

Intergenerational Race-Based Trauma and Financial Market Participation

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Abstract

This paper examines whether historical race-based financial trauma shapes current household financial market participation. Our analysis exploits community-level geographic exposure to the Freedman's Savings Bank (FSB), established in 1865 to encourage Black Americans to save. The bank collapsed in 1874 due to fraud and mismanagement. Using restricted-use Panel Study of Income Dynamics (PSID) data, we link present-day stock ownership to historical FSB branch locations. Own, paternal, and grandpaternal FSB-county exposure is associated with lower stock market participation among Black individuals. These effects persist after controlling for socioeconomic and geographic differences, migration, and broader patterns of racial exclusion. Our findings reveal intergenerational transmission of race-based financial trauma and a robust mechanism perpetuating the racial wealth gap. (JEL: D14, D63, G41, G51)

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Prejudice is a burden that confuses the past, threatens the future, and renders the present inaccessible.

- Maya Angelou, Author and Activist

1 Introduction

The persistent racial wealth gap between Black and White Americans is the largest of the economic gaps between the two racial groups (Derenoncourt et al., 2024). According to U.S. Census data, median net worth in 2022 was \$256,000 for White households and was \$31,250 for Black households.¹ ² While this nearly \$225,000 racial wealth gap has its roots in the enslavement of Black people in the U.S., the gap is perpetuated through lasting racial disparities that affect almost every wealth-creation opportunity in U.S. society. Black Americans face substantial disparities in financial security throughout their lifetimes, leading to an increased risk of old-age poverty (Bogan, 2023). 19.3% of Black Americans aged 65 and older lived in poverty in 2017, more than double the rate of 9.2% for all older Americans.³ Identifying the mechanisms that influence household portfolio choices, negatively affect wealth accumulation, and contribute to these disparities is critical for understanding distributional welfare issues and designing policies to address racial economic inequality.

¹These statistics come from the “Wealth, Asset Ownership, & Debt of Households Detailed Tables: 2022” Census table, accessed on June 5, 2026, and available at <https://www.census.gov/data/tables/2021/demo/wealth/wealth-asset-ownership.html>

²The mean net worth in 2022 was \$645,300 for White households and was \$202,200 for Black households (\$443,100 mean Black-White wealth gap). Darity, Jr., Mullen, and Slaughter (2022) assert the mean difference is more appropriate for estimation of the racial wealth gap due to the significant wealth concentration in the United States.

³We obtained this information from the publication “Poverty Among Americans Aged 65 and Older,” produced by Congressional Research Service, dated July 1, 2019, accessed on June 5, 2026, and available at https://www.congress.gov/crs_external_products/R/PDF/R45791/R45791.3.pdf. The specific statistics are from page 10 for Black Americans aged 65 and older and from page 15 for all older Americans.

Stock market participation is a key channel of long-term wealth accumulation and retirement preparedness. Historically, U.S. equities have yielded high long-run positive returns—around 8–10% annually on average—so nonparticipation entails substantial foregone return compounding over the life cycle. However, U.S. household stock market participation is lower than would be predicted by standard asset pricing models, given historical risk-adjusted returns from holding stock. Correspondingly, there is a rich literature investigating investment decision-making behavior in order to reconcile observed stock market participation rates with theoretical asset pricing models (see, for example, Haliassos and Bertaut (1995); Hong, Kubik, and Stein (2004); Bogan (2008); and Laudenbach, Malmendier, and Niessen-Ruenzi (2020)). To date, limited cross-sectional variation in portfolio behavior has been explained in the empirical finance literature on portfolio choice.

Stock market participation is particularly relevant for Black households, who participate in the stock market at substantially lower rates than White households (Bennett and Chien, 2022). Using Panel Study of Income Dynamics (PSID) data from 1999 through 2023, we find 24.9% of White households but only 4.1% of Black households hold individual stocks or mutual funds outside of defined contribution (DC) pension plans or Individual Retirement Accounts (IRAs). Studying stock market participation therefore provides insight into an important mechanism through which racial disparities in wealth accumulation and financial security may persist. We find robust evidence that own, paternal, and grandpaternal Freedman’s Savings Bank (FSB)-county exposure is associated with lower stock market participation among Black individuals. The effect is large in magnitude, corresponding to a roughly 50% lower stock market participation rate for Black households relative to the mean stock market participation rate in our sample. FSB, a financial institution established after the Civil War to serve formerly enslaved Black Americans, collapsed in 1874 due to fraud

and mismanagement. Our findings are consistent with the intergenerational transmission of the financial distrust and trauma associated with the FSB failure.

A distinguishing feature of this paper is that we examine the effects of Black Americans’ historical racism-related trauma on the financial decisions of their descendants. Specifically, we use historical FSB branch locations to construct a county-based measure of community exposure to the bank’s presence and collapse. The measure indicates whether a respondent or an ancestor grew up in a county that contained an FSB branch.⁴ We find that the historical race-based financial trauma associated with the failure of the FSB negatively affects the current financial market participation of Black Americans in a way that limits wealth accumulation. Specifically, we show that households headed by a Black individual who grew up in a county that historically had an FSB branch are significantly less likely to participate in the stock market compared to households headed by non-Black individuals who grew up in an FSB county. We find similar results when community-level geographic exposure is assigned using the county in which the household head’s father or grandfather grew up.

Our analysis controls for standard demographic and socioeconomic determinants of stock market participation. Additionally, we perform a number of robustness checks: 1) By using newly available data on geographic locations with extreme racial exclusion – sundown towns – we show that our findings are not driven by the experience of more general racial exclusion. 2) Our results are robust to controlling for unobserved county-level differences arising from early-life experiences of household heads and their parents. 3) We control for migration from one’s own (and one’s parents’) county of origin and

⁴The measure does not indicate that the respondent’s family held an account at the bank or experienced a direct depositor loss.

its interaction with race to address concerns regarding differential migration patterns or correlations between FSB exposure and households residing outside their counties of origin. 4) In a subsample analysis, we show our results are not driven by differences between states that historically had FSB branches versus those that did not. 5) When restricting our analysis to branches established prior to 1869, which are more plausibly exogenously located (Osthaus, 1976), our results are consistent, suggesting the findings are not driven by endogenous branch placement. 6) By controlling for participation in employer-sponsored retirement accounts, risk tolerance, and financial literacy, we show that our findings are not driven by differences in household preferences or information costs. 7) We show that the results are stronger with greater exposure intensity. 8) Using 16 placebo bank failures, we find no statistically significant relationship between county-based proximity to these placebo bank failures and stock market participation, indicating that the results are not driven by geographic community exposure to historical bank failures in general. Overall, this paper provides evidence that historical race-based financial trauma reduces descendants' stock market participation, which in turn systematically disadvantages Black Americans' prospects for wealth accumulation.

There potentially could be several mechanisms which influence the household financial decision-making effects that we document. We hypothesize that trauma-induced lack of trust in financial institutions, transmitted through familial connections, is one key mechanism through which household financial decision making is affected, reflecting a trauma-informed strategy that is learned and passed down to future generations. Stein and Yannelis (2020) show, and we replicate in Appendix Table A1, that Black households in counties that had an FSB branch are more likely to indicate mistrust in financial institutions as the reason for being unbanked. Furthermore, there is a substantial body of related literature

demonstrating that trust influences stock market participation (Guiso, Sapienza, and Zingales, 2008; Balloch, Nicolae, and Philip, 2015; Giannetti and Wang, 2016; Rosen, Lusardi, and Mitchell, 2026).

By employing restricted-use PSID data, this paper contributes to the literature in several ways. We provide evidence that race-based financial trauma associated with community exposure shapes the investment behavior of present-day descendants who could not themselves have held accounts at the FSB or incurred losses when it failed. While we do not observe whether their ancestors were FSB depositors, our empirical measure instead captures whether respondents or their ancestors grew up in communities where an FSB branch had operated. In this respect, our geographic approach is related to Bogan et al. (2024), who examine how exposure to a nearby police killing of a Black individual affects the financial decisions of members of the surrounding Black community, rather than only those directly victimized. Prior work on the FSB focuses on original depositors or near-contemporaneous outcomes (e.g., Stein and Yannelis (2020); C  lerier and Tak (2025)). We extend this literature by examining present-day equity participation among descendants of communities in which the FSB operated, almost 150 years after the collapse, and show that the association is most pronounced along the paternal lineage. Thus, we also contribute to the literature on the intergenerational transmission of financial behavior and decision-making. Malmendier and Nagel (2011), among others, show that an individual’s own lived macroeconomic experiences affect willingness to participate in financial markets. Our results suggest that financial attitudes and behaviors may also be shaped by historical experiences transmitted across generations. Additionally, we provide evidence that race-based financial trauma is a significant source of cross-sectional variation in stock market participation.

The remainder of the paper proceeds as follows. Section 2 discusses literature related to trauma passed across generations. Section 3 discusses race-based financial trauma with regard to Freedman’s Savings Bank. Section 4 presents the data and methodology. Section 5 presents the main results and robustness checks. Section 6 discusses our hypothesized mechanism and Section 7 provides concluding remarks.

2 Trauma, Intergenerational Transmission, and Decision-Making

Race-based traumatic stress has been shown to have a differential impact on economic agents depending on their ethnicity (Carter, 2007; Torres, Driscoll, and Burrow, 2010; Lewis, Cogburn, and Williams, 2015; Lockwood and Cuevas, 2022). The effects of race-based trauma and discrimination have been shown to influence education and health (Evans, Garthwaite, and Moore, 2016; Glover, Pallais, and Pariente, 2017; Alsan and Wanamaker, 2018). More recently, the link between race-based trauma and financial decision-making has been documented. Albright et al. (2023) find that during the twenty years after the 1921 Tulsa Race Massacre, the African American population within and outside of Tulsa suffered from decreased home ownership and declines in occupational status. Antman and Duncan (2024) show childhood exposure to lynchings of Mexicans in Texas had negative effects on the home ownership rates of Mexican Americans. Bogan et al. (2024) show that exposure to race-based police violence negatively affects both home ownership and retirement savings for the surrounding Black community.

Traumatic stress may be transmitted across generations through biological, social, and psychological channels. Some studies document epigenetic differences among descendants of individuals exposed to severe trauma, including Holocaust survivors (Yehuda et al. (2014),

Yehuda et al. (2016) and Bierer et al. (2020)). However, the evidence on transgenerational epigenetic inheritance in humans remains contested, and the underlying biological mechanisms are not yet well understood (Carslake et al. (2016); Yehuda, Lehrner, and Bierer (2018)). Recent work also cautions against interpreting epigenetic transmission as a general explanation for persistent racial disparities (Charney, Darity, Jr., and Hubbard (2025)).

In both the psychology and economic literatures, there is also evidence of personal trauma affecting subsequent generations. Bezo and Maggi (2018) find the 1932-1933 forced starvation and genocide of Ukrainians affected the physical health of not only the survivors but also their children and grandchildren. Dashorst et al. (2019) reviewed 23 studies published between 2000 and 2018 and show that Holocaust survivor offspring have a higher incidence of mental health problems and that having two survivor parents resulted in higher levels of mental health issues than having one survivor parent. Althoff and Reichardt (2024) document significantly lower education, income, and wealth for Black American families whose ancestors were enslaved until the Civil War compared to Black American families whose ancestors were free before the Civil War. Condra, Jones, and Walsh (2025) show children of individuals who were exposed (as children) to lynchings have reduced adult incomes and decreased likelihood of holding a white collar job.

Studies in both finance and economics have shown that psychological distress, trauma, and personal experiences can affect risk tolerance and investment decision-making behavior (Kamstra, Kramer, and Levi, 2003; Malmendier and Nagel, 2011; Kramer and Weber, 2012; Bogan, Just, and Wansink, 2013; Bogan and Fertig, 2013; Kim and Lee, 2014; Bogan and Fertig, 2018). Additionally, family experience can affect financial decision-making. Chiteji and Stafford (1999) find that the likelihood of an individual owning stocks is affected by

whether their parents held these types of assets, reinforcing the intergenerational transmission of financial attitudes and behaviors. Further, financial socialization within households plays a crucial role in shaping stock market participation. Mueden, Niessen-Ruenzi, and Zimmerer (2025) show that parents have financial discussions less frequently with daughters than with sons, and women are less likely to acquire financial competencies at school. This gap in early financial socialization translates into lower financial literacy, reduced financial confidence, and ultimately lower stock market participation among women. Similarly, Liao, Liu, and Lu (2024) highlight that childhood gender socialization influences financial behaviors in adulthood. Individuals raised in male-dominated households—where fathers have higher incomes or education levels than mothers—are more likely to invest in the stock market, with this effect being stronger for men. Taken together, these studies emphasize the long-lasting impact of childhood socialization and family financial dynamics on investment behavior, further reinforcing the role of intergenerational influences in shaping financial decision-making.⁵

Given the literature demonstrates that family experiences influence investment decisions, trauma can be passed across generations, and trauma (including race-based financial trauma) affects economic decisions, we investigate a question at the nexus of these research strands. We try to understand the effect of trauma on the investment decisions of subsequent generations.

⁵While families play a central role in shaping financial behavior, peer effects extend beyond the household. Previous literature shows that individuals' stock market participation is influenced by the investment behavior of their neighbors (Brown et al., 2008), local peers (Kaustia and Knüpfer, 2012), and coworkers (Ouimet and Tate, 2020), establishing the role of social learning in an investment context (Bursztyrn et al., 2014).

3 Race-Based Trauma and Freedman’s Savings Bank

The FSB, established in 1865 following the U.S. Civil War, aimed to integrate Black Americans into the formal financial system by providing savings accounts and encouraging economic participation. Chartered as a private institution, it was initially tasked with investing depositor funds in secure government securities to promote financial stability and trust. Tens of thousands of freed people across the United States patronized FSB branches as a way to invest in their own economic freedom. Black Americans had deposited over \$50 million dollars in FSB by 1874.⁶ Over time, however, the FSB shifted its focus from a savings bank. In 1870, the bank trustees obtained congressional approval to operate as a commercial bank instead of a savings and trust company (Edwards, 2024, p. 8). This change enabled FSB to expand its investments into riskier, more speculative areas, further exposing it to vulnerabilities. FSB administrators began making loans to White people with close personal connections to the bank’s trustees, while Black depositors were barred from borrowing any funds (Edwards, 2024, p. xv). These loans benefited White borrowers and bank managers rather than the Black American depositor majority (Henry, 1939; Osthaus, 1976).

The FSB was plagued by governance failures, mismanagement, and fraudulent practices by its predominantly White leadership. These issues were exacerbated by broader economic conditions, particularly the Panic of 1873, which strained liquidity and heightened distrust

⁶\$50,000,000 in 1874 is equivalent in purchasing power to about \$1,336,413,011 in 2023. The dollar had an average inflation rate of 2.23% per year between 1874 and 2023, producing a cumulative price increase of 2,572.83%. Raw data for this calculation comes in part from the Bureau of Labor Statistics’ Consumer Price Index (CPI), established in 1913. Price index data from 1774 to 1912 is sourced from a historical study conducted by political science professor Robert Sahr at Oregon State University and from the American Antiquarian Society (Webster, 2026), as provided at <https://www.officialdata.org/us/inflation/1874?endYear=2023&amount=50000000>, accessed on June 5, 2026.

in financial institutions. Ultimately, the FSB became insolvent and collapsed, which led to the loss of depositor funds (Fleming, 1927; Célérier and Tak, 2025).

The collapse disproportionately impacted Black American depositors, who accounted for an estimated 92% of the bank’s clientele (Célérier and Tak, 2025). Using U.S. Census data, Célérier and Tak (2025) estimate that depositors lost 80% of their remaining account balances as of July 1874. Further, these individuals collectively lost an estimated 10% of the total wealth of the Black community at the date of the FSB failure (Célérier and Tak, 2025), a significant setback for a population newly engaging with formal financial systems. Conversely, White depositors, who were the minority of customers, experienced less pronounced effects due to broader access to alternative financial systems. Traweek and Wardlaw (2025*b*) show that financially sophisticated White depositors withdrew early from the FSB before its failure, leaving Black depositors to bear disproportionate losses.

After the FSB ceased operations, Black American FSB customers unsuccessfully spent decades pleading with attorneys general, the U.S. Congress, and U.S. presidents to help them recoup their deposits (Edwards, 2024). Many Black Americans had viewed FSB as a cornerstone of economic opportunity during Reconstruction, and its failure undermined their trust in formal financial institutions (Baradaran, 2017; Arthi, Richardson, and Van Orden, 2024). The betrayal of trust due to the malfeasance of FSB and the subsequent lack of government protection of their assets was particularly traumatic for the Black community due to the fact that bank administrators had trumpeted the message that Black people had a moral obligation to save (Edwards, 2024; Célérier and Tak, 2025). Figure 1 highlights an example of this FSB messaging to the Black community in its early years. Moreover, after the FSB failure, the Black victims were criticized for entrusting their money to FSB and

were accused of “financial ignorance and misguidedness.”⁷ Yet, this “strategic pillage of the Freedman’s Bank by white capitalists represented another type of violence against African Americans.”⁸

The failure of the FSB had immediate effects on financial behavior. As DuBois (1903) wrote, “Not even ten additional years of slavery could have done so much to throttle the thrift of the freedmen as the mismanagement and bankruptcy of the series of savings banks chartered by the Nation for their especial aid.” Many Black Americans, disillusioned with banks, turned to alternative savings mechanisms such as life insurance and community-based financial practices. The collapse also limited opportunities for Black Americans to accumulate and transfer wealth intergenerationally, further exacerbating racial economic disparities (Williams and Jones, 1941; Bullock, 1957).

This paper examines present-day outcomes among Black Americans who could not themselves have held FSB accounts or suffered losses at the time of the collapse. Because we do not observe whether their ancestors were depositors, our analysis does not estimate the intergenerational effect of documented family account losses. Instead, it uses ancestral county of upbringing to capture community-level geographic exposure to the presence and collapse of an FSB branch. The analysis ties to a growing body of literature which studies the economic effects of the FSB on Black Americans. Arthi, Richardson, and Van Orden (2024) analyze the effect of the FSB collapse on the demand for life insurance. They find a persistent increase in life insurance demand in the Black American communities of affected counties. Stein and Yannelis (2020) use FSB data to show that families with accounts at the bank experienced positive outcomes such as more education, higher income, busi-

⁷Edwards (2024), p. 11

⁸Edwards (2024), p. 9

ness ownership, and real estate wealth. Yet, Célérier and Tak (2022, 2025) challenged the findings of Stein and Yannelis (2020, 2021) due to concerns about the identification strategy assumptions. Célérier and Tak (2025) demonstrate that FSB practices and strategies contributed to racial wealth inequities rather than benefits for Black households. They show that expanded advertising practices allowed under deregulation and false claims led to increased FSB deposits from Black American depositors despite the bank’s insolvency issues. This led to amplified depositor losses following the bank’s collapse, because these advertising practices steered minorities toward inferior financial products. In contrast to the neglect of Black communities by mainstream financial institutions that has typically led to disadvantages for these households (Faber, 2019), our paper illustrates how active targeting of Black Americans by FSB led to negative outcomes for the Black community in the United States.

4 Data and Methodology

4.1 PSID data

One novel aspect of our paper is that our main sample utilizes data from the restricted-use Panel Study of Income Dynamics (PSID) database.⁹ The PSID is a biennial longitudinal panel survey of US households that contains important demographic, socioeconomic, and geographic information. We use restricted-access data to identify the U.S. county where PSID household heads grew up, along with the counties where their fathers, mothers, and grandparents grew up. This allows us to determine whether PSID household heads or their

⁹We employ the Panel Study of Income Dynamics public use dataset and restricted use dataset produced and distributed by the Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, MI (2023–2025).

ancestors were raised in a county where one of the 36 FSB branches we consider was located.

Our sample consists of household heads who are at least 18 years old and grew up in the U.S.¹⁰ The sample period spans 13 biennial survey waves from 1999 to 2023, beginning in 1999 when consistent data on stock ownership became available.¹¹ We start with 111,729 biennial observations from 1999 to 2023 for the full PSID sample of household heads aged 18 or older. The unavailability of data on the state and county where the household head grew up reduces the sample to 98,390 observations. Additional missing control variables further reduce the final sample to 96,358 household-year observations that represent 15,814 unique households.

To investigate whether the FSB failure had a long-lasting impact on Black Americans' investment behavior, we use information on the geographic location of FSB branches opened starting in 1865 to the early 1870's from Célérier and Tak (2025) and Traweek and Wardlaw (2025*b*). Table 1 contains a list of these branches, and a map showing the branch locations appears in Figure 2, with counties that contained a branch indicated in green.¹² Using the county locations of each FSB branch, we identify whether household heads in our sample grew up in, or had a parent (or grandparent) who grew up in, a county that had an FSB branch during the 19th century.¹³

¹⁰In the PSID, the household head is typically the person who owns or rents the dwelling, with male partners designated as heads in married or cohabiting households.

¹¹We measure households' stock market participation based on whether they own shares of stock in publicly held corporations, stock mutual funds, or investment trusts. We do not include equity ownership through pensions or IRAs in our main analysis because we are interested whether individuals actively decide to participate in the stock market through their own financial choices.

¹²Note that we exclude the Houston branch from our analysis because it was permanently closed in mid-1867 (Osthaus, 1976).

¹³To compare whether FSB counties and non-FSB counties differed in terms of key economic characteristics prior to the collapse of FSB, we are able to examine limited county-level data from the 1870 Census, available at <https://data2.nhgis.org/main>. As over 75% of southern men worked in agriculture in 1870 (Collins, Holtkamp, and Wanamaker, 2024), we calculate differences between non-FSB counties and FSB counties for aggregate agricultural wages. The total agricultural wages paid were not statistically different

Panel A of Table 2 contains summary statistics of the raw data, while Panel B follows Brunnermeier and Nagel (2008) and reports summary statistics based on PSID sample weights. In the raw sample, Panel A, 38% (58.8%) of households are classified as Black (White), while the use of PSID sample weights in Panel B shifts this number to 15.6% (80.5%), which is much closer to the 13.7% (75.3%) reported in 2024 U.S. Census data.¹⁴ Thus, it appears reasonable to use PSID sample weights in our analysis to obtain a more representative picture of financial decision making by U.S. households.

With respect to other demographic characteristics, sample weighted summary statistics in Panel B show that 32.9% of household-year observations have a female household head, and the average household head age is 51.9 years old. About 21.6% of household-year observations indicate stock market participation, and 6.4% of household-year observations indicate household heads grew up in a county with an FSB branch.

4.2 Empirical model

We examine the relationship between community-level geographic exposure to the FSB and present-day stock market participation. Our measures indicate whether the household head, a parent, or a grandparent grew up in a county that contained an FSB branch. They do not identify individual or family account ownership, use of the branch, or depositor losses. We therefore interpret these indicators as proxies for exposure to the bank’s local presence and to the community-wide consequences and narratives surrounding its collapse.. Since FSB closed in 1874, these geographic proxies allow us to measure historical exposure and

between FSB and non-FSB counties. Total wages paid in 1870 in agriculture were \$165,255 for non-FSB counties and \$210,727 for FSB counties.

¹⁴See <https://www.census.gov/quickfacts/fact/table/US/RHI225223>, accessed on June 5, 2026.

its differential effect on Black household financial decisions. Specifically, we compare stock market participation of Black households in FSB and non-FSB counties to stock market participation of non-Black households, using the following empirical model:

$$y_{ijt} = \beta_1(Black_i \times FSB_i) + \beta_2 Black_i + \beta_3 FSB_i + \omega' \mathbf{X}_{it} + \zeta_{jt} + \gamma_{yrborn_i} + \delta_{age_i} + \varepsilon_{ijt}, \quad (1)$$

where y_{ijt} is stock market participation for household head i currently residing in county j in year t . $Black_i$ is an indicator for whether household head i reports their primary race as Black, and FSB_i indicates whether the household head i grew up in a county that had an FSB branch. Our independent variable of interest is an interaction term ($Black_i \times FSB_i$), which measures the differential association between growing up in a county that historically contained an FSB branch and stock market participation among Black households relative to non-Black households. Additional versions of this model proxy for FSB exposure based on whether the household head's father, mother, grandfather, or grandmother grew up in a county that had an FSB branch.¹⁵

The model includes a matrix of control variables, $\mathbf{X}_{it}$, to account for observable factors that have previously been shown to influence stock market participation including gender, education, marital status, household size, income, and wealth. We also examine whether health status explains the observed relationship between FSB county exposure and equity market participation and include a measure of physical health status (number of chronic health conditions) of the household head (Bogan and Fertig, 2018). Additionally, we include county-by-year fixed effects, ζ_{jt} , to control for unobserved time-varying factors specific to each county where the household head lives at time t . Fixed effects for year of birth, γ_{yrborn_i} , and age, δ_{age_i} , are included to account for differences due to generational cohort

¹⁵In the robustness checks section, we also examine measures of exposure intensity.

and life-cycle effects (Malmendier and Nagel, 2011). In our regressions, we apply the same PSID sample weights as in Table 2.¹⁶

5 FSB Exposure and Stock Market Participation

5.1 Baseline Results

Table 3, Panel A presents the results from our primary analyses for the full sample. Consistent with previous literature, we find that households with a Black household head are less likely to hold stocks. Specifically, the “Black” coefficient estimates show that the stock market participation gap between Black and non-Black households ranges between 8.5 and 22.5 percentage points, depending on the regression specification. Furthermore, the “Black $\times$ Grew up in FSB county” coefficient estimate in column (1) shows that being Black and growing up in a county that historically had an FSB branch is associated with a further 10.9 percentage point decrease in the probability that a household participates in the stock market; this corresponds to a 50.5% lower stock market rate relative to the mean stock market participation rate in our sample (21.6%). The effect remains economically and statistically significant once we include county-by-year, birth cohort, and age fixed effects, as well as additional household-level control variables in column (2).

Summing the “Black” and “Black $\times$ Grew up in FSB county” parameter estimates in column (2) suggests that households headed by a Black individual who grew up in a county that had an FSB branch are 18.4 percentage points less likely to participate in stock markets compared to households headed by non-Black individuals who grew up in counties with an

¹⁶In Appendix Table A2, we show that our results are robust to estimating unweighted regressions.

FSB branch; this corresponds to a 85.2% lower stock market participation rate relative to the mean stock market participation rate in our sample (21.6%).

Columns (3) through (6) of Table 3 examine whether this effect also extends to individuals whose parents grew up in counties that had an FSB branch. The interaction between being Black and having a father who grew up in an FSB county shows a significant negative effect in columns (3) and (4). In column (4) the coefficient estimate on the interaction term is -10.6 percentage points, which corresponds to a 49.1% lower stock market participation rate relative to the mean. The combined economic magnitude of the “Black” and “Black $\times$ Dad grew up in FSB” parameters is comparable to our baseline result and amounts to 19.5 percentage points in column (4), resulting in a 90.3% lower stock market participation rate relative to the mean. However, the interaction between being Black and having a mother who grew up in an FSB county is insignificant (columns (5) and (6)).

The stronger effects of paternal versus maternal exposure to FSB race-based financial trauma echoes recent findings with respect to gender differences in early-life financial socialization (Liao, Liu, and Lu, 2024; Mueden, Niessen-Ruenzi, and Zimmerer, 2025).

Columns (1) through (6) of Table 3 reflect partial effects of FSB exposure. In columns (7) and (8), we present the results of the full model which includes all of the FSB exposure proxies. In terms of signs and magnitudes, we find consistent results for all three proxies.

One possible concern is that Black and non-Black households differ strongly on various sociodemographic dimensions, for example income and wealth (Althoff and Reichardt, 2024). Thus, the stock market participation gap between Black and non-Black households in Panel A could be influenced by unobservable differences between these households that

are not captured by the control variables in our regressions (note, however, that we do include controls for income and wealth). Therefore, we also examine the subset of Black households, both with and without geographic exposure to the FSB failure. In Panel B of Table 3, we restrict the sample to Black households only, thereby changing the counterfactual to which we compare FSB exposure of Black households.

Restricting the sample to Black households greatly reduces the sample size, and the relationship between growing up in an FSB county and equity participation remains negative, but is no longer statistically significant in columns (1) and (2). However, we still observe significant results for households having a father who grew up in an FSB county (columns (3) and (4)). We continue to find no significant effect of maternal FSB branch exposure in columns (5) and (6).

In columns (7) and (8) we present the results of the full model which includes all of the FSB exposure proxies. In terms of the sign and magnitude, we find consistently negative and significant results for the “Black $\times$ Dad grew up in FSB county” coefficients. The consistency of the paternal effect reinforces the importance of intergenerational transmission, particularly through fathers, even when focusing solely on Black household heads.

To further explore the intergenerational effects of the FSB collapse, Table 4 shows the differential effect by race of having a grandparent who grew up in a county that had an FSB branch. The results in columns (1) and (2) of Table 4 show Black household heads whose grandfathers grew up in an FSB county are significantly less likely to participate in the stock market. We find an insignificant (column (3)) or only marginally significant (column (4)) relationship between equity market participation and being Black with a grandmother who grew up in an FSB county. When all of the FSB exposure proxies are included, the results

in columns (5) and (6) still show negative and significant effects for the “Black $\times$ Grew up in FSB county” and the “Black $\times$ Dad grew up in FSB county” coefficients. While the “Black $\times$ Grandpa grew up in FSB county” coefficient is insignificant, it remains negative. The loss of significance is likely due to the effect being dominated by the influence of the “Black $\times$ Dad grew up in FSB county” coefficient and the fact that “Dad grew up in FSB county” and “Grandpa grew up in FSB county” have a relatively strong degree of correlation (with a correlation coefficient of 0.50; see Appendix Table A3).

5.2 Robustness Checks

In this section, we test the robustness of our results by exploring additional model specifications that account for exposure to more general (not finance-specific) racial exclusion, migration, county-specific effects, FSB branch locations, indirect methods of participating in equity markets, risk tolerance, and financial literacy. We also examine the effects of FSB exposure intensity on the magnitude of the results and we perform a placebo test to analyze the effects of a bank failure unrelated to FSB.

5.2.1 Racial Exclusion

Traweek and Wardlaw (2025a) show that race-based physical violence against Black Americans reduced banking participation by Black people. It is possible that the observed effects of FSB county exposure on stock market participation, which we attribute to race-based financial trauma, are driven by these wider exclusionary forces.¹⁷

¹⁷Logan and Parman (2025) survey the socioeconomic correlates of racial segregation.

To test the effect of broader geographic racial exclusion on our results, we examine whether growing up in, or having a parent who grew up in, a county that had towns once classified as a “sundown town” can explain our findings. Sundown towns, also known as sunset towns, were geographic areas (cities, towns, or other regions) that practiced racial segregation and excluded Black people through discriminatory local laws, intimidation, and/or violence.¹⁸ The term came into use because of signs that directed Black people to leave town by sundown. See Figure 3 for an example.

For this portion of the analysis, we also employ a new dataset of historical sundown towns in the United States compiled by Rigby et al. (2025). Using these data, we create a county-level measure of exposure to historical sundown towns. Geographically defined sundown records are aggregated by county, with a county classified as exposed if it contains at least one historical sundown location.¹⁹ Rigby et al. (2025) categorize historical sundown locations based on the degree of confidence arising from the available evidence: “surely” for cases where there is overwhelming or very convincing evidence of sundown towns, “probable” for cases where there is strong evidence but more research would need to be done to be overwhelmingly sure, and “possible” for cases where there is some convincing evidence. Note that the surely, probable, and possible categories are mutually exclusive.

Figure 4 contains maps of the counties in which the sundown towns were located along with the counties that contained FSB branches. Panel (a) shows the counties that surely

¹⁸See Rigby et al. (2025) for details on the history and identification of sundown towns.

¹⁹The underlying data identify sundown town locations at the level of Census places, county subdivisions, or counties as provided by Rigby et al. (2025). County-level exposure is constructed by assigning county-level records directly, linking county-subdivision records to their corresponding counties using NHGIS identifiers, and linking place-level records to counties using Census-based place-county crosswalks from the Missouri Census Data Center’s geographic correspondence engine (Geocorr), allowing for assignment to multiple counties when places span county boundaries. We exclude a small number of centroid-only sundown town locations that are not assigned to Census geographies in the data provided by Rigby et al. (2025).

contained at least one sundown town in yellow, and counties that contained an FSB branch in green. There are no overlapping counties that both surely contained a sundown town and an FSB branch. Panel (b) shows the counties that probably contained at least one sundown town in yellow, counties that contained an FSB branch in green, and counties that both probably contained a sundown town and an FSB branch in red, of which there are six: Mobile AL, Dekalb GA, Hamilton TN, Pulaski AR, St. Louis MO, and Jefferson KY. Panel (c) shows the counties that possibly contained at least one sundown town in yellow, green again depicts FSB counties, and red again depicts overlaps between counties that contained an FSB branch and counties that possibly contained a sundown town, of which there are three: Charleston SC, New Hanover NC, and Craven NC.

We construct indicators for whether a household head, their father, or their mother grew up in a county with a documented sundown town history, using classifications for “surely,” “probable,” and “possible” sundown towns based on geographic data and confidence levels provided by Rigby et al. (2025). The correlations between growing up in, or having a parent from, an FSB county and growing up in, or having a parent from, a sundown county are all negative, as shown in Table 5.

Table 6 incorporates sundown county exposure into our baseline regression models. We find there is no effect of being Black and growing up in a sundown town county on stock market participation, as shown by the insignificant estimates on “Black $\times$ Grew up in SD county”. Black individuals with fathers or mothers who grew up in sundown town counties actually are more likely to participate in the stock market relative to their non-Black counterparts, as shown by the positive and mostly significant estimates on “Black $\times$

Dad grew up in SD county” and “Black $\times$ Mom grew up in SD county.”²⁰ Importantly, the negative and mostly significant impact of FSB county exposure for Black individuals and their fathers remains robust after controlling for sundown town exposure, suggesting that exposure to the FSB collapse has a distinct effect on present-day stock market participation that cannot be explained by the broader racial exclusion.

5.2.2 County Grew-Up Fixed Effects

It is possible that our primary findings are driven by unobserved county-level characteristics tied to early-life environments, such as wealth, cultural norms, or institutional quality, rather than exposure to FSB-related trauma. Controlling for this possibility is particularly important since more than 55% of household heads in every sample year no longer live in the county where they grew up. Consequently, in addition to our baseline model’s county-by-year fixed effects that account for time-varying trends in the county where an individual currently lives, Table 7 includes fixed effects for the county where an individual grew up. Thus, this model addresses the possible concern that the results are driven by unobserved county-level characteristics linked to early-life environments, for example childhood parental wealth, access to regional resources, and regional cultural effects that could influence behavior in later life.

Column (1) of Table 7 shows the negative effect of growing up in an FSB county on Black

²⁰We hypothesize that sundown town exposure may increase stock market participation because this type of racial exclusion and systemic discrimination led to the development of closed economies and financial infrastructure within Black communities. These isolated economies facilitated more Black households’ financial engagement with local markets and thereby increased wealth building motivations and financial literacy in households. Nevertheless, these are open questions and point to an area for future research. The key takeaway is that controlling for sundown town exposure does not attenuate the negative relationship between FSB exposure and stock market participation among Black households.

household heads’ stock market participation remains significant even while controlling for fixed effects for the county where an individual grew up. To further account for county-level unobservables in parental upbringing, columns (2) and (3) include additional fixed effects for the counties where the household head’s father and mother grew up. The results remain similar to our baseline findings in statistical and economic terms. Specifically, by summing the “Black” and “Black $\times$ Grew up in FSB county” coefficients in column (1), we find Black households in FSB counties are 18.5 percentage points less likely to participate in the stock market than non-Black households in FSB counties. The effect is similar if the father grew up in an FSB county (16.9 percentage points) and is smaller and only marginally significant if the mother grew up in an FSB county (15.2 percentage points).

5.2.3 Migration

There could be concerns that both the “Black $\times$ Grew up in FSB county” and our stock market participation outcome variable are both influenced by migration. To address concerns that our results may be confounded by migration, we explicitly control for whether individuals or their parents migrated from the county where they grew up. Specifically, we include indicators for whether the household head currently resides in a different county than where they, their father, or their mother grew up (denoted in the table as “Migration from county grew up,” “Migration from county dad grew up,” and “Migration from county mom grew up,” respectively), and interact these with the Black indicator. Table 8 shows that migration status is indeed correlated with lower equity participation for Black household heads, consistent with the possibility that relocating away from one’s county of origin or one’s parents’ county of origin may affect outcomes differently across racial groups. However, the negative effect of FSB county exposure among Black households heads remains

significant after accounting for migration. This suggests that the observed effects are not simply capturing geographic mobility or unobserved characteristics of counties of origin.

5.2.4 FSB Branch Placement

Most FSB branches were located in southern U.S. states. Consequently, there could be concerns that endogenous branch placement influences our results. To address this issue, we conduct two separate robustness tests. First, we compare Black and non-Black households only within FSB states. Columns (1) through (4) of Table 9 restrict the sample to individuals currently living in states that historically had FSB branches to address concerns that these states may differ from those without FSB branches in ways that could drive the results despite the presence of county-by-year fixed effects. The negative effect of growing up in an FSB county (column (1)) or having a father who grew up in an FSB county (column (2)) on Black household heads' stock market participation remains statistically significant and of similar economic magnitude. Both effects remain significant in column (4) which includes all of the FSB exposure proxies.

Column (5) of Table 9 restricts the sample to household heads who grew up in states with historical FSB branches, while columns (6) and (7) restrict the sample to those whose fathers were raised in FSB states, and columns (8) and (9) restrict the sample to those whose mothers grew up in states that historically had FSB branches. Our results are similar in all cases reinforcing that the findings are not driven by state-based differences among household heads who currently reside in, grew up in, or have a parent who grew up in states with historical FSB branches.

Second, we use the timing of FSB branch openings to further address concerns about endogenous branch placement. Historical records show that branches opened between 1865 and 1868 were established in cities occupied by Black Union troops, with the goal of encouraging soldiers to deposit their pay at FSB branches (Osthaus, 1976). Branches opened after 1868, by contrast, were increasingly located in cities where a branch was expected to be economically viable, raising concerns that later branch locations may be correlated with unobserved local wealth or growth (Arthi, Richardson, and Van Orden, 2024). Table 10 restricts the exposure measure to FSB branch locations opened prior to 1869, using branch opening dates from Célérier and Tak (2025). The interaction between Black household heads and growing up in a pre-1869 FSB county (column (1)) remains negative and statistically significant, though smaller in magnitude and correspondingly weaker than in the baseline results. The interactions with father and mother pre-1869 FSB exposure (columns (2) and (3)) are similar in magnitude and statistical significance to the baseline estimates. When all pre-1869 FSB exposure proxies are included jointly (column (4)), the father-based exposure effect remains statistically significant. Overall, the results are similar to the baseline estimates, indicating that the findings are not likely driven by potentially endogenous branch expansion.

5.2.5 Indirect Equity Market Participation

Table 11 examines the robustness of our findings by controlling for participation in DC pension plans and IRAs. These tax-advantaged retirement accounts provide structured exposure to equity markets, potentially influencing stock market participation outside of a retirement savings vehicle. By including DC/IRA ownership as a control, we ensure that the observed relationship between FSB county exposure and stock market participation is not

simply driven by disparities in retirement savings behavior.²¹ The results remain consistent even after controlling for DC/IRA participation. Specifically, summing the “Black” and “Black $\times$ Grew up in FSB county” estimates shown in column (1), we see that Black individuals who grew up in a county that historically had an FSB branch are 19.0 percentage points less likely to participate in the stock market, even when accounting for retirement plan participation. Similarly, Black household heads whose fathers (and to a weaker extent mothers) grew up in an FSB county also show a negative and significant effect on stock market participation, reinforcing the intergenerational impact of historical financial trauma.

5.2.6 Risk Tolerance and Financial Literacy

Both risk tolerance and financial literacy are related to equity market participation (van Rooij, Lusardi, and Alessie (2011); Lee et al. (2015)). Thus, there could be a concern that our results reflect omitted variable bias driven by differences in financial sophistication or risk preferences that might correlate with FSB exposure. The PSID provides very limited data on these two characteristics. For the 1996 survey wave only, a risk tolerance measure can be constructed from hypothetical income gambles questions (Barsky et al., 1997).²² From the 2016 Wellbeing and Daily Life Supplement, a financial literacy measure can be constructed from six numeracy questions (Banks, O’Dea, and Oldfield, 2010).²³ Since we

²¹We do not include this variable in our main specifications due to data limitations. Including this variable reduces our sample by almost 25%.

²²Risk tolerance is constructed from questions about hypothetical job offers carrying equal probabilities of doubling current income or cutting it by one of five specified fractions (one third, one half, 20%, 75%, or 10%). The sequence of acceptances and rejections across the five gambles maps into six ordered risk tolerance categories from which individual-level parameters are derived following Barsky et al. (1997), with higher values denoting greater willingness to bear risk.

²³Financial literacy is measured using six questions testing basic arithmetic and financial reasoning: computing change owed on an 85-cent purchase paid with a dollar, the sale price of a \$300 sofa marked 50% off, the expected number of cases among 1,000 people facing a 10% disease risk, the original price of a car selling for two-thirds of its new value at \$6,000, the per-person payout when five winners split a

cannot assume that risk aversion or financial literacy remain constant over our entire sample period, we exclude both variables from our main specifications.²⁴

However, to examine the effect of these characteristics, we can do cross-sectional analyses in sub-samples where close-to-contemporaneous measures are available. We use the risk aversion responses from the 1996 PSID wave and match them to the 1999 PSID data, the first survey wave in our main analysis. Using the 1999 wave, we then re-estimate our main specification in a cross-sectional setting, including these prior measures as controls. These results appear in Table 12, columns (1) to (4). Similarly, we use the 2016 PSID financial literacy measure and match them to the 2017 PSID data, with the 2017 subsample results appearing in Table 12, columns (5) to (8). This approach ensures that the risk-aversion and financial-literacy controls are measured before the corresponding stock market participation outcomes, while allowing us to assess whether they account for the estimated relationship between FSB exposure and stock ownership. From these results, we see that both risk tolerance and financial literacy have significant effects on stock market participation, as expected, but our primary results remain consistent, with magnitudes comparable to or somewhat larger than our baseline estimates.

5.2.7 Exposure Intensity

We examine exposure intensity in two ways. First, Table 13 tests whether the relationship between FSB exposure and stock market participation becomes stronger when exposure

\$2 million lottery prize, and the two-year balance of a \$200 savings account earning 10 percent interest annually. Each respondent's score equals the number of correct answers and ranges from 0 to 6 (Banks, O'Dea, and Oldfield, 2010).

²⁴Nonetheless, if we assume these measures are constant over our entire sample period and include them in our main specification, our primary findings with respect to stock market participation remain qualitatively unchanged.

affects multiple generations of a respondent’s family. Panel A focuses on the paternal lineage, using exposure through the respondent, father, and grandfather; Panel B mirrors this structure for the maternal lineage, using exposure through the respondent, mother, and grandmother. Within each panel, the columns report mutually exclusive exposure categories. Columns (1), (2), and (4) isolate single-generation exposure through the respondent, parent, or grandparent, respectively. Columns (3) and (5) capture two-generation exposure through the respondent and parent, or through the parent and grandparent. Column (6) captures three-generation exposure, where the respondent, parent, and grandparent all grew up in FSB counties. This structure allows us to compare single-generation exposure with multi-generation exposure while keeping the categories non-overlapping.

Panel A of Table 13 shows that, consistent with the specifications in prior tables, single-generation exposure produces statistically significant negative effects through self, father, and grandfather lineage. The coefficient estimate of -0.149 on the three-generation exposure proxy is largest in magnitude, reaching roughly 50% larger than the single-generation coefficient estimates (Self: -0.097; Father: -0.106; Grandfather: -0.120). Panel B of Table 13 shows that, consistent with the specifications in prior tables, the mother-only exposure proxy is not significant and the grandmother-only exposure proxy is significant. Interestingly, the three-generation maternal coefficient estimate is comparable to the three-generation paternal coefficient estimate in magnitude and significance.

The other way that we proxy for exposure intensity is to use the racial composition of FSB depositors at each branch. Drawing on the branch-level account composition data reported in the Data Appendix Table A.9 of Traweek and Wardlaw (2025*b*), we exploit the cross-branch variation in the racial composition of FSB depositors to proxy for Black

community exposure. Traweek and Wardlaw (2025*b*) classify depositors as White and non-White.²⁵ Célérier and Tak (2025) find that 91% of depositors are Black, so we utilize the non-White account share as a measure for Black community exposure. This measure is available for 28 FSB branches and replaces the binary FSB branch exposure variables used in earlier specifications. We construct a continuous variable equal to the proportion of non-White accounts at FSB branches in the county where the respondent, their parent, or their grandparent grew up.²⁶ Table 14 shows that growing up in or having a father who grew up in an FSB county with a larger percentage of non-White accounts is associated with a decrease in stock market participation for Black respondents.

5.2.8 Placebo Bank Failures

To examine whether our results reflect a generic intergenerational response to bank failures rather than the distinctive experience of the Freedman’s Savings Bank collapse, we construct a placebo measure based on contemporaneous failures of other U.S. banks. We identify other bank-distress episodes using the Historical Bank Runs Database assembled by Correia, Luck, and Verner (2026). The database documents historical bank runs, suspensions, closures, and reopenings in the United States and links individual episodes to contemporaneous newspaper articles. We retain institutions that suspended operations and subsequently closed before the collapse of the Freedman’s Savings Bank in June 1874, excluding run-only episodes, institutions that reopened, and those located in the same county as an FSB branch. For each of the 16 placebo institutions, which span 14 unique counties, we code exposure based on the county containing the bank’s location, following

²⁵Non-White includes the following racial descriptions: Black, Brown, Dark, Light, Colored, Yellow, Mixed, and Other.

²⁶For non-FSB counties, this measure is set to zero.

the same approach as the FSB branch exposure variables.

Table 15 reports the results using exposure to these placebo bank failures. In contrast to our main findings for FSB branches, none of the interaction terms between Black household heads and exposure to a placebo bank failure are statistically significant, regardless of whether exposure is measured through the household head, father, or mother. Unlike these placebo institutions, the FSB was established specifically to serve Black Americans and was actively promoted as a vehicle for economic advancement and financial inclusion. Accordingly, its collapse would have marked a particularly salient breach of trust within Black communities. The absence of similar effects for other failed banks suggests that our results are not driven by a generic intergenerational response to historical bank failures. Rather, they are consistent with the unique historical significance of the FSB collapse and its lasting effects on financial attitudes and behavior within Black communities across generations.

6 Discussion

We hypothesize that trauma-induced lack of trust in financial institutions, passed through familial ties, is one channel through which the financial decision-making of these households is affected. There is a growing body of literature that underscores the critical role of trust in shaping stock market participation. Rosen, Lusardi, and Mitchell (2026) find that “trust in financial institutions” is associated with a 7.5% increase in the likelihood of holding stocks. Guiso, Sapienza, and Zingales (2008) show that individuals who are less trusting are less likely to invest in stocks, and, even when they do, they allocate a smaller portion of their wealth to equity. Similarly, Balloch, Nicolae, and Philip (2015) highlight that trust in

financial markets is a key determinant of stock ownership decisions, alongside stock market literacy. Additionally, Giannetti and Wang (2016) provide evidence that corporate fraud revelations erode trust in financial markets, leading to a decline in household stock market participation. These findings suggest that trust—or the lack thereof—can have long-term effects on investment behavior, particularly when negative financial experiences or systemic discrimination undermine confidence in financial institutions.

Due to data limitations, we are unable to analyze the relationship between trust in financial institutions and stock market participation directly using PSID data.²⁷ Using unbankedness as a proxy for financial market engagement, we use the 2023 FDIC National Survey of Unbanked and Underbanked Households to analyze the relationship between trust and unbankedness. In the 2023 FDIC data, we see that 10.6% of Black households are unbanked compared to only 1.9% of White households (Federal Deposit Insurance Corporation, 2024). Using these data, we are able to replicate the findings of Stein and Yannelis (2020) and show that among the unbanked, Black households in counties with a historical FSB branch are more likely to cite lack of trust in banks as the primary reason for being unbanked, a pattern not observed among White households (See Appendix Table A1).

7 Conclusion

We present evidence that historical race-based financial trauma, passed across generations, negatively affects the financial market participation of Black Americans in a way that

²⁷In the 1968 through 1972 waves, there is a question, “Do you trust most other people, some, or few?” Unfortunately, these waves do not align with our sample period and the question measures only generalized trust. Moreover, we know from Rosen, Lusardi, and Mitchell (2026) that, for financial behaviors, trust in financial institutions is distinct from other types of trust.

continues to limit wealth accumulation in the present day. Black Americans who grew up in a county that had an FSB branch are significantly less likely to engage with the stock market. Additionally, having a father or grandfather (but not a mother or grandmother) who grew up in an FSB county has a strong negative effect on stock market participation of a household, further supporting the notion of intergenerational transmission. The stronger effect of paternal versus maternal exposure to FSB race-based financial trauma is consistent with recent findings with respect to gender differences in early-life financial socialization (Liao, Liu, and Lu, 2024; Mueden, Niessen-Ruenzi, and Zimmerer, 2025).

Our findings are important as they identify race-based financial trauma as a significant source of cross-sectional variation in stock market participation rates, provide more support for the intergenerational transmission of financial behavior, and illustrate another mechanism through which racial wealth inequality is perpetuated. Overall, our results highlight that the adverse effects of eroding Black Americans' trust in financial institutions are pervasive and long-lasting, perpetuating inequality across generations.

A FEW WORDS TO COLORED PEOPLE.

You have here presented to you the names of some of the best men in your country, who have gratuitously assumed the care and responsibility of a company for the safe-keeping and investment of your spare earnings.

You are now on the same footing, as to your legal rights, with all other people of this country. You get your wages for your labor, and no one can prevent it.

If you work hard you will earn money the same as other folks. Not one of you need remain poor if you are careful and do not spend money for candy or whiskey, or costly clothes. As for food, cheap, hearty victuals—beef, fish, bread, coffee—will do for men and women better than pies, cakes, and such things, which cost you more money and give you less strength.

Tobacco and whiskey are the two things which all men who are going to save money must neither touch nor taste.

Let us count the cost of a cigar and a glass of whiskey every working day. A mean cigar costs five cents, and the poorest glass of whiskey five cents, which makes ten cents.

Now, if, instead of worse than wasting this, you would save it every day—ONE DIME per day—at the end of one year, of three hundred and twelve working days, you will have thirty-one dollars and twenty cents, (\$31 20.)

How nice to have that much cash to put by at Christmas!

Figure 1: FSB Messaging to Black Community - 1869. Excerpt taken from the Freedman's Savings and Trust Company pamphlet titled "National Savings Bank: Freedman's Savings and Trust Company Chartered by Congress," page 9. Material sourced from the Historical Society of Pennsylvania.

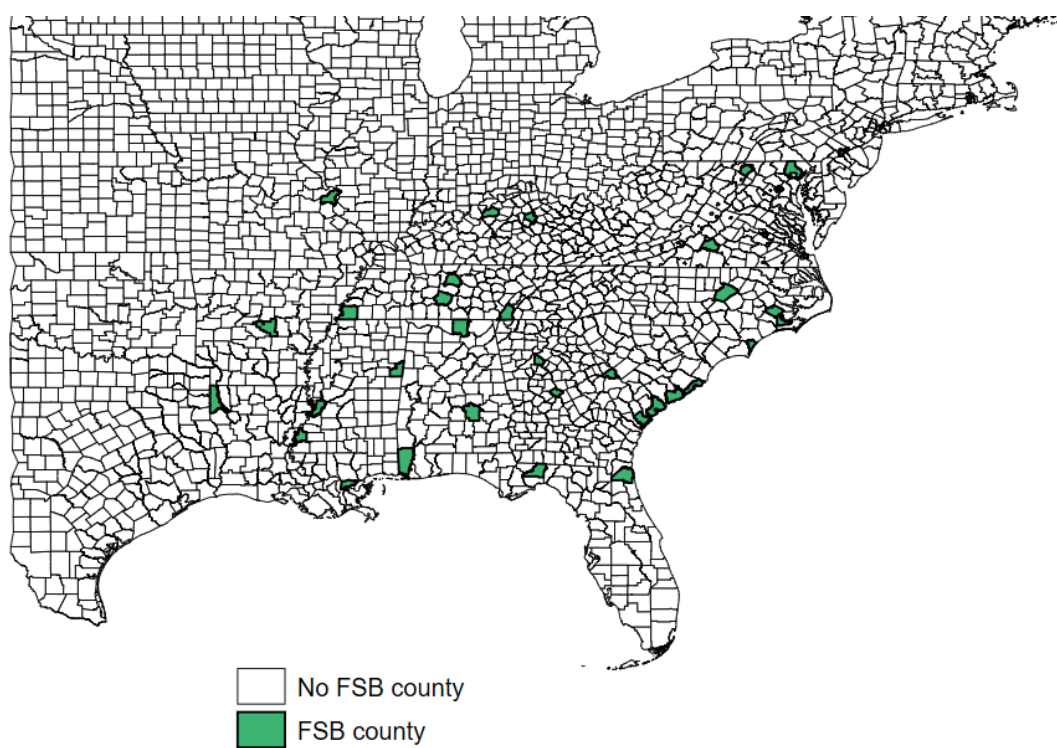
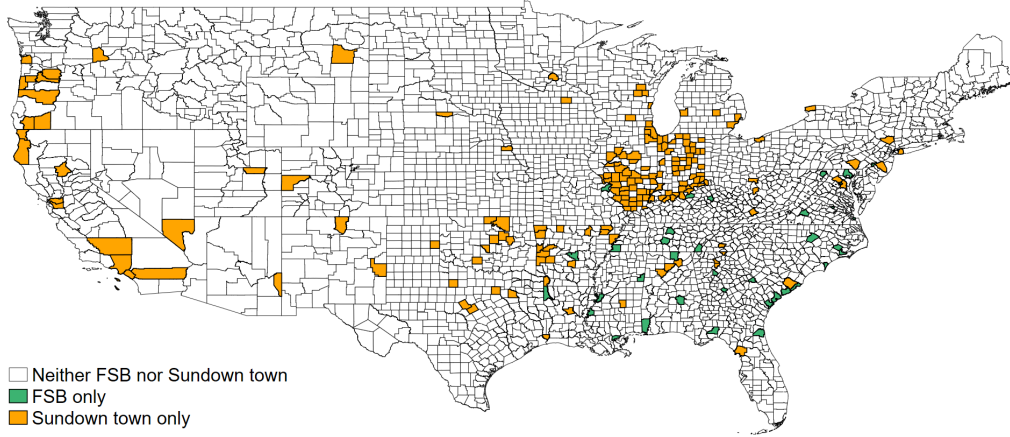


Figure 2: FSB Branch Locations in the US. Counties that contained an FSB branch appear in green. We exclude the Houston County (Texas) branch because it was permanently closed in mid-1867 (Osthaus, 1976).

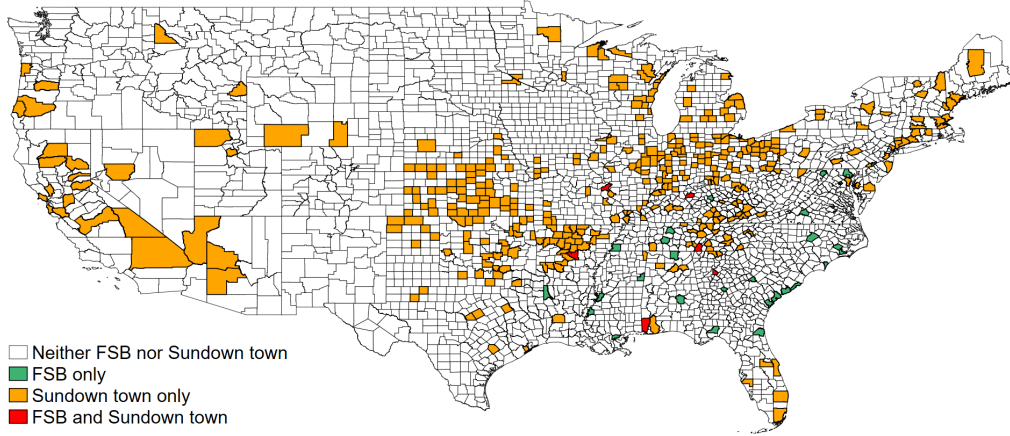


Figure 3: Sundown Town Sign. From the collection of the Tubman African American Museum in Macon, Georgia.

(a) “Surely” Sundown Town Locations



(b) “Probable” Sundown Town Locations



(c) “Possible” Sundown Town Locations

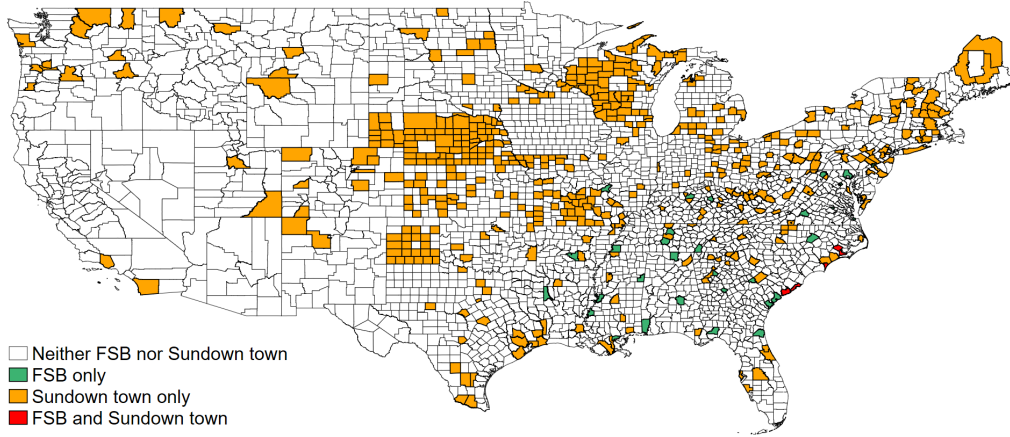


Figure 4: Sundown Town Locations in the US. Panel a shows the counties that “surely” contained at least one sundown town, in yellow. Panel b shows the counties that “probably” contained at least one sundown town, in yellow (excluding counties that “surely” contained any sundown towns). Panel c shows the counties that “possibly” contained at least one sundown town, in yellow (excluding counties that “surely” or “probably” contained any sundown towns). In all three panels, counties that contained an FSB branch appear in green. In each panel, counties that contained both an FSB branch and the respective definition of sundown town appear in red. We exclude the Houston County (Texas) branch because it was permanently closed in mid-1867 (Osthaus, 1976).

Table 1: Freedman’s Savings and Trust Company Branch Locations

City	State	County
Huntsville	Alabama	Madison
Mobile	Alabama	Mobile
Montgomery	Alabama	Montgomery
Little Rock	Arkansas	Pulaski
Washington	Virginia	Arlington
Jacksonville	Florida	Duval
Tallahassee	Florida	Leon
Macon	Georgia	Bibb
Savannah	Georgia	Chatham
Atlanta	Georgia	Dekalb
Augusta	Georgia	Richmond
Lexington	Kentucky	Fayette
Louisville	Kentucky	Jefferson
Shreveport	Louisiana	Caddo
New Orleans	Louisiana	Orleans
Baltimore	Maryland	Baltimore
Natchez	Mississippi	Adams
Columbus	Mississippi	Lowndes
Vicksburg	Mississippi	Warren
St. Louis	Missouri	St. Louis
New York	New York	New York County
New Bern	North Carolina	Craven
Wilmington	North Carolina	New Hanover
Raleigh	North Carolina	Wake
Philadelphia	Pennsylvania	Philadelphia
Beaufort	South Carolina	Beaufort
Charleston	South Carolina	Charleston
Nashville	Tennessee	Davidson
Chattanooga	Tennessee	Hamilton
Columbia	Tennessee	Maury
Memphis	Tennessee	Shelby
Alexandria	Virginia	Alexandria
Lynchburg	Virginia	Campbell
Norfolk	Virginia	Norfolk
Richmond	Virginia	Richmond
Martinsburg	West Virginia	Berkeley

Note: This table lists the 36 FSB branch locations in our sample (C  lerier and Tak, 2025; Traweek and Wardlaw, 2025*b*). We exclude the Houston County (Texas) branch because it was permanently closed in mid-1867 (Osthaus, 1976).

Table 2: Summary Statistics

	Mean	Standard Deviation	P1	Median	P99	N
Panel A: Raw Summary Statistics						
Black	0.380	0.485	0.000	0.000	1.000	96,358
White	0.588	0.492	0.000	1.000	1.000	96,358
Female	0.330	0.470	0.000	0.000	1.000	96,358
Age	45.810	16.534	20.000	43.000	88.000	96,358
Equity participation	0.157	0.363	0.000	0.000	1.000	96,358
FSB county	0.085	0.279	0.000	0.000	1.000	96,358
Grew up in FSB county	0.081	0.273	0.000	0.000	1.000	96,358
Dad grew up in FSB county	0.089	0.284	0.000	0.000	1.000	85,045
Mom grew up in FSB county	0.083	0.276	0.000	0.000	1.000	87,884
Grandpa grew up in FSB county	0.083	0.276	0.000	0.000	1.000	36,867
Grandma grew up in FSB county	0.086	0.281	0.000	0.000	1.000	46,073
High school	0.881	0.323	0.000	1.000	1.000	96,358
College	0.309	0.462	0.000	0.000	1.000	96,358
Married	0.502	0.500	0.000	1.000	1.000	96,358
Household size	2.561	1.454	1.000	2.000	7.000	96,358
Household Income (\$)	96,351.06	134,026.76	1.460	68,464.93	476,713.76	96,358
Ln(Household Income)	10.906	1.538	0.900	11.134	13.075	96,358
Household Wealth (\$)	238,259.17	1,465,387.84	-146,000.00	15,392.68	3,565,661.43	96,358
Ln(Household Wealth)	7.737	5.113	0.000	9.642	15.087	96,358
No. of chronic conditions	0.747	1.043	0.000	0.000	4.000	95,738
Panel B: Sample-Weighted Summary Statistics						
Black	0.156	0.363	0.000	0.000	1.000	95,716
White	0.805	0.396	0.000	1.000	1.000	95,716
Female	0.329	0.470	0.000	0.000	1.000	95,716
Age	51.909	18.017	21.000	51.000	91.000	95,716
Equity participation	0.216	0.412	0.000	0.000	1.000	95,716
FSB county	0.064	0.244	0.000	0.000	1.000	95,716
Grew up in FSB county	0.052	0.223	0.000	0.000	1.000	95,716
Dad grew up in FSB county	0.065	0.247	0.000	0.000	1.000	84,518
Mom grew up in FSB county	0.057	0.233	0.000	0.000	1.000	87,344
Grandpa grew up in FSB county	0.076	0.265	0.000	0.000	1.000	36,858
Grandma grew up in FSB county	0.060	0.237	0.000	0.000	1.000	46,059
High school	0.898	0.303	0.000	1.000	1.000	95,716
College	0.368	0.482	0.000	0.000	1.000	95,716
Married	0.470	0.499	0.000	0.000	1.000	95,716
Household size	2.162	1.318	1.000	2.000	6.000	95,716
Household Income (\$)	102,956.90	148,227.03	1.88	71,563.39	532,700.10	95,716
Ln(Household Income)	10.986	1.462	1.057	11.178	13.186	95,716
Household Wealth (\$)	364,989.38	1,882,555.80	-136,685.45	32,718.99	5,000,422.41	95,716
Ln(Household Wealth)	8.789	4.910	0.000	10.396	15.425	95,716
No. of chronic conditions	0.940	1.146	0.000	1.000	4.000	95,097

Note: This table presents summary statistics for PSID households in biennial survey waves from 1999 to 2023. Our sample consists of household-year observations for household heads who are at least 18 years old and grew up in the U.S. Panel A reports raw, unweighted summary statistics and Panel B reports sample-weighted summary statistics. “Black” is an indicator equal to 1 if the household head identifies as Black or African-American, and 0 otherwise. “White” is an indicator equal to 1 if the household head identifies as White, and 0 otherwise. “Female” is an indicator equal to 1 if the household head’s sex is female, and 0 otherwise. “Age” is the age of the household head in years. “Equity participation” is an indicator equal to 1 if the household holds shares of stock in publicly held corporations, stock mutual funds, or investment trusts, and 0 otherwise. This variable excludes ownership of equity in IRAs. “FSB county” and “Grew up in FSB county” are indicators equal to 1 if the household head currently resides in or grew up in, respectively, a county that historically had an FSB branch, and 0 otherwise. “Dad grew up in FSB county” and “Mom grew up in FSB county” are indicators equal to 1 if the household head’s father or mother grew up, respectively, in a county that historically had an FSB branch, and 0 otherwise. “Education” is the highest grade or years of school completed. “Married” is an indicator equal to 1 if the household head is married or permanently cohabitating, and 0 otherwise. “Household size” is the total number of people in the household. “Household Income” is annual household income CPI-adjusted to December 2023 dollars, and “Household Wealth” is total household wealth CPI-adjusted to December 2023 dollars, and “No. of chronic conditions” is the number of doctor-diagnosed conditions (high blood pressure, diabetes, cancer, chronic lung disease, heart condition, arthritis) reported by the household head.

Table 3: Baseline Results

	Grew up in FSB county		Dad grew up in FSB county		Mom grew up in FSB county		All	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Full Sample								
Black $\times$ Grew up in FSB county	-0.109*** (0.035)	-0.097*** (0.029)					-0.065 (0.039)	-0.069* (0.034)
Grew up in FSB county	0.061** (0.026)	0.051* (0.023)					0.057* (0.028)	0.048* (0.024)
Black $\times$ Dad grew up in FSB county			-0.120*** (0.031)	-0.106*** (0.026)			-0.114*** (0.035)	-0.099** (0.033)
Dad grew up in FSB county			0.067** (0.025)	0.055** (0.021)			0.084** (0.029)	0.069** (0.026)
Black $\times$ Mom grew up in FSB county					-0.057* (0.031)	-0.046 (0.028)	0.033 (0.035)	0.036 (0.034)
Mom grew up in FSB county					0.011 (0.024)	0.008 (0.020)	-0.054* (0.028)	-0.048* (0.026)
Black	-0.216*** (0.017)	-0.087*** (0.013)	-0.221*** (0.017)	-0.089*** (0.013)	-0.225*** (0.017)	-0.094*** (0.013)	-0.218*** (0.017)	-0.085*** (0.013)
Female		-0.011 (0.008)		-0.006 (0.008)		-0.009 (0.008)		-0.010 (0.009)
High school		0.059*** (0.011)		0.063*** (0.012)		0.061*** (0.012)		0.067*** (0.012)
College		0.135*** (0.008)		0.131*** (0.009)		0.136*** (0.009)		0.133*** (0.009)
Married		0.033*** (0.010)		0.045*** (0.010)		0.042*** (0.010)		0.043*** (0.010)
Household size		-0.011*** (0.002)		-0.012*** (0.002)		-0.011*** (0.002)		-0.011*** (0.002)
Ln(Household Income)		0.014*** (0.002)		0.014*** (0.002)		0.013*** (0.002)		0.013*** (0.003)
Ln(Household Wealth)		0.021*** (0.001)		0.021*** (0.001)		0.020*** (0.001)		0.020*** (0.001)
No. of chronic conditions		-0.002 (0.003)		-0.004 (0.003)		-0.004 (0.003)		-0.004 (0.003)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	90,607	89,990	79,450	78,944	82,237	81,706	77,089	76,603
Adjusted R^2	0.187	0.285	0.192	0.286	0.191	0.286	0.195	0.289

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	Grew up in FSB county		Dad grew up in FSB county		Mom grew up in FSB county		All	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel B: Black Subsample								
Grew up in FSB county	-0.005 (0.016)	-0.007 (0.015)					0.017 (0.016)	0.011 (0.016)
Dad grew up in FSB county			-0.026** (0.011)	-0.024** (0.008)			-0.028*** (0.008)	-0.025*** (0.006)
Mom grew up in FSB county					-0.014 (0.013)	-0.013 (0.013)	-0.009 (0.013)	-0.007 (0.013)
Female		0.001 (0.006)		0.001 (0.006)		-0.001 (0.006)		0.000 (0.006)
High school		0.010 (0.007)		0.010 (0.007)		0.011 (0.007)		0.011 (0.007)
College		0.049*** (0.008)		0.049*** (0.008)		0.047*** (0.008)		0.047*** (0.008)
Married		0.025** (0.009)		0.025** (0.009)		0.019** (0.008)		0.021** (0.009)
Household size		-0.006*** (0.002)		-0.005** (0.002)		-0.004** (0.002)		-0.005** (0.002)
Ln(Household Income)		0.002** (0.001)		0.003** (0.001)		0.002** (0.001)		0.002** (0.001)
Ln(Household Wealth)		0.005*** (0.001)		0.005*** (0.001)		0.005*** (0.001)		0.005*** (0.001)
No. of chronic conditions		-0.001 (0.002)		-0.002 (0.002)		-0.001 (0.002)		-0.002 (0.002)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	34,569	34,310	30,881	30,666	33,053	32,813	30,525	30,311
Adjusted R^2	0.223	0.259	0.237	0.267	0.227	0.257	0.240	0.268

Note: This table reports sample-weighted OLS regression estimates examining the effect of being Black and growing up in, or having a parent grow up in, a county that historically had an FSB branch on equity participation. Panel A shows results for the full sample and Panel B shows results for the subsample of Black household heads. All variables are as defined in Table 2. County-by-year fixed effects indicate the specific county where the household head lives at time t . *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 4: Grandparents

	Grandpa grew up in FSB county		Grandma grew up in FSB county		All	
	(1)	(2)	(3)	(4)	(5)	(6)
Black $\times$ Grew up in FSB county					-0.138** (0.050)	-0.125** (0.051)
Grew up in FSB county					0.137*** (0.043)	0.108** (0.040)
Black $\times$ Dad grew up in FSB county					-0.114** (0.045)	-0.113** (0.042)
Dad grew up in FSB county					0.078 (0.046)	0.080* (0.044)
Black $\times$ Mom grew up in FSB county					0.024 (0.066)	0.015 (0.056)
Mom grew up in FSB county					-0.071 (0.046)	-0.066 (0.041)
Black $\times$ Grandpa grew up in FSB county	-0.148*** (0.043)	-0.120** (0.042)			-0.054 (0.053)	-0.026 (0.049)
Grandpa grew up in FSB county	0.081** (0.035)	0.084** (0.029)			0.040 (0.039)	0.041 (0.035)
Black $\times$ Grandma grew up in FSB county			-0.076 (0.047)	-0.082* (0.038)	-0.001 (0.064)	-0.001 (0.050)
Grandma grew up in FSB county			0.020 (0.035)	0.039 (0.029)	-0.016 (0.045)	0.000 (0.039)
Black	-0.193*** (0.020)	-0.080*** (0.017)	-0.204*** (0.018)	-0.090*** (0.014)	-0.177*** (0.022)	-0.071*** (0.017)
Control Variables	No	Yes	No	Yes	No	Yes
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	32,472	32,277	41,662	41,415	25,666	25,503
Adjusted R^2	0.221	0.302	0.245	0.322	0.246	0.316

Note: This table reports sample-weighted OLS regression estimates examining the effect of being Black and having a grandparent grow up in a county that historically had an FSB branch on equity participation. “Grandpa grew up in FSB county” and “Grandma grew up in FSB county” are indicators equal to 1 if the household head’s grandfather or grandmother grew up, respectively, in a county that historically had an FSB branch, and 0 otherwise. All other variables are as defined in Table 2. Control variables include race, gender, education, marital status, household size, log income, and log wealth. County-by-year fixed effects indicate the specific county where the household head lives at time t . *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 5: Correlations: FSB and Sundown Town Counties

	Grew up in FSB county	Mom grew up in FSB county	Dad grew up in FSB county
Grew up in SD county (Surely)	-0.10***	-0.07***	-0.07***
Dad grew up in SD county (Surely)	-0.08***	-0.10***	-0.08***
Mom grew up in SD county (Surely)	-0.07***	-0.06***	-0.10**
Grew up in SD county (Probable)	-0.01***	-0.01***	-0.04***
Dad grew up in SD county (Probable)	-0.01***	-0.01***	-0.02***
Mom grew up in SD county (Probable)	-0.04***	-0.01**	-0.02***
Grew up in SD county (Possible)	-0.04***	-0.04***	-0.05**
Dad grew up in SD county (Possible)	-0.04***	-0.05***	-0.04***
Mom grew up in SD county (Possible)	-0.04***	-0.03***	-0.05***

Note: The table reports sample-weighted pairwise correlations between indicators for whether an individual, their father, or their mother grew up in an FSB county and whether they grew up in a county with historical sundown towns. Surely, Probable, and Possible indicate the confidence level in designating a place as a sundown town, as described in Rigby et al. (2025). *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 6: Robustness: Sundown Town Counties

Controlling for:	“Surely” Sundown Counties				“Probable” Sundown Counties				“Possible” Sundown Counties			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Black $\times$ Grew up in FSB cty	-0.090** (0.030)			-0.063* (0.035)	-0.095*** (0.029)			-0.063* (0.034)	-0.094*** (0.028)			-0.064* (0.034)
Grew up in FSB cty	0.053** (0.023)			0.050* (0.025)	0.051* (0.024)			0.047* (0.025)	0.051** (0.023)			0.045* (0.024)
Black $\times$ Dad grew up in FSB cty		-0.095*** (0.027)		-0.094** (0.033)		-0.104*** (0.025)		-0.100*** (0.033)		-0.103*** (0.026)		-0.098** (0.033)
Dad grew up in FSB cty		0.055** (0.021)		0.071** (0.026)		0.055** (0.021)		0.070** (0.026)		0.055** (0.021)		0.071** (0.026)
Black $\times$ Mom grew up in FSB cty			-0.037 (0.028)	0.038 (0.033)			-0.045 (0.027)	0.035 (0.032)			-0.047 (0.027)	0.03 (0.032)
Mom grew up in FSB cty			0.007 (0.020)	-0.048* (0.026)			0.008 (0.020)	-0.047* (0.026)			0.009 (0.020)	-0.044 (0.026)
Black $\times$ Grew up in SD cty	0.027 (0.020)			-0.011 (0.027)	0.022 (0.017)			-0.03 (0.022)				-0.016 (0.021)
Grew up in SD cty	0.028** (0.012)			0.036** (0.015)	0.002 (0.011)			0.016 (0.013)				0.033** (0.011)
Black $\times$ Dad grew up in SD cty		0.059** (0.022)		0.041 (0.026)		0.080*** (0.019)		0.074*** (0.020)	0.015 (0.018)	0.03 (0.018)		0.02 (0.018)
Dad grew up in SD cty		0.005 (0.013)		-0.001 (0.016)		-0.031** (0.010)		-0.034** (0.013)	0.029** (0.010)	0.007 (0.009)		-0.009 (0.010)
Black $\times$ Mom grew up in SD cty			0.057** (0.023)	0.029 (0.029)			0.052** (0.019)	0.025 (0.022)			0.031 (0.019)	0.023 (0.020)
Mom grew up in SD cty			-0.001	-0.013			-0.015	-0.007			0.016	0.007
Black	-0.095***	-0.100***	-0.104***	-0.097***	-0.095***	-0.109***	-0.107***	-0.101***	-0.093***	-0.096***	-0.100***	-0.090***
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	89,990	78,944	81,706	76,603	89,990	78,944	81,706	76,603	89,990	78,944	81,706	76,603
Adjusted R^2	0.285	0.286	0.287	0.289	0.285	0.287	0.287	0.290	0.285	0.286	0.287	0.290

Note: This table reports sample-weighted OLS regression estimates controlling for growing up in, or having a parent who grew up in, a county with a historical Sundown town on stock market participation. Columns (1) to (4) use indicators for whether an individual, their father, or their mother grew up in a county that contains at least one sundown town classified with a confidence level of “surely” (Rigby et al., 2025). Columns (5) to (8) use indicators for counties classified as “probable,” while columns (9) to (12) include those classified as “possible.” All other variables are as defined in Table 2. Control variables include race, gender, education, marital status, household size, log income, and log wealth. County-by-year fixed effects indicate the specific county where the household head lives at time t . *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 7: Robustness: County Grew-up Fixed Effects

	(1)	(2)	(3)
Black $\times$ Grew up in FSB county	-0.117*** (0.036)		
Black $\times$ Dad grew up in FSB county		-0.102** (0.039)	
Black $\times$ Mom grew up in FSB county			-0.087* (0.042)
Black	-0.068*** (0.012)	-0.067*** (0.012)	-0.065*** (0.013)
Female	-0.011 (0.008)	-0.009 (0.008)	-0.008 (0.008)
High school	0.057*** (0.011)	0.053*** (0.013)	0.055*** (0.012)
College	0.128*** (0.009)	0.107*** (0.009)	0.106*** (0.009)
Married	0.039*** (0.010)	0.052*** (0.010)	0.055*** (0.009)
Household size	-0.011*** (0.002)	-0.011*** (0.002)	-0.009*** (0.002)
Ln(Household Income)	0.012*** (0.002)	0.010*** (0.002)	0.010*** (0.002)
Ln(Household Wealth)	0.019*** (0.001)	0.017*** (0.001)	0.016*** (0.001)
No. of chronic conditions	-0.002 (0.003)	-0.001 (0.002)	-0.000 (0.003)
County Grew-up Fixed Effects	Yes	Yes	Yes
County Dad Grew-up Fixed Effects	No	Yes	No
County Mom Grew-up Fixed Effects	No	No	Yes
County-by-Year Fixed Effects	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes
Observations	89,859	78,733	81,486
Adjusted R^2	0.347	0.416	0.414

Note: This table reports sample-weighted OLS estimates from baseline regressions, including fixed effects for the county where the household head grew up. Additionally, columns (2) and (3) include fixed effects for the counties where the household head's father and mother grew up, respectively. All variables are as defined in Table 2. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 8: Robustness: Control for Migration

	Grew up in FSB county		Dad grew up in FSB county		Mom grew up in FSB county		All	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Black $\times$ Grew up in FSB county	-0.095*** (0.029)	-0.099*** (0.030)					-0.069* (0.034)	-0.072* (0.035)
Grew up in FSB county	0.052** (0.024)	0.053** (0.024)					0.051* (0.025)	0.052* (0.025)
Black $\times$ Dad grew up in FSB county			-0.104*** (0.026)	-0.108*** (0.025)			-0.101** (0.034)	-0.101*** (0.032)
Dad grew up in FSB county			0.056** (0.021)	0.056** (0.021)			0.072** (0.026)	0.071** (0.026)
Black $\times$ Mom grew up in FSB county					-0.043 (0.028)	-0.048 (0.029)	0.042 (0.034)	0.037 (0.033)
Mom grew up in FSB county					0.008 (0.020)	0.008 (0.021)	-0.049* (0.026)	-0.050* (0.026)
Black $\times$ Migration from county grew up		-0.042** (0.014)						-0.020 (0.016)
Migration from county grew up	0.024*** (0.007)	0.031*** (0.009)					0.021** (0.008)	0.024** (0.010)
Black $\times$ Migration from county dad grew up				-0.064*** (0.014)				-0.046*** (0.014)
Migration from county dad grew up			0.025*** (0.008)	0.039*** (0.010)			0.018 (0.010)	0.028** (0.011)
Black $\times$ Migration from county mom grew up						-0.054*** (0.015)		-0.016 (0.016)
Migration from county mom grew up					0.015 (0.010)	0.026* (0.013)	-0.002 (0.012)	0.001 (0.014)
Black	-0.086*** (0.013)	-0.063*** (0.015)	-0.088*** (0.013)	-0.041** (0.016)	-0.093*** (0.013)	-0.054*** (0.016)	-0.084*** (0.013)	-0.028 (0.017)
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	89,990	89,990	78,944	78,944	81,706	81,706	76,603	76,603
Adjusted R^2	0.285	0.285	0.286	0.287	0.287	0.287	0.289	0.290

Note: This table presents sample-weighted OLS estimates of the effect of FSB branch exposure on equity participation among Black household heads, controlling for migration. “Migration from county grew up” is an indicator equal to 1 if the household head currently resides in a different county than the one they grew up in. Similarly, “Migration from county dad grew up” and “Migration from county mom grew up” are indicators equal to 1 if the household head currently resides in a different county than the one their father or mother, respectively, grew up in. Control variables include race, gender, education, marital status, household size, log income, and log wealth. County-by-year fixed effects indicate the specific county where the household head lives at time t . *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 9: Robustness: Subsample of FSB States

	Currently Living in an FSB State				Grew up in an FSB State	Father Grew up in an FSB State	Mother Grew up in an FSB State		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Black $\times$ Grew up in FSB county	-0.113*** (0.029)			-0.100** (0.035)	-0.089** (0.031)		-0.046 (0.041)		-0.056 (0.039)
Grew up in FSB county	0.061** (0.024)			0.066** (0.026)	0.059* (0.028)		0.040 (0.030)		0.043 (0.030)
Black $\times$ Dad grew up in FSB county		-0.118*** (0.033)		-0.104** (0.039)		-0.105*** (0.030)	-0.119*** (0.036)		-0.130*** (0.036)
Dad grew up in FSB county		0.061** (0.027)		0.069* (0.033)		0.059** (0.024)	0.080** (0.027)		0.090** (0.030)
Black $\times$ Mom grew up in FSB county			-0.037 (0.032)	0.063 (0.037)			0.055 (0.037)	-0.029 (0.028)	0.061 (0.037)
Mom grew up in FSB county			0.002 (0.025)	-0.058* (0.028)			-0.057* (0.029)	0.012 (0.022)	-0.050* (0.027)
Black	-0.127*** (0.019)	-0.131*** (0.019)	-0.139*** (0.020)	-0.123*** (0.019)	-0.137*** (0.020)	-0.132*** (0.018)	-0.134*** (0.019)	-0.139*** (0.018)	-0.125*** (0.019)
Female	-0.003 (0.015)	-0.001 (0.014)	-0.006 (0.015)	-0.007 (0.015)	-0.007 (0.014)	-0.003 (0.014)	-0.007 (0.014)	-0.003 (0.013)	-0.007 (0.013)
High school	0.057*** (0.018)	0.058*** (0.019)	0.059*** (0.018)	0.069*** (0.019)	0.054** (0.019)	0.040** (0.018)	0.046** (0.018)	0.044** (0.016)	0.045** (0.017)
College	0.122*** (0.012)	0.120*** (0.013)	0.127*** (0.013)	0.122*** (0.013)	0.116*** (0.011)	0.120*** (0.012)	0.118*** (0.012)	0.121*** (0.012)	0.118*** (0.012)
Married	0.039** (0.018)	0.047** (0.018)	0.043** (0.017)	0.040** (0.017)	0.042** (0.016)	0.043** (0.015)	0.040** (0.015)	0.041** (0.014)	0.037** (0.014)
Household size	-0.006 (0.004)	-0.006* (0.003)	-0.007** (0.003)	-0.005 (0.003)	-0.007** (0.003)	-0.005* (0.003)	-0.005 (0.003)	-0.006** (0.003)	-0.005* (0.003)
Ln(Household Income)	0.010*** (0.002)	0.010*** (0.002)	0.010*** (0.002)	0.010*** (0.002)	0.009*** (0.002)	0.009*** (0.002)	0.010*** (0.002)	0.008*** (0.002)	0.009*** (0.002)
Ln(Household Wealth)	0.018*** (0.001)	0.017*** (0.001)	0.017*** (0.001)	0.017*** (0.001)	0.017*** (0.001)	0.017*** (0.001)	0.016*** (0.001)	0.016*** (0.001)	0.016*** (0.001)
No. of chronic conditions	-0.001 (0.005)	-0.003 (0.005)	-0.003 (0.005)	-0.003 (0.005)	-0.003 (0.005)	-0.004 (0.004)	-0.005 (0.004)	-0.004 (0.004)	-0.004 (0.004)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	44,181	39,674	41,266	38,758	43,687	43,475	42,528	44,253	41,618
Adjusted R^2	0.313	0.317	0.323	0.326	0.345	0.349	0.353	0.348	0.352

Note: This table reports sample-weighted OLS estimates using subsamples from states with historical FSB bank locations. Columns (1)–(4) use the subsample of household heads residing in states with historical FSB branches. Column (5) uses the subsample of household heads who grew up in states with FSB branches. Columns (6)–(7) and (8)–(9) use the subsample of household heads whose fathers and mothers, respectively, grew up in states with FSB locations. County-by-year fixed effects indicate the specific county where the household head lives at time t . All variables are as defined in Table 2. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 10: Robustness: Pre-1869 FSB Branch Locations

	(1)	(2)	(3)	(4)
Black $\times$ Grew up in FSB county (pre-1869)	-0.058*			-0.031
	(0.031)			(0.035)
Grew up in FSB county (pre-1869)	0.046*			0.045
	(0.026)			(0.026)
Black $\times$ Dad grew up in FSB county (pre-1869)		-0.117***		-0.139***
		(0.037)		(0.042)
Dad grew up in FSB county (pre-1869)		0.084**		0.109***
		(0.030)		(0.035)
Black $\times$ Mom grew up in FSB county (pre-1869)			-0.024	0.057
			(0.032)	(0.039)
Mom grew up in FSB county (pre-1869)			-0.003	-0.074**
			(0.027)	(0.032)
Black	-0.094***	-0.094***	-0.097***	-0.093***
	(0.013)	(0.013)	(0.013)	(0.013)
Female	-0.010	-0.005	-0.009	-0.009
	(0.008)	(0.008)	(0.008)	(0.009)
High school	0.059***	0.063***	0.061***	0.067***
	(0.011)	(0.012)	(0.012)	(0.012)
College	0.135***	0.131***	0.136***	0.133***
	(0.008)	(0.009)	(0.009)	(0.009)
Married	0.034***	0.045***	0.042***	0.044***
	(0.010)	(0.010)	(0.010)	(0.010)
Household size	-0.011***	-0.012***	-0.011***	-0.011***
	(0.002)	(0.002)	(0.002)	(0.002)
Ln(Household Income)	0.014***	0.014***	0.013***	0.013***
	(0.002)	(0.003)	(0.002)	(0.003)
Ln(Household Wealth)	0.021***	0.021***	0.020***	0.020***
	(0.001)	(0.001)	(0.001)	(0.001)
No. of chronic conditions	-0.002	-0.004	-0.004	-0.004
	(0.003)	(0.003)	(0.003)	(0.003)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes
Observations	89,990	78,944	81,706	76,603
Adjusted R^2	0.284	0.286	0.286	0.289

Note: This table presents sample-weighted OLS estimates of the effect of exposure to FSB branch locations opened prior to 1869 on equity market participation. County-by-year fixed effects indicate the specific county where the household head lives at time t . All variables are as defined in Table 2. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 11: Robustness: Control for DC or IRA Participation

	(1)	(2)	(3)	(4)
Black $\times$ Grew up in FSB county	-0.118*** (0.028)			-0.088** (0.035)
Grew up in FSB county	0.065** (0.026)			0.067** (0.029)
Black $\times$ Dad grew up in FSB county		-0.126*** (0.029)		-0.112** (0.038)
Dad grew up in FSB county		0.064** (0.024)		0.077** (0.031)
Black $\times$ Mom grew up in FSB county			-0.057* (0.030)	0.042 (0.040)
Mom grew up in FSB county			0.003 (0.024)	-0.062* (0.031)
Black	-0.072*** (0.014)	-0.069*** (0.013)	-0.076*** (0.014)	-0.065*** (0.014)
DC/IRA ownership	0.113*** (0.009)	0.112*** (0.008)	0.112*** (0.009)	0.113*** (0.009)
Female	-0.021* (0.011)	-0.018 (0.012)	-0.020 (0.011)	-0.020 (0.012)
High school	0.052*** (0.011)	0.058*** (0.011)	0.063*** (0.010)	0.069*** (0.011)
College	0.120*** (0.008)	0.117*** (0.009)	0.122*** (0.009)	0.118*** (0.009)
Married	0.014 (0.011)	0.023* (0.012)	0.022* (0.011)	0.022* (0.012)
Household size	-0.010*** (0.003)	-0.011*** (0.003)	-0.010*** (0.003)	-0.010*** (0.003)
Ln(Household Income)	0.023*** (0.003)	0.022*** (0.004)	0.020*** (0.004)	0.021*** (0.004)
Ln(Household Wealth)	0.018*** (0.001)	0.018*** (0.001)	0.018*** (0.001)	0.018*** (0.001)
No. of chronic conditions	0.005 (0.005)	0.003 (0.005)	0.004 (0.005)	0.004 (0.005)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes
Observations	67,862	59,525	61,279	57,616
Adjusted R^2	0.297	0.295	0.295	0.299

Note: This table presents sample-weighted OLS estimates of the effect of FSB branch exposure on equity participation, controlling for participation in an IRA or DC plan through their employer. County-by-year fixed effects indicate the specific county where the household head lives at time t . All variables are as defined in Table 2. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 12: Robustness: Control for Risk Tolerance and Financial Literacy

	Risk Tolerance Control				Financial Literacy Control			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Black $\times$ Grew up in FSB county	-0.163** (0.073)			-0.042 (0.098)	-0.128 (0.082)			-0.084 (0.079)
Grew up in FSB county	0.022 (0.060)			-0.056 (0.074)	0.113* (0.066)			0.123** (0.061)
Black $\times$ Dad grew up in FSB county		-0.228*** (0.067)		-0.187** (0.090)		-0.138** (0.062)		-0.163** (0.070)
Dad grew up in FSB county		0.131** (0.055)		0.120* (0.062)		0.090 (0.056)		0.141** (0.058)
Black $\times$ Mom grew up in FSB county			-0.187** (0.092)	-0.038 (0.105)			-0.055 (0.081)	0.054 (0.080)
Mom grew up in FSB county			0.112 (0.069)	0.032 (0.078)			-0.019 (0.055)	-0.136** (0.054)
Black	-0.101*** (0.035)	-0.100*** (0.037)	-0.122*** (0.035)	-0.103*** (0.036)	-0.048* (0.027)	-0.034 (0.030)	-0.049* (0.029)	-0.029 (0.031)
Risk Tolerance	0.026*** (0.009)	0.019* (0.010)	0.020** (0.009)	0.018* (0.010)				
Financial Literacy					0.033*** (0.008)	0.032*** (0.008)	0.029*** (0.008)	0.031*** (0.008)
Female	0.001 (0.034)	0.006 (0.034)	0.004 (0.033)	0.005 (0.034)	0.015 (0.025)	0.018 (0.028)	0.003 (0.028)	-0.000 (0.029)
High school	0.030 (0.037)	0.026 (0.038)	0.021 (0.038)	0.024 (0.040)	0.031 (0.031)	0.033 (0.032)	0.033 (0.031)	0.032 (0.032)
College	0.162*** (0.029)	0.163*** (0.030)	0.176*** (0.031)	0.169*** (0.031)	0.106*** (0.019)	0.117*** (0.020)	0.113*** (0.020)	0.116*** (0.020)
Married	0.080** (0.039)	0.093** (0.040)	0.102*** (0.039)	0.102** (0.040)	0.015 (0.028)	0.024 (0.030)	0.010 (0.031)	0.011 (0.031)
Household size	-0.027*** (0.010)	-0.031*** (0.010)	-0.031*** (0.010)	-0.033*** (0.010)	-0.008 (0.007)	-0.010 (0.008)	-0.008 (0.008)	-0.011 (0.008)
Ln(Household Income)	0.051*** (0.013)	0.054*** (0.014)	0.052*** (0.013)	0.056*** (0.014)	0.020*** (0.007)	0.017** (0.007)	0.013* (0.007)	0.016** (0.007)
Ln(Household Wealth)	0.026*** (0.003)	0.025*** (0.003)	0.024*** (0.003)	0.024*** (0.003)	0.021*** (0.002)	0.021*** (0.002)	0.021*** (0.002)	0.020*** (0.002)
No. of chronic conditions	-0.006 (0.016)	-0.008 (0.016)	-0.010 (0.016)	-0.009 (0.016)	-0.008 (0.009)	-0.014 (0.008)	-0.008 (0.009)	-0.009 (0.008)
Age	0.074 (0.081)	0.063 (0.087)	0.063 (0.081)	0.063 (0.087)	-0.021 (0.062)	0.042 (0.068)	0.014 (0.066)	0.049 (0.068)
Age squared	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)	-0.001 (0.001)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2468	2349	2382	2298	3875	3455	3537	3346
Adjusted R^2	0.290	0.293	0.301	0.298	0.280	0.275	0.278	0.284

Note: This table presents cross-sectional OLS estimates of the effect of FSB branch exposure on equity participation. Columns (1) to (4) use the 1999 PSID wave and control for risk tolerance, measured using responses to hypothetical income gambles administered in the 1996 PSID and constructed following Barsky et al. (1997). Columns (5) to (8) use the 2017 PSID wave and control for financial literacy, measured using six numeracy questions from the 2016 PSID Wellbeing and Daily Life Supplement that assess financial skills relevant to everyday decision making (Banks, O'Dea, and Oldfield, 2010). County fixed effects are based on the county where the household head lives at time t . All variables are as defined in Table 2. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, clustered by county, are shown in parentheses.

Table 13: Exposure Intensity: Multiple Generations

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Paternal Lineage						
Black $\times$ Grew up in FSB county	-0.097*** (0.028)					
Black $\times$ Dad grew up in FSB county		-0.106*** (0.026)				
Black $\times$ Self and Dad grew up in FSB county			-0.099** (0.036)			
Black $\times$ Grandpa grew up in FSB county				-0.120** (0.040)		
Black $\times$ Dad and Grandpa grew up in FSB county					-0.117** (0.048)	
Black $\times$ Self, Dad, and Grandpa grew up in FSB county						-0.149* (0.070)
Grew up in FSB county	0.051* (0.024)					
Dad grew up in FSB county		0.055** (0.021)				
Self and Dad grew up in FSB county			0.058 (0.033)			
Grandpa grew up in FSB county				0.084** (0.029)		
Dad and Grandpa grew up in FSB county					0.047 (0.035)	
Self, Dad, and Grandpa grew up in FSB county						0.100 (0.066)
Black	-0.087*** (0.012)	-0.089*** (0.012)	-0.095*** (0.012)	-0.080*** (0.015)	-0.086*** (0.015)	-0.089*** (0.015)
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	89990	78944	78944	32277	32126	32126
Adjusted R^2	0.285	0.286	0.285	0.302	0.302	0.302

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Panel B: Maternal Lineage						
Black × Grew up in FSB county	-0.097*** (0.028)					
Black × Mom grew up in FSB county		-0.046 (0.028)				
Black × Self and Mom grew up in FSB county			-0.070* (0.037)			
Black × Grandma grew up in FSB county				-0.082* (0.039)		
Black × Mom and Grandma grew up in FSB county					-0.118** (0.052)	
Black × Self, Mom, and Grandma grew up in FSB county						-0.149* (0.077)
Grew up in FSB county	0.051* (0.024)					
Mom grew up in FSB county		0.008 (0.021)				
Self and Mom grew up in FSB county			0.030 (0.034)			
Grandma grew up in FSB county				0.039 (0.030)		
Mom and Grandma grew up in FSB county					0.055 (0.044)	
Self, Mom, and Grandma grew up in FSB county						0.097 (0.073)
Black	-0.087*** (0.012)	-0.094*** (0.012)	-0.095*** (0.012)	-0.090*** (0.014)	-0.093*** (0.014)	-0.095*** (0.014)
Control Variables	Yes	Yes	Yes	Yes	Yes	Yes
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	89990	81706	81706	41415	41340	41340
Adjusted R^2	0.285	0.286	0.286	0.322	0.323	0.323

Note: This table reports sample-weighted OLS regression estimates examining whether the effect of FSB exposure on Black households' equity participation intensifies with the number of generations that grew up in a county which historically had an FSB branch. Panel A reports results for paternal lineage (father and grandfather). Panel B reports results for maternal lineage (mother and grandmother). All variables are as defined in Table 2. Control variables include race, gender, education, marital status, household size, log income, and log wealth. County-by-year fixed effects indicate the specific county where the household head lives at time t . *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and family, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 14: Exposure Intensity: Proportion of Non-White Accounts at FSB Branches

	(1)	(2)	(3)	(4)
Black $\times$ Grew up in FSB county (% non-White accounts)	-0.088*** (0.029)			-0.068* (0.038)
Grew up in FSB county (% non-White accounts)	0.054** (0.024)			0.051 (0.029)
Black $\times$ Dad grew up in FSB county (% non-White accounts)		-0.088** (0.037)		-0.079 (0.048)
Dad grew up in FSB county (% non-White accounts)		0.055 (0.031)		0.060 (0.040)
Black $\times$ Mom grew up in FSB county (% non-White accounts)			-0.030 (0.037)	0.038 (0.049)
Mom grew up in FSB county (% non-White accounts)			0.003 (0.029)	-0.050 (0.038)
Black	-0.092*** (0.013)	-0.095*** (0.013)	-0.097*** (0.013)	-0.092*** (0.013)
Female	-0.010 (0.008)	-0.005 (0.008)	-0.009 (0.008)	-0.009 (0.009)
High school	0.059*** (0.011)	0.063*** (0.012)	0.061*** (0.012)	0.067*** (0.012)
College	0.135*** (0.008)	0.132*** (0.009)	0.136*** (0.009)	0.134*** (0.009)
Married	0.034*** (0.010)	0.046*** (0.010)	0.042*** (0.010)	0.044*** (0.010)
Household size	-0.011*** (0.002)	-0.012*** (0.002)	-0.011*** (0.002)	-0.011*** (0.002)
Ln(Household Income)	0.014*** (0.002)	0.014*** (0.003)	0.013*** (0.002)	0.013*** (0.003)
Ln(Household Wealth)	0.021*** (0.001)	0.021*** (0.001)	0.020*** (0.001)	0.020*** (0.001)
No. of chronic conditions	-0.002 (0.003)	-0.004 (0.003)	-0.004 (0.003)	-0.004 (0.003)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes
Observations	89990	78944	81706	76603
Adjusted R^2	0.284	0.285	0.286	0.288

Note: This table presents sample-weighted OLS estimates of the effect of FSB branch exposure intensity on equity participation. Exposure intensity is measured as the proportion of nonwhite accounts at FSB branches in the county where the respondent or their parent grew up. This measure is available for 28 FSB branches using data reported in the Data Appendix of Traweek and Wardlaw (2025*b*). For counties without an FSB branch, this measure is set to zero. County-by-year fixed effects indicate the specific county where the household head lives at time t . All variables are as defined in Table 2. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table 15: Robustness: Placebo Bank Failures

	(1)	(2)	(3)	(4)
Black $\times$ Grew up in placebo bank county	-0.038 (0.039)			-0.035 (0.057)
Grew up in placebo bank county	0.072** (0.027)			0.055 (0.039)
Black $\times$ Dad grew up in placebo bank county		-0.034 (0.045)		-0.017 (0.046)
Dad grew up in placebo bank county		0.035 (0.023)		-0.006 (0.035)
Black $\times$ Mom grew up in placebo bank county			-0.037 (0.043)	-0.019 (0.051)
Mom grew up in placebo bank county			0.046* (0.022)	0.040 (0.030)
Black	-0.093*** (0.013)	-0.097*** (0.013)	-0.100*** (0.014)	-0.095*** (0.014)
Female	-0.010 (0.008)	-0.004 (0.009)	-0.008 (0.008)	-0.007 (0.009)
High school	0.057*** (0.011)	0.062*** (0.012)	0.060*** (0.011)	0.066*** (0.012)
College	0.135*** (0.008)	0.129*** (0.009)	0.135*** (0.009)	0.130*** (0.009)
Married	0.034*** (0.011)	0.047*** (0.010)	0.041*** (0.010)	0.043*** (0.010)
Household size	-0.011*** (0.002)	-0.012*** (0.002)	-0.011*** (0.002)	-0.011*** (0.002)
Ln(Household Income)	0.014*** (0.002)	0.014*** (0.003)	0.013*** (0.002)	0.013*** (0.003)
Ln(Household Wealth)	0.021*** (0.001)	0.021*** (0.001)	0.020*** (0.001)	0.020*** (0.001)
No. of chronic conditions	-0.003 (0.003)	-0.005 (0.003)	-0.005 (0.003)	-0.006* (0.003)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes
Observations	88,084	77,173	79,992	73,709
Adjusted R^2	0.283	0.281	0.285	0.282

Note: This table reports sample weighted OLS regression estimates examining the effect of exposure to placebo bank failures on equity participation. County-by-year fixed effects indicate the specific county where the household head lives at time t . All variables are as defined in Table 2. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Appendix

Table A1: FSB County Exposure and Lack of Trust in Banks Among the Unbanked

	Black Unbanked Subsample			White Unbanked Subsample		
	Household- level distrust	County-level distrust (%)		Household- level distrust	County-level distrust (%)	
	(1)	(2)	(3)	(4)	(5)	(6)
FSB county	0.288* (0.143)	0.230* (0.120)	0.523*** (0.107)	-0.080 (0.112)	-0.121 (0.135)	-0.208 (0.133)
State Fixed Effects	Yes	No	Yes	Yes	No	Yes
Observations	323	75	54	391	128	111
R^2	0.136	0.031	0.484	0.144	0.005	0.284

Note: This table presents OLS estimates of the relationship between residing in a county that historically had an FSB branch and whether unbanked households cite lack of trust in banks as their primary reason for being unbanked, using data from the 2023 FDIC National Survey of Unbanked and Underbanked Households. In columns (1) and (4), the dependent variable is equal to 1 if the household identifies lack of trust in banks as the primary reason for being unbanked, and 0 otherwise. In columns (2)–(3) and (5)–(6), the dependent variable is the county-level proportion of unbanked households reporting lack of trust as the reason for not having a bank account. Chi-squared tests reject the null that the FSB county indicator has equal effects across subsamples and indicate significant differences between Black and White subsample for each corresponding column pair—(1) and (4), (2) and (5), and (3) and (6)—at the 5% level. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors clustered by state are shown in parentheses.

Table A2: Robustness: Unweighted Baseline Regressions

	Grew up in FSB county		Dad grew up in FSB county		Mom grew up in FSB county		All	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Full Sample								
Black $\times$ Grew up in FSB county	-0.078*** (0.023)	-0.064*** (0.020)					-0.055* (0.026)	-0.049* (0.023)
Grew up in FSB county	0.046* (0.021)	0.035* (0.019)					0.037 (0.024)	0.030 (0.022)
Black $\times$ Dad grew up in FSB county			-0.074*** (0.024)	-0.065*** (0.021)			-0.078** (0.028)	-0.072** (0.025)
Dad grew up in FSB county			0.053** (0.022)	0.041* (0.019)			0.069** (0.027)	0.058** (0.024)
Black $\times$ Mom grew up in FSB county					-0.028 (0.022)	-0.018 (0.019)	0.033 (0.025)	0.036 (0.023)
Mom grew up in FSB county					0.006 (0.019)	0.001 (0.017)	-0.043* (0.023)	-0.041* (0.022)
Black	-0.199*** (0.015)	-0.104*** (0.010)	-0.212*** (0.014)	-0.112*** (0.010)	-0.212*** (0.014)	-0.114*** (0.010)	-0.208*** (0.014)	-0.109*** (0.010)
Female		-0.007 (0.005)		-0.005 (0.005)		-0.006 (0.005)		-0.007 (0.005)
High school		0.033*** (0.008)		0.035*** (0.008)		0.032*** (0.008)		0.037*** (0.008)
College		0.124*** (0.007)		0.121*** (0.008)		0.125*** (0.008)		0.121*** (0.008)
Married		0.029*** (0.006)		0.035*** (0.006)		0.034*** (0.006)		0.034*** (0.007)
Household size		-0.008*** (0.001)		-0.007*** (0.002)		-0.007*** (0.001)		-0.007*** (0.002)
Ln(Household Income)		0.009*** (0.002)		0.009*** (0.002)		0.008*** (0.002)		0.008*** (0.002)
Ln(Household Wealth)		0.015*** (0.001)		0.015*** (0.001)		0.015*** (0.001)		0.015*** (0.001)
No. of chronic conditions		-0.004* (0.002)		-0.004* (0.002)		-0.004* (0.002)		-0.004* (0.002)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	91,247	90,629	79,974	79,467	82,768	82,236	77,585	77,098
Adjusted R^2	0.167	0.245	0.173	0.249	0.172	0.249	0.175	0.251

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	Grew up in FSB county		Dad grew up in FSB county		Mom grew up in FSB county		All	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel B: Black Subsample								
Grew up in FSB county	-0.006 (0.006)	-0.007 (0.005)					0.002 (0.007)	-0.001 (0.006)
Dad grew up in FSB county			-0.011** (0.004)	-0.013*** (0.004)			-0.009** (0.004)	-0.010** (0.004)
Mom grew up in FSB county					-0.008 (0.007)	-0.008 (0.006)	-0.007 (0.007)	-0.006 (0.006)
Female		-0.003 (0.003)		-0.004 (0.003)		-0.003 (0.003)		-0.004 (0.003)
High school		0.006* (0.003)		0.008** (0.003)		0.007** (0.003)		0.008** (0.003)
College		0.056*** (0.008)		0.053*** (0.007)		0.055*** (0.007)		0.052*** (0.007)
Married		0.020*** (0.004)		0.021*** (0.005)		0.019*** (0.005)		0.021*** (0.005)
Household size		-0.005*** (0.001)		-0.004*** (0.001)		-0.004*** (0.001)		-0.004*** (0.001)
Ln(Household Income)		0.004*** (0.001)		0.004*** (0.001)		0.004*** (0.001)		0.004*** (0.001)
Ln(Household Wealth)		0.004*** (0.000)		0.004*** (0.000)		0.004*** (0.000)		0.004*** (0.000)
No. of chronic conditions		-0.001 (0.001)		-0.001 (0.001)		-0.001 (0.001)		-0.001 (0.001)
County-by-Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Born Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Age Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	34,738	34,479	31,021	30,806	33,205	32,965	30,663	30,449
Adjusted R^2	0.046	0.085	0.049	0.086	0.048	0.086	0.048	0.086

Note: This table reports unweighted OLS regression estimates. Panel A shows results for the full sample and Panel B shows results for the subsample of Black household heads. All variables are as defined in Table 2. County-by-year fixed effects indicate the specific county where the household head lives at time t . *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors, two-way clustered by county and year, are shown in parentheses. The analysis uses biennial PSID survey wave data from 1999 to 2023.

Table A3: Correlations: County of Origin

	Grew up in FSB county	Dad grew up in FSB county	Mom grew up in FSB county	Grandpa grew up in FSB county	Grandma grew up in FSB county
Grew up in FSB county	1.00				
Dad grew up in FSB county	0.45***	1.00			
Mom grew up in FSB county	0.43***	0.53***	1.00		
Grandpa grew up in FSB county	0.25***	0.50***	0.30***	1.00	
Grandma grew up in FSB county	0.23***	0.27***	0.46***	0.22***	1.00

Note: The table reports sample-weighted pairwise correlations between indicators for whether an individual, their father, mother, grandpa, or grandma grew up in an FSB county. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. The analysis uses biennial PSID survey wave data from 1999 to 2023.

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