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**Overestimates of the racial wealth gap and the
case for reparations**

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Abstract. The racial wealth gap indicates relative wellbeing, but wealth differs for many reasons. For example, Black family heads are nine years younger. Adjusting for this reduces 2019 median white family wealth from 7.8 times as large to 4.6 times as large and the shortfall of overall Black wealth from \$1.6 trillion to \$1.4 trillion. Second, it shows the difference from using averages instead of medians, the representative measure when wealth is not normally distributed. Using averages assumes wealth differs only due to race and raises the Black shortfall to \$8.4 trillion. Regardless of the size of the wealth gap, however, this paper argues that there is a long history of analyses of the bases for reparations, whose potential amounts were unrelated to the existence or size of a racial wealth gap. Most of those hypotheses and estimates are inconsistent with recent proposals to eliminate the gap using reparations.

Keywords. Wealth, Redistribution; Racial wealth gap; Reparations.

JEL. D31; H13; N30.

1. Introduction

Reparations payments to descendants of slaves received renewed support as the House Judiciary Committee on the Constitution, Civil Rights and Civil Liberties passed in April 2021 and sent to the full Committee a bill (H.R. 40) to establish a Commission to study and develop proposals for reparations for Black Americans. This bill has been introduced in every session of Congress since Representative John Conyers introduced it in 1989. Advocates for reparations received new support from Darity & Mullen (2020), the most recent and thorough case for reparations. An effort in Jamaica to secure reparations for the descendants of former slaves also was given renewed impetus by these recent developments.¹

Two of the biggest slave traders in U.S. history were Isaac Franklin (1789-1846) and John Armfield (1797-1871), who operated until 1837. (Natanson, 2019) recounts their history, noting it appears that there are no white descendants of either man: "Armfield's marriage never yielded any children, and Franklin's children with Hayes all died without producing offspring,"

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¹ See (Chappell, 2021). In Jamaica and the rest of the British empire, the British paid \$20 million pounds in the 1830's to compensate slave owners for their freed slaves. Now the Jamaican government plans to demand the British crown partially compensate the descendants of these freed slaves by a similar amount.

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according to [Joshua] Rothman, “so the two men have no direct white descendants living today. Had Franklin or Armfield any descendants, the offspring would have had about 0.5 percent of the genetics of their ancestor, or less.² (Rothman, 2021) details the lives and works of these men, together with a third partner, Rice Ballard (c1800- 1860), who left the business in 1840, married and had three daughters. None of the three former owners have relatives with significant wealth today.³ The absence of a significant genetic link or hereditary wealth tie to slave owners, or to former slaves limits the plausibility of a close connection between today’s populations and those in 1865.

More important, there is no ethical or Constitutional basis for reparations; issues of who would receive payments or owe payments are fraught with difficult, if not insurmountable, technical, and judicial questions. For example, (Bittker, 1973) notes in an excellent legal exposition of the case for Black reparations that the Constitution provides individual, not group, rights, so each individual would have their own case assessed as to wrongdoing and any assessed damages, not a group. He refers to this as creating the “second American Dilemma.” More importantly, it is ethically unjust to hold the child of a criminal, even a mass murderer, responsible for the evil deeds of his or her parent. In the *Bible*,⁴ the principle of sins of the father being visited upon their children to the third and fourth generation is described in Numbers 14:18, but later passages anticipate a New Covenant that will establish a new principle (Ezekiel 18:20 and Jeremiah 31:29-34). The last verse concludes:

“No more shall every man teach his neighbor, and every man his brother, saying ‘Know the Lord,’ for they all shall know Me, from the least of them to the greatest of them, says the Lord. For I will forgive their iniquity, and their sin I will remember no more.” (Jeremiah 31:34)

The New Covenant breaks dramatically with ancient forms of family guilt, giving greater emphasis to individual agency and responsibility; if only tacitly, it rejects harming someone for the sins of a parent or ancestor, according to (Siedentop, 2014).

Similarly, the U.S. Constitution only requires government compensation for eminent domain, a government taking. In dealing with payments to groups of people, it has been taken to provide for compensation for forced government takings from native Americans and deprivations of freedom and loss of property for Japanese Americans. In the case of slavery (Bittker, 1973) points to *Plessy v. Ferguson* (1896) as the first and last federal authorization for federal discrimination and points to it as a potential basis

² This estimate assumes 25-year generations. Since 1830, there would be 191 years; divided by 25, this would yield 7.64 generations, and one-half, the genetic share of either man’s offspring, raised to the 7.64 power, is 0.5 percent. With a less conservative use of 20-year generations, the result is 0.1 percent. I am indebted to Daniel Klein for pointing out this anecdote and his calculation to me.

³ Private correspondence from author, July 24, 2021.

⁴ All, Biblical references here can be found in (Nelson Inc., 1982) and other versions.

for reparations. The Constitution offers no guidance or provision for any additional payments after the nation secured and provided freedom for former slaves.

Darity & Mullen (2020), provide the latest and most popular discussion advocating the use of the median wealth gap between white and Black households for assessing the cumulative loss of Blacks due to racism. Their work is the point of departure here, but many others have endorsed this foundation for assessing racial differences that have accumulated over the years and their use in considerations for reparations, most notably the previous strong case for reparations provided by (Coates, 2014).

Darity & Mullen (2020) assert: “Given the existing distribution of financial and real resources, [B]lacks cannot close the racial wealth gap by independent or autonomous action . . . Wealth is the best single indicator of the cumulative impact of white racism over time” and that “Data from the Survey of Consumer Finances indicate that median [B]lack household net worth [Wealth] (\$17,600) is only one-tenth of white net worth [Wealth] (\$171,000).” (p.31, all italics are original). The white median family wealth is ten times that of Black median family wealth and this gap should be the basis upon which reparations should be based, in their view. The data are taken from the Federal Reserve’s 2016 Survey of Consumer Finance (SCF). Darity & Mullen (2020) argue that the reparations necessary to bring Black wealth up to the level of white wealth would require a transfer of \$10-\$12 trillion dollars.⁵ In 2016, total wealth was \$88.7 trillion so such a transfer would be very large, even if spread over a decade or more.⁶

Recently, (Darity, 2021) clarifies his advocacy for the relevant racial wealth gap to be that based on the difference in average household wealth, rather than the median difference.⁷ This would make the magnitude of the problem much larger, almost 10 times greater. It would attribute all differences in wealth of whites and Blacks to arise from race alone. Differences in wealth that arise because of age, lifetime longevity, cumulative lifetime income, education, attitudes toward risk or opportunities for risk taking, or a multitude of other factors would be ignored as sources of differences in the wealth of Black or white families. This view rejects the scientific standard that with non-normal statistical distributions of a measure like family wealth, the median is the appropriate representative measure of the central tendency. In that sense, the difference in the median wealth of each group is an estimate of the difference arising

⁵ Institute for Economic Equity (2021) event at minute 13:54 and again at minute 17:10.

⁶ (Darity, et al., 2018, 1) argue “The racial wealth gap is large and growing.” It is argued here that the gap is large, but not as large as they and others suggest, and Table 1 below indicates it is not growing. Examples of more dire estimates of the large size of racial wealth gap and its growth are (Shapiro et al., 2013), who use data from the Panel Study of Income Dynamics and do not account for inflation over 15 years in their comparisons, and (Moore & Bruenig, 2017), who fail to account for consumer debt or the fungibility of wealth.

⁷ Darity & Mullen (2020) shift from advocating the use of the median racial wealth difference to using the average racial wealth difference in moving from Chapter 2 to their last Chapter 13.

from race alone, so long as other factors, such as age, affecting wealth are the same.

This article discusses two of these technical issues that must be addressed in any consideration of the size of the racial wealth gap, especially should policymakers decide to assess reparations for past losses. In Section 2, the issue of a lack of comparability of a key factor that accounts for differences in family wealth is discussed. Specifically, the median age of Black families is much lower than that of white families and age is one of the most important factors affecting wealth accumulation. The age difference would be expected to create a racial wealth gap, even if none were otherwise present. Section 3 addresses a much larger source of overstatement of the racial wealth gap, at least for reparations purposes: the use of the average wealth by Darity and Mullen instead of the median wealth gap advocated by others. Section 4 looks more closely at the origins of claims of a socially addressable claim of racial wealth losses, or a gap, in early and more recent research and the extent to which they might provide a legislative basis for a legal remedy, and it concludes the article.

2. Biases in the racial wealth gap: Age differences

The racial wealth gap, that is the percentage gap between white and Black family median wealth, is a key measure of the shortcomings of Blacks relative to whites in terms of material wellbeing. It is the underlying basis for the discussion of reparations in the minds of many scholars and social critics today. There are many factors that influence family wealth holdings, such as age of the head of the family, current and accumulated lifetime income, preferences for current versus future consumption, desired future wealth for use in retirement or for bequest purposes, attitudes toward risk, and investment opportunities and their risk-return characteristics. If those factors are very similar for both white and Black families, the difference in their median wealth holdings might be attributed to their race alone because of past and or current racial discrimination. This presumption, or that the influence of such other differences cancels out, is implicit in comparisons of large groups where there is no reason, short of closer inspection, to expect meaningful differences in other factors. But in the analysis of the racial wealth gap, age is an obvious and highly significant factor that is different for white and Black families, and it is one of the most important factors affecting wealth.

According to the Federal Reserve's 2019 SCF,⁸ the median level of Black family wealth in 2019 was only \$24,100, while that of white families was \$188,200, not the "traditional" 10 times as large, but amply 7.8 times larger.

The "traditional" 10-1 ratio is in quotation marks above because, despite recent attention to its size, it has little historical basis. Table 1 shows the ratio of white median family wealth to Black median family wealth at three-year intervals from 1989, the first year of the Federal Reserve's SCF to the most

⁸ See (Bhutta, *et al.*, 2020).

recent one for 2019. Note a ratio of white to Black median family wealth of 10 was only observed in 2016 (9.99), the next to last one. This was the traditional measure cited, at least from 2017 to 2020, but the latest figure is 7.81 somewhat lower, but not unusually so. The highest ratio was in the first SCF in 1989, when white median family wealth was over 17 times Black median family wealth, but this is generally regarded as an outlier because it was the first survey and the numbers of Black families included was small⁹ and because the measure was so much lower 3 years later and subsequently; it is not taken to be substantive evidence that the racial wealth gap has declined sharply since the late-1980s.¹⁰ Indeed, the 9.99 estimate for 2016 is the second largest on record, but not much above the mean from 1992 to 2019 of 7.56. The lowest estimate was 6.15 in 1998. The range has been small over the last 27 years, 6.15 to 9.99, and there does not appear to be a noticeable trend. Except for a noted outlier in 1989, the white median family wealth has only been as high as 10 times that of Blacks in the SCF in 2016, and it has not been lower than 6.15 in 30 years of observations.

Table 1. *Ratio of White Median Family Wealth to Black Median Family Wealth in the SCF*

Year	Ratio	Year	Ratio
1989	17.91	2007	8.13
1992	7.04	2010	8.18
1995	7.01	2013	8.07
1998	6.15	2016	9.99
2001	6.33	2019	7.81
2004	6.90		

Source: [Retrieved from] Estimates are based on inflation-adjusted (2019 dollars) wealth levels from scf2019_tables_internal_real_historical, Table 4 and author computation of ratios.

Another example of the excessive attention paid to this ratio (10 to one, or 100 percent to 10 percent, there is a 90 percentage point difference), is a new initiative “NinetyToZero” (Gamboa, 2021) recently formed by the CEOs of several major businesses, philanthropists, and academics to focus on the racial wealth gap between white and Black Americans. The initial group of business leaders join researchers from The University of Pennsylvania, Harvard’s T.H. Chan School of Public Health, the ACLU, and the Children’s Defense Fund and the Robin Hood Foundation, who will incubate the initiative. The aim is to provide a roadmap for organizations to counteract centuries of discrimination, segregation, and financial exploitation, according to the group’s launch plans.

One simple conceptual problem to the measurement of the racial wealth gap is that the headline measure of the gap clouds a central difference between white and Black families and suggests that the size of the gap has

⁹ Thompson & Suarez (2015, footnote 10), point out that the ratio was “particularly high in 1989” due to a lower number (308) of Black families in the sample, compared with 1992, when the number was 357, and by 2016 when it was up to 835.

¹⁰ The Washington Post (2021) has used this outlier as evidence of substantial improvement in the racial wealth gap and capacity to continue to do so, even though they were not even trying.

been substantially overstated: Blacks are, as a group, much younger than whites. The median age of white family heads is 43.7 years old, while that of Blacks is 34.6 years old, about a nine-year difference. Wealth accumulation is heavily influenced by the age of family heads. Wealth rises over a person’s life, accelerating as age rises into the fifties and then slowing as a person moves into late stages of working life and retirement. White families are not only older, but a higher proportion is at their peak earnings and in the early years of retirement. There are many factors that influence wealth besides age, but, other than income or lifetime expected income, none are expected to vary so significantly between Black and white families as much as age.¹¹

Table 2. 2019 Median Age and Median Wealth of White and Black Families, various age groups

Racial Group	Age group	Median Wealth	Median Age
White	All	\$188,200*	43.7**
Black	All	24,100*	34.6**
Comparison 1			
White	< 35	25,400	Under 35
Black	All	24,100*	34.6
Comparison 2			
White	35 to 54	185,000	Close to 43.7
Black	35 to 54	40,100	Close to 43.7

Source: *(Bhutta, *et al.*, 2020, 1, and Table 1); **(Frey, 2020).

There are two ways to adjust for the age difference: compare Black and white families using the Black family median age of 34.6 or compare them at the white median age of 43.7. Comparison 1 in Table 2 shows Black and White families near the median age of Black families. At age 34.6, however, few white or Black families have accumulated much wealth. Most have only recently finished their formal education, started full-time work, and begun to find their own starter housing as renters or more rarely homeowners and are more concerned with the costs of starting new families than in planning for their old age and retirement. Start-up costs have taken most of income and inheritances that they may have had available to save, invest and to begin to build wealth. Wealth held by all Black families at their median age of 34.6 is relatively small, \$24,100. For young whites under age 35, the median wealth level is only slightly higher, \$25,400. But even for this group of white families, the median age is well below age 34.6, biasing the comparison in favor of Black families. These data, however, are the closest comparison provided by the Fed for young Blacks and whites.

The second approach, Comparison 2 in Table 2, is to center the comparison on the median age of the head of white families instead of that of Blacks. Then the median wealth of Black and white groups at this age is comparably based and at an age where there are more significant wealth builders. This is the preferred comparison here for the latter reason. The

¹¹ Other factors besides age that might affect family wealth include income, the composition of wealth, the rate of return on various wealth components, attitudes toward risk, family size, life expectancies, and saving propensities; many of these factors, especially income, also are related to age.

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median age for white families (43.7) is near the middle of the age bracket 35-54 shown in (Bhutta, *et al.*, 2020, Table 1), where median white wealth is \$185,000. Not surprisingly, this is very close to the median wealth for the whole white population, \$188,200. For Blacks in this same age group, age 35-54, the median wealth is \$40,100, well above the median wealth of the whole Black population, but it captures wealth holding of those Black families, who at the midpoint of this age bracket, age 44, are closer to the median age of all white families. This group of Black families is more relevant if one seeks a measure of Black wealth that is more comparable to the wealth of whites of both the same age and close to the median age and behavior of the white population. This estimate is closer to a representative figure for Black families than the typically used figure for Black families who have barely entered their wealth-building years.

On this age-adjusted basis, the racial wealth gap is closer to \$144,900, so whites would have 4.6 times the wealth of comparable Black families of the same age. Information on narrower age ranges, for example age 30-age 39 and age 40-age 49, where each group's median age family, respectively, is about at the center could pin down the wealth holding at the median age for each group a little more tightly. There are also more exact statistical methods of estimation that would permit a more precise age-adjustment, as well as adjusting for any other significant differences, available to the Fed.¹² Such a method is likely to give rise to a somewhat lower estimate of an age-adjusted racial wealth gap as well.

Choudry (2001/2002) uses a panel of Black and white people of a more common age and at a more important juncture in the life cycle. She considers those age 57 to age 61, all approaching the earliest point when they could claim an early-retirement Social Security retirement benefit at age 62, from the Health and Retirement Study wave 1. She finds a racial wealth gap for median whites and Blacks that is 4.16, close to that found here. Note the panel is made up of similar-aged whites and Blacks at an age approaching retirement where wealth-building for most people is at its peak. Of additional interest for household balance sheet research are her estimates of the importance and the effects of including Pension and Social Security Wealth on the measurement of the gap and on the distribution of wealth. Adding the present value of expected Social Security Benefits to Net Worth reduces the racial wealth gap to 2.47 for her pre-retirement groups. Including pension wealth, as well, further reduces the racial wealth gap to 2.26.

Choudry's results are very supportive of the argument and results here. Her results also show the critical importance of including the present value of Social Security and Pensions in assessing wealth and differences by race, and especially in reducing the wealth gaps over the distribution of wealth and in slowing the apparent trends toward wealth inequality. Social Security wealth, especially in the bottom half of the wealth distribution, is typically a

¹² This would be similar to the approach used by (Thompson & Suarez, 2015) using the 2013 SCF, except they do not explore such comparisons.

large fraction of wealth of lower wealth individuals, often the dominant share compared with expanded Net Worth measures, while it is a much smaller share at higher levels of wealth. Her results also point to much larger potential effects of the even larger omitted component of wealth, the present value of human capital, in assessing wealth difference over the working phase of the life cycle.

How much difference does the age adjustment of median wealth make? The age-adjusted wealth comparison above reduces the difference in median wealth from \$164,100 to \$144,900 or about 11.7 percent. Not a great deal, but it has a huge impact on the headline estimate of the excess of median white family wealth of 10 times larger than that of Black families, reducing the racial wealth gap to 4.6 times as large, less than half as much. The implication is that age-adjusted Black median wealth is 21.7 percent of white median wealth, or 21.7 cents on the dollar, not 10 percent, or 10 cents per dollar.

Some of the reduction in the age-adjusted racial wealth gap here is unrelated to the age-adjustment argument. The 2019 Survey of Consumer Finances finds that the white median family wealth was 7.8 times that of the median Black family, down from the headline estimate of 10 times.¹³ This widely cited ratio of 10 times as much was the ratio only found in 2016, and is the highest level observed since the second triennial survey conducted in 1992. The average value of this ratio from 1992-2019 is 7.6 times. But most of the reduction in the racial wealth gap here is due to the age adjustment. The reduction in the age-adjusted racial wealth gap suggests the new initiative for addressing the racial wealth gap should more accurately be called the "Seventy-EightToZero Initiative"¹⁴ instead of the "NinetyToZero Initiative."

3. Alternative bases for reparations

The measurement and size of the racial wealth gap are not the central issue for the decision to make reparations payments or how much. Darity & Mullen (2020) discuss several earlier studies of the losses to Blacks because of American slavery, Reconstruction, Jim Crow, and the discrimination against Blacks. They also discuss other bases for reparations payments and the potential size of such payments. They begin with studies of slavery as a basis for Reparations and the literature on the present value of lost Black compensation due to slavery and their implications for their own work before returning to their own preferred analysis. Darity & Mullen (2020) discuss several earlier studies of the present value of lost Black compensation due to slavery and their implications for their own work before returning to their own preferred analysis. They critique and reject all of them. The best study, from an economic point of view, though not Darity and Mullen's favorite, is (Ransom & Sutch, 1975). They estimate the present value of

¹³ The shrinkage in the racial wealth gap from 2016 to 2019 likely continued in 2020, despite the greater incidence of Covid infections and deaths among Blacks. According to another Fed study, (Board of Governors, 2021), Black wealth rose 11.6 percent, faster than the 10.3 percent growth rate of white wealth. See Tatom (2021).

¹⁴ The percentage point difference (100-21.7) is 78.3 percentage points.

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annual lost earnings less maintenance costs borne by slaveowners from 1806 to 1860, an amount that is \$3.4 billion in 1983. Darity and Mullen argue that the maintenance of slaves, should not be deducted from the estimated lost earnings in computing former slaves' losses, even calling such an adjustment "*astonishing*," because the slaves did not choose the food, shelter, clothing, and other provisions they were given. But slaves did not choose their occupations and their earnings either. It is quite standard in accounting, finance, and economics, however, to deduct maintenance costs in computing earnings from an asset.

The Ransom & Sutch (1975), estimate also excludes 30 years of slave losses from 1776 to 1805 and 5 years from 1861 to 1865. Simply using the average for the fifty-five years that they do cover to estimate the missing years likely produces a substantial overestimate because of the number of slaves and their value were lower in the initial thirty-year period. The result is an adjusted estimate of \$5.6 billion as of 1983. Brought forward with Darity and Mullen's estimate of the rate of return forgone by descendants, 4 to 6 percent per annum, provides an estimate of the loss accumulated to 2019 of \$23 billion to \$45 .6 billion, less than half a percent of Darity and Mullen's reparation estimate noted in footnote 5 above.¹⁵

Estimates of the economic cost of slavery to Blacks ignore the psychic and real costs of abuse, discrimination, and illegal treatment by fellow citizens under slavery, Reconstruction and Jim Crow and since 1954. This is the reason that earlier estimates of losses of Blacks under slavery can be set aside. (Darity & Mullen, 2020) now focus on "*the cumulative effects of racism on living black descendants of American slavery...*" (264). One wonders why they maintain a link between reparations and slavery at this point. That link is broken by their extension of damages to include racism and discrimination. Racism has affected Blacks with origins in the U.S. that arose after the end of slavery.

Bittker (1973) also argues that the costs to former slaves occurred far too long ago to be the basis for any payment to Blacks today. Instead, he bases his notion of a requirement of reparations on a claim that it arose from the cost of segregation, the violation of "equal treatment under the law," beginning with Plessy vs, Ferguson (1896) and extending through Brown v.

¹⁵ Darity and Mullen are preoccupied with land, presumably because of Sherman's failed promise of 40 acres per household, but also because of a sense that land is more permanent and unlikely to be sold, even by future generations. They include several estimates based on three different homestead acts to which former slaves had little or no access due to a lack of resources required. The one that should have had the most interest to former slaves, the Southern Homestead Act of 1866, offered 80 acres (increased to 160 acres in 1868) at nominal fees, but former slaves had little access to resources for acquiring and managing land. By 1876 when the program ended, the program had attracted acquisition of 3 million acres (out of about 46 million available) enough for fewer than 50,000 plots mostly taken by whites, with only 4000 to 5500 freedmen completing the acquisition process. The land available was reported to be of very low quality, including heavily wooded land and swampland. Acquisition by both Blacks and whites were remarkably low compared with Homestead experience further West.

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Board of Education. He is even more specific, unnecessarily so I suspect, even for the law, because he narrows the losses that are compensable specifically to the lost earnings arising from K-12 public school segregation over that period. He suggests that these losses account for the average wage difference between Blacks and whites over the interval.

3.1. The average and median wealth gap

Darity and Mullen have gone beyond the earlier literature on the cost of slavery or Bittker's cost of lost educational benefits from 1896 to 1955. They want to focus instead on the costs of slavery and Black losses due to segregation, the abuses of Jim Crow, and the continuing costs of abuses of racism despite the passage of *Brown v. Board of Education* (1954), or the sweeping range of civil rights legislation since the 1960s. Moreover, Darity and Mullen judge the costs required for reparations or restitution to be assessed based on only one broad financial outcome: the shortcoming in the wealth of Black families relative to white families.

They propose to use the average wealth per household of Blacks and whites at the most recent point of measurement to impute the required reparations per household.¹⁶ And further, they propose a reparation payment that will equate the Black average household wealth to that of whites, assuming naively that such a payment will leave the average household wealth of whites unaffected. All differences in the existing average wealth of whites and Blacks are assumed to arise from race. Nothing is left to be attributed to age, income, human capital, entrepreneurship, attitudes toward risk or risk taking, luck, or any other known reason for these to differ. They assert this wealth redistribution will have no effect on white or other non-Black households, an impossibility they attempt to justify by reference to a proposition referred to as Modern Monetary Theory (MMT).¹⁷

In effect, the gap could be closed by issuing an equivalent amount of government debt, the proceeds from which would be distributed on a per head basis to each Black person, including, presumably, distributions to the household head for each minor child. Ironically, they propose equal payments to newborns, graduates at any level of school, the median age wealth holder, or the retired, or centenarian, based on two criteria: they must be documentable, genetically provable descendants of a former slave, and they must have identified as Black in the twelve years before the passage of a reparations law, presumably for persons over 12 or for the years they have attained. This contradicts their stated desire to move beyond slavery as the root cause of reparation claims. It also means that Blacks whose ancestors arrived after 1865 are ineligible, despite educational possible losses from

¹⁶ Strikingly, between Chapter 2 and Chapter 13, the last chapter, a range over which the measure of the racial wealth gap is not discussed, Darity and Mullen shift from using the median difference (Chapter 2) to using the average, 7 pages from the end of the text (2020, p. 263).

¹⁷ See Darity & Mullen (2020, 391, footnotes 29 and 37).

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segregated schools, segregated workplaces and other sources of racism or racist abuses.

In 2016, average white household wealth was \$795,000 greater than that of Blacks. Using an assumed size of Black households of 3.31 persons per household and 10 million households, Darity & Mullen (2020, p.263) conclude that the reparation requires a payment per Black individual of approximately \$240,000, or \$795,000 per household. The amount of the total reparation in 2016 would be \$7.95 trillion under their illustrative assumptions.

Darity and Mullen also report a page later (p.264) an estimate of total reparations of \$10.7 trillion as of mid-2018. This estimate starts with an estimate of total wealth of \$107 trillion, Black wealth of \$3.21 trillion, and that the Black population was 13 percent of the population. They argue that Black persons should have owned 13 percent of wealth, matching their population share at that time, in the absence of accumulated costs of racism, so the shortfall was then \$10.7 trillion. This is a relatively large increase from the estimated total of \$9.6 trillion in 2016 above; it reflects the importance that their criterion and that their assumptions make. Equating the average wealth per person yields more favorable results in total and per household reparation payment because of the larger size of Black households used in the first case for 2016 and ignoring it in the second case for 2018.

Updating their 2016 analysis to 2019, the imputed estimates would be based on the average wealth per white household of \$983,000, average Black household wealth of \$142,000, for a difference of \$841,000. This is the size of the Darity-Mullen reparations per Black household, based on 2019 data. Again, it would bring the wealth of the average Black household to the same level as the average white household. With more precision, the population of Blacks in 2019 was 46.8 million, the number of Black households was 9.95 million, so there was an average of 4.7 persons per household. Total reparations payments in 2019 would be \$8.4 trillion. The reparation payment per Black person would be about \$179,000. The total figure and reparations per person are smaller than the estimate for 2016 because of the actual larger number of persons per household and other changes in assumptions.

In 2019, the augmented wealth per Black household would make the average Black household wealth \$983,000, essentially millionaires. Black median household wealth in 2019 was \$24,100, but with the reparation payment per household it would rise to \$865,100, about 4.6 times the white median household wealth of \$188,200. The immediate effect of such massive reparation payments would be a groundswell demand from a large majority of white households (holders of up to 4.6 times the white median wealth) for comparable reparations for the discrimination and abuse on multiple grounds imposed upon them over the years and so they could catch up with the median Black household millionaires. Recall that Black households have a median age of about 34 years old about 9 years younger than whites, making the typical median Black household head under the Darity-Mullen scheme a 34-year-old holding \$865,100 of wealth, not far behind the average

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Black household head's \$983,000, but far ahead of the near-decade older median white household head with \$188,200 of wealth.

Black millionaires and billionaires before the redistribution would receive the same transfer as all other Black households, implicitly indicating a presumption that their riches were earned, but they were entitled to the universal wealth bonus of all Black households due to past racism. At the same time, identical large wealth held by white families was presumably solely due to racism. Black infants would be due the same \$179,000 wealth transfer, but after the date of the one-time transfer, new Black infants would receive nothing. Is it possible for these new post-transfer children to have no connection to the racism endured by pre-transfer Black children under the Darity-Mullen plan?

After the wealth transfer, wealth holdings of Blacks would be more equal than before, but the distribution of white wealth holders would be unchanged (again following Darity-Mullen presumption that this could be done without lowering the wealth of any white household). If government could create wealth in this way, one wonders why supposedly racist white households had not already governmentally awarded themselves additional millions of wealth each. Redistribution is not necessary in the Darity-Mullen world, wealth creation channeled to one or another group can solve any undesired difference in relative wealth.

The shift to using the difference between the average household wealth instead of the median is profound. In 2019, the same calculations using the median produces dramatically different results. Recall that the median wealth of white households was \$188,200 and for Black households it was \$24,100, ignoring the age difference and correction for it discussed above. The dollar measure of the racial wealth gap per median household then was \$164,200, not Darity and Mullen's now inflated average of \$841,000. With 9.95 million households, the target total reparation payment based on the median racial gap would be \$1.6 trillion, less than 20 percent of the amount found using the average racial wealth gap. The payment per Black person is correspondingly smaller, \$34,915, instead of the \$179,000 using the average wealth difference.

Using the age-adjusted Black median household wealth in 2019 would reduce the reparation payment per Black person to about \$30,800 and the total payment to all Black households would be \$1.4 trillion, a far cry from the \$8.4 trillion found by equating the average wealth per household following Darity and Mullen. Recall again that Darity and Mullen do not report their complete calculation of the total reparations. Elsewhere they suggest it is even larger, \$10 to \$12 trillion. The median-based estimates here are only 12 percent to 14 percent as large. There are good reasons to use measures like median wages, median personal income, median house prices, median heights, median weights, median ages, or median wealth holdings in comparing groups of people. Among others, they provide more representative measures of differences in performance that are also more relevant for policy.

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3.2. Are reparations payments justifiable?

The case for any reparations is woefully weak, after more than 155 years of benign neglect, for at least political and moral reasons, in addition to the nearly absent genetic and hereditary ties noted above. In the *Bible*, for example, the inequity of judging the living for the sins of parents or ancestors is clearly rejected in the New Covenant.¹⁸ And in law, the same principle of individual agency specifically excludes imputing one's liability for the acts of a parent or ancestor. At the Federal government level, the Constitution requires fair and just compensatory reparations only in the case of eminent domain, when the government itself has acted to take another's property. Otherwise, there are no group rights or group obligations envisioned in it. The Federal government did not establish slavery. But it did go to war to defeat those citizens and states that seceded to protect it.

The Cost of Freedom Dwarfs any Possible Reparations

The losses of the estimated 2.4 million individuals that served in the militaries and their families, the hundreds of thousands wounded or disabled, and the 752,000 lives lost in war (roughly 2 percent of the U.S. population in 1860) to free the slaves, and billions of dollars expended are massive relative to the size of the U.S. population and income in 1860 and cannot be ignored. Ending slavery and freeing the existing slaves came at extraordinary cost to those who fought the war and their families. These costs reflect the much greater value of freedom to some 4 million slaves otherwise deprived of it, to their descendants and to their fellow citizens who made it possible.

The statistical value¹⁹ of the lives lost alone, at current prices, would total almost \$9 trillion in 2021. Those costs were required to secure the end of slavery and to keep the Union together, just causes, and the purposes of the Civil War.

Other Constitutional Connections to Slavery

There is one notable exception to the argument here that the Federal Government never endorsed slavery in its Constitution or laws. The Constitution (Article IV, Section 2) forbade states from attempting to free fugitive slaves and required that these individuals to be delivered to their owners who claim their slaves. This was not abolished from the Constitution until the passage of the 13th Amendment. To reinforce this requirement, Congress passed the Fugitive Slave Act in 1793, but it did not provide resources for enforcement and, as in the Constitution itself, required the slave owners to bear the costs of securing the return of the slaves. This Act

¹⁸ Coates (2014) begins with a quote from Deuteronomy (15: 12-15) that requires a Jewish owner of a slave to endow him or her with food and wine when the slave is freed at the end of the seventh year, the Jubilee. Jews generally no longer honor the practice of the Jubilee. Even if they did, this practice would only be applicable to a living former slave and owner, not their descendants. Note also, the amount of the endowments is not specified, nor is it related to the former slave's productivity or lost wages. Likewise, a right to reparations specified by John Locke in his *Second Treatise of Government*, also noted by Coates, again would apply to a living former slave and living former owner, not descendants.

¹⁹ The value of a statistical human life for various years can be found at: [\[Retrieved from\]](#).

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was poorly enforced and required only a judicial endorsement of actions to return slaves.

Consequently, the return of fugitive slaves remained an issue for slave owners and their states until 1850, when a strengthened Fugitive Slave Act was passed as part of the 1850 Compromise Act. This Act required Federal Circuit Courts in the states to provide resources including employing Commissioners and magistrates to assist in the return of fugitive slaves to their owners in slave states. Again, the Law required the owners of slaves to bear the costs of the return of their slaves, providing no real federal support for the actions. More importantly, most Northern states passed laws opposed to enforcement, or passively resisted cooperation with the Act, causing the overall Act, to fail.²⁰

The Constitution has two other references that touch on slavery, but like the Constitutional basis for the Fugitive Slave Acts, neither bear on a Constitutional endorsement of slavery or potential liability from them. Indeed, in dealing with these and all other matters, the drafters of the Constitution were careful not refer to slavery or slaves. The first is the reference in Article 1, Section 2 on how to count residents of a state for the apportionment of House members among the states, where three-fifth of the number of slaves (“other Persons”) are added to the number of free Persons for determining the number of Representatives to which a state is entitled. In drafting the Constitution, states opposed to slavery did not want slaves to be counted at all because counting them increased the number of Representatives slave states would have and their political power. Largely slave states naturally wanted to count all slaves for the purpose of determining House representation. The three-fifths number was a compromise to induce both Southern states and large Northern states to join the Union.²¹

The second issue was the inclusion of Article 1, Section 9, which began with a prohibition on the Congress’ ability to restrict “The Migration or Importation of such Persons as any of the States now existing shall think proper to admit,” for twenty years, i.e., not before 1808. In effect, this was an assurance to citizens of the slave states that the international trade in slaves could not be prohibited by the Congress until a minimum of 20 years shall have passed. The provision protected the existence of the international slave trade for twenty years to assuage fears of slave states, but explicitly allowed it in 1808. It is so explicit as to virtually guarantee an effort to do so as soon as legal and President Thomas Jefferson led the effort in 1807 for Congress to pass legislation ending the importation of slaves effective on the first day

²⁰ See [[Retrieved from](#)] for details on the Compromise of 1850, Laughlin (2014) “Why the Compromise of 1850 broke down,” and Darity & Mullen (2020, pp.87-89 and notes). The latter also note the Federal statutes beginning with the Missouri Compromise of 1820 and extended in the Compromise of 1850 provide for equal numbers of slave states and free states as states were admitted to the Union (145-7).

²¹ See [[Retrieved from](#)] for an elaboration of this issue and the importance of its resolution.

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that the prohibition expired.²² The institution of slavery and the burdens and responsibilities of it are not rooted in the Founding documents. Indeed, the birth of the nation came about despite the presence of slavery in the states, and one of the essential compromises to establish the Union recognized that the slave trade would end twenty years later and other compromises aimed at limiting its spread were central to its early political history.

Is the Constitution itself a Racist Document?

A broader issue that has arisen in recent years concerns the basic foundations of the Constitution. Proponents of this view conclude that the whole enterprise of the Founding was a Racist fraud whose exposure warrants a new Constitution and reparations. They have argued that the Constitution was rooted in slavery and fostered by slaveholders to ensure that slavery would be further entrenched as the law of the land. In their view, by the mid-18th century the end of slavery was on the horizon without the adoption of American independence and creation of a new sovereign government. Some slave holders allegedly feared a potential end to slavery in England as portending the end of slavery in the colonies. To insulate themselves from this risk, they supported the creation of an independent sovereign country, to protect their economic interests.

This is the cynical view of the New York Times' 1619 Project and many others, including Novak (2022). Novak, at the outset of his book, argues that the Constitution was a "slaveholders' constitution" and its "abolition was the great triumph of the Civil War." Novak means, according to Swaim (2022), the word 'abolition' in a figurative sense. "The Constitution might have been abolished, literally, and wasn't."²³ Swaim (2022) points out that Frederick "Douglass had changed his mind in 1851, arriving at the 'firm conviction that the Constitution, construed in the light of well established rules of legal interpretation, might be made consistent in its details with the noble purposes avowed in its preamble,'" and that Martin Luther King Jr., "similarly finding noble purposes in an imperfect document, would describe the Constitution's ideal of equality under the law as a 'promissory note' to future generations." Swaim points out that Novak cites a proposal by a South Carolina participant named Drayton in the drafting the Articles of Confederation, the forerunner of the Constitution, to confine citizenship to whites, "as evidence that citizenship was a concept under contested construction." Swaim's crushing response: "But surely the salient point is that 11 of the 13 states voted against Drayton's proposal." Indeed, the Founders went to great lengths to avoid discussion of slavery in the Constitution because it was the great dividing issue of the several states. It was largely left to future resolution except that the international trade in slaves was set to end in 20 years.

The "racist origins" of the new nation are not the first Marxist theories about the beginnings of the country. Beard (1913) placed the roots of the

²² The end of the slave trade in England ended in 1807, just before it did in the U.S. The US experience is discussed at [[Retrieved from](#)].

²³ See Swaim (2022) in his review of Nozick (2022), p. 4.

nation in an attempt by the rich and elite Founders to secure their position in a class struggle. Zinn (1980) takes a similar view of the perfidious origins of the nation, focusing on telling the nation's history from the viewpoint of its purported victims. In his view, history is told by the rulers and victors, rather than from the viewpoint of the "victims." Zinn makes no mention of future historians--neither rulers, victors nor victims--as disinterested reporters and analysts of history. Of course, his success in conjuring up a "victims view" made his work very popular, especially as a widely used high school textbook, no doubt raising suspicions among his readers and competing historians of Zinn's exploitation of his own "victims". Controversial texts never fully lose their appeal or disappear. But the scholarship of new historians following their lead recognizes little debt to their increasingly obscure predecessors.

4. Alternative reparations policies and conclusions

Since General William T. Sherman's "March to the Sea" and subsequent Special Field Orders, No.15, issued January 1865, reparations for slaves have been a topic of dispute.²⁴ Proponents of reparations take the failure of the U.S. to follow through on the Orders as *prima facie* evidence of a reneged promise requiring reparations as the beginning of their list of reasons. There was no award of a mule in the original Orders, however, only a promise of 40 acres of land to each family. The mule was the idea of General Rufus Saxton, an aide to Sherman, who oversaw the distribution of land. He rounded up surplus mules and loaned them to some of those awarded land. Sherman's order was never adopted by the Congress, or the president, however. President Lincoln in his Second Inaugural "Malice Towards None" speech made clear before he died that there was to be no punishment, and no reparations for former slaves. Lincoln died a month later in April 1865, but his Vice President Andrew Johnson reinforced this less than two months after Lincoln's death in a May 28, 1865 "proclamation of pardon amnesty to citizens of the South" who would take an oath of allegiance.²⁵ The land was returned to the original owners and the mules were returned to the army.

Both Darity & Mullen (2020), and Coates (2014) present expanded discussions of the misery of Black life from slavery, through Reconstruction, the Jim Crow period, and the Civil Rights era to expand the case, with special attention to the omission of eligibility of Blacks from the Homestead Act of 1862, the post-World War II GI Bill and federal housing policies that

²⁴ McNamara (2019), explains this sequence of events, pointing out that Sherman's staff began distributing some army surplus mules and some of the seized abandoned land along a thirty-mile-wide strip of coastal land and on the islands off Georgia. He points out that some 40,000 former slaves received plots of 40 acres, about 2500 square miles of land, and "some" of them received mules. The mules were an afterthought and not part of Sherman's initial Orders. The mules were returned to the army and the land was ordered returned to the original owners. See also (African American Registry, undated) for a more detailed account.

²⁵ Levine (2021) takes a largely negative view in this regard of Johnson's leadership later in his term.

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effectively authorized a degree of discrimination against Blacks, or at least effectively did so in implementation. The authorization claim is dubious, though in practice in a highly segregated land, it is very likely that federal and state agents implementing these programs, implemented them on a segregated basis and they remained so until systemic discrimination was made illegal in the 1960s. The Homestead Act was passed in 1862 and started at the same time as the Emancipation Proclamation of 1863, prior to the emancipation of the slaves by the end of the Civil War and the passage of the 13th Amendment. Lincoln's Morrill Act of 1862 established the Land Grant colleges. As with the Homestead Act, it was passed before emancipation, and no thought was given to Black attendance. More to the point, however, Blacks were barred from attending land grant colleges by segregation customs and practices in the states, not by federal or even state statutes. A second Morrill Act was passed in 1890 that created 19 Black colleges and universities. Private colleges also were generally segregated at the time and for many years afterwards for the same reason. The first integrated college, Berea College, was private and established in 1850.

But proponents of reparations have widened the case for reparations for such payments over the past 50 years or so. For many years policy analysts focused on the losses of slave wages as the measure of economic losses motivating reparations. Bittker (1973), was the first to move away from the costs of slavery, turning the focus to Black economic losses arising from the Supreme Court's *Plessy v Ferguson* (1896) decision supporting the "separate but equal" provision. Specifically, he advocates a case for reparations based on inferior public educational opportunities from 1896 until 1954 when the Court in *Brown v Board of Education* rejected the principle as unconstitutional for providing "equality under the law." In his view, slavery costs are so distant, already in 1973, as to be legally unimportant, but losses from unequal public educational services could be legitimate judiciously, and if not, legislatively. However, anyone starting to school as recently as 1955 would be age 72 or greater today. Only people older could have a legitimate claim today, though enforcement of the 1954 decision in many areas was not immediate. While Darity and Mullen agree with Bittker on his criteria for reparations, they go beyond, still raising claims based on ancestral slavery, adding costs of past discrimination and public and private racism and its related abuses continuing past "Brown" up to the present. Ironically, they use the ability to prove a genetic connection to a former slave as one of the criteria required to receive reparations under their plan, not Bittker's criteria of Black public educational experience from 1893 to 1955.

Presumably, Darity and Mullen's requirement would have to be deleted for their plan to conform to Bittker's criterion. The eligible candidates would have to be extended to all Black persons or mixed-race persons of Black descent. Lacking a fixed time and fixed basis for how racism and discrimination was suffered, or identifying a group basis for assessing those costs, it would be hard to find even a legislative basis for reparations. There are other problems with the Darity and Mullen plan for reparations beyond

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adjusting for age or other measurement differences in finding an appropriate median wealth gap or choosing between their recommended average gap versus a median gap measure. An equal payment to an infant, a 34-year-old, a 43-year-old, and even a 65-year-old, has no foundation in any theory of justice or equity. They leave open what would have to be done if their plan does not maintain their recommended standard of wealth equality after 10-20 years, or more.

As argued earlier, there was no federal set of laws that explicitly enslaved people or held them subject to discriminatory laws subsequently. The U.S. was able to pay the Japanese for their forcible internment (\$20,000 in 1988, about \$38,300 in 2000, to each living interned person) because it had been a federal order that had ordered it. Moreover, it was Federal Legislation, not a Court decision that provided for the payment. The Japanese internment example offers little guidance for formulating a program for Black reparations.

Perhaps most important, construction of a reparation payment that has the Federal government borrow trillions of dollars and transfer them to a minority of the population without considering the negative effects it would have on white wealth or on the risk premium associated with future economic and political performance in the United States ignores the rich literature on country risk in the United States and abroad.

4.1. Other considerations for any reparation plan

There have been many proposed amounts for reparations payments over the last 60 years at least. Coates (2014), points to the Bittker (1973) proposal to compensate Blacks over age 15 an amount equal to the average per capita wage difference between Black and white workers on a one-time basis, about \$34 billion in 1973. Adjusted for inflation to 2020 that would be an equivalent \$159 billion in 2020.²⁶ Coates says this could be added to a reparations program for a decade, bringing the total to about \$1.6 trillion in 2014, close to the estimate found here using the median racial wealth gap, but without the age or other comparable adjustments, and for 2019, instead of five years earlier. The preferred estimate here for reparations compensation constructed from the racial wealth gap is age-adjusted and amounts to only \$1.4 trillion in 2019. Professor Charles Ogletree, Coates says, argues for something broader: a program of job training and public works that takes racial justice as its mission but includes the poor of all races. Darity and Mullen would argue against a broad and collective payment to all poor citizens, or one based on income because, in their view, it is the longevity of the debt to individual Black descendants that must be recognized, and some restitution made based on an accumulated lost-wealth basis. Reparations, in

²⁶ Bittker (1973) suggests using the average wage difference as an estimate of the loss arising from lower educational quality for Blacks educated before 1955, but he also cites a wealth estimate and implies wealth could equally well have been used. Measures of wealth were very scarce in 1973 and less reliable. Adjustments for inflation here use the Personal Consumption Expenditures deflator measure of prices.

their view, should offer a payment with an expected permanence comparable to the decades of loss. Ogletree implicitly recognizes the Constitutional difficulty of passing a program only for a class of Black citizens, however.

Choudry (2001/2002) points out that the racial wealth gap is much larger than the racial income gap. At the time she assessed the median racial wealth gap to be about 5, so that median white household wealth was about 5 times as large as that for Blacks, while the racial income gap was about 2, so that the median white household had an income twice as large as median Black household income. She points to several other studies that support this claim. The implication is that Blacks are more risk averse, holding relatively more bank or market Certificates of Deposits and other fixed income securities, while whites hold larger shares of higher risk, higher return equities, including their own businesses. Reinforcing this is the fact that Black housing wealth does not appreciate as rapidly over time. Lower return assets will grow a wealth portfolio more slowly, even for the same saving rate used to add to wealth each year, which the evidence also suggests are racially similar.

Preferences for low risk-low return assets may spring from lower financial acuity and financial literacy that informs personal risk-return preferences for safer assets and choices of assets with lower rates of return. These differences are also common to other lower income groups of people. To the extent these factors account for the racial wealth gap, it should not be used "as the most robust indicator of the cumulative economic effects of white supremacy in the United States." (263). At lower incomes, whites, women, other racial, or ethnic groups may exhibit stronger preferences for safer, lower rate of return assets. This implies that the outsized racial wealth gap overstates the disadvantages faced by Blacks and that it should not be used for determining reparations payments. The implication of the difference in these gaps and the evidence suggest the larger relative difference in racial wealth is due to differences in behavior, not race. This implies the appropriate basis for judging "cumulative [economic] effects of racism" (264) is not wealth, but rather income.

The ratio of median white income that was at two at the beginning of the century, according to Choudry (2001/2002) and others, has shrunk to about 1.71 in 2019, according to the Fed's 2019 SCF, about a 15 percent relative improvement.²⁷ Adjusted for the lower median age of Blacks compared with whites, this gap is likely to be even lower.

A more reasonable redistribution would be to provide a large income credit to Blacks, or more likely for legal reasons, to all low-income citizens for several years, say 10 years for example, rather than attempting a more massive wealth transfer. Periodic reviews of the racial income gap could be used to assess the declining size of this transfer. The biggest problems with

²⁷ See Bhutta, *et al*, (2020, Table 1).

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this, besides the lower redistribution itself, is that the racial wealth gap might persist into the indefinite future even if the racial income gap were to be closed by a transfer, and that, more important, the income gap in the absence of the transfer might grow instead of decline because of the transfer or for other reasons.

Opportunities to improve financial literacy and investment skills and perhaps credits that boost returns for risky investment beyond existing market incentives might also narrow the wealth-income ratios of Blacks as well. Another problem of inequality that could be addressed with this policy is the human capital gap. A policy to reduce the racial wealth and income gaps should include a greater focus on human capital investment. At least for whites the rate of return to human capital investments of various sorts are much higher than for non-human wealth.

Addressing differences in the quality of schools and the vocational choices of students toward professional fields could not only reduce the racial wealth gap eventually, but also improve the racial income gap more quickly. Neither Darity & Mullen (2020) nor Coates (2014), pay any attention to the contribution of improving human capital or schools. Darity and Mullen do point to the inferior quality of Black schools as another justification for reparations. Both works ignore the contribution of the elimination of quality differences by improving the quality of those schools.

There is strong evidence that charter schools make a significant improvement in student performance, not only in academic performance levels, but in social or behavioral skills as well. The rate of return to investments in human capital should make such investments a top priority if policymakers are serious about narrowing wealth and income gaps. Charter schools and investments in human capital are the fastest ways to sustainably reduce income and wealth inequality. It is more likely that a consensus around federal reparations can be built around special assistance for faculty and facilities to predominately Black K-12 programs, including charter schools, than outright cash payments to Black citizens with ancestors who were victims of slavery and the Jim Crow era.

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