

EconoFact Chats: The Economic Case for Reparations

William Darity Jr., Duke University

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Michael Klein:

I'm Michael Klein, executive editor of EconoFact, a nonpartisan web-based publication of the Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein:

In the 2020 book, 'From Here to Equality,' William Darity Jr. and Kirsten Mullen write that 'wealth is the best single indicator of the cumulative impact of white racism over time.' How big is the racial difference in wealth? Every three years, the Federal Reserve publishes its survey of consumer finances. In the 2019 edition, it presents statistics on net worth by race, and the results are stunning. The average net worth of white households is \$983,000 while that of black households is \$143,000. 25% of white households have a net worth of over \$1 million, but only 4% of black households have net worth that big.

Michael Klein:

There are many antecedents to this outcome, chattel slavery, of course, and subsequently Jim Crow laws and current forms of racial discrimination. Professor Darity and Ms. Mullen write that blacks cannot close the racial wealth gap by independent or autonomous action. And accordingly, make the case in their book for reparation payments. What are the arguments for reparations? How big should they be? And who should receive them? To answer these questions, I'm very pleased to welcome to EconoFact chats, Professor Darity. Sandy Darity is a Samuel DuBois Cook Distinguished Professor of Public Policy at Duke University. He's widely recognized as a leading scholar on the issues of inequality and the economics of reparations. Among his honors is the Samuel Z. Westerfield Award in 2012, the highest award conferred from the National Economic Association. Sandy, welcome to EconoFact chats.

Sandy Darity:

Thank you for having me.

Michael Klein:

Sandy, a central theme in economics is what's called opportunity cost -- what somebody gives up by undertaking a certain action. As I read your book, I thought of the concept of opportunity benefit. What the American economy gained through the repression of black Americans. Not only through the obvious means of the enslaved on plantations in the south, but also through slavery in the rest of the country. And perhaps less obviously to people today through companies that benefited from slavery through, for example, cheap cotton for Northern textile manufacturers, New England shipping companies, and companies that insured slave holders.

Sandy Darity:

You could argue that there was a hot house effect that was associated with the economy that was anchored on the exploitation of enslaved labor in the Southern states, primarily. Much of the Northern enslaved labor was devoted to domestic service purposes. Although in the state of Connecticut, for a substantial period of time, there were farms that would be the equivalent of southern plantations, where

enslaved imported Africans were working at no wages, and at the direct behest of the individuals who held them as human property.

Sandy Darity:

But for the most part, the production of crops with the use of enslaved labor took place in the Southern states. But those Southern states were linked to the industrial sector in the north. As you mentioned, of course, the cotton sector was vital for the development of the textile industry in the north. The cotton trade was central to the development of Wall Street, for example, in New York city.

Sandy Darity:

And at one point, the mayor of New York City at the stage in which the southern states were engaged in the process of secession from the union, the mayor of New York City actually proposed that the city also should join the secession because of its intimate links to the cotton trade. So yes, it's quite arguable, and it's quite reasonable to argue that the economic development of the country as a whole was closely linked to the exploitation of enslaved labor. In terms of the consequences in the present moment, I think we need to think more about the benefits being racially divided so that the opportunity benefit that you're talking about is something that's happening primarily for white Americans, to the disadvantage of black Americans.

Michael Klein:

So this idea of opportunity benefit along with some basic ideas of restorative justice would argue for reparations. But let's first begin with some broader review of reparations. There are cases of reparation payments, both in this country, and from other countries. For example, my grandfather who fled Germany in 1938, was paid reparations by the German government after World War II. But this was not so much for any economic benefit to the Nazi or German economy, rather than to right a wrong. So that's one example. What are some others?

Sandy Darity:

There's several examples, but the one that's probably most salient to the comparison with the case for reparations for black Americans, whose ancestors were enslaved here, is the provision of reparations to Japanese Americans for being subjected to mass incarceration during the course of World War II. This is an act of reparations that was embodied in the American Civil Liberties Act of 1988, where each of the individuals who had been subjected to incarceration received a \$20,000 monetary payment.

Sandy Darity:

And that might not sound like a lot, but if you were to invert that into a present value calculation, it would be about \$60-80,000 in the current moment. And you have to keep in mind that each individual who was paid was typically part of a family unit that was jointly interred. And so you could think about there being the possibility of the equivalent of \$120,000 payments to \$240,000 payments per family, as a consequence of this act of reparations. But I think that's the example that is most similar to the dimensions of the type of plan that we have in mind that would be relevant to black American descendants of US slavery.

Michael Klein:

But then even more so, those Japanese who were interred during World War II did not benefit the US economy, whereas enslaved African Americans did. So there was a benefit to the economy as a whole from enslavement, that the Japanese interred during world war II did not provide to the economy.

Sandy Darity:

But the primary case we make for reparations though, is not centered on the benefits to the US economy of the various atrocities that have been visited on black Americans. The case we make is associated with the deprivation of opportunity and the deprivation of wellbeing that has been imposed on black Americans. So we are thinking more about the cost side of the ledger than the benefit side of the ledger, but of course you can make the argument that the fact that there were Americans who benefited from these atrocities further justifies compensation of those who were harmed in the process.

Michael Klein:

So looking only at the cost side is then sort of a lower bound, isn't it?

Sandy Darity:

The cost side would be the lower bound, but it would be a very important lower bound given the degree of opportunity that was lost, and the number of lives that were lost in the process of the evolution of American racism.

Michael Klein:

So there was an initial idea of reparations right after the Civil War, freed slaves were supposed to receive 40 acres and a mule, but that didn't happen, did it?

Sandy Darity:

No. In the immediate aftermath of the Civil War, General Sherman and Secretary of War Edwin Stanton met with a group of black leaders in Savannah, Georgia. And the question that they posed for this group of black leaders was what should be done with the black community in the immediate aftermath of the Civil War. At that stage, they expected that the union would in fact be victorious. And this group of 20 men appointed a gentleman named Garrison Frazier to be their spokesperson. And Garrison Frazier told Stanton and Sherman that what the community of black people needed most was to have land, and otherwise to largely be left alone. Within about four days after that meeting, Sherman issued special field orders #15, which assigned approximately 5.3 million acres of land to the formerly enslaved. That 5.3 million acres of land stretched from the sea islands of South Carolina to Northern Florida at the border of the St John's river.

Sandy Darity:

Frequently, people think that it was a much smaller amount that was actually assigned, but in fact, it was a much smaller amount that was actually distributed. About 400,000 acres to 40,000 of the formerly enslaved -- that's 40,000 persons out of four million people who were newly emancipated. The 5.3 million acres was meant essentially as a down payment on a much larger allocation, which was to have approached at least 40 million acres of land for the full compliment of individuals who had been recently emancipated.

Sandy Darity:

But what happened? Well, 400,000 acres were given to 40,000 people. And even that small portion of the full allotment that Sherman had designated was taken back from those individuals and restored to the former slaveholders at the behest of President Andrew Johnson, Lincoln's successor after Lincoln was murdered. And so the 40 acres were never delivered to the formerly enslaved.

Sandy Darity:

At the same time though, the federal government was providing 160 acre land grants to one and a half million white families in the Western territories as the nation completed its colonial settler project under the terms of the Homestead Act of 1862. And we argue in 'From Here to Equality' that that's essentially the beginning of the creation of the racial wealth gap -- the provision of a substantial asset to large number of white families while black families emerging from slavery were given absolutely nothing.

Michael Klein:

And then subsequently in the Jim Crow era, and even in the modern era, there continued to be lots of disparities that were racially based. And that would also feed into the harm that you were discussing in terms of the size of reparations, correct?

Sandy Darity:

That's correct. And I would include among those harms and disparities that continue to perpetuate the racial wealth differential and extend it -- I would include the 100 or so massacres that took place from the end of the Civil War to the 1940s, in which black lives were taken in communities across the country and black property was appropriated and seized by the terrorist. I think the most familiar example for many people would be the Tulsa massacre of 1921.

Michael Klein:

We had Lisa Cook on the show to discuss that, and her work and the way that which that massacre affected, not just the people at that time, but cast a very long shadow and reduced black entrepreneurship, and black innovation subsequently.

Sandy Darity:

Yes. And on Lisa's research is about the effects on innovation and patents of white violence in the United States, innovation and patents by black Americans. But in addition to the massacres as a [inaudible] in which black property was appropriated and seized, we have in the 20th century a shift in government policy away from a focus on land distribution as a mechanism for asset building, to home ownership. And the policies that the Federal government pursued in the 20th century to promote home ownership were discriminatorily applied, they were discriminatory applied in the form of red lining, which was a public private partnership conducted by the Federal Housing Administration and local banks that essentially starved black homeowners, or potential black homeowners of sufficient credit.

Michael Klein:

We had another EconoFact chats with Eduardo Porter of the New York Times in which he discusses his book, American Poison: How Racial Hostility Destroyed Our Promise. And part of our discussion was the way in which the post World War II programs excluded blacks. And the reason that was done was because there was a concern that Southern Democrats would not vote for those programs.

Sandy Darity:

The most pronounced example of that would be the GI Bill, which had provisions for not only education, but also for home ownership and business development. And while there were discriminatory differences in the application of the educational provisions, the most extreme discriminatory differentials were associated with the home ownership, and the business development provisions. Yes, and that was done precisely because Southern Democrats would not have supported the legislation unless they would have decentralized authority over the administration of the program. And it was that decentralization that both in the north and the south resulted in discriminatory treatment of black veterans.

Michael Klein:

And the GI Bill was seen as one of the great levellers, but it turns out it was only a great leveler for white Americans, not for the population as a whole.

Sandy Darity:

That's exactly right.

Michael Klein:

So Sandy, recently, the idea of reparations was boosted by an article in The Atlantic by Ta-Nehisi Coates, but there's actually a long history behind reparations. One that you document in From Here to Equality. These tended to be more about specific incidents though, correct?

Sandy Darity:

Well, I think that the history of reparations was largely focused initially on claims that individuals made for the harms that had been imposed upon them directly. So one example of this would be a court case in the late 18th century that took place in Boston where a woman named Belinda brought forth a lawsuit concerning her deprivation of compensation or payment for the years of service that she engaged in as an enslaved person. But I think by the time we get to the end of the Civil War, the focus is on a notion of kind of collective harm and collective compensation.

Sandy Darity:

That was the premise behind the promise of the 40 acres and a mule that was never delivered. And then subsequently Callie House in the latter part of the 19th century leads a movement for pension payments to be made to individuals who were formally enslaved. And so this is a mass movement. And the idea is that every individual who had been subjected to slavery would receive a government pension that it would be comparable to the pensions that were provided to veterans of the Civil War.

Sandy Darity:

And so this was not a matter of trying to itemize the harms to individuals, this was a matter of saying that there was a community that had been collectively damaged, and so should be compensated accordingly. And I think after that, much of the focus of reparations initiatives has been on collective harm. I will say there is a recent exception, and it's an unfortunate exception, which is a tendency that is underway for some local communities and municipalities to set up their own reparations programs. Now, the reason I say this is unfortunate is because it's impossible for these communities collectively or singly to actually meet the bill that would be associated with eliminating the racial wealth gap in the United States.

Sandy Darity:

We estimate now that it would cost about \$14 trillion to erase the racial wealth differential. And unfortunately, the states and localities in the United States collectively have a budget of about \$3.1 trillion. So it would be impossible for them to meet that bill. And so there's kind of an element of shadow boxing associated with the claim that you can have a local reparations program. And I think that that local reparations initiative is predicated on the view that there were very specific harms that were localized, that would justify these communities taking action.

Sandy Darity:

But in fact, the whole structure of harm associated with white supremacy in the United States has never been localized. It's been national in scope. And the ramifications of events that occurred in the local level

usually went far beyond that locality. You mentioned Lisa Cook's work on Tulsa. And one of the key points that she made was that the massacre there had effects and implications for conditions in other parts of the country. And that was always the case with the massacres -- that they had a resonance and an impact on what was taking place in other parts of the United States. So this is a national problem, and it requires a national solution.

Michael Klein:

So you bring up the figure of \$14 trillion. Who would be eligible for payments and how do you foresee them being made, if this were to come to pass?

Sandy Darity:

The eligibility criteria that we advance in our book *From Here to Equality*, the eligibility criteria are twofold. First, an individual would have to demonstrate that they have at least one ancestor who was enslaved in the United States. And second, they would have to demonstrate that on a legal or official document -- for at least 12 years before the enactment of a reparations plan or the enactment of a commission to study reparations at the federal level, that they self-identified as black, Negro, African-American, or Afro-American.

Sandy Darity:

So the first criterion is what we refer to as a lineage standard. And the second criterion is what we refer to as an identity standard. Individual would have to meet both of those conditions to be eligible to receive reparations. Now, what form would reparations take? Well, we favor direct payments to individuals who are eligible and direct payments in an equal amount to each individual. And this is a strategy that we think is appropriate as a consequence of our examination of other cases in which reparations have been paid. They're fairly consistently -- group-based reparations have taken the form of direct payments to individual members of the eligible community.

Michael Klein:

In the penultimate chapter of *From Here to Equality*, you anticipate a number of arguments against reparations and then you address those. And I'd like to go through just a few of them. So first, one is that slavery occurred long ago. Your response to that?

Sandy Darity:

Two responses. One response is that the ramifications and effects of slavery persist and associated with that response is the fact that the case that we make in the pages of *From Here to Equality* is not limited to the harms of slavery. And in fact, we place a tremendous emphasis on the importance of nearly a century of legal segregation in the United States accompanied by the 100 or so massacres that I mentioned earlier. And we also talk about ongoing atrocities, including mass incarceration of black Americans, police killings of unarmed black Americans. We also talk about employment discrimination, discrimination in credit markets, discrimination in housing. And then of course, there's the paramount condition that is the guiding light for our approach to eliminating the racial wealth gap, which is the immense racial wealth gap itself. So it's not just "just slavery" that is on the ledger.

Sandy Darity:

And then the last point that I'd like to make in this context is actually, if you think about this from a generational standpoint, and this is a key point we make in the book. Slavery wasn't actually that long ago. We even talk about the example of Hortense McClinton, who was the first black faculty member at the University of North Carolina at Chapel Hill, whose father was born in January 1865 in Texas as an

enslaved person. So that Ms McClinton is actually one generation removed from slavery. Kirsten Mullen, my co-author, is three generations removed from slavery, because her grandmother was the daughter of a man who had been enslaved.

Sandy Darity:

So from a generational perspective, slavery is not that distant in time. And its effects are still very much present in large part because there was a failure to provide the formerly enslaved with any type of compensation in the aftermath of the Civil War.

Michael Klein:

Isn't there a Faulkner quote, something to the effect of the past is not gone, it's not even past.

Sandy Darity:

Yes. Yes.

Michael Klein:

Well, your answer really addressed some of the other points that you brought up in that penultimate chapter. One was that the reparations to Holocaust victims and interred Japanese Americans were made directly to the victims, but slavery and Jim Crow reparations would be made to the descendants, but you've addressed that point already. And finally, just the point that blacks have in effect receive reparations through social safety net programs and affirmative action. I think Eduardo Porter's book and your answer really points out that that has not been disproportionate.

Michael Klein:

And in fact, a lot of these programs explicitly excluded African Americans from them. So just to close off Sandy, we've discussed the economic and the moral case for this. What do you see as a political possibility? And this is in full acknowledgement that we as economists really don't understand politics very well, but what do you see as a political possibility of this?

Sandy Darity:

I think both of us became economists because we didn't think that we understood politics particularly.

Michael Klein:

No, no, never made sense to me.

Sandy Darity:

Well, so let me try to give a shot at this. I think that the most important piece of information that I can provide in the context of thinking about the political possibilities is to share some statistics about change in opinion about reparations, particularly among white Americans. And when I refer to opinions about reparations, I'm talking about people's response to a question that asks them whether or not they support monetary payments to black Americans as reparations.

Sandy Darity:

And so in the year 2000, when a couple of University of Chicago's academics, Michael Dawson and Ravana Popoff did a survey of American attitudes, they found that 4%, that's F-O-U-R of white Americans endorsed monetary payments as reparations. By the year 2018, that percentage had risen to 16. In the year 2020, the figure had come closer to 25 to 27%. And the most recent surveys that I'm familiar

with from the year 2021 placed the figure at about 30%. So even though we're nowhere close to a majority of white Americans supporting black reparations, we're in a very different situation, a much more hospitable situation than we were at the beginning of the 21st century. And so that's my grounds for optimism.

Michael Klein:

So as an economist, we can understand these numbers and that's a pretty striking change over the course of a few decades. And maybe your book has helped foster some of that change as well. So I want to thank you very much for speaking with me today in this really important and very compelling topic.

Sandy Darity:

Thank you. Thank you for giving me a chance to talk with you.

Michael Klein:

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