

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

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## Abstract

Following Emancipation, former slaves were never given reparations: “40 acres and a mule” did not materialize. Yet, during Reconstruction, Black Americans were granted *de jure* rights. And while these rights proved limited in scope and duration, they had durable benefits for Black communities. What sorts of social, economic, and political benefits might have accumulated to freed people had the Federal government paid reparations 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. Because these transfers were payouts from “prizes”—Confederate vessels captured during the war—conditional on when and where sailors served, these payouts were as-if random. Linking Black sailors to captured prizes and the 1870 and 1880 US Censuses, we examine the intent-to-treat effects of prize eligibility. 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 legacies of Emancipation have been tightly linked to questions about African American land ownership. Contemporary struggles to define the meaning of Reconstruction included the occupation of former plantations by freed people, unfulfilled hopes for “40 acres and a mule”, and Congressional attempts to include land reform in Radical Reconstruction (Hahn 2003; Foner 1988; Du Bois 1935). This is unsurprising from the perspective of political economy. Thus, academic efforts to describe and quantify the magnitude and origins of racial economic inequality frequently focus on the effects of gaining or losing property (Miller 2011, 2020; Collins and Margo 2011) and the effects of discriminatory housing and lending policies (Dereroncourt 2022).

And these concerns about land ownership loom large in debates about reparations. On one hand, justifications for reparations emphasize the expropriation of improvements and working of land through slavery and tenant farming and the persistent use of violence and discrimination to seize property from African Americans (Coates 2014). On the other, estimates for the magnitude of reparations frequently incorporate the value of property lost, or the returns to improvements on land held by slaveholders (Craemer et al. 2020).

Yet, while, compared to today, Reconstruction was a moment in which there was a real possibility for land reform, any widespread federal efforts to transfer the property of slaveholders to freed people would undoubtedly have elicited substantial outrage and violent resistance. And the possibility of reparations through land transfers today seems nil. By contrast, cash transfers in lieu of property may have been possible. One could imagine that, with the emergence of new bureaucratic capacities during the war (Bensel 1991), the reach of the Army and Freedmens Bureau into the Reconstruction South (Downs 2015), and the payment of bounties and pensions to white Union soldiers (Skocpol 1993), the federal government might have been able to make reparations payments to freed men and women.

This paper investigates not what conditions would have enabled such a counterfactual

world, rather the social, economic, and political effects of actual cash transfers from the federal government to African American men on those individuals and their families during the Reconstruction era. I examine the effects of so-called “prize-money” earned by African American sailors in the Union Navy and benchmark these effects against prior estimates of the effect of land holding.

In short, this prize money was allotted to sailors serving on vessels that captured ships and cargo running the Union blockade of the Confederacy. These captured contraband were sold at auction, with the proceeds 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 ships encountered by Union naval vessels, the auctioned value of captured prizes, the enlistment details and service histories of Black Union Sailors, and individual census records from 1870 and 1880, I 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), I 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, I find ...

## **Background**

Dereroncourt et al. (Forthcoming) 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 work in economic history has found that land ownership during Reconstruction was strongly correlated with long-term inter-generational 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, even conditional on the size of the farm. 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, 11 percent more likely to be literate, in 1900 compared to 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 these transfers lead to higher economic status (as captured by occupation)? Would these transfers have increased key features of human capital like literacy, schooling, and health? And would there be inter-generational 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, I 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. When Navy vessels captured blockade runners, these captured vessels and their cargo would be sent to Prize Courts to be prosecuted in rem to be condemned as a “prize of war”. If the vessel and cargo were successfully shown to be enemy property, they would be auctioned. The proceeds from 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 amongst the capturing vessels. On each vessel, prize money was allocated as follows: 3/20ths went to the Captain, 10/20ths divided amongst the officers and midshipmen, and 7/20ths divided amongst 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, for prize vessels and eligible sailors to be reported from the Navy to the Fourth Auditor of the Treasury. And then, sailors would have to individually claim the prizes for which they were eligible. This involved sending written claim and a notarized affidavit with two witnesses, discharge papers, and a copy of paymaster 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 bounty equalization and pensions (Skocpol 1995). Thus, any counterfactual cash payments for reparations likely would have been similar to the actual distribution of prize money.

## **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, there was considerable discrimination against Black sailors: 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; even among enlisted sailors, they were assigned more frequently to duties pertaining to ship maintenance and serving the crew. Moreover, African American sailors were routinely hazed by sailors. This was particularly true for newly emancipated men, who were referred to on muster rolls as taking the rank of “contraband” (Reidy 2001).

The background of African American sailors was quite different from that in the broader population. Approximately 7700 of the 17000 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 1800 came from outside the United States, and only 7800 (fewer than 50%) were born in the Confederacy. This reflected different paths to service in the Navy. In many Northern coastal, free blacks had long traditions of maritime trades and experience 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 ports seized as part of the Union Blockade or at cities and towns along the Mississippi. 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).

Thus, Navy Prizes awarded to Black Sailors represent a cash transfer from the Federal government to Black Americans at the time of Emancipation. The procedures for collecting prize money were broadly similar to other Federal programs for military pensioners of the Civil War. As a result, examining the effects of these transfers allow 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 scale of the Navy prize payments were considerably smaller than any reparations program would have been. More-

over, we cannot directly extrapolate from the population of Black sailors to the population of African Americans after Emancipation. Nevertheless, in future iterations of this project it would be possible to consider the heterogeneous effects of transfers on groups of sailors from different backgrounds and generate a policy-relevant weighted effect.

In the proceeding sections I describe the data and design used to analyze the effects of these prize payments.

## Data

To estimate the effects of prize money, I 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 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. I digitized these lists and linked them by the name of the vessels captured in order 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, and the value of that prize.

**Vessels** To account for different wartime service shaping the value of prizes available, I also collected data on each Navy vessel. Drawing on the Official Records of the Union and

Confederate Navies in the War of the Rebellion, I was 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, makes 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** I estimate the prize money each sailor was *eligible* to receive in the following way. First, I link each vessel eligible to collect prize money to the date of the capture of the prize. Because of ambiguities in the listing of cotton bales or unnamed vessels, this is imperfect, though only 2.6% of the total prize money was unaccounted for. Second, I create a sailor-month panel recording the ships sailors were mustered on. I filled in gaps in the muster record by interpolating dates of service where missing. Then, for each prize, I divided the 44% allocated the ships crews by the number of ships awarded the prize. Then I matched prizes to sailors by ship and month. Finally, I assigned to each sailor a prize value by dividing the 7/20ths of the ships share divided enlisted men by the size of the crew (less the captain). This is likely an underestimate of prize money, since I divide the share for enlisted men (the vast majority of sailors were enlisted) by the total crew.

**Outcomes** I 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. I link sailors to these censuses using the FastLink algorithm (Enamorado, Fifield and Imai 2019), matching on first and last name, cleaned first and last name<sup>1</sup>, birth year, and birth

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<sup>1</sup>I clean first names by linking reported names, which may be misspelled or abbreviated, to full names, using a crosswalk created by Abramitzky et al. (2019).



place. I only keep the best matches for each sailor (which may include multiple matches). I then weight the analyses by  $1/M$  where  $M$  is the number of matches census records for each sailor.

## Design

I 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:

$$Y_{ij} = \alpha + \beta \text{PrizeValue}_i > c + \lambda \mathbf{X}_i + \epsilon_i \quad (1)$$

Here,  $Y_{ij}$  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, I compared the effect of being eligible for prizes above some threshold  $c$  versus not eligible for prizes at all. Thus, I 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, I estimate these models without adjustment and then subsequently 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, I condition on birth state and year of enlistment. Second, I add dummies that indicate service in each Blockading Squadron at different time periods of the war. Finally, I use an alternative control: expected prize earnings for sailors with a similar wartime record, estimated from many ship level-attributes using machine learning.

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 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, I argue that this assumption is met, conditioning on these selection processes.

## Results

Before reporting the results of analyses, I first describe the distribution of prize money. Of the 17859 sailors, only 3991 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 <sup>2</sup>. Only the top 20 percent of prizes were in excess of 100 dollars (greater than 17800 dollars today). And only 106 sailors earned prizes greater than \$615 dollars—the value of “40 acres and a mule”<sup>3</sup>

The vast majority of prize sums were likely small. But 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*.

**Property** I first examine whether eligibility for prize money is associated with greater property holdings (both in terms of real estate and personal estate). Figures 3 and 4 show in both the naive and conditioning models that greater prize eligibility is associated with greater real and personal estate values. 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. Thus, at a minimum, it appears that descriptively, higher prize values are related to greater property ownership. This is

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<sup>2</sup>In terms of labor earnings, 1 dollar in 1865 is approximately 178 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 2550 dollars.

<sup>3</sup>I estimate this using an African American population weighted average of county average land values and the cost of mules in 1870.

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

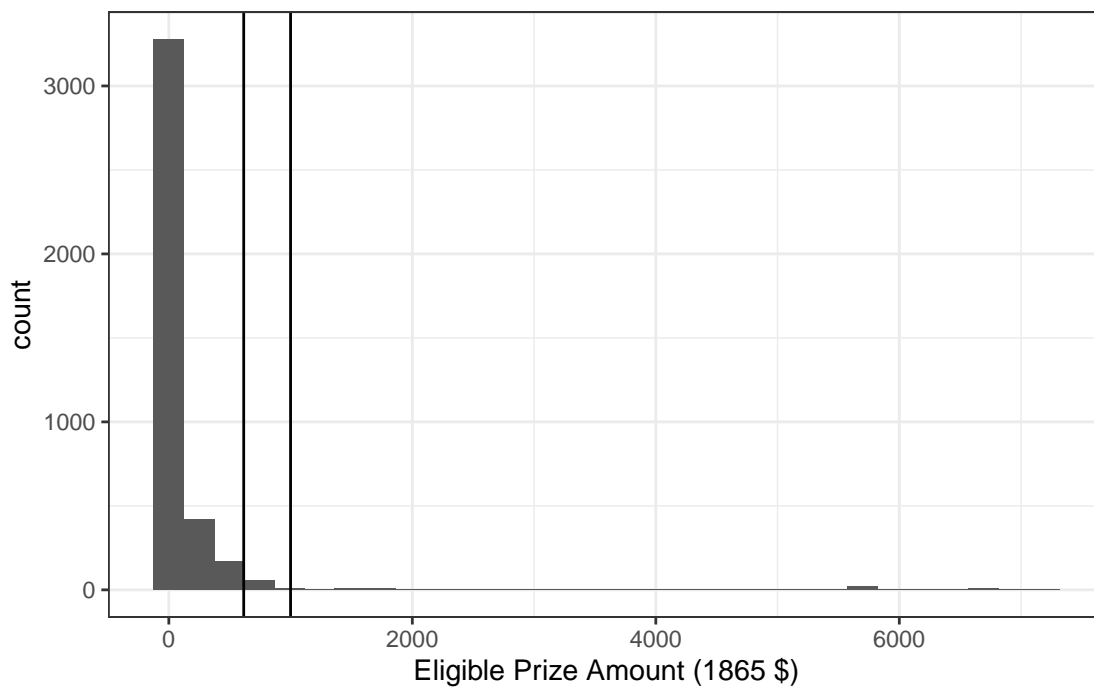


Figure 2: Count of Sailors Earning Prizes Above Threshold  
Distribution of Prize Earnings



suggestive evidence that (1) the measurement of prize eligibility has some validity and (2) that transfers of prize money were likely used to acquire property.

**Socioeconomic Status** Figure 5 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. While 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 6 and 7 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 8 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 avoid dangerous and taxing labor. Figure 9 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 that by 1880, sailors earning prizes were less likely to live in the former Confederacy (between 5 and 10 ppts), more likely to live in urban areas (between 5 and 10 ppts), and less likely to report having been denied on the vote in 1870.

## Conclusion

This preliminary investigation of the effects of prize money transfers shows that cash likely increased property ownership, economic status, literacy, and health. Importantly, it appears that larger prizes had comparable to land ownership. At this stage we cannot easily assess the intergenerational consequences of these effects, but it is possible to extend the analyses to the 1900 census and later.

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.

It is possible to improve 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. Moreover, this prima facie evidence 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 Real Estate Value (1870)

Real Estate Value (Person)  
 compared to no-prize group

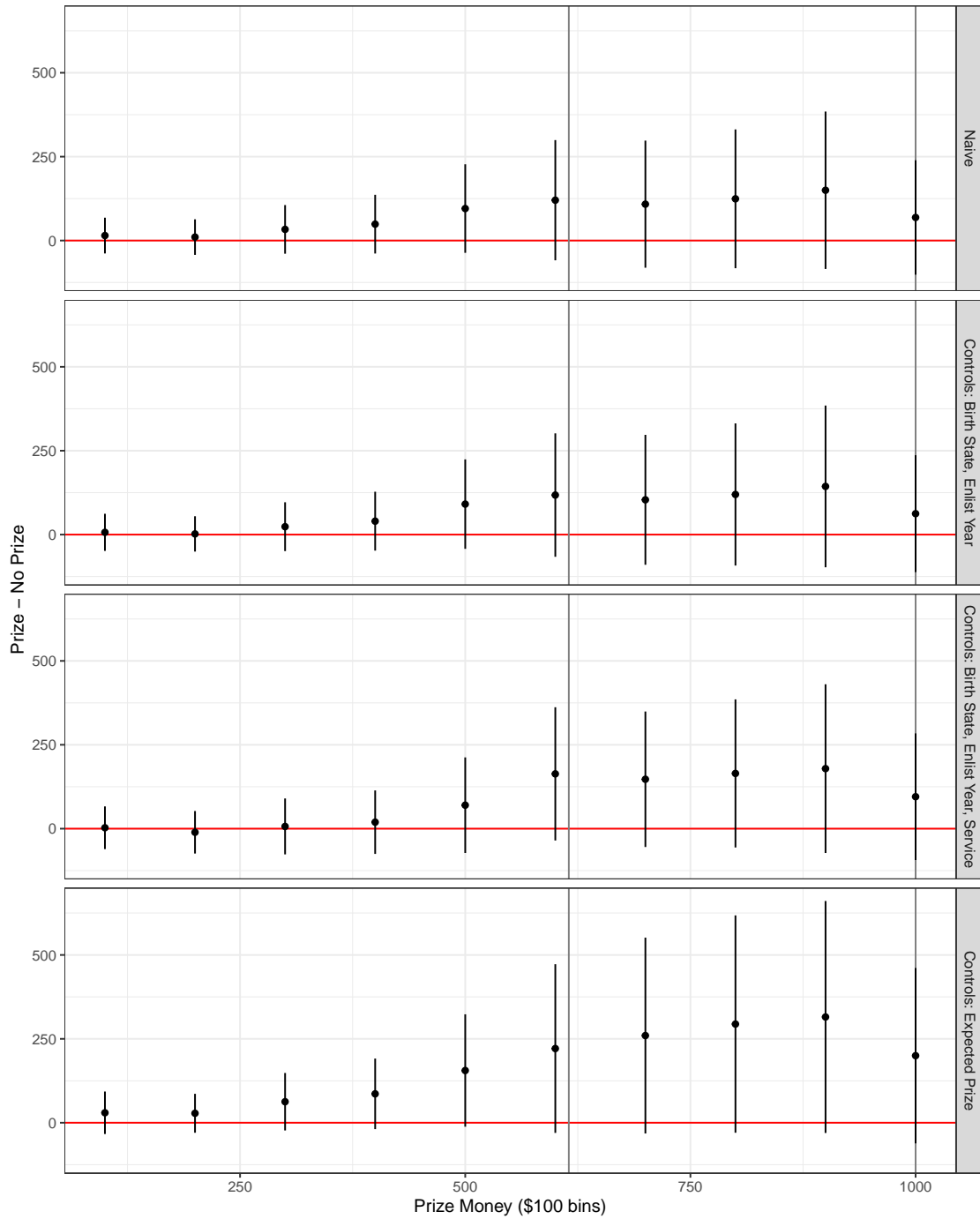


Figure 4: Relationship between Prize Eligibility and Personal Estate Value (1870)

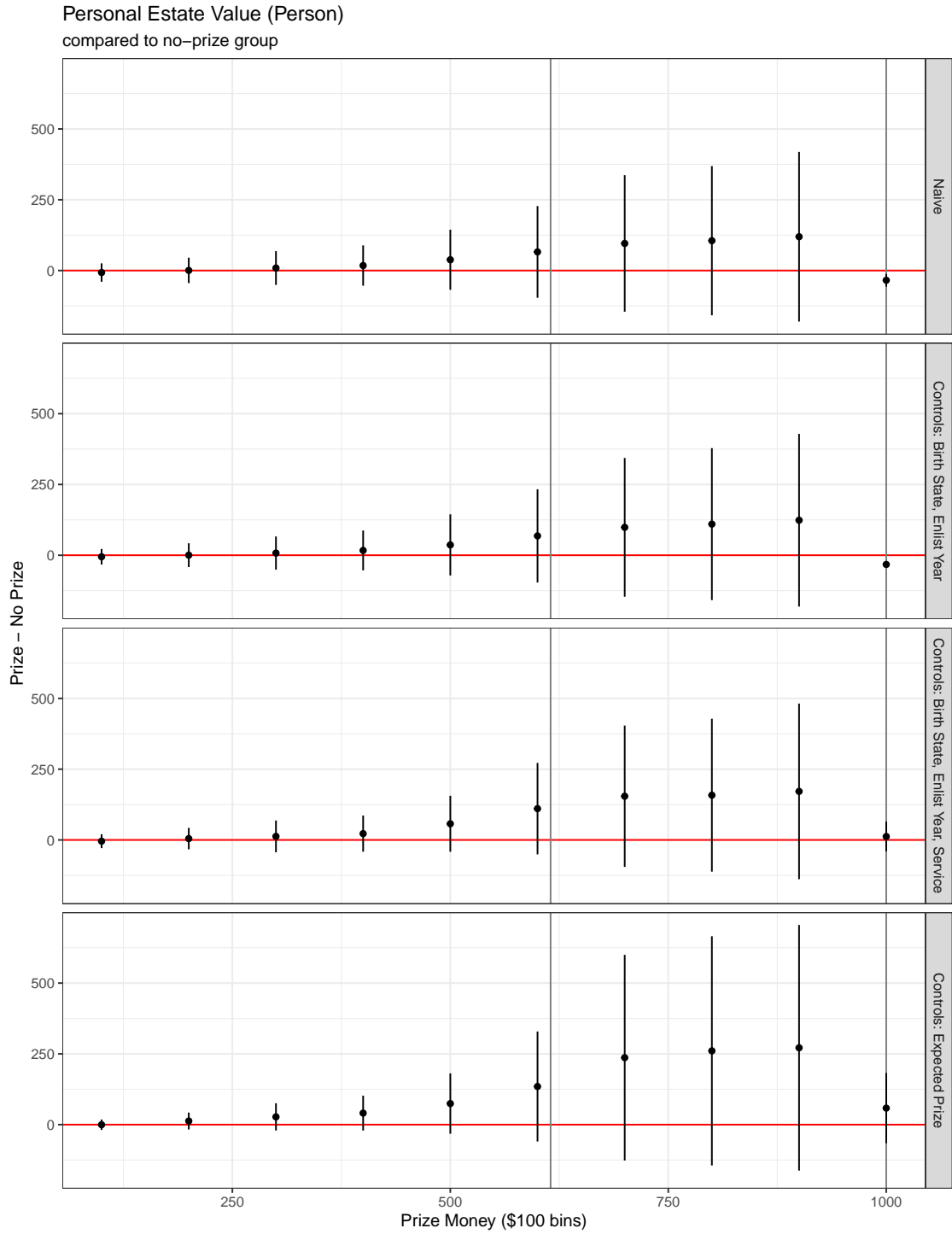


Figure 5: Relationship between Prize Eligibility and Socioeconomic Status (1890)

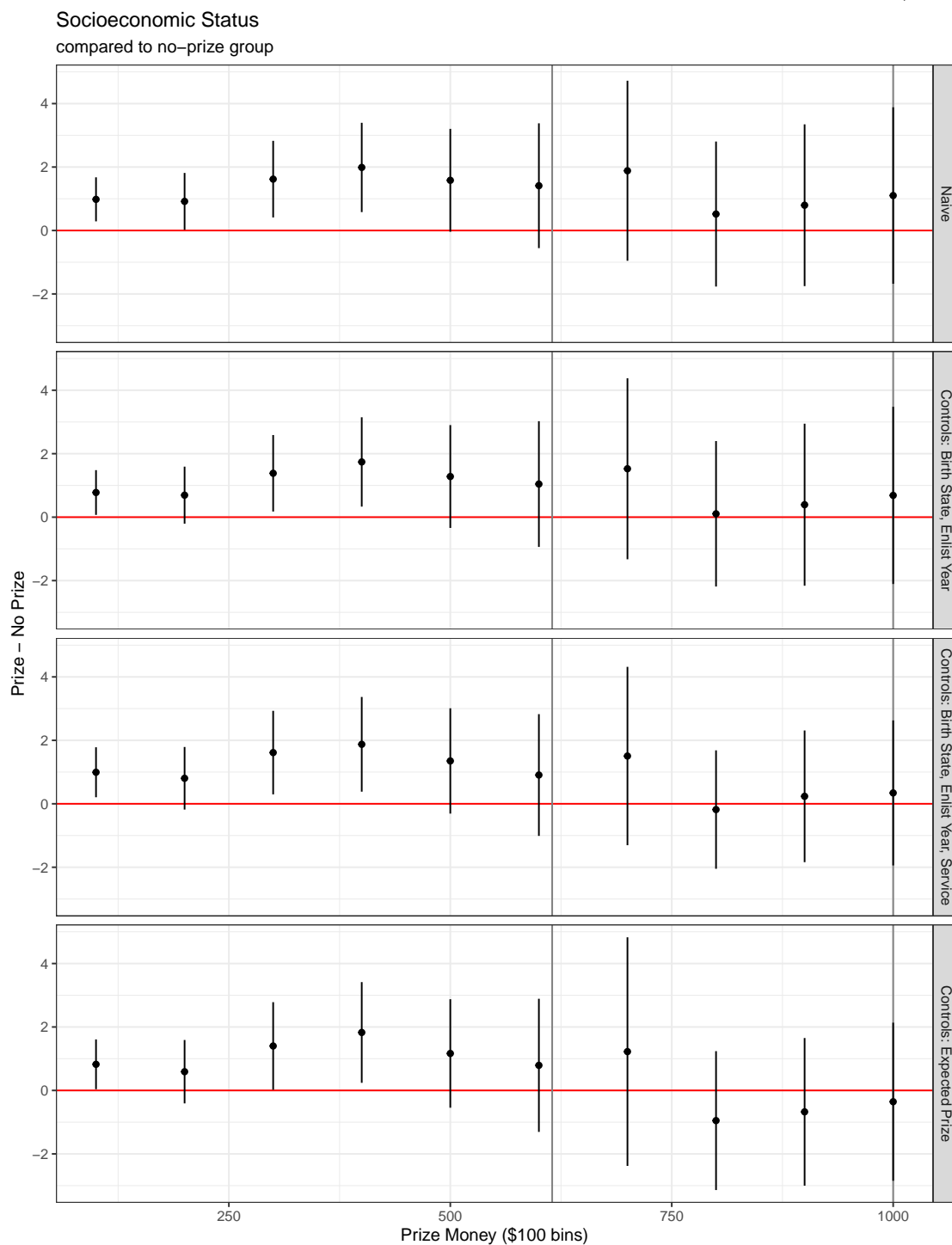




Figure 6: Relationship between Prize Eligibility and Sailor Literacy (1870)

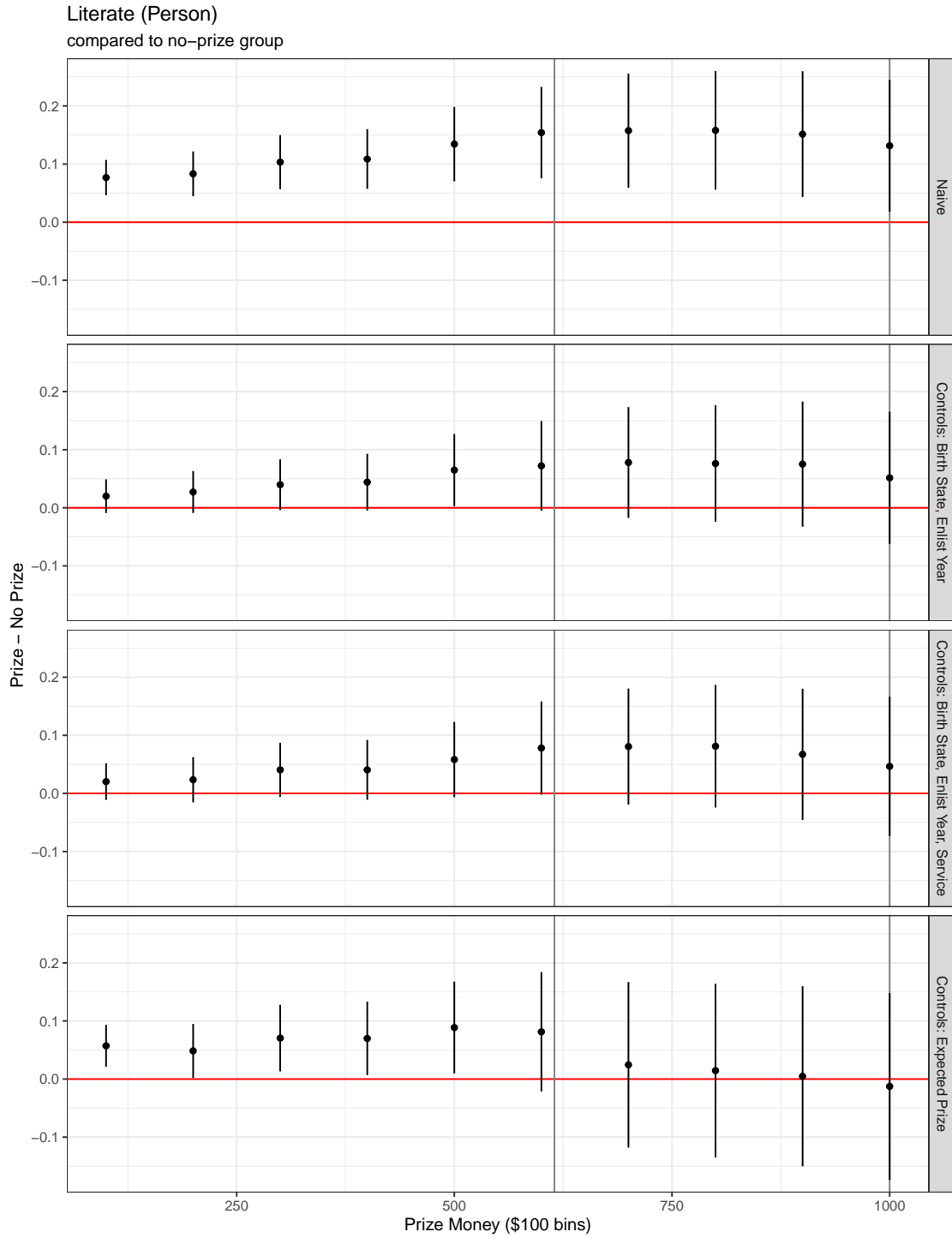


Figure 7: Relationship between Prize Eligibility and Sailor Literacy (1880)

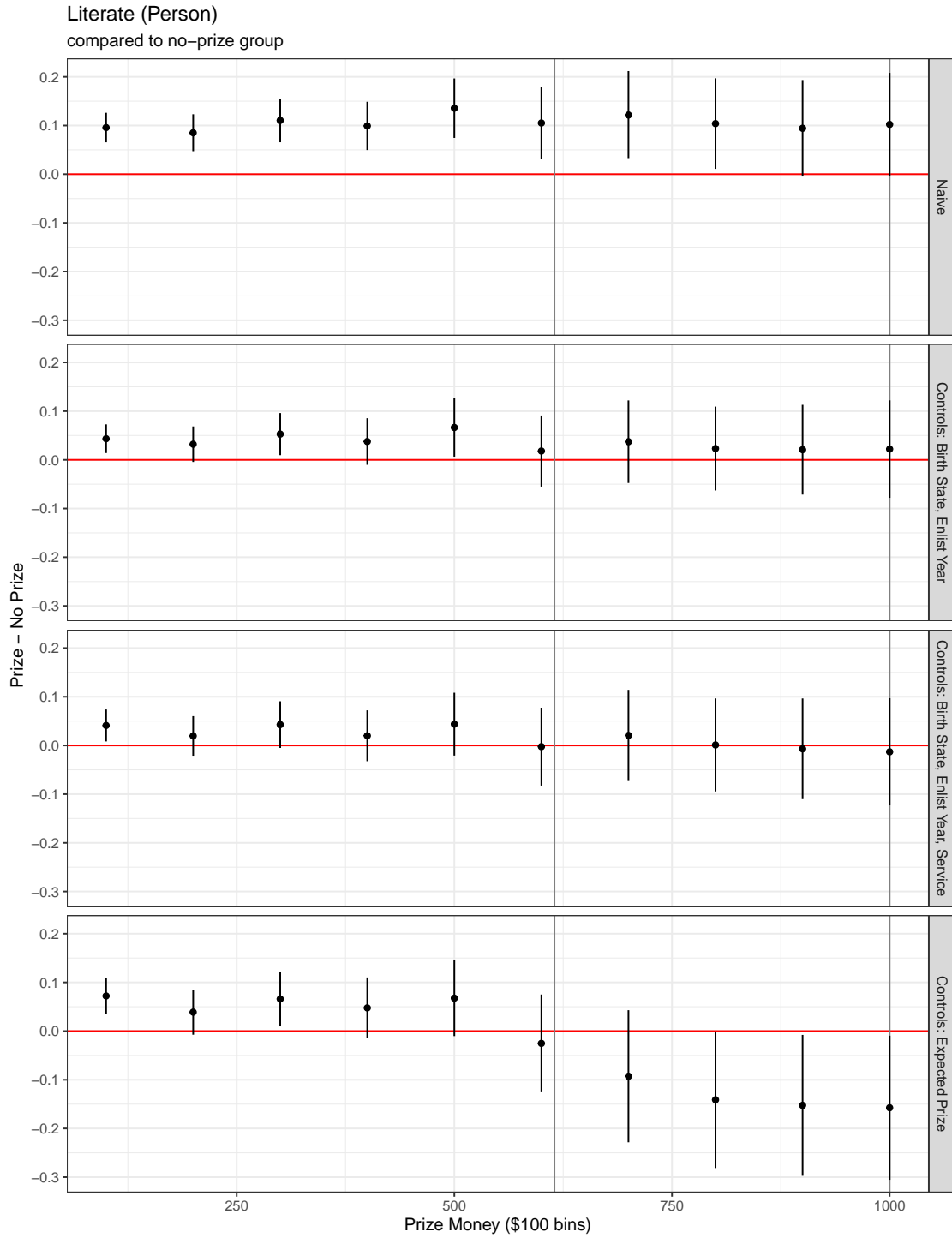


Figure 8: Relationship between Prize Eligibility and Family Literacy (1880)

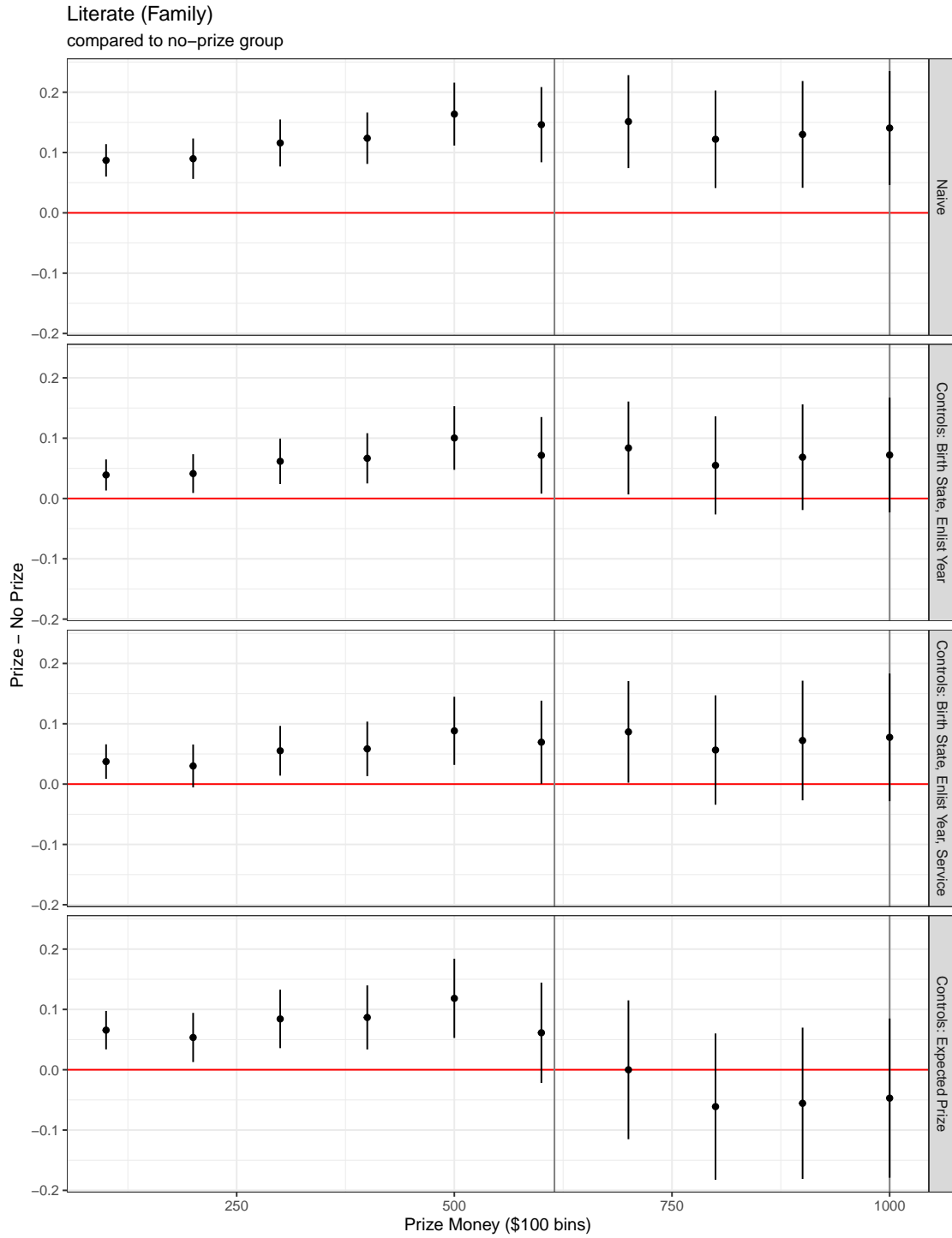
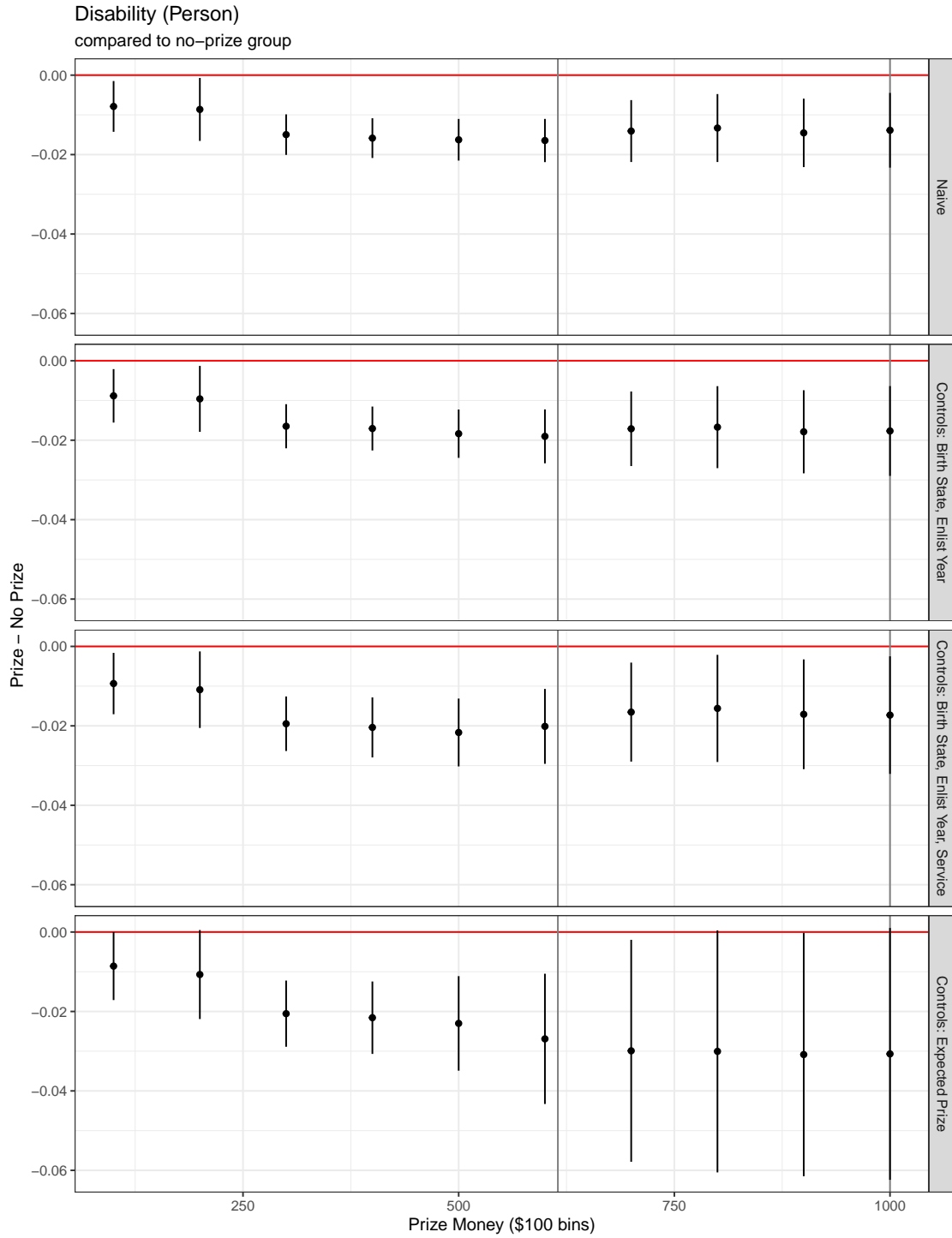


Figure 9: Relationship between Prize Eligibility and Individual Disability (1880)



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