Redirecting Economic Policy after the Pandemic: Expanding Black Reparations

John B. Davis
Marquette University and University of Amsterdam
john.davis@mu.edu

Abstract: Disadvantaged social groups in the US suffered disproportionately in both the covid pandemic and the Great Recession, worsening already high degrees of inequality in intergenerational income mobility. Reparations for descendants of the formerly enslaved that would eliminate the black-white wealth gap constitute a transformative economic policy that would begin to address this. Yet the racial wealth gap could subsequent to payment of reparations re-widen due to the highly segregated nature of the US. That might be forestalled should additional reparations in the form of social capital investments in predominantly black communities and institutions accompany individual reparations. This paper explains how reparations recipients' private investment returns particularly in those communities and institutions would be raised by such investments which would additionally raise well-being in them. The argument for this policy of expanded reparations is explained in terms of the persistence of racial segregation in the US and the principles of restorative justice.

Keywords: reparations, racial segregation, social capital, multi-ethnic society, restorative justice

1 Reparations policy as socially and economically transformative

A clear lesson from the pandemic in the US case (Buder and Jennings, 2023), one that repeats the lesson for the US from the Great Recession (Arestis et al., 2014; Addo and Darity, 2021), is that economic crises worsen inequality and disadvantaged social groups suffer disproportionately. For the US this comes on top of the long term trend since the 1980s that has seen inequality continually worsen. In terms of absolute income mobility or the fraction of children who earn more than their parents, absolute mobility has "fallen from approximately 90% for children born in 1940 to 50% for children born in the 1980s" (Chetty *et al*., 2017, p. 398; also see Chetty *et al*., 2020; Bradbury, 2023). It seems well possible that not only will this long term trend continue, but periodic economic and social crises, such as we have seen with climate change catastrophes, will ratchet up this trend even higher, and thus further worsen inequality and the circumstances of disadvantaged social groups in particular. Some may hope that economic growth will come to the rescue. Yet "Increasing Gross Domestic Product (GDP) growth rates alone cannot restore absolute mobility to the rates experienced by children born in the 1940s," and only "distributing current GDP growth more equally across income groups as in the 1940 birth cohort would reverse more than 70% of the decline in mobility" (*Ibid.*).[1]

Mainstream economic policy is ameliorative in nature due to its marginalist, efficiency-based theoretical foundations and is consequently incapable of addressing this kind of challenge. Its object is to make markets work more effectively, and within that narrow frame is restricted to being only an economic policy when the challenges increasing inequality create call for policies that are transformative in addressing the nature of society itself.

Progressive economic policy can be transformative and be aimed at addressing increasing social inequality. Of the heterodox economics approaches that have made inequality their focus, stratification economics in particular draws on calls many have made for reparations for black Americans in advancing a specific plan for addressing racial inequality in a transformative manner in the US in the form of payments to the descendants of slavery (Craemer *et al*., 2020; Darity and Mullen 2020, Darity, Mullen, and Slaughter, 2022; Darity and Mullen, 2023). The goals of this plan are to compensate the descendants of the enslaved and to eliminate the white-black racial wealth gap. Here I discuss this plan in light of the 400 year history of apartheid-like racial discrimination that has created the current caste system of social segregation in the US.

The plan calls for reparations to be paid directly to eligible black Americans with the size of those reparations determined by what would eliminate the white-black racial wealth gap. Reparations could also take the form of trust funds that recipients could draw upon for various asset-building projects such as home ownership, education, start-up funds for businesses, or vouchers for the purchase of financial assets" (Darity and Mullen, 2020, 265-6).

I argue, then, that due to long-standing, deeply entrenched nature of racial segregation structures in the US, particularly as affect housing, education, and health care for most black Americans, while this financial compensation would initially eliminate the racial wealth gap, that gap could widen again after payment of reparations. My assumption is that reparations recipients would invest significantly in predominantly black communities and institutions, but that average returns on those investments would be generally less than average returns on white individuals' broader, less-specific investments. Thus, over time these differential returns would work to re-widen the racial wealth gap. The root of the problem lies in how racial segregation has put black communities and institutions at a disadvantage as competitive targets of investment.[2]

[1] This illustrates what Alan Krueger, Chairman of the Council of Economic Advisor in the Barack Obama White House, called the 'Great Gatsby curve' where higher inequality in a society, in his case the US, is associated with a lesser ability of children of the next generation to advance beyond their family income status (Krueger, 2012; see Durlauf and Seshadri, 2017).

[2] The argument is not that the racial wealth gap would re-widen because an endogenous divergence in white and black beliefs about risky returns developed since slavery would bias reparation recipients against less risky, high return investments (Boerma and Karabarbounis, 2023). Nor is the argument that windfall psychology (Epley et al., 2006) would produce higher shares of consumption and perhaps poor, hasty investments on the part of reparations recipients. Both such arguments blame recipients. The argument here blames the segregated nature of US society.

In response to this, I argue that this plan of reparations should be supplemented by an additional set of reparations in the form of federally financed public or human capital investments aimed specifically at building social capital in the communities and institutions important to many black Americans – a hybrid, two-part plan. These additional reparations would improve well-being in these the communities and institutions, but also raise private returns on reparations recipients' investments in them, thus working to forestall a re-widening of the racial wealth gap.

Section 2 discusses the apartheid-like caste structure of the US economy, its historical foundations and the 'functionality' of that structure for the US economy, which relies on persistence of a system of social segregation and 'premarket' discrimination in housing, education, and health care to secure 'in-market' discrimination in labor markets. In terms of economics' traditional goods taxonomy, this creates domains of inclusion and exclusion, the first characterized as a protected 'club'-type domain for advantaged high-ranked social groups and the second characterized as an insecure common pool-type domain of vulnerability for disadvantaged low-ranked social groups. I infer that investments in the former would on average earn higher rates of return than in the latter, so to the extent that reparations paid to individuals were invested in the latter domain the racial wealth gap would likely re-widen over time.

Section 3 discusses why investments in public goods, more specifically human capital investments in predominantly black communities and institutions, when accompanying reparations paid to individuals, should be expected to prevent a re-widening of the racial wealth gap. Consensus thinking in economics is that rates of return on public and human capital investments are higher than rates of return on most private investments. Thus, not only would public/human capital investments in these communities and institutions strengthen them, but to the extent that reparations recipients also invested in them, this would also work to raise private returns on their investments.

Section 4 discusses why public goods and human capital investments in predominantly black communities and institutions are social capital investments. Social capital investments build social networks and promote shared social norms – the defining characteristics of social capital. That predominantly black communities and institutions especially rely on social networks reflects their social cohesion and individuals' self-perception that they share a distinct social identity in a highly segregated society.

Section 5 argues that rates of return on social capital investments in predominantly black communities and institutions are likely to be higher than rates of return on most public goods and human capital investments. Because those communities and institutions are significantly under-funded relative to advantaged white communities and institutions, they offer greater amounts of under-employed talent and skill than the latter. In effect, the US apartheid-like caste system of racial segregation creates significant opportunities for improvements in well-being in predominantly black communities and institutions – making a virtue out of a vice. I argue that these investments, seen as social capital reparations, when accompanying reparations paid to individuals, would work to prevent a re-widening of the racial wealth gap and eliminate well-being gaps in housing, education, and health. Implicit in this plan is a particular vision of a multi-ethnic society.

Section 6 discusses how this hybrid, two-part plan of individual reparations and social capital reparations would constitute a transformative economic policy that would not only work to permanently eliminate the racial wealth gap in the US, but also make social justice the basis of economic policy. I argue from the perspective of restorative social justice that this calls for there to be restitution paid to individual descendants of the enslaved, but also for there to be social capital investments in predominantly black communities and institutions to make possible long-lasting change in social relationship between whites and blacks in US society.

2 The apartheid foundations of US segregation structures

The foundations of the US apartheid-like segregation structures dates back to the origins of African slavery and from the failure of the post-1865 political process to create a socially and economically independent conditions of a free existence for the formerly enslaved. Black reparations were envisioned in limited degree with the promise that heads of households would receive forty acres of farmable land and initial capital of a mule to farm for themselves, but this promise was soon broken and never pursued seriously in the Reconstruction period. What was left in its place was a legal strategy in the shape of the thirteenth, fourteenth, and fifteenth amendments to the US Constitution. The thirteenth codified emancipation ending slavery, the fourteenth granted citizenship to those born in the US, and the fifteenth granted the vote (only to men) barring restricting it anywhere "on account of race, color, or previous condition of servitude." Yet as Eric Foner (2019) argues in his history of the amendments, by 1870 when the fifteenth finally passed, not only had political momentum in the North for addressing the consequences of the war dissolved, but the onset of white terrorism and armed resistance in the South had begun to push the country toward ending Reconstruction and bringing in a new *de facto* system of slavery.

W. E. B. Du Bois in his study of post-War Dougherty County, Georgia, representative of social relationships in the South after the end of Reconstruction, describes how this *de facto* system of slavery bound former slaves to a never-ending burden of debt – the crop-mortgage or crop-lien system – that masked the nominal pretense of 'free' labor. Key to the system, and to how it replicated pre-war slavery, was that it denied "the right of a Negro to change his habitation" through "hindrances to the migration of labor" it put in place (Du Bois 2019, 102, 103). These were both debt servitude and the ever-present threat of violence that caused a "huddling for self-protection" and "massing of the black population for mutual defence" (103). Dougherty County was majority black, and the defeat of the South had disrupted plantation economy and the white militias that had enforced it. This new system, Du Bois observed, did essentially what slavery had done: it immobilized and concentrated the black population within designated geographic areas in order to secure their control and allow their exploitation through debt peonage.

The physical and social isolation and segregation of blacks by whites later took on the name of apartheid after South Africa's 1948 black 'homelands' law. Apartheid, or an 'apartness' of social groups, denies or curtails access to every domain of life to certain social groups and reserves it to others. Its ancient foundations are caste systems that order and rank different social groups through principles of inclusion and exclusion that respectively privilege some and discriminate against others according to social group status. The effects of such system of physical and social isolation translate through to control of education and skill acquisition, which then underlies labor market discrimination, which then underlies the racial wealth gap. Segregation structures thereby become 'functional' to how entire societies and economics are built upon systems of social inclusion and exclusion.[3]

We can show clearly how for standard economics market systems are organized around systems of social inclusion and exclusion when we see what the standard goods taxonomy (see below) tells us when we emphasize people's social group status. There are two types of social-economic locations or destinations into which people then fall: (i) a 'clubs' goods and local public goods type location, where access and opportunity is limited to particular groups of people by emphasizing excludability and minimizing rivalrousness, and (ii) common pool type locations, where excludability does not exist and rivalrousness is pervasive – in effect, a Hobbsean 'war of all against all' world (Davis, 2019).[4]

Economics' standard goods taxonomy

	Excludable	Non-excludable
Rivalrous	Private goods	Common pool goods
Non-rivalrous	'Club' goods, Local public goods	Public goods

Clubs are private organizations. Local public goods are public goods made available to groups of people in a particular location that function as if they were clubs. Both are kinds of social institutions. Most economists, however, pay them little attention and focus on the relationship between private and public goods on the northwest-southeast axis. Since they treat clubs and local public goods as special cases of relatively little importance, this institutional foundation of markets remains in the background of their explanations of the market process. Stratification economics, in contrast, focuses on the southwest-northeast axis to make clear the ways in which market economies are organized around systems of inclusion and exclusion.

[3] Darity (2001) develops the functionality hypothesis in terms of how 'credentialing' in 'premarket' domains of life – education, housing, and health care – predetermines labor market discrimination. Regarding 'premarket' differences, also see Neal and Johnson (1996), Carneiro, Heckman, and Masterov (2005), Chelwa, Hamilton, and Stewart (2022). The argument that social stratification is functional to how many societies are organized goes back to sociologists Parson (1937) and Merton (1949). The idea that economies are organized around non-competing social groups goes back to Classical economics and has more recently been argued in economics' labor market segmentation literature (Doeringer and Piore, 1971; Cain, 1976, 1986; Gordon, Edwards, and Reich, 1982; Darity and Mason, 1998; Blau and Kahn, 2000). For a review of the origins and foundations of stratification economics, see Davis (2024).

[4] Excludability concerns whether people's access to goods is limited or not, and rivalrousness concerns whether one person's use of a good limits another's use of it. In different economies, these properties fall on a spectrum rather than as they are represented in the simple dichotomous form of the standard goods taxonomy.

The key difference between these two different perspectives is that the northwest-southeast axis explains the world in terms of individuals (public goods as a departure from private goods) and the southwest-northeast axis explains it in terms of social groups. Clubs are organizations that are institutionally closed by membership rules to sets of individuals privileged by their membership. Local public goods, such as associated with community zoning laws, red-lining, restrictive covenants, disparate levels of educational funding, employment-based health care systems, etc. provide privileged opportunities to some and close them out to others. That is, the dichotomy between southwest and northeast locations is reflective of apartheid-like systems of economic and social organization such as are based on racial segregation and other forms of social segregation.

A recent study of residential segregation in the US focuses on local public goods, and finds that "segregation across local government boundaries explains a substantial share of racial stratification," and "between-jurisdiction segregation patterns cannot be explained solely by proximity to neighborhood amenities" (Monarrez and Schönholzer, 2023, 863). Closed off high income, high amenity neighborhoods essentially are private clubs, and those who are not 'members' end up residing in low income, low amenity common pool types of neighborhoods.

One effect of this for the latter is that it produces opportunities for their financial exploitation, for example, in connection with payday loan sharking in poor neighborhoods (Desmond, 2023, 63ff). Another effect is that since residential exclusion structures people's employment profiles, in macro-level terms this creates an occupational sorting that perennially locates people in insecure working class employments (Addo and Darity, 2021).

How can apartheid types of economic systems be broken down? The following sections turn to how social investment in the communities of the excluded could contribute to doing so.

3 Public goods and human capital investments

The literature on public goods investments, including public human capital investments, such as in infrastructure, basic research, public health, green technologies, education, job training, etc., is extensive and complex (e.g., Munnell, 1990, 1992; Misch and Wolff, 2008; Heintz, 2010; Bivens, 2012; Fournier, 2016). However, it is generally argued that public and human capital investments earn higher rates of return than private investments for several reasons. First, since public goods and human capital tend to be under-invested in by private investors (since the gains from them accrue to many besides themselves), when these investments do occur (and are well-conceived), they are likely to realize considerable benefits. Second, the scale of possible investments in public goods and human capital is often large relative to most private investments, so the total of benefits generated can be very large relative to their costs. Third, since public goods and human capital investments can have significant spillover effects on private investments in creating private investment opportunities that would not occur in their absence, returns on public goods and human capital investments include both their own high net benefits and how they improve private returns through their effects on economic growth and productivity.

Calculating returns on public and human capital investment and the private investment is complicated by indeterminacies involved in predicting their interaction, by the variety of different possible forms of public investment, for a number of methodological reasons, and because of significant data issues. A basic problem is that, whereas costs are typically incurred in the present, future benefits of both kinds of investments often cannot be reasonably estimated because the future is uncertain. I nonetheless follow the general consensus in the literature that public investments can both earn returns higher than average private returns and raise the latter. The next section turns to investments in social capital in predominantly black communities and institutions, particularly in housing, education, and health, but that those investments could be expected to earn even average returns that many human capital investments.

4 Social capital investments

Social capital investment is a specific form of human capital investment distinguished by its distinct underlying social basis (Bourdieu, 1986; Coleman, 1988; Putnam, 2000). Social capital is generally understood in terms of social networks and social norms, and exists where particular groups of people share a common experience, regularly interact with one another, and often occupy the same geographic space or a social proximity to one another. Whereas human capital can be explained in terms of individual skills and abilities, social capital is relational in character in reflecting social ties and trust relationships between individuals, for example, between teachers and students, workplace colleagues, family members, and teams of many kinds, and consequently depends importantly upon personal contact and past shared history. In contrast, most public and human capital investments are used by large groups of people, do not depend upon any particular sets of relationships between them in these investments design and use, and are generally intended to have cross-group society-wide benefits. In social identity theory terms, social capital builds upon people's relational social identities whereas public and human capital focuses on their social group identities.[5]

High levels of social capital have been shown to be strongly associated with high levels of community social cohesiveness (Chetty, R., Jackson, M.O., Kuchler, T. *et al.* (2022a, b). Social networks and social norms interact to produce this. Social networks are sets of interrelated connections between groups of people that can become tight and dense when their interaction with one another is particularly concentrated. Social norms are values shared by groups of people regarding what people customarily ought to do in a range of circumstances, and are more influential in people's lives when those groups are relatively cohesive. Social norms are reinforced when social networks are tight and dense since the latter produces high degrees of sharing of the former. Density of social networks in turn reflects not only high levels of common experience but also shared social characteristics such as having the same sets of social identities.

When we focus on social networks and social norms, we often focus on the neighborhoods in which people live because neighborhoods have boundaries that can allow collections of people to form closer ties with one another than with people elsewhere. This social relationship in the form of social networks with social norms they generate create a sense of and awareness of community cohesiveness. People reflexively see themselves as part of a community in virtue of these networks and norms. Neighborhoods of course vary considerably in the degree to which they acquire a

[5] These two forms can overlap, for example, when teachers and students who have teacher-student relational social identities also have their own social group identities.

cohesive character, but one factor involved is whether people in them experience a shared sets of challenges. One important shared challenge that has been extensively documented in the urban economics literature is high levels of poverty and social deprivation (see Silver, and Messeri, 2014). Essentially, social networks and norms acquire greater prominence and social salience when people face high levels of social and economic insecurity such as associated with persistent joblessness, breakdowns in social ladders, and collapse of social services (Wilson, 2012 [1987]).

Racial segregation in the US, then, produces the conditions for dense social networks and strong social norms. The restriction of black Americans to particular geographic areas, both rural and urban, increases the density of their social networks, and high levels of social and economic insecurity strengthen the role social norms play in individual decision-making. People's individual identities then include not only their social group identities but also their community-level neighborhoods social identities. In the case of urban and suburban areas where over 80 percent of black Americans live, evidence shows that where there are high levels of segregation there is also a strong sense of black social identity (Cox and Tamir, 2022). A manifestation of this in such areas are various different and often overlapping social networks that provide tangible modes and resources generating social cohesion on neighborhood and community levels (Ong and Gonzalez, 2019).

Social network and social norms also build social cohesion at the level of particular institutions where community is built around specific types of interaction. Consider for example, education in Historically Black Colleges and Universities (HBCUs). There is evidence that in HBCUs social cohesion, based on student friendship and teacher-student trust relationships, plays an important role in determining scholastic performance (Bentley-Edwards and Chapman-Hilliard, 2015). Because HBCUs are the product of black students' exclusion from predominantly white colleges and universities, their inclusion in black colleges and universities creates a shared common experience with their peers that supports scholastic performance as compared with in predominantly white colleges and universities where students often feel their abilities are diminished.

Another institutions example are neighborhood clinics for primary health care. In a study of the Philadelphia metropolitan area, it was shown that racial minorities are more likely to live in under-served primary care shortage areas. Community health care centers (CHCs) play a significant role in increasing health care access, particularly in regard to health issues facing individuals face due to challenges they face living in their neighborhoods. CHCs may indeed outperform regional health clinics in addressing neighborhood health issues because they focus on them directly, rather than on region-wide health issues that concern larger numbers of people. This means that not only do CHCs work to reduce health disparities between disadvantaged and other social groups but that they also are more likely to be successful in addressing health issues specifically affecting the former (Seymour et al., 2017).

The general conclusion here is that the strongly entrenched system of social segregation that US history has produced has created specific needs for black Americans that can be addressed by programs that build resources that targeting these needs in black communities and institutions. When framed in terms of social capital investments those resources are conceptualized in terms of the social strengths of those communities and institutions. Those strengths reflect their social cohesion and individuals' self-perception in them that they share a distinct social identity in a highly segregated society. Thus, the view here is that when we put in place reparations for black Americans, the plan of direct payments to descendants of the formerly enslaved ought to be accompanied by public/human/social capital investments which build on the social networks and norms in these communities and institutions.

Doing this has its own rationale in improving people's opportunities and well-being, but a further effect is that such investments can be argued likely to have high average returns exceeding average returns on most private investments, raise average returns on investments made from individual reparations in predominantly black communities and institutions, and thus work to prevent a re-widening of the racial wealth gap. In the next section I turn to the theory behind this conclusion and the evidence, in connection with housing, education, and health care, why and when average returns on these investments would likely be high.

5 Social capital investments in predominantly black communities and institutions

Standard economic theory gives us a reason to expect investments in black communities and institutions would generate average returns higher than on most private investments, and perhaps also on most public capital investments. Beckerian labor market discrimination theory explains one reason why (Becker, 1962). When discriminators such as business firms discriminate against whole groups of people, and there are insufficient numbers of skilled and talented individuals they prefer to hire, they must employ less skilled and talented individuals than were they to draw from all social groups, so that were they to end discrimination profitability and returns on investment in firms would be higher. Similarly, where whole groups of people have been discriminated against, not just in labor markets, but also in housing, education, and health care systems, returns on investments in those domains would in principle generate higher returns than on most private investments.

Those returns would like public investments be measured in terms of how benefits generated in terms of quality of life in improved housing, scholastic performance in schools, and gains in health states exceeded the costs of those investments. One caveat is required associated with what can be termed scale effects. Gains from small investments in these domains are limited by the interlocking effects on individuals of systemic deprivation. For example, improving schools is important but where housing and health care are poor, the benefits in terms of improved scholastic performance from investments in schools are constrained by the ability of students to take advantage of them. Or for example, when housing is poor, health outcomes are often not good, so investments in CHCs by themselves cannot be entirely expected to reverse lifelong health problems.

However, the interlocking character of individuals' systemic deprivation also tells us that these investments can have nonlinear effects on well-being and that when they are large and across multiple domains, thresholds can be passed after which benefits from them can be large relative to costs. In effect, a system of racial segregation centuries in the making requires that social investment aimed at breaking it down needs to be very large if that investment is to achieve the goals it could. Another implication is that private investments in these domains, either from recipients of reparations or individuals generally accompanying these investments, could play an important role in micro-targeting specific needs large social investments do not anticipate.

I do not attempt to estimate the magnitude of investments that would be of sufficient scale as to produce significant net benefits in the form of improvements of quality of life in these domains and others, or attempt to say what time frame is involved. Estimating the needed magnitude of these investments involves complex analysis and calculation that incorporates multiple interrelated measures of disparities in housing quality, education access, and health care outcomes between whites and blacks. Nonetheless, the goal is straightforward: identify racial gaps in housing, education, and health, and determine programs of investment that would work to eliminate them. These well-being gaps, it is emphasized, are connected to and related to the racial wealth gap. It can be argued that only eliminating the latter would not necessarily or even likely eliminate the former. If we are to see individual reparations as a means of rectifying the injustice of centuries of racial oppression, I suggest, eliminating the racial wealth gap should go hand-in-hand with eliminating racial well-being gaps in housing, education, health, and other dimensions of well-being

A different point to note is that social capital reparations in the form of investments in predominantly black communities and institutions, coupled with individual reparations, when scaled adequately and targeted and administered properly could bring racial equality but without eliminating majority white and black communities. They could be expected to persist long after community equality is attained even were the principle of community equality accepted by most people. Indeed, the culture behind racial segregation in the US makes a case that majority white and black communities would continue to exist for some period of time, implying that the goal of racial equality should be pursued without making it depend on progress in the emergence of more integrated communities.

This offers a vision of a multi-ethnic society alternative to one where people live side-by-side irrespective of their ethnic differences. In this vision, different communities may be relatively independent from one another, be equally prosperous, and negotiate their differences in a peaceable manner. That is, a multi-ethnic society does not require greater racial and social integration. A multi-ethnic society thus first aims at equality as its goal, and given this allows people's social interaction to evolve over time.[6]

In order to frame this pathway in normative terms, the following final section briefly discusses reparations policy in connection with the concepts of restorative justice.

6 A transformative economic policy

Standard economics' normative thinking is focused on efficiency, and though there exists an equity-efficiency literature, it is based on the idea of trade-offs where addressing equity implies efficiency is sacrificed. This blocks off normative reasoning that treats equity/fairness as an intrinsically valuable and undermines making justice a primary concern. Standard economics with

[6] On the analogy of the current conflict between the Israelis and the Palestinians, a 'two-state' solution is the only realistic one for the foreseeable future.

its ameliorative posture is organized around making markets work better. Yet the existence of social stratification, stratification economics tells us, means it ought instead be organized around making society more just.

Reparations policy is a social justice concern, one in the US that is strongly tied in its history of apartheid-like social injustice. This requires that we see reparations policies meant to address this history in long view terms – terms that extend both back into the country's terrible history of racial oppression and forward in the direction of how US society might begin to move past that history.

Edward Bellamy, now largely forgotten, effectively did this in his once highly successful *Looking Backward: 2000-1887* (Bellamy,1889; see Davis, 1988), a book that soon after its publication sold over 400,000 copies, a vast number at the time that was only exceeded in copies sold by Harriet Beecher Stowe's searing condemnation of slavery in *Uncle Tom's Cabin* (Stowe, 1852). Bellamy in 1887 imagined life in Boston in 2000, and saw that future as a product of its past and one that had addressed that past. The past for Bellamy included slavery and the war to end it. His simple point was that any future yet to come would inescapably have to deal with that past. This lesson remains true today when we creating our coming future, but it is not one we can realize without a transformative social economic policy. This is the way in which a policy of reparations needs to be understood.

Policies have goals at their center, and in this case the two goals of current policy of reparations are to see a debt paid for slavery – restitution – and to eliminate the racial wealth gap, a legacy of that past and a bridge to the future. That the debt is to be paid by the US government, and a statement in the name of the nation that it bears responsibility for its history of racial injustice, gives black Americans restitution for the past. Restitution refers to an act of making up for and rectifying past wrongs. More broadly, it constitutes an instance of restorative justice.

Restorative justice has different meanings, but it goes beyond restitution *per se* in establishing means and mechanisms by which wronged individuals and perpetrators of those wrongs learn how to live together in a new relationship. An act of paying compensation is one part of this. Acceptance by perpetrators of past crimes that they were unjust is another. More, however, than the acts of doing these things is involved since where the principles of restorative justice have been adopted, they inaugurate a process of mutual examination of the changed nature of the relationship between the two parties. That process is not closed off within any time frame because ending past relationships and starting new ones, particularly where large numbers of people are involved, is complex and difficult, especially when the crimes of the past have been over long periods of time and done immense harm.[7]

Restitution as an act of compensation occurs at a point in time, and thus if seen as a component of restorative justice, is more a beginning of a process than an end to one. Or as Bellamy saw it, looking backward is inseparable from looking forward. The point here, then, is to say that in

[7] Two clarifications regarding restorative justice. First, restorative justice also operates in connection with crimes by individuals against individuals, and while it can be, it is not always framed in terms of broader social relationships. Second, while some argue that restorative justice involves injured parties forgiving those that harmed them, this is not necessary to the main idea behind it, which is that the parties engage one another in determining a new relationship between them. Indeed, it seems hard to deny that some crimes cannot and perhaps ought not ever be forgiven.

addition to the two goals tin he plan for individual reparations there is another goal: that this act initiates a process of the two parties in the US to learning how their relationship must change. A very concrete practical consequence of this is that the racial wealth gap, to be eliminated by the payment of reparations, should not re-widen again in the future, at least due to systematic forces, since that would create expectations that the old relationship between whites and blacks will continue.

This paper argues that individual reparations alone are likely not to prevent a re-widening of the racial wealth gap. The basic reason why is that the still highly segregated character of American society will continue to penalize black wealth accumulation. That is, the social structure of the past remains with us and must accordingly be compensated for just as individuals would be compensated. Yet the vice of segregation can alternatively be the foundation of a virtuous future should individual reparations be accompanied by social capital reparations invested directly in black communities and institutions. Determining their magnitude requires considerably more work from economists, but their goal is clear: creating a socially just, viable multi-ethnic society.

References

Addo, Fenaba R. and William A. Darity, Jr. (2021) "Disparate Recoveries" Wealth, Race, and the Working Class after the Great Recession," *The ANNALS of the American Academy of Political and Social Science*, *695*(1), 173-192.

Arestis, Philip, Aurelie Charles, and Giuseppe Fontana (2014) "Identity Economics Meets Financialisation: Gender, Race, and Occupational Stratification in the US Labour Market," *Cambridge Journal of Economics* 38 (6): 1471-1491.

Bellamy, Edward (1889) *Looking Backward: 2000-1887*, Boston: Houghton Mifflin and Co.

Bentley-Edwards, Keisha Leanne and Collette Chapman-Hilliard (2015) "Doing race in different places: Black racial cohesion on Black and White college campuses," *Journal of Diversity in Higher Education* 8 (1), 43–60.

Biven, Josh (2012) "Public Investment: The next 'new thing' for powering economic growth," Economic Policy Institute Briefing Paper #338, April 18, Economic Policy Institute.

Blau, Francine D. and Lawrence M. Kahn (2000) "Gender Differences in Pay," *Journal of Economic Perspectives* 14 (4): 75-100.

Boerma, Job and Loukas Karabarbounis (2023) "Reparations and Persistent Racial Wealth Gaps," *NBER Macroeconomics Annual* 37.

Bourdieu, Pierre (1986) "The forms of capital," in J. Richardson, ed., *Handbook of Theory and Research for the Sociology of Education*, Westport, CT: Greenwood Press: 241-258.

Bradbury, Katherine (2023) “Family characteristics in U.S. intragenerational family income mobility, 1978–2014,” *Journal of Economic Inequality*.

Buder, Iris and Jacob Jennings, 2023. "Pandemics, Socioeconomic Gaps, and Macroeconomic Policy: The Ugly Truth Highlighted by COVID-19," *Forum for Social Economics* 52 (2): 172-185.

Cain, Glen G. (1976) “The Challenge of Segmented Labor Market Theories to Orthodox Theory: A Survey,” *Journal of Economic Literature* 14 (4): 1215-1257.

Carneiro, Pedro, James Heckman, and Dimitriy Masterov (2005) “Labor Market Discrimination and Racial Differences in Premarket Factors,” *Journal of Law and Economics* 48 (1): 1-39.

Chelwa, Grieve, Darrick Hamilton, and James B. Stewart (2022) “Stratification Economics: Core Constructs and Policy Implications,” *Journal of Economic Literature* 60 (2): 377-399.

Chetty, Raj, David Grusky, Maximilian Hell, Nathaniel Hendren, Robert Manduca, and Jimmy Narang (2017) “The Fading American Dream: Trends in Absolute Income Mobility since 1940,” *Science* 356 (6336): 398-406.

Chetty, Raj, Nathaniel Hendren, Maggie Jones, and Sonya Porter (2020) “Race and Economic Opportunity in the United States: An Intergenerational Perspective,” *Quarterly Journal of Economics* 135 (2): 711-783.

Chetty, R., Jackson, M.O., Kuchler, T. *et al.* (2022a) “Social capital I: measurement and associations with economic mobility,” *Nature* 608: 108–121.

Chetty, R., Jackson, M.O., Kuchler, T. *et al.* (2002b) “Social capital II: determinants of economic connectedness,” *Nature* 608: 122–134.

Coleman, James (1988) “Social capital in the creation of human capital,” *American Journal of Sociology* 94 (supplement): S95-120.

Cox, Kiana and Christine Tamir (2023) :Race is Central to Identity for Black Americans and Affects How They Connect with Each Other,” Pew Research Center, Washington DC: Pew Charitable Trusts.

Craemer, Thomas, Trevor Smith, Brianna Harrison, Trevon Logan, Wesley Bellamy, and William Darity, Jr. 2020. “Wealth Implications of Slavery and Racial Discrimination for African American Descendants of the Enslaved,” *Review of Black Political Economy* 47 (3): 218–54.

Darity, William A. Jr. (2001) “The Functionality of Market-based Discrimination,” *International Journal of Social Economics* 28 (10/11/12): 980-986.

Darity, William A. Jr. and Patrick L. Mason (1998) “Evidence on Discrimination in Employment: Codes of Color, Codes of Gender,” *Journal of Economic Perspectives* 12 (2): 63-90.

Darity, William A. Jr. and Kirsten Mullen (2020) *From Here to Equality: Reparations for Black Americans in the Twenty-First Century*, Chapel Hill, NC: The University of North Carolina Press.

Darity, William A. Jr., Kirsten Mullen, and Lucas Hubbard, eds. (2023) *The Black Reparations Project: A Handbook for Racial Justice*, Oakland CA: University of California Press.

Darity, William A. Jr., A. Kirsten Mullen, and Marvin Slaughter (2022) "The Cumulative Cost of Racism and the Bill for Black Reparations," *Journal of Economic Perspectives* 36 (2): 99-122.

Davis, John B. (1988) "Looking backward: Looking Forward," *Forum for Social Economics* 17 (2): 13-22.

Davis, John B. (2019) "Stratification Economics as an Economics of Exclusion," *Journal of Economics, Race, and Policy* 2 (3): 163-172.

Davis, John B. (2024) "Stratification economics: Historical Origins and Theoretical Foundations," *Oxford Review of Economic Policy*.

Desmond, Matthew (2023) *Poverty By America*, New York: Crown.

Doeringer, Peter B. and Michael J. Piore (1971) *Internal Labor Markets and Manpower Analysis*, Lexington MA: Heath.

Du Bois, W.E.B. (2019) *The Souls of Black Folk*, New York: Clydesdale; originally published 1903.

Durlauf, Steven N. and Ananth Seshadri (2107) "Understanding the Great Gatsby Curve," *NBER Macroeconomics Annual* 32.

Epley, Nicholas, Dennis Mak and Lorraine Chen Idson (2006) "Bonus or Rebate?: The Impact of Income Framing on Spending and Saving," *Journal of Behavioral Decision Making* 19 (3): 213-227.

Foner, Eric (2019) *The Second Founding*, New York: W. W. Norton and Co.

Fournier, Jean-Marc (2016) "The Positive Effect of Public Investment on Potential Growth," *OECD Economics Department Working Papers*, No. 1347, OECD Publishing: Paris.

Gordon, David G., Richard Edwards, and Michael Reich (1982) *Segmented Work, Divided Workers: The Historical Transformation of Labor in the United States*, Cambridge UK: Cambridge University Press.

Heintz, James (2010) "The Impact of Public Capital on the U.S. Private Economy: New Evidence and Analysis," *International Review of Applied Economics* 24 (5): 619–32.

Krueger, Alan B. (2012) “The Rise and Consequences of Inequality in the United States.” Speech given at Center for American Progress, Washington, DC, January 12.

Logan, Trevon (2023) “Considerations for the Design of a Reparations Plan,” in Darity *et al*., eds., *The Black Reparations Project: A Handbook for Racial Justice*, Oakland CA: University of California Press: 138-146.

Merton, Robert K. (1949) *Social Theory and Social Structure*, New York: Free Press.

Misch, Florian and Wolff, Peter (2008) “The returns on public investment: concepts, evidence, and policy challenges IDOS Discussion Papers 25/2008, German Institute of Development and Sustainability (IDOS), Bonn, Germany.

Monarrez, Tomás and David Schönholzer (2023) “Dividing Lines: Racial Segregation across Local Government Boundaries,” *Journal of Economic Literature* 61 (3): 863-87.

Munnell, Alicia H. (1990) “Why Has Productivity Growth Declined? Productivity and Public Investment,” *New England Economic Review*, Federal Reserve Bank of Boston, January/ February: 3–22.

Munnell, Alicia H. (1992) “Policy Watch: Infrastructure Investment and Economic Growth,” *Journal of Economic Perspectives* 6 (4): 189–98.

Neal, Derek A. and William R. Johnson (1996) “The Role of Premarket Factors in Black-White Wage Differences,” *Journal of Political Economy* 104 (5): 869-895.

Ong, Paul M. and Silvia R. Gonzalez (2019) *Uneven Urbanscape: Spatial Structures and Ethnoracial Inequality*, New York: Cambridge University Press.

Parsons, Talcott (1937) *The Structure of Social Action*, New York: McGraw-Hill.

Putnam, Hillary (2000) *Bowling Alone: The Collapse and Revival of American Community*, New York: Simon Schuster.

Seymour, Jane, W., Daniel E. Polsky, Elizabeth J. Brown, Corentin M. Barbu, and David Grande (2017) *Journal of Primary Care Community Health* 8 (3): 147-152.

Silver, Hilary, and Peter Messeri (2014) “Concentrated poverty, racial/ethnic diversity and neighborhood social capital,” in *Social Capital and Economics: Social Values, power, and social identity*, eds. A. Christoforou and J. Davis, London: Routledge: 115-146.

Stowe, Harriet Beecher (1852) *Uncle Tom’s Cabin*, 2 vols., John P. Jewett and Company.

Wilson, W. Julius (2012 [1987]) *The Truly Disadvantage: The Inner-City, the Underclass and Public Policy*, second edition, Chicago: University of Chicago Press.