Online Appendix for:
Analytic Approaches to Measuring the Black-White Wealth Gap

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Appendix A. Variable Definitions and Summary Statistics

Net Worth Variables

- Net worth value (**PSID** and **SCF**) – A variable that captures the total value of assets minus the total value of debts for a household.
- Logarithm of net worth value (**PSID** and **SCF**) – A variable that applies the natural logarithm transformation to the net worth value, cast as ln_networth = log(networth + 1) if networth>0, where we replace ln_networth = 0 if networth<=0. We add $1 to zero and negative values.
- Inverse hyperbolic sine of net worth value (**PSID** and **SCF**) – A variable that applies the inverse hyperbolic sine transformation to the net worth value. The transformation takes the form of IHS_networth=ln(networth + sqrt(networth^2 + 1)).

Control Variables

- Age (**PSID** and **SCF**) – A variable for the age of the respondent.
- Age squared (**PSID** and **SCF**) – A variable for the age squared of the respondent.
- Sex (**PSID** and **SCF**) – A dichotomous variable that is set to 1 if respondent is female, 0 if otherwise.
- Marital status (**PSID** and **SCF**) – A dichotomous variable that is set to 1 if respondent is married, 0 if otherwise.
- Educational attainment (**PSID** and **SCF**) – A variable that is set to 1 if respondent has less than high school/GED education (3 to 11 years of education), set to 2 if respondent is a high school graduate (12 years of education), 3 if respondent has some college education (13 and 15 years of education), 4 if respondent has a college degree or more (16 years of education or more).
- Number of children in household (**PSID** and **SCF**) – A variable for the number of children in the family unit that are below the age of 18.
- Employment status (**PSID** and **SCF**) – An indicator variable that is set to 1 if the individual reported that they were working, 0 if otherwise.
- Professional or manager – (**PSID**) A dichotomous variable that is set to 1 if respondent has an occupation code that is between 10 & 430 (management occupations) or between 500 & 950 (business and financial operations occupations) or between 1000 & 1240 (computer and mathematical occupations) or between 1300 & 1560 (architecture and engineering occupations) or between 1600 & 1965 (life, physical, and social science occupations) or between 2000 & 2060 (community and social services occupations) or between 2100 & 2160 (legal occupations) or between 2200 & 2550 (education, training, and library occupations) or between 2600 & 2960 (arts, design, entertainment, sports, and media occupations) or between 3000 & 3540 (healthcare practitioners and technical occupations). The dichotomous variable is set to 0 if otherwise. (**SCF**) A dichotomous variable that is set to 1 if respondent has an occupation classification of managerial/professional, 0 if otherwise.

- Received an inheritance – (**PSID**) A dichotomous variable that is set to 1 if the household has received a large amount of money or property worth $10,000 or more, set to 0 if otherwise. (**SCF**) A categorical variable that is set to 1 if respondent has received an inheritance or trust or gift within the last two years, set to 0 if otherwise.
- Lifetime income (**PSID** and **SCF**) – A variable that represents the natural logarithm transformation applied to the average household income over the last five years.

Summary Statistics of Key Variables (2019 SCF and 2019 PSID)

	PSID/2019		**SCF/2019**	
Variables	Black	White	Black	White
Net Worth	$72,352.63	$473,578.20	$137,213.50	$881,314.50
Lifetime Income	$56,195.22	$113,411.50	$66,492.24	$131,544.80
Age	43.4304	45.0621	44.1262	46.2824
HS Grad	0.3427	0.2634	0.3009	0.2376
Some College	0.3155	0.2356	0.3304	0.2837
College or more	0.2515	0.4619	0.2735	0.4246
Married	0.3083	0.6211	0.3536	0.6525
Manager or Professional	0.1760	0.3856	0.2931	0.3953
Female	0.4062	0.1684	0.4265	0.1939
Number of Children in Household	0.7426	0.7284	0.8992	0.9014
Received Inheritance	0.0128	0.0706	0.0338	0.1354
Employed	0.6915	0.7686	0.8491	0.8767

There are stark differences in net worth by race, where blacks own fifteen cents per one dollar of average wealth owned by whites. In terms of lifetime income, blacks possess forty-nine cents per one dollar of average income possessed by whites. Tendencies in income and wealth are strongly associated with age. Within the age variable, white respondents have a slight advantage in age compared to their black counterparts. However, there are substantial differences in the distribution of educational accumulation (compared to their white peers, blacks are more concentrated in the high school graduate and some college categories, while blacks are far less concentrated in the college degree or more category). Nearly one-third of blacks, while four-fifths of whites, are in marital unions. There is an important percentage point difference that is visible in the proportion of whites versus blacks that are employed in the labor market.

Meanwhile, whites are twice as likely to work as members of the professional or managerial class, compared to blacks. A much greater share of black respondents are women, relative to their white counterparts. On average, while black households have a larger number of children present in the family unit in the PSID, it is white households that have a larger number of children present in the family unit in the SCF. Finally, black respondents are much less likely to report that they have received an inheritance in the last couple of years.

Appendix B. Decomposition Tables

Table 2: Decomposing Black-White Wealth Distributions using 2016 SCF and 2015 PSID

Panel A: Untransformed Wealth				
SCF 2016	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	$795,616.30	$19,580.48	$132,255.20	$1,216,089.00
% due to educational attainment	-0.0574	-0.0002	0.0002	0.0000
% due to inheritance receipt	0.0234	0.0000	0.0000	0.0000
PSID 2015	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	$396,471.10	$10,243.55	$89,404.20	$865,746.10
% due to educational attainment	0.0184	-0.0003	0.0001	0.0000
% due to inheritance receipt	0.0277	0.0001	0.0001	0.0000
Panel B: Logged Wealth				
SCF 2016	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	2.98	4.33	2.23	2.49
% due to educational attainment	0.0061	-0.0633	0.0644	-0.0081
% due to inheritance receipt	0.0140	0.0649	0.0169	0.0015
PSID 2015	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	3.10		2.23	1.92
% due to educational attainment	-0.0110		0.0441	0.0274
% due to inheritance receipt	0.0323		0.0257	0.0286
Panel C: IHS Wealth				
SCF 2016	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	4.20	15.74	2.23	2.49
% due to educational attainment	-0.0283	-0.0175	0.0644	-0.0081
% due to inheritance receipt	0.0144	0.0179	0.0169	0.0015
PSID 2015	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	3.89	0.94	2.22	1.92
% due to educational attainment	-0.0663	-0.8287	0.0470	0.0252
% due to inheritance receipt	0.0415	0.2053	0.0274	0.0264

Notes: This table presents results categorized by *model* (Panel A - untransformed net worth; Panel B - logarithm-transformed net worth; Panel C - inverse hyperbolic sine-transformed net worth), *data set* (SCF - 2016; PSID - 2015), and method (Oaxaca-Blinder decomposition - mean; RIF decomposition - 10th, 50th, 90th percentiles).

Table 3: Decomposing Black-White Wealth Distributions using 2013 SCF and 2013 PSID

Panel A: Untransformed Wealth				
SCF 2013	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	$563,823.30	$19,097.17	$109,498.70	$997,962.20
% due to educational attainment	-0.0489	-0.0002	0.0003	0.0000
% due to inheritance receipt	0.0002	0.0000	0.0000	0.0000
PSID 2013	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	$275,194.10	$7,350.30	$68,565.85	$651,525.80
% due to educational attainment	0.0478	-0.0003	0.0002	0.0000
% due to inheritance receipt	0.0288	0.0000	0.0001	0.0000
Panel B: Logged Wealth				
SCF 2013	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	3.20	2.76	2.18	2.11
% due to educational attainment	0.0123	-0.0736	0.0616	-0.0094
% due to inheritance receipt	0.0033	0.0241	0.0024	-0.0004
PSID 2013	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	2.88		2.21	1.72
% due to educational attainment	-0.0018		0.0464	0.0403
% due to inheritance receipt	0.0200		0.0176	0.0285
Panel C: IHS Wealth				
SCF 2013	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	4.64	14.20	2.18	2.11
% due to educational attainment	-0.0172	-0.0137	0.0622	-0.0095
% due to inheritance receipt	0.0041	0.0046	0.0024	-0.0004
PSID 2013	**Mean**	**10th**	**50th**	**90th**
Estimated wealth gap	3.65	0.47	2.22	1.72
% due to educational attainment	-0.0544	-0.6362	0.0491	0.0375
% due to inheritance receipt	0.0253	0.1208	0.0187	0.0265

Notes: This table presents results categorized by *model* (Panel A - untransformed net worth; Panel B - logarithm-transformed net worth; Panel C - inverse hyperbolic sine-transformed net worth), *data set* (SCF - 2013; PSID - 2013), and *method* (Oaxaca-Blinder decomposition - mean; RIF decomposition - 10th, 50th, 90th percentiles).