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Accounting for Racial Wealth Disparities and Reparation Policies in the U.S.¹

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Abstract

We decompose the determinants of historically persistent and large racial wealth differences in the U.S. since 1950 through the lens of a standard heterogeneous-agents model that allows for group-based privileges/exclusions as wedges. We find that a wedge akin to wealth destruction risk for Black households is essential for generating the persistent and large racial wealth divide. We discuss the implications of these findings for modeling racial wealth disparities and reparations policies.

KEYWORDS: racial wealth inequality, wedges, reparations

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