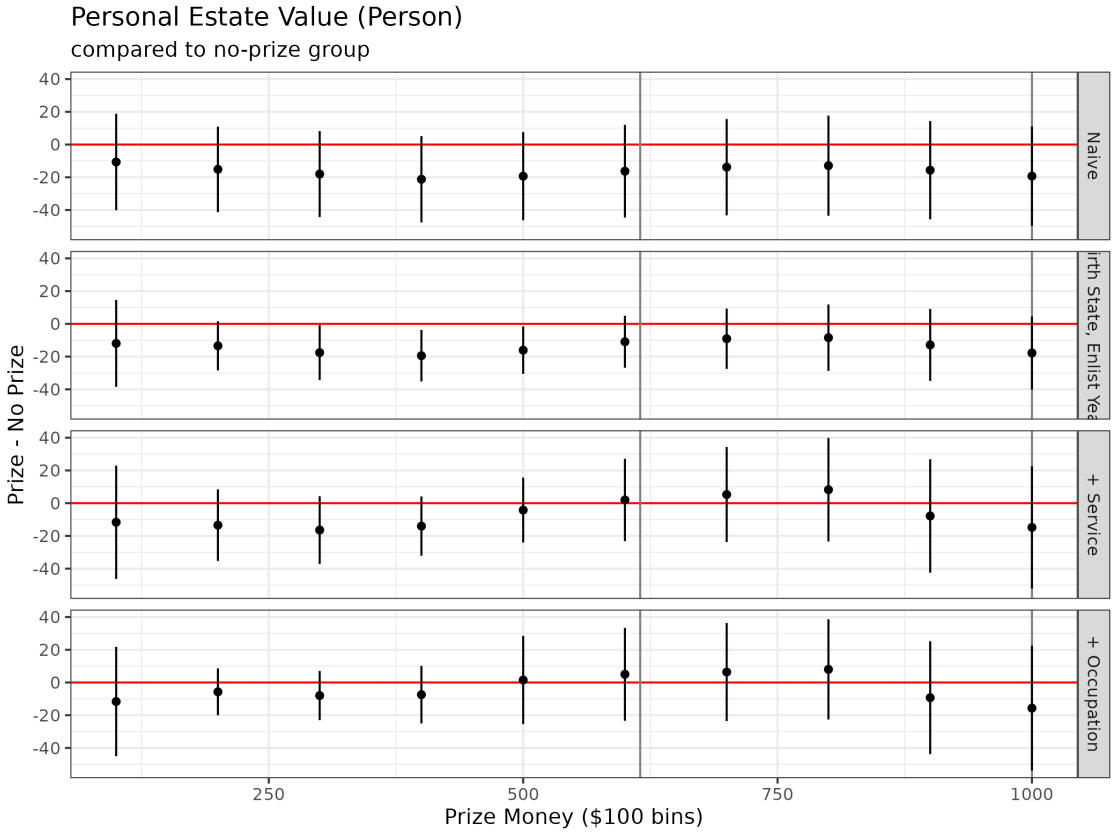


Figure 7: Relationship between Prize Eligibility and Socioeconomic Status (1880

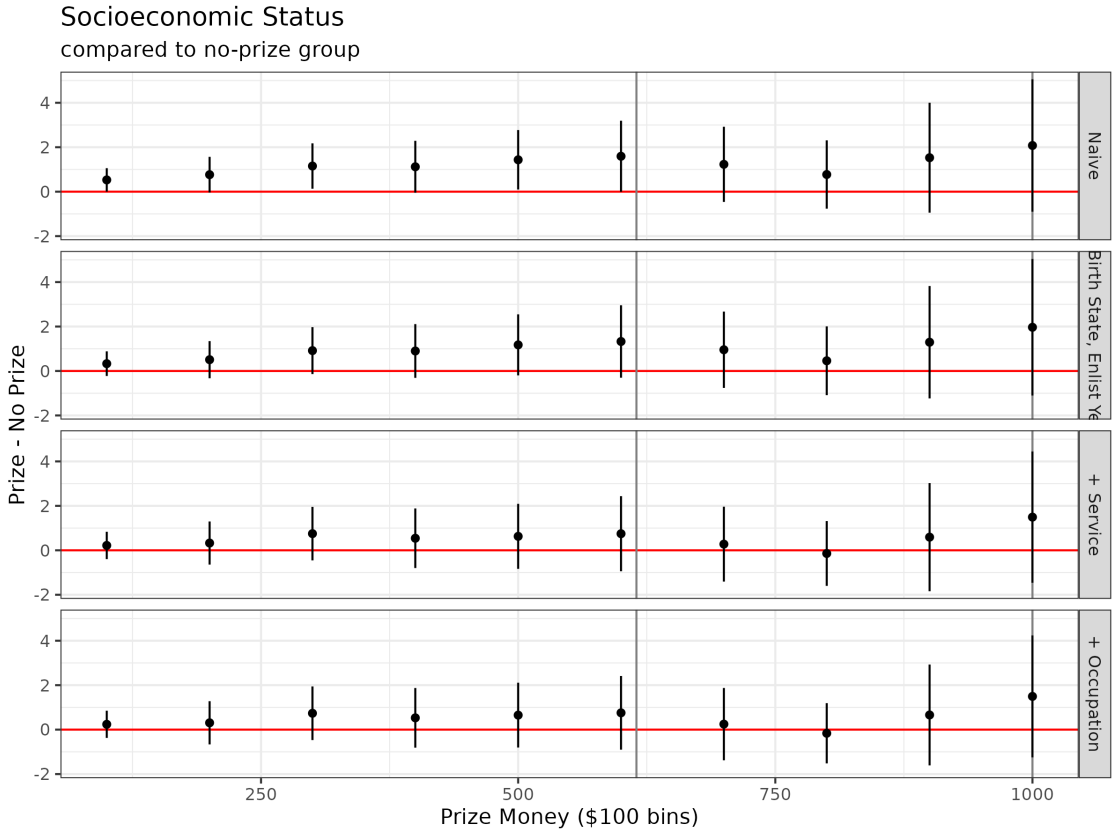


Figure 8: Relationship between Prize Eligibility and Sailor Literacy (1870)

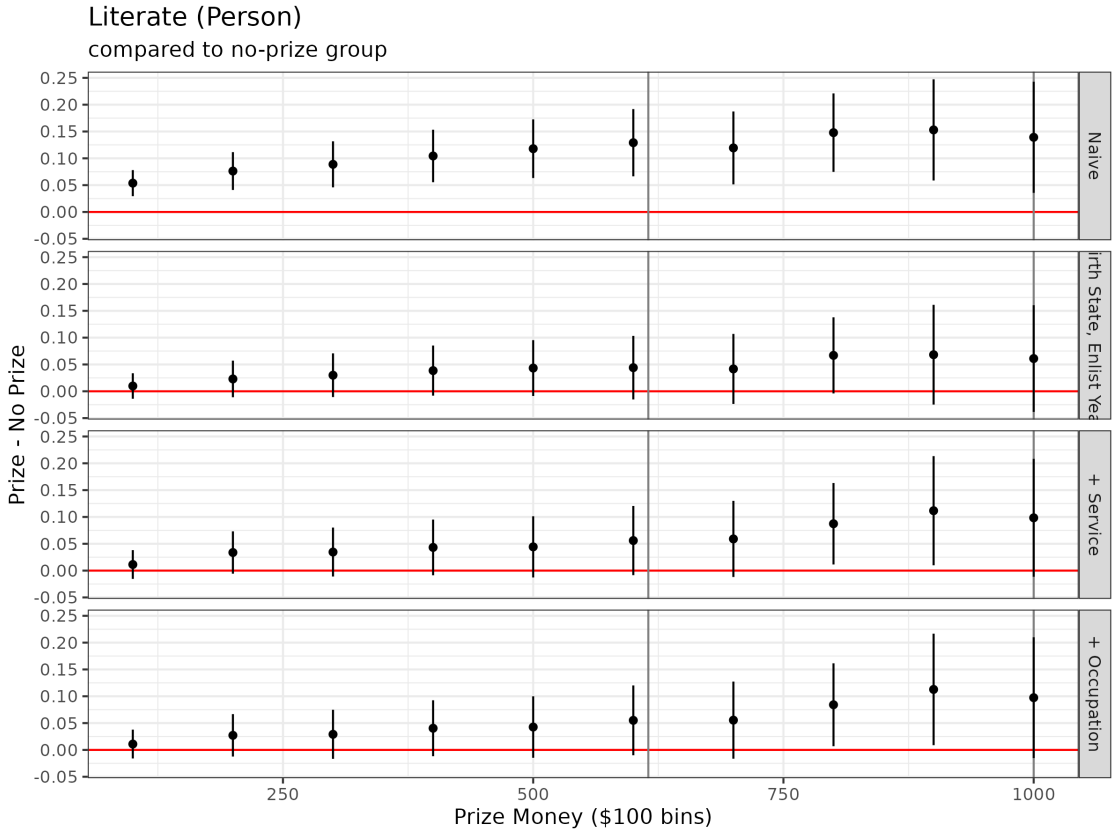


Figure 9: Relationship between Prize Eligibility and Sailor Literacy (1880)

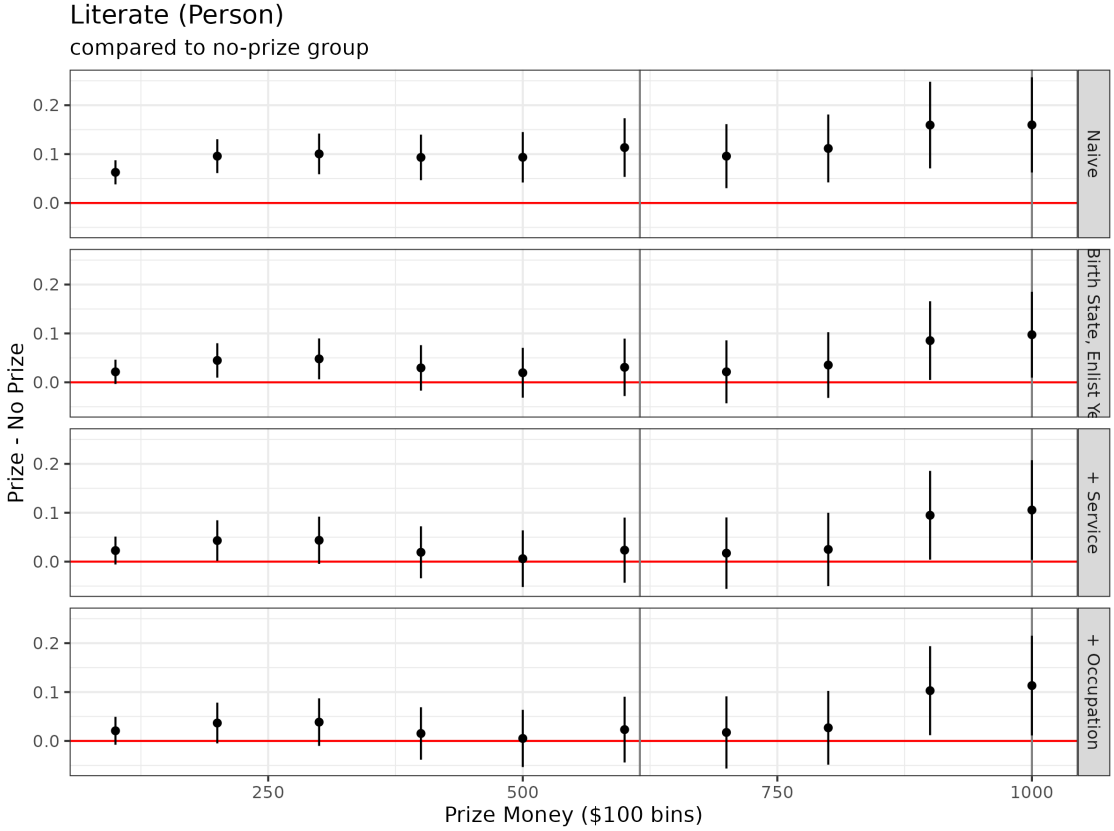


Figure 10: Relationship between Prize Eligibility and Family Literacy (1880)

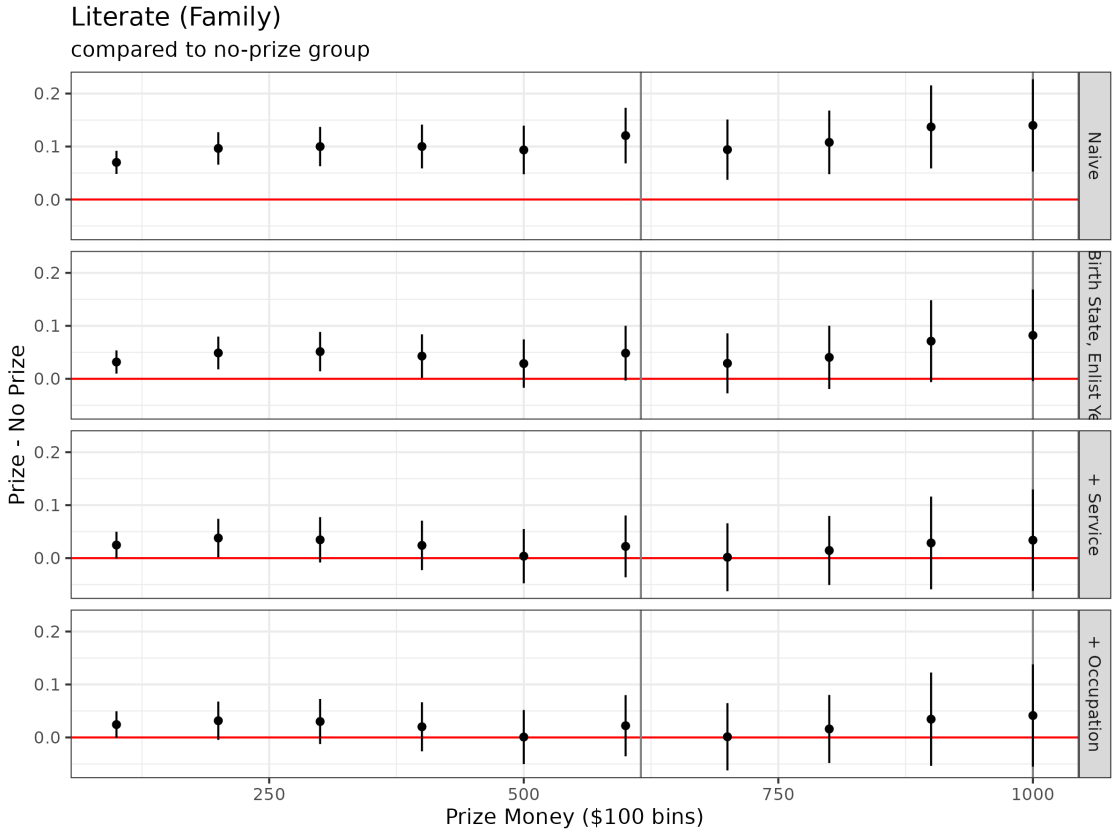


Figure 11: Relationship between Prize Eligibility and Individual Disability (1880)

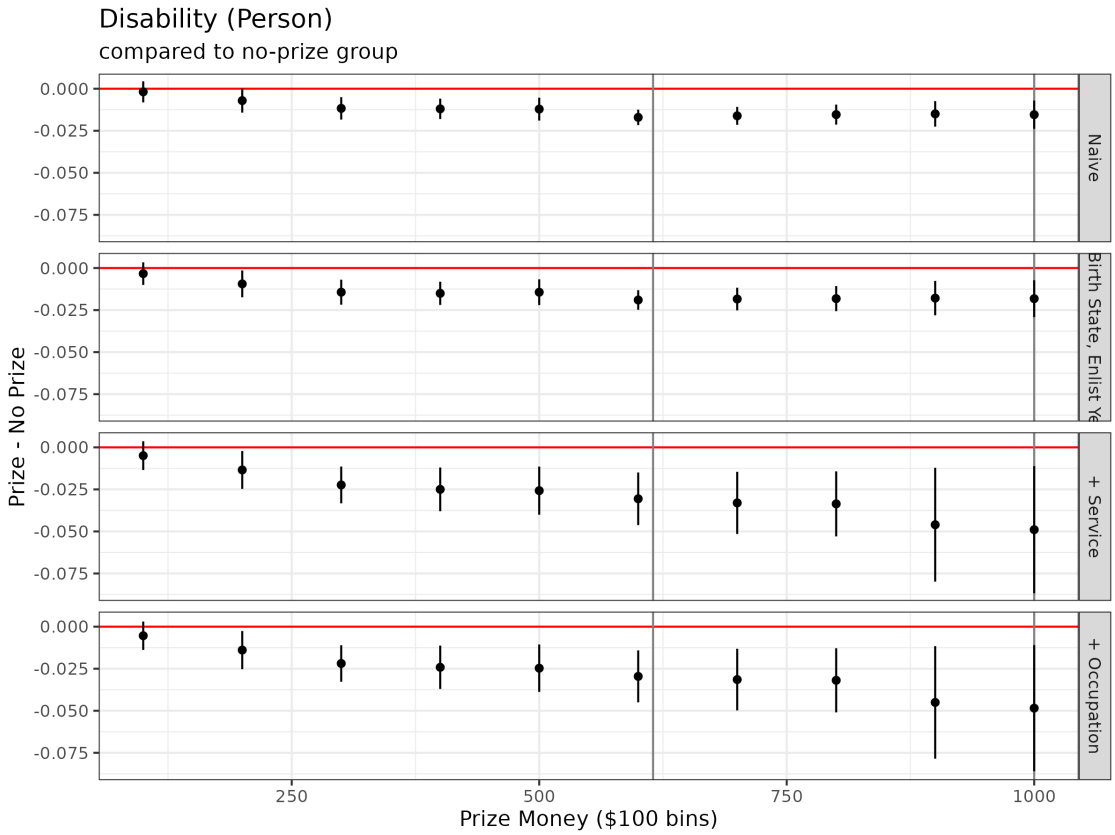


Figure 12: Relationship between Prize Eligibility and Residence in Former Confederate States in 1880

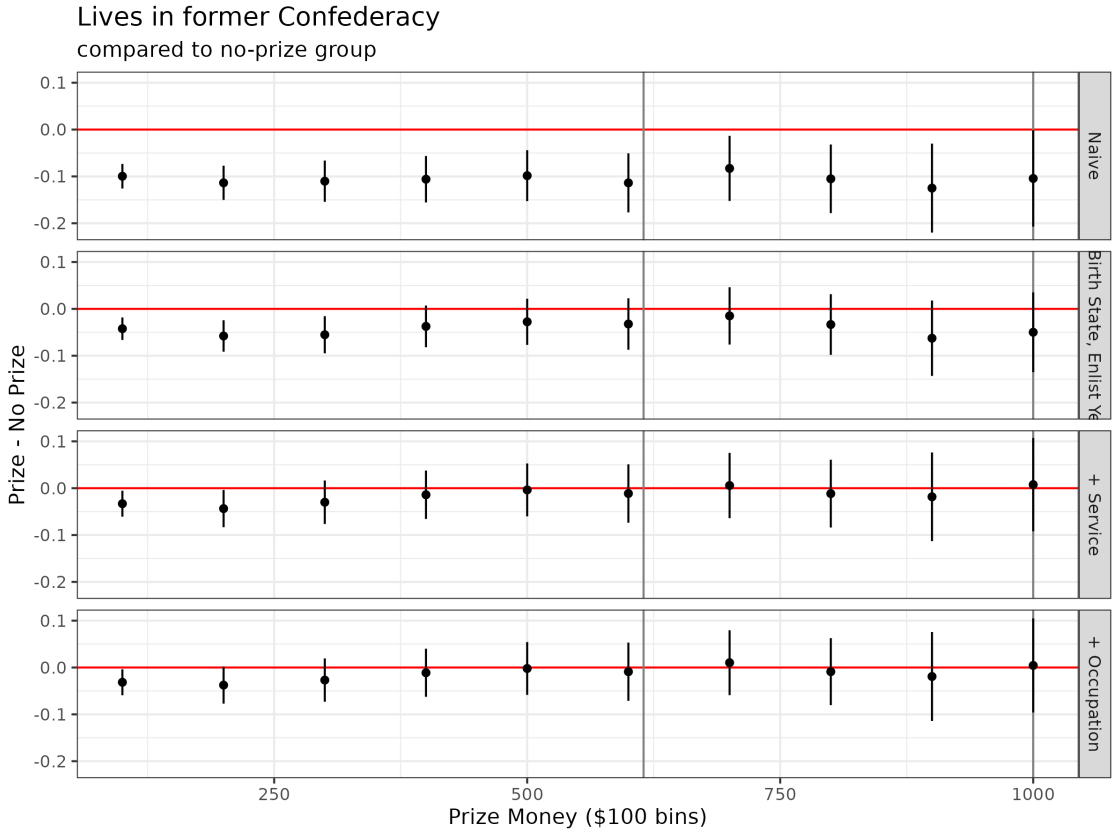
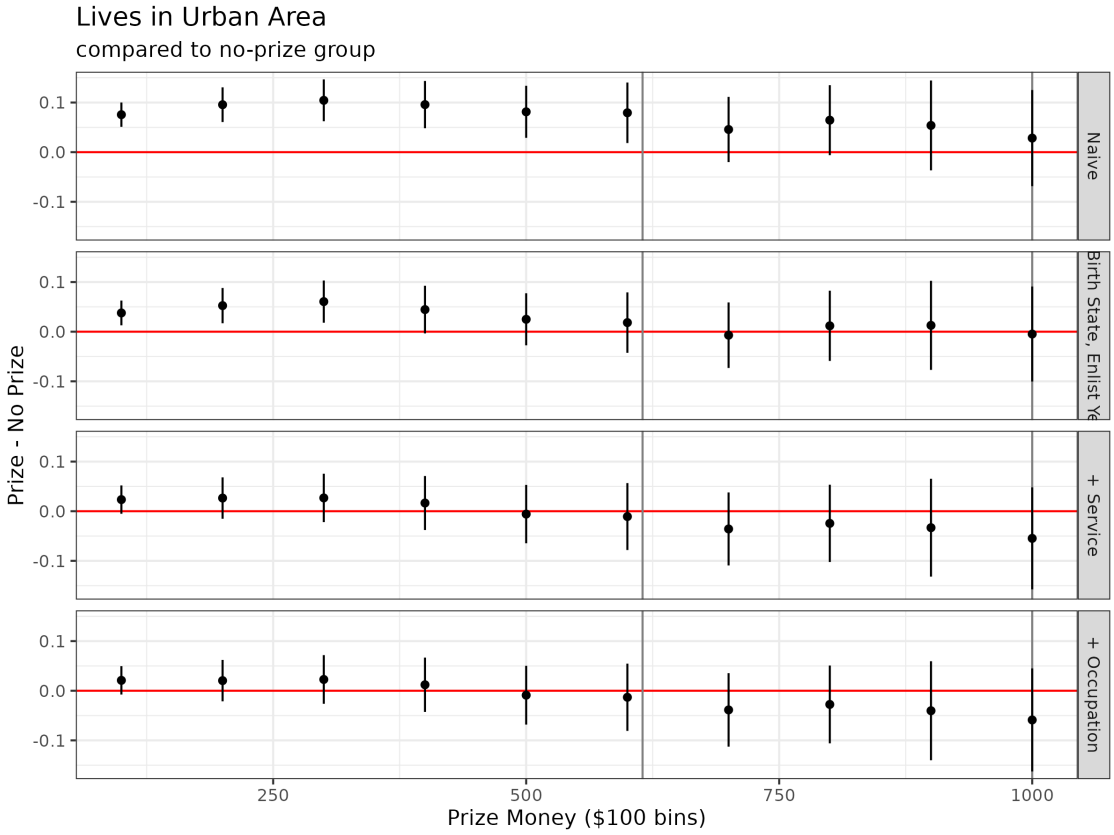


Figure 13: Relationship between Prize Eligibility and Urban Residence in 1880



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