

Advanced Policy Analysis

Federal Reparations Policy: A Cost Benefit Framework

**A Study Conducted for Marie Davis, President
San Mateo County NAACP**

By

Angie Rodgers

Spring 2003

The author conducted this study as part of the program of professional education at the Goldman School of Public Policy, University of California at Berkeley. This paper is submitted in partial fulfillment of the course requirements for the Master of Public Policy degree. The judgments and conclusions are solely those of the author, and are not necessarily endorsed by the Goldman School of Public Policy, by the University of California or by any other agency.

Table of Contents

Acknowledgements

Executive Summary

1.	Introduction	6
2.	Theoretical Framework	9
3.	Limitations of the Framework	13
4.	The Cost Benefit Framework	15
5.	Measuring the Costs and Benefits of Cash Grants	18
6.	Measuring the Costs and Benefits of Programs	34
7.	Methodological Challenges	38
8.	Methodological Outcomes	43
9.	Policy Implications	44
10.	Conclusion	45

Appendix A : Monte Carlo Model

Notes

Selected References

Acknowledgements

The author is indebted to individuals who provided invaluable insights, information, advice, and resources. Special recognition is given to the client for this research, Marie Davis of the San Mateo County NAACP.

Executive Summary

The costs and benefits of reparation policy proposals have been enumerated but not quantified. Policymakers, in considering support of this policy in any of its forms, have little quantitative information to orient them in a decision about whether reparations is an empirically viable policy for addressing the ills it proposes to address. The goal of this analysis is to develop a cost benefit framework in an effort to begin to fill this void.

To that end, this analysis has taken policy proposals in the form of cash grants and programs and proposed methods for measuring the costs and benefits associated with each.

In many respects, this analysis is presented in the same spirit in which Richard America presented *Paying the Social Debt* and *The Wealth of Races*. Amidst a dominant conversation that concerns itself with the legal, moral, and ethical justifications for reparations, a baseline assumption is often made that an empirical analysis has no place in these conversations. Analyses like America's and the one offered here contend that we can talk about the law, we can talk about history, and we can talk about ethics, but we can also talk about dollars and cents and measuring up.

This analysis deviates from analyses like those done by Richard America in asserting an examination of actual policy proposals. As opposed to examining what the policy should be, this analysis asserts what the actual policy might look like and proceeds to identify a framework for measuring the costs and benefits associated with that policy. This type of analysis is also important because the empirical methods, in a sense, keep us honest. They keep us from making policy decisions solely on the basis of assumptions that lead us, perhaps unwisely, to choose one policy over another.

For example, the dominant mode of thought (equally among proponents and opponents of reparations) seems to imply that the day reparations are awarded in the form of cash grants, the whole of Black America will erupt into a big block party. Subjectively, we make the assumption that the population as a whole cannot parlay those resources into endeavors that will be productive and, indeed, productive enough to make the population as a whole better off. These assumptions prevent us from seriously considering a policy that involves or includes cash grants before we perform an empirical assessment that tells us something about the viability of that policy, particularly in relation to other policies we might be considering. This analysis does not attempt to predict the bottom line for a cash grant policy, or a programs policy for that matter. Consistent with the nature of an empirical analysis, however, it does say, "Show me the data." If we are going to choose not to implement a policy based on an assumption, we need to prove that the claim is true. After all, we do not have the proof that the whole of Black America will erupt into a big investment workshop either, or that, if the policy sets up funds and proscribes uses for the award, people would collect and use it as intended; but the contention here is that we would like to know, with some degree of certainty, what the outcomes will be and that we should know before we choose a policy and expend any resources or indeed, reject a policy proposal.

It is at this point that the research for this analysis begins. It proposes to examine the set of policies and provide a framework for measuring what we would get out those policies. To this end, this analysis recommends:

- **Measuring the costs and benefits associated with cash grants through a combination of analysis of an original survey and economic analysis;**

The cost of cash grants will be primarily determined by how many eligible recipients would collect the grant, should it be offered. Some preliminary findings concerning shifts in income, political affiliation, etc. suggests that these may not be accurate proxies for determining a take-up rate. This analysis suggests an original survey aimed at responses that will allow us to model the take-up rate.

The recommendation of an original survey also feeds into determining the benefits associated with cash grants. A large part of determining benefits involves predicting how recipients would use the grant. Since the recipient population is likely to span several income, wealth, skill, and education levels, it will be necessary to determine how use of the funds will change as these characteristics change from recipient to recipient and to what extent, in the end, we will see the types of asset producing/increasing investments that count as benefits above and beyond the transfer of resources from one entity to another.

A final part of determining the benefits associated with cash grants calls for economic analyses that will predict and measure benefits like the decreased dependency on poverty programs.

- **Measuring the costs and benefits associated with programs through analyzing existing programs.**

This analysis recommends using the costs of existing programs to measure the costs of reparations programs and the evaluations of existing programs to determine the benefits.



I believe it is vitally important that we look toward legislative remedies as a priority in the reparations movement not only to provide a level of redress for Africans who were enslaved but also to recognize the forces of legalized disparity that disenfranchised people of African Descent . . . “

- John Conyers in “Reparations: An Idea Whose Time Has Come” from Should America Pay?

1. Introduction
2. Theoretical Framework
3. Limitations of the Framework
4. The Cost Benefit Framework
5. Measuring the Costs and Benefits of Cash Grants
6. Measuring the Costs and Benefits of Programs
7. Methodological Challenges
8. Methodological Outcomes
9. Policy Implications
10. Conclusion

This analysis, in proposing a cost benefit framework for reparation policies, takes its cue from H.R. 40, the Commission to Study Reparation Proposals for African Americans Act. H.R. 40 proposes the following:

- It acknowledges the fundamental injustice and inhumanity of slavery;
- It establishes a commission to study slavery, its subsequent racial and economic discrimination against freed slaves;
- It studies the impact of those forces on today’s living African Americans; and
- **The commission would then make recommendations to Congress on appropriate remedies to redress the harm inflicted on living African Americans.¹**

This analysis takes its cue particularly from the last stated purpose. In some sense, it is preemptive in prioritizing this last point and jumping ahead to consider the types of policies that might emerge from a recommendation to extend reparation payments. Within the framework of cost benefit, however, it is not at all unusual to do this. Cost Benefit Analysis, as a tool, allows us to look into the future at a set of “potential” outcomes and measure what we expect we will either lose or gain as a result of those outcomes.² The contention of this analysis is that we should not offer policy recommendations until we have done this type of thinking and this type of analysis.

Barriers to Passing H.R. 40

H.R. 40, in proposing a study, in essence proposes that we engage in a national conversation about reparations and that we have that conversation from an informed perspective. One of the main barriers to passing H.R. 40 is the view that reparation policies are ultimately economically and politically infeasible. So even people who agree with the “notion” of reparations are not always willing to talk about it. Essentially, this is a conversation that we are not

having because we think that we cannot have it or because we think that it is useless to have it.

Part of the issue is that lots of entities are currently talking about reparations, but from different perspectives and within different contexts. In each, the intent of the policy is interpreted differently. Is it an apology for past wrongs? Is it simply an acknowledgment? Is it meant, in the most discrete sense of the term “reparation”, to be a payment for past wrongs? Is it meant to address the “legacies” of slavery?

These are infinitely important questions, but for whatever one thinks reparations are meant to address, the policy will have a set of effects and we can engage in a study that tells us what those effects will be. But let us propose that one of those effects will be poverty reduction. Tons of programs already exist that are an expressed indication that poverty reduction is a social and economic priority for us as a society. So we can agree or disagree with applying the term “reparation” to these policies and we can have other conversations about the consequences and the impact of that term, but that should not preclude or preempt a discussion of the actual outcomes of these types of policies. It is likely that both proponents and opponents (of reparation policies) agree with poverty reduction, which indicates that it is completely politically feasible to talk about a policy that proposes to reduce poverty. Likewise, it is completely politically feasible to have a conversation about reducing the wealth gap. It is completely politically feasible to have a conversation about scholarships and education assistance for African American students. In fact, if we have identified these outcomes as priorities, then it is imperative that we have conversations about policies that propose to innovate in those areas.

Once we have agreed to talk about these policies, we need methods for comparing them. There is definitely a wide range of substantive ways to make comparisons, but necessary to the analysis is an empirical framework for comparing these policies. Legislative opponents argue that reparation policies are not economically feasible because there is no way to measure how much is owed, if anything is owed at all. There is no way to delineate who owes, and no way to determine who should benefit. Well, we can continue to talk about reparations in this very theoretical and even amorphous sense, but at the end of the day, it is still a policy just like any other policy. It will cost us something. And we can figure out what that something is. We do it all the time. This analysis demonstrates this point by providing an empirical framework for analyzing two reparation policies—cash grants and programs.

Cash grants provides a useful example of why the empirical analysis is imperative, partly because it is the policy proposal that usually sparks immediate discord, and part of the impetus for this analysis is demonstrating that, discord aside, the conversation that H.R. 40 proposes is one that should take place. Suppose we have decided that we are going to implement a reparation policy and we are going to implement that policy in the form of cash grants. How do we know what kind of cash grant we want to implement? We might be looking at several different grant levels. An empirical analysis would allow us to measure the impact of those different grants. For example, a \$50,000 grant might cost more than a \$10,000 grant, but the impact of a \$50,000 grant might be altogether

different and, when compared with the cost, it might be a better deal than the \$10,000 grant.

Moreover, we might want to compare the \$50,000 grant with a cache of programs to determine which is the better policy. We may have determined what the \$50,000 grant might cost and what its impact might be. We would need to ask the same questions of our cache of programs. What will they cost? What will we benefit? Even after we have answered these questions, how do we compare what we get from the grant to what we get from the programs? The empirical analysis provides an accessible answer because it concentrates on monetizing all costs and benefits and providing a bottom line measure (net benefit) that facilitates comparing policies with different costs and different benefits. It is also useful if the range of benefits for the cash grants and the programs is the same. We would then need a measure that delineates the magnitude of the benefits of one policy from the other.

This discussion is purely hypothetical, but this analysis argues that 1) We will not know the right answers to these questions until we figure them out; and 2) We should not either invest in one of a list of policy options or decide not to invest at all until we know what we would benefit or if we would benefit at all. The overarching premise to this is, once again, that these are policies just like other policies; the methods to evaluate them already exist; and we already use those methods to evaluate other policies.

Overall, there are legal, moral, and ethical issues that bar support for H.R. 40. Other disciplines are addressing those barriers. A consistent barrier, however, is still this view that the types of reparation policies that would be relevant in this context are neither politically nor economically feasible. A policy analysis tool like cost benefit is appropriate for addressing these barriers and demonstrating that, indeed, these are not barriers and should not bar the passage of H.R. 40.

Roadmap to This Report

Section 2 of this analysis lays the theoretical groundwork for addressing reparation policies from a cost benefit perspective. It reviews the current legal, moral and historical discussion and outlines some assumptions about what policy analysis should add to the conversation. **Section 3** reviews the limitations of the cost benefit framework before **Section 4** begins to outline that framework. **Sections 5 and 6** are the most technical sections of the analysis in that they outline the methods recommended for measuring the costs and benefits associated with the two policies (cash grants and programs) utilized to demonstrate this framework. **Section 7** discusses the challenges of the methods recommended in **Sections 5 and 6** and presents some safeguards for addressing those challenges. **Section 8** examines outcomes and presents models for the bottom line measurements that should be produced to facilitate comparison of the policies under consideration. Finally, **Section 9** looks at the implications for policy development inherent in this analysis.



“Is this a moral issues? Yes, of course it is. Most Americans consider slavery and discrimination both immoral and unjust, and agree that the practices have rightly been outlawed, even though subtle discrimination continues. The real question, however, is this: Is it moral to accept benefits from admittedly immoral practices of which we disapprove?”

– Richard America in *Paying the Social Debt*

1. Introduction
2. Theoretical Framework
3. Limitations of the Framework
4. The Cost Benefit Framework
5. Measuring the Costs and Benefits of Cash Grants
6. Measuring the Costs and Benefits of Programs
7. Methodological Challenges
8. Methodological Outcomes
9. Policy Implications
10. Conclusion

An important process in framing this analysis involved reviewing the current national dialogue on reparations and asking both what was missing from the conversation and who was missing. The current conversation is based in law, academia, and the [African American] community. They are asking three important questions: Who should pay? What should be paid? and Why should it be paid? Outside of John Conyers, the select members of Congress who have signed onto H.R. 40, and the select state and local governing bodies who have signed resolutions in support of H.R. 40, legislators are largely missing from the dialogue.³ Also missing are the policy analysts who feed those legislators information. This analysis used the questions asked by those other disciplines, their answers, and some assumptions about what policy analysis should add to the conversation, to form a new set of questions and answers.

Current Discussion Asks . . . What This Analysis Adds . . .

1. Who Should Pay?

1. Who Should Pay?

US and/or European Governments

Assume the US Government Pays

Corporations w/profits traced back to the slave trade & slavery

State/Local Governments

2. What Should Be Paid?

2. What Will Be Paid?

Restitution Theory

What Will a Reparations Policy Cost?

Present Value of Slave Labor

How much will cash grants cost? What will the acceptance rate be?

Present Value of Corporate Profits traced back to the slave trade & slavery

How much will programs cost? What types will be established and what will be their scope?

Land

3. Why Should It Be Paid?

3. What Will the Benefit Be?

Legal

Will we see a reduction in poverty?

Moral

Erase Legacies of Slavery

Will we see a reduction in or elimination of the wealth gap?

Will we see increased investment in property or small businesses?

Who Should Pay?

While the current discussion asks who should pay and proposes a range of payers that include the U.S. government, British, and other European governments with ties to the slave trade, corporations who profited from slavery, etc., this analysis assumes that these other disciplines are moderating that conversation fairly well, and that it is not altogether appropriate or useful for policy analysis to engage in the questioning. The arguments are historical. They are legal. They are moral. They are markedly important and they should, by all means, continue, but where it is most appropriate for policy analysis to contribute is where the conversation is not taking place (because of the economic and political feasibility issue). Policy analysis can contribute by saying, "If we implement a policy, someone is going to pay, so just choose a payer." The U.S. federal government is the natural "pick" for this type of analysis because 1) There is already a federal bill proposal that gives the federal government responsibility for this issue; and 2) Out of all the potential payers, the federal government has the ability to impact the largest expanse of beneficiaries. So the theoretical framework for this analysis begins with the assumption that the U. S. Federal government will pay.

What Should Be Paid?

The second question the other disciplines are asking is what should be paid? And once again, this is an infinitely important question to ask because, in looking at amounts that will feed into trust funds or programs, the natural question is how much? In getting to that answer, what these disciplines are really asking is what should the payer be *willing* to pay. They are using a variety of techniques to come up with that figure. They are looking at the present value of slave labor and the present value of corporate accumulated wealth or profits that directly resulted from the slave trade. Richard America's "Restitution Theory" relies on current calculations of differences in standards of wages,

occupation, employment, education, etc. between White Americans and Black Americans, with historical data on these factors being used to benchmark a fair standard.⁴

The theoretical framework for this analysis says that if we have assumed that the federal government will pay, the important question for policy analysis is not what they *should* pay. The important question is what they *will* pay. If the federal government enacts a reparation policy in any given form, what is it going to cost?

Why Should It Be Paid?

The third question the other disciplines are asking is why reparations should be paid. Consistent with the nature of their disciplines, their answers involve legal analysis, moral obligation, historical impact, etc.

The theoretical framework for this analysis says, once again, that those are necessary conversations to have, but answering the question of why is not the most significant way that policy analysis can contribute to the conversation. If we have assumed a payer and a framework for costs, the important third question is what the benefits will be. Policy analysis should ask if we would see a significant reduction in poverty or if we will see a reduction in the wealth gap for the poorest African Americans versus the poorest White Americans. The answers to those questions reveal “why” reparations should (or indeed, should not) be paid.⁵ Moreover, this level of questioning reveals not only the “why” (or “why not”), but also the “which”, as in which policies will produce more of the positive outcomes that we have identified we care about.

What Does This Analysis Seek To Do?

This analysis seeks to produce a cost benefit framework, as opposed to an actual cost benefit analysis. It is important to remember that no actual reparation policies have actually been proposed legislatively. In fact, it is the goal of H.R. 40 to produce those types of recommendations. In forming a cost benefit framework, however, this analysis takes its cue from the policy proposals that have already been introduced by the other disciplines/entities that have spent a significant amount of time addressing this issue. The ideas for what a reparations policy should look like are already out there, and this analysis does not seek to reinvent those ideas. It does seek to add a level of analysis to the arguments for/against reparations and reparations policies that has been largely missing up to this point.

This analysis will not result in a recommendation for a reparation policy. It will result in a framework for quantitatively evaluating a set of policy proposals, and a framework for the type of empirical thinking that should eventually drive the recommendations. The analysis seeks to produce five recommendations that concern the measurement of costs and benefits for two policy proposals—cash grants and programs—and the comparison of net benefits. It avoids advocating one type of policy over the other.

Similarly, this analysis does not intend to pit these policies against each other in the larger dialogue, even though the impetus in a cost benefit framework is to do just that.

There may be reasons for choosing one policy or both or all that have little or nothing to do with a quantitative analysis. This framework is not presented as a denial of the impact that redistributive policies, whether they produce a net benefit or not, can have on our society. For example, even if a cost benefit analysis says that programs are empirically, the better reparation policy, that recommendation should not be offered in a vacuum that does not recognize the number of people living in such extreme and abject states of poverty that a cash grant would immediately make those people better off, i.e. they will eat tomorrow, which they are not doing today, or they will move into decent housing tomorrow, whereas today they live outside or in their car or in a building that has been declared condemned. This analysis is presented as a “necessary but not sufficient” method of evaluation. Realistically, we operate under constraints that make it necessary for us to do this type of thinking when contemplating major policies. Reparation policies will be no different. This type of thinking can be a common ground for beginning to discuss policies on which we thought we disagreed. In the end, however, the empirical analysis cannot dominate the conversation in the same way that it is not practical to have the conversation without it.



There have been other costs to blacks as a result of racism, but since they are hard to measure they are often not considered—for example, low education levels, high substance abuse, and incarcerations.

*-Lynn Burbridge in “What Was Lost . . .”
in *The Wealth of Races**

1. Introduction
2. Theoretical Framework
3. Limitations of the Framework
4. The Cost Benefit Framework
5. Measuring the Costs and Benefits of Cash Grants
6. Measuring the Costs and Benefits of Programs
7. Methodological Challenges
8. Methodological Outcomes
9. Policy Implications
10. Conclusion

Before detailing the actual cost benefit framework, it will be helpful to review some of the ways in which this framework is limited.

- **The framework ignores land grants, trust funds, and other popular ideas as reparation policy proposals.**

The point of this analysis is to provide a framework that demonstrates methods that are universally useful. Once again, the reality is that an actual reparation policy has not been proposed and it is the goal of H.R. 40 to fund the study to develop those proposals. This research strategy faced the rather daunting task of looking at all of the different policy proposals that are out there and selecting the ones that would be most useful for demonstrating the framework. This analysis chose to compare cash grants to programs. This is not an indication that, for example, land grants are not viable policies or that, indeed, either cash grants or programs would not be the result of a trust fund policy. All of these proposals are completely within the realm of possibility should a reparation policy be proposed. This analysis prioritized policy proposals that would cover the greatest number of beneficiaries and have the most flexibility to incorporate some of those policies that were left out. For example, some trust fund proposals propose that the funds be spent on programs. This analysis examines programs.

- **The framework does not substantively address difficult-to-measure or immeasurable costs and benefits.**

Certainly other cost benefit frameworks find ways to account for difficult to measure items or to prioritize immeasurable items relative to each other. Within the context of reparations, however, this conversation (about immeasurable costs and benefits) is proceeding in a much more significant way outside the framework of policy analysis, which is not necessarily the best forum to weight these issues. For example, a relevant issue to the debate is the

impact of offering an apology, for which the legal, moral, and social consequences might easily outweigh or overshadow the economic considerations. Once again, this framework is presented as a necessary-but-not-sufficient method for evaluating these policies, and contends that those other disciplines are much more effective in conceptualizing reparations from their respective perspectives. This analysis means to specifically address the costs and benefits that we can measure and demonstrate that, outside of arguments about moral, legal, and ethical obligations, the economic considerations are substantial and worthy of further study.

- **A significant body of examples of previous reparation awards exists, but impact studies as a result of these awards are largely nonexistent.**

There are some preliminary findings for certain tribal groups that point to increases in life expectancy and decreases in alcoholism as a result of land grants and tax payments, but no rigorous empirical studies exist. A potentially useful parallel resource is the empirical analysis of the effect of affirmative action policies in higher education on the life outcomes of the policies' beneficiaries done by William Bowen and Derek Bok and detailed in *The Shape of the River*.⁶ While their framework is useful, it is not directly analogous because Bowen and Bok were able to work from historical information and collect existing information. In this analysis, the most relevant information does not exist. Because impact studies of other reparations awards have not been done, the framework does not explicitly exist. In considering a cost benefit framework for reparation policies for African Americans, we are essentially making predictions about how we think people will behave, given a set of circumstances. The resulting studies can attempt to make those predictions as rigorous as possible, but we must still recognize the lack of existing information and proxies as a limitation.

- **Finally, this analysis does not assume that a reparations policy will take the place of other compensatory policies or programs.**

This analysis, however, is presented with the understanding that the natural extension of such thinking is to compare the net benefits of these policies to the benefits of those other policies and programs. Moreover, the analysis assumes that one of the benefits associated with some reparations policies will be a decreased dependency on other compensatory policies or programs. This analysis still contends that, within this framework, a reparation policy would not replace, say, an affirmative action program. It neither makes normative judgments about the value of one policy over the other nor does it form an empirical conclusion about the value of one over the other.



There are two schools of thought on how to approach restitution. One is that the debt is owed and should be paid . . . it takes no account of whether paying it would benefit everyone. The second view . . .acknowledges the existence of a debt but maintains that the concept will attract broad general support . . .only if it is made clear that doing so is not only moral but also practical and broadly beneficial.
-Richard America in Paying the Social Debt

1. Introduction
2. Theoretical Framework
3. Limitations of the Framework
4. **The Cost Benefit Framework**
5. Measuring the Costs and Benefits of Cash Grants
6. Measuring the Costs and Benefits of Programs
7. Methodological Challenges
8. Methodological Outcomes
9. Policy Implications
10. Conclusion

	Payer	Costs	Benefits
Theoretical Framework	<p>Q) Who Should Pay?</p> <p>A) US Gov't Will Pay.</p>	<p>Q) What Will They Pay?</p> <p>A) How Much Will Policies Cost?</p>	<p>Q) What Will We Benefit?</p> <p>A) Positive Economic Outcomes</p>
Cost Benefit Framework	<p>In a Global CBA Framework the Identity of the Payer is not critical. This Analysis Has "Chosen" the U.S. Federal Government.</p>	<p>1. Who Will Cash In?</p> <p>2. What Programs Will be Established?</p>	<p>3. How Will Grantees Use the Funds?</p> <p>4. What Will the Scope of the Programs Be?</p> <p>5. Are There Existing Proxies For Comparison?</p>

The theoretical groundwork laid in Section 3 presented three critical questions deemed significant for policy analysis to ask. The answers to those questions form the groundwork for the actual cost benefit framework. Using those answers as a cue, this analysis formed five key questions to inform the development of the cost benefit framework. In answering the five key cost benefit questions, we will necessarily answer the three theoretical groundwork questions as they relate to cash grants and programs, the two policy proposals tapped for analysis in this report. The cost benefit framework asks the following:

1. Who will cash in, should a reparations policy take the form of a cash grant? (Cost)
2. What programs will be established, should a reparations policy take the form of program development? (Cost)

3. What will potential beneficiaries of a cash grant do with the funds? How are those decisions stratified by grant amount and grant timeline? (Benefit)
4. What will be the scope of programs? (Benefit)
5. In what ways can we compare the programs to those that already exist in terms of scope and constituency? (Benefit)

Measuring Costs

If the analysis assumes that the federal government will pay whatever it costs to implement the policies, the relevant questions for the cost benefit framework involves determining what information is needed in order to figure out how much the policies will cost. If the policy is in the form of a cash grant and we want to know how much that policy will cost, determining how many cash grants will be distributed will largely determine the cost of the policy. If the policy is in the form of a cache of programs and we want to know how much those programs will cost, determining what kinds of programs will be established will determine the cost.

Measuring Benefits

If the analysis assumes that the benefits will be determined by whether we will see positive economic outcomes like a reduced dependency on poverty programs or an elimination of the wealth gap, we need to ask questions that will determine if these benefits will occur. For example, research indicates that a large part of the wealth gap can be explained by an inheritance difference, i.e. African Americans do not pass wealth in the form of property, investments, etc. on to their children at the same rates as White Americans.⁷ In order to determine if we would see a reduction or elimination in the wealth gap as a result of a cash grant policy, we need to determine if African Americans will invest or save their grant in proportions that will allow them to pass these resources on to future generations. In order to know if that will happen, we need to know what potential beneficiaries of a cash grant will do with the money they receive. Particularly in the case of cash grants, we would want to know if the plans of potential recipients change as the amount of the grant changes or as the timeline for the award changes, i.e. \$10,000 versus \$50,000, or one time \$50,000 versus \$10,000 over ten years.

Similarly, if a reparation policy in the form of a program is aimed at reducing the wealth gap, we would need to know the scope of the program, i.e. what are the program's goals, how many people does it intend to serve, will it be local or national, etc. We could then use information that we have on existing programs of similar scope to determine what we will benefit from the reparation program based on the proven effects of the existing program. So the last important question is whether programs already exist that we can use as proxies for evaluating the reparation programs.

Comparing Costs and Benefits

This analysis anticipates that we would likely see some of the same benefits with both cash grants and programs. For example, the more wealth individuals and families obtain, the better their education and health outcomes may be. A cache of reparation programs would likely be aimed at some of the same outcomes. In conducting an actual cost benefit analysis, we want to judge the effectiveness of each policy proposal in bringing about the list of desired effects. This informs the framing of the five key questions as issues of impact and magnitude. It speaks directly to the relevance of questions like how many potential beneficiaries will actually claim a cash grant or what the scope of the programs will be. Comparing the magnitude of the costs and benefits is what will actually determine the empirically viable policy.



By any standard of measurement or evaluation the problem (of the color line) has not been solved in the twentieth century, and thus becomes a part of the legacy and burden of the next century.

- John Hope Franklin

The Range of Costs and Benefits

1. Introduction
2. Theoretical Framework
3. Limitations of the Framework
4. The Cost Benefit Framework
5. Measuring the Costs and Benefits of Cash Grants
6. Measuring the Costs and Benefits of Programs
7. Methodological Challenges
8. Methodological Outcomes
9. Policy Implications
10. Conclusion

Determining Costs	Determining Potential Benefits/Effects
1. Administrative	1. Decreased Dependency On Poverty Programs
2. Grant	2. Increase in Skilled Workers Among African Americans
	3. Increased Investment in Items That Increase In Value
	4. Increase In Entrepreneurship
	5. Increase in Secondary and Higher Education Outcomes
	6. Decreased Debt
	7. Increased Investment in Health/Insurance

Determining Costs. The costs of a cash grant policy would largely involve the costs of administering the program and the actual costs of the grant. Administration costs include the following:

- Salaries (including benefits and training);
- Office Space (including utilities, phone and internet service, equipment and furniture);
- Publications/Information (person, paper, web-based);
- Disbursements (paper, postage, wire); and
- Fraud/Security.

Grants costs would include the actual cost of the grant. Relevant considerations include whether the grant will exist as a one-time single transfer or whether it will exist as a series of transfers over a period of time.

Determining Benefits. The range of benefits is crafted out of potential answers to the following questions:

- Who are the eligible beneficiaries of a cash grant?
- Which of those potential beneficiaries will likely collect the grant?
- How will the recipients use the grant?
- What is the current economic, social, and education situation of the recipients?
- How are those situations likely to change as a result of the grant?

Important to generating the set of potential benefits is the consideration that, in order to conduct a true global cost benefit analysis, the only relevant benefits are those that exceed the transfer of wealth and/or resources from one entity to another. Therefore, the necessary criteria for benefits to warrant inclusion in this analysis are that they [measurably] increase in value over time or produce cost savings above and beyond the grant amount. Portions of cash grants that would be used for vacations, cars, clothes, food, electronics, etc. are not considered.

Recognizably, this ignores, for example, the benefit of a vacation to a family that has never left their hometown, or the benefit of buying a car and sending a child to quality day care to a single mother who has not been able to work for lack of those things. Microeconomic theory, the basis of cost benefit analysis, has no real way to compare the utility derived by the family from their vacation to the utility derived by the payer of the cash grant if the money was kept. Of course, we could make reasonable assumptions that the vacation would mean more to the family than the single cash grant would mean to the federal government (the payer), who has that grant billions of times over, but there is no place for such a comparison among measurable benefits in a cost benefit analysis. We would be able to count the lifetime increase in earnings for the single mother, should she retain employment as a result of having the car and the childcare, but those items, in and of themselves, are not considered relevant.⁸

Considering the necessary criteria, this analysis considers the following potential benefits:

- Decreased Dependency on Poverty Programs: Welfare, Housing, Health Care, Food Stamps, Legal, Non-Profit, Employment, etc.;
- Increase in Skilled Workers among African Americans;
- Increase in Investment of Items that Increase in Value: Property (Land and Buildings), Savings, and Market Investments;
- Increase in Entrepreneurship;
- Increase in Secondary and Higher Education Outcomes;
- Decreased Debt; and
- Increased Investment in Health/Insurance.

Methods for Measurement

The table below summarizes the methods recommended in this section for measuring the costs and benefits associated with cash grants.

Measuring Costs				Measuring Benefits			
Cost	Measure	Existing Info /Proxy	Method/Model	Benefit/Effect	Measure	Existing Info /Proxy	Method/Model
Administrative Grant	Number of Grantees x Amount of Grant	No/ Information Does Not Currently Exist to Predict Number of Grantees. Yes/ Proxy Exists To Determine Potential Number of Grantees if Eligibility Requirements Are Based on a Proxy Like Income.	Survey Population to Determine Take-Up Rate. Use That Information to Determine Number of Eligible Grantees. Assume Take-Up Rate Equals Eligible Population.	1. Decreased Dependency on Poverty Programs: Welfare, Housing, Health Care, Food Stamps, Legal, Non-Profit, Employment, etc.	1. Present Value of Cost Savings From Decreased Dependency on Poverty Programs over Lifetime of Decreased Dependency.	Yes	Cross Sectional Regression Analysis
				2. Increase in skilled workers among African Americans.	2. (For Workers) Present Value of Lifetime Increase in Earned Income. Present Value of Increase in	Yes	Economic Impact Analysis

Measuring Costs	Measuring Benefits			
		Retirement Investment. Increase in Health Benefits. (For Employers and Industry) Increase in Productivity and Innovation. Increase in ability to move to new markets/new tech.		
	3. Increase in Investment of Items that Increase in Value: Property (Land and Buildings), Savings, Market Investments	3. Present Value of Return on Investment Over the Life of the Return	No	Survey
	4. Increase in Entrepreneurship	4. Present Value of Net Worth of African American Businesses (Owned by Grant Recipients) Over Lifetime of Business. Creation of New Jobs for African	No	Survey

Measuring Costs	Measuring Benefits		
	Americans.		
5. Increase in Secondary and Higher Education Outcomes	5. Overall and average increase in earnings for each group. Reduction in Disparity of Average Earnings between Black and White Americans	Yes/ Info Does Exist to Determine Average Increase. No/ Info Does Not Exist to Determine Overall Increase.	Existing Empirical Research Survey
6. Decreased Debt	6. Present Value of Savings over Lifetime of Typical Payment of Debt	No	Survey
7. Increased Investment in Health Insurance	7. Cost Savings From Preventative Care versus Corrective Care	Yes	Empirical Studies on Health Outcomes

Measuring Costs. In the last section, we determined that the costs were largely made up of administrative costs and the cost of the grant. Administrative costs should be fairly simple to predict and this analysis will not expend an exorbitant amount of time discussing their measurement. Assuming full administrative costs for the life of the grant program will most likely produce a calculation that is close enough to the actual cost to not warrant any additional considerations, like if the number of grants awarded would decrease over time, reducing the need for a full administration. The only relevant consideration in framing this cost for a cost benefit analysis is framing it in terms of the present value. If the administration of the grant program continues for more than one year, we would want to be able to calculate how the administrative costs of a year or two into the future are valued to us now. We might frame administrative costs in the following way:

$$PV(C_{ADMIN}) = \frac{(C_{ADMIN})^n}{(1+r)^n} \quad \text{where:}$$

C_{ADMIN} are administrative costs;
 $PV(C_{ADMIN})$ is the present value of administrative costs;
 r is the discount rate; and
 n is the number of years the administration will exist.⁹

Measuring the cost of the actual grant is less straightforward, mainly because the costs associated with the grant depend on the amount of the grant and the timeline for disbursement as mentioned in the last section, but also on how many eligible recipients will actually collect. In considering the cost of each individual grant, we can perform a similar calculation as the one we performed for administrative costs. We might frame grant costs in the following way:

$$PV(C_{GRANT}) = \frac{(C_{GRANT})^n}{(1+r)^n} \quad \text{where:}$$

C_{GRANT} is the amount of a single disbursement;
 $PV(C_{GRANT})$ is the present value of the grant;
 r is the discount rate; and
 n is the number of years that disbursements will take place.

If we implemented a grant that changed amounts over the years, we might frame grant costs in the following way:

$$PV(C_{GRANT}) = \frac{(C_{GRANT1})}{(1+r)} + \frac{(C_{GRANT2})}{(1+r)^2} + \frac{(C_{GRANT3})}{(1+r)^3} \dots + \frac{(C_{GRANTn})}{(1+r)^n} \quad \text{where:}$$

C_{GRANT1} is the amount of the first year's disbursement;
 C_{GRANT2} is the amount of the disbursement in the second year;
 C_{GRANT3} is the amount of the disbursement in the third year; and

C_{GRANTn} is the amount in the last year of disbursement.

Assuming that we can calculate the present value of each grant, how do we know how much the grant portion of the policy will cost if we do not know how many recipients will take up the grant? We could not possibly know unless we had some way to determine the take up rate.

Assuming that the cash grant policy would designate a pool of eligible recipients, we might assume that everyone who is eligible for a grant would actually collect it. If we can number the eligible recipients, i.e. if eligibility is determined by some criterion or combination of criteria like race or income that we track, then we can calculate the cost of the grant portion in the following way:

$PV(C_{GRANT}) * \# \text{ of Eligible Recipients}$

This calculation may very well lead us to a figure that is reasonably accurate. There are, however, three major reasons why we may seek a more refined answer.

- **There is little precedence for determining popular support of a reparation for American slavery policy, and proxies that are analogous enough to be useful are non-existent.**

Even proxies like income and political sympathies are shifting among African Americans right now, and it is not likely that there is anything out there that both tracks that shift and then transfers that information into a prediction about the likelihood of making a claim on a compensatory policy. For example, a study conducted by the Joint Center for Political and Economic Studies found significant emerging pockets of Independents among African Americans between 18 and 25 years old and shifting both away from and toward the Democratic Party over time.¹⁰ Income and wealth patterns are also shifting. But what do we then know, above and beyond the information that these pockets now exist, about the kinds of Independents and Republicans and middle class wealthy they might be? What do we know, above and beyond the information that this subset is developing income and wealth at much faster rates than other subsets of the African American population, of how they feel about their income and wealth? Would they see a reparation policy as the opportunity to be an entrepreneur as opposed to just the moderate to highly paid employee of someone else? There is enough anecdotal information to suggest that, since the eligible recipients of a reparation policy are likely to span several income groups and pockets of political sympathies, we need additional ways to be reasonably sure of a take-up rate.

Additionally, take-up is further complicated by discord over an appropriate reparation policy. Even those who agree with the “notion” of reparations, may not agree with a cash grant policy, and may conscientiously object to the grant, i.e. not accept it even if it is available to them based on their disagreement with the policy.

- **The relevant population in this scenario is not analogous to other populations who have been the beneficiaries of compensatory policies.**

The problem with a lot of parallel resources is the limited target population. For example, a host of programs, surveys, resources, etc. have sought to determine the extent of the poverty reducing effect of grants. Those have been aimed, however, at determining what poor people think and how they react. The target population for a reparation policy in the form of cash grants would likely include a much wider range of economic, education, and social statuses than would traditionally be represented by those living in poverty. For example, if a goal of a reparation policy was to reduce the wealth gap, a family of four with a combined income of \$50,000 might still be eligible even if limits were set to proscribe the economic profile of African Americans eligible for the grant. Moreover, it is difficult to make analogies between the likely eligible population of this reparation policy and the eligible population of other reparation awards that have been extended. If we could make those analogies, then the take-up rate of those populations could serve as models.

- **Utilizing a survey method that will be necessary for predicting the presence of the proposed range of benefits can also be used to predict the take up rate.**

A survey method would allow us to model both a discrete take-up rate and a take-up rate as it is correlated with grant amount and grant timeline. Because the survey also serves as a recommendation for determining the range of benefits, the next section on “Measuring Benefits” will explore the survey method in greater detail and outline, for example, what questions a survey instrument should seek to answer that would reveal information like the likely take-up rate among the eligible population of grant recipients.

Total Costs. The total costs associated with a cash grant program might be represented by the following calculation:

$$PV(C_{\text{ADMIN}}) + [PV(C_{\text{GRANT}}) * \# \text{ of Recipients}] \quad \text{where:}$$

$PV(C_{\text{ADMIN}})$ is the present value of administrative costs; and
 $PV(C_{\text{GRANT}})$ is the present value of the grant.

Measuring Benefits. Recall that in the beginning of Section 5, this analysis presented the relevant questions for determining the range of benefits. In asking how many of the eligible beneficiaries would likely collect the grant, this analysis recommended that a survey instrument would answer that question. To determine if the range of benefits proposed will actually be present, the remaining three questions should be answered:

- How will the recipients use the grant?
- What is the current economic, social, and education situation of the recipients?
- How are those situations likely to change as a result of the grant?

Recall also that this analysis proposed the following benefits based on considerations of how recipients might use the grant and how that use might change their economic, social, education, and health outcomes:

- Decreased Dependency on Poverty Programs: Welfare, Housing, Health Care, Food Stamps, Legal, Non-Profit, Employment, etc.;
- Increase in Skilled Workers among African Americans;
- Increase in Investment of Items that Increase in Value: Property (Land and Buildings), Savings, and Market Investments;
- Increase in Entrepreneurship;
- Increase in Secondary and Higher Education Outcomes;
- Decreased Debt; and
- Increased Investment in Health/Insurance.

The Recommended Survey Instrument. The recommended survey should be designed to tell us whether the proposed range of benefits would exist and in what proportion, in addition to allowing us to predict the take-up rate. In order to determine if we would see any cost savings as a result of decreased dependency on poverty programs, we would need to know the representation of program beneficiaries in our population of recipients who decide to take-up the grant. In order to determine if we would see an increase in skilled workers, we would need to determine the currently unskilled portion of grant recipients who plan to use the grant as an opportunity to become skilled and seek new employment. Similarly, in order to determine if we would see an increase in secondary or higher education outcomes, we would need to determine what portion of our grant recipients have a high school diploma/GED and which do not. Moreover, we need to know what proportion of those two groups plan to use the grant as an opportunity to advance their education status. In order to determine if we would see an increase in investment in appreciable items, entrepreneurial ventures, and health and insurance, and a decrease in debt, we would need to determine how recipients plan to use the grant and what proportions they plan to dedicate to what activities. A survey instrument should be designed so that its results reveal the answers to these questions.

Specifically, the survey strategy should be designed to answer the following questions:

- What is the overall probability that the eligible population will accept the grant?
- Does that probability significantly increase or decrease as the grant amount changes?
Is the take up rate correlated with grant amount in any significant way?
- How are grantees likely to use the money?

To what extent will they consume goods that decrease in value?

To what extent will they acquire goods that increase in value?

To what extent are they likely to invest in property?

To what extent are they likely to invest in entrepreneurship?

To what extent will they pay off debt?

To what extent will they invest in education for their children or for themselves?
 To what extent will they invest in health care/insurance?

- At what grant levels do these uses exist? i.e. If the grant is \$10,000, will we see investment in entrepreneurship? Would we still see investment at \$5,000? If not at five or ten, would we see investment at \$50,000?
- In what proportions do they exist? i.e. If it is likely that we see investment in entrepreneurship if the grant is \$50,000, what proportion of the grant is likely to be dedicated to that purpose?

The instrument recommended in this analysis is analogous to the contingent valuation survey instruments common to cost benefit analysis. As in contingent valuation, this survey seeks revelation of preferences and willingness to pay. As any body of information on contingent valuation surveying will reveal, this method is, in many circles, controversial as a tool for valuing effects, but useful when existing proxies are not available, as in this case. The recommendation stands for now, and Section 7 will discuss the survey in more depth and make recommendations for designing a more reliable instrument.

Measuring Decreased Dependency on Poverty Programs. The benefit associated with a decreased dependency on poverty programs is represented by a cost savings as a result of that decreased dependency over the lifetime of the decreased dependency. What is it worth to take one family out of poverty? This analysis looks at a cost benefit analysis of crime reduction programs performed for the State of Washington as a model for answering that question.¹¹ That analysis began with a similar question: What does it cost to reduce one crime?

The analysis for the state of Washington looked at several types of crimes and compiled a list of costs incurred as a result of those crimes. The following table represents their listing of those costs.

Six Types of Crime	Fourteen Types of Resource Costs Incurred
1. Murder/Manslaughter	1. Police and Sheriff's Offices
2. Rape/Sex Offense	2. Superior Courts & County Prosecutors
3. Robbery	3. Juvenile Detention, with Local Sentence
4. Aggravated Assault	4. Juvenile Detention, with JRA Sentence
5. Felony Property Crimes	5. Juvenile Local Probation
6. Drug Offenses	6. Juvenile Rehabilitation, Institutions
	7. Juvenile Rehabilitation, Parole
	8. Adult Jail, with Local Sentence
	9. Adult Jail, with Prison Sentence
	10. State Community Supervision, Local Sentence
	11. Department of Corrections, Institutions
	12. Dept. of Corrections, Post-Prison Supervision
	13. Crime Victim Monetary Costs
	14. Crime Victim Quality of Life Costs

The analysis calculated the operating costs of the units involved in crime reduction. It prioritized marginal costs, measuring the long-term changes in marginal costs as a result of increased or decreased demand on the units (measured by the increase or decrease in criminal activity). For each unit involved in administrating criminal behavior, the analysts calculated marginal operating costs based on the annual dollars per average daily population associated with each unit. In most units, the analysts calculated a cross section regression that regressed the operating expenses (dependent variable) on the average daily population (independent variable). A final estimated equation for one of their units is included as an example in the table below.

Resource	Procedure and Data Used to Estimate Marginal Operating Cost	Final Estimated Equation
Local Juvenile Detention Facilities	Cross Sectional Regression for 1995	$\ln(\text{Oper. Exp}) = 10.38 + .987 * \ln(\text{ADP})$

To obtain information on the local juvenile detention facilities, the analysts collected information on the average daily population, length of stay, and operating costs of the facilities. They used that information to estimate the facilities' cost. The final estimated equation allows the analysts to measure the change in operating expenses as the average daily population changes. The costs savings that result from a decrease in the average daily population (and therefore a decrease in the operating expenses) is counted as a benefit.

This analysis recommends a similar model for calculating the benefit associated with decreased dependency on poverty programs associated with a cash grant. Just as the Washington analysts collected information about the operating costs of crime-related units, this analysis suggests collecting information about the costs of poverty related programs, the main difference here being, of course, that operating costs would include actual transfer payments to the recipients. Remember that the recommendation to conduct an original survey posits that the results of that survey will reveal what portion of the population of recipients depends on these programs. In a similar cross sectional regression of expenses on population, we can tease out the coefficient that reveals how the programs' expenses change as their numbers of beneficiaries change. Based on the portion of program beneficiaries affected by the grant, we determine what the cost savings will be as a result of their decreased dependence on those programs.

Measuring the Benefits Associated with the Increase in Skilled Workers. While the survey instrument will reveal the portion of grant recipients likely to use the grant as an opportunity to become skilled and seek new employment, other types of analyses will reveal the impact of those decisions. An economic impact analysis will measure the shortfall in skilled workers by sector and project the lost growth and revenue as a result of that shortfall. If the results of the survey can indicate to what extent grant beneficiaries will fill that shortfall, the avoided lost growth and revenue would count as a cost savings. An economic impact analysis would also project the ability of (particularly

a local) economy to absorb the increase in skilled workers. If sectors cannot absorb workers, we miss the opportunity to count avoided lost growth and revenue as a benefit. Moreover, no benefits accrue for the worker that can be counted in the analysis as benefits above and beyond the transfer of resources from one entity to another. The benefits to workers are represented by the following:

- Present value of the lifetime increase in earned income;
- Present value of increase in retirement investment; and
- Increase in health benefits.

Assume that one grant recipient will invest in skills and increase his earnings by \$9,600¹² per year within a year after receiving the grant. Considering the lifetime earnings of the recipient, we might represent the lifetime increase of earnings in the following way:

$$PV(ILE) = \frac{[9,600 * (1 + i)]^n}{(1 + r)^n} \quad \text{where:}$$

PV(ILE) is the present value of the increase in lifetime earnings;

i is the (average) annual rate of salary increase;

r is the discount rate; and

n is the number of productive work years left for the recipient;

In calculating the total increase for all recipients exercising this option, the analysis might stratify recipients by age and intended sector of participation in order to accurately calculate increases in income and life of the increase.¹³

The analysis could use information that stratifies average contributions to 401K programs by salary grade to determine the lifetime contributions of the grant recipients. Since the contribution would already be counted as part of income, it should not be counted again as a benefit in the analysis. Increases as a result of employer matching and return on investment can be counted. The present value of these increases would be taken in a way that is consistent with other examples of present valuing in this analysis.

Increased salary will induce increased health benefits. Once again, the portion of the salary dedicated to covering health insurance fees cannot be counted as a benefit. In fact, the salary increase reported assumes that this amount has been subtracted. The benefits are those of more positive health outcomes. They are identical to those presented later in the section on health outcomes and they will be discussed there.

Measuring the Increase in Investment on Appreciable Items. To the extent that increased investment in items like land, buildings, savings, and market investments will occur, the result is a win-win situation. Because these items do not (typically) depreciate, the recipient does not lose any of the grant amount expended on these items. The relevant benefits for this analysis, however, are the amounts by which the items appreciate. For land and buildings, a present valuing of returns on investment can assume that the recipient will hold the item for the duration of his/her lifetime. For savings and

investments, calculations can assume standards researched from relevant industry information that reveals the average life of a savings or investment account. In this case, the analysis should be sure to use the most conservative interest rate and discount rate.

Measuring the Benefit of Increased Entrepreneurship. The relevant measure in this case is the present value of the net worth of African American businesses (owned by grant recipients) over the life of the business. The survey instrument associated with this analysis might attempt to determine, in addition to what portion of recipients would invest in a business, what portion of the grant would be invested and in what kind of business. The results should be stratified by business sector. Stratification allows us to then take industry information relevant to that sector that will tell us the average life of the business, average number of employees, and average net profits.

Measuring the Benefit of Increases in Education Outcomes. The relevant measure for this benefit is the increased earnings for individuals increasing their education outcome to a high school diploma/GED or from a high school diploma/GED to a higher education degree. Similar to the model for measuring the benefit to recipients who increase their job skills, we can take the present value of increased lifetime earnings. In this case, we can use existing information that details the average increase in earnings between holders of the different degrees. Another way to conceptualize the benefit in this scenario is to measure the reduction in the disparity of average incomes between Black and White Americans as a result of the increased education outcomes.

Measuring the Decrease in Debt. The relevant measure in this scenario is the present value of cost savings over the lifetime of the typical debt payment. Most individuals with debt have in their possession an item that represents that debt. That item is, in many cases, worth less than the amount of the debt. For example, suppose you have a credit card balance of \$5000. The clothes and food and plane tickets you spent the \$5,000 on have been consumed and are essentially worth \$0. Making minimal payments, you would pay a total of \$7,000 over five years. We can take the present value and figure out what that \$7,000 is worth to us now. The \$5,000 has to be paid, because you owe it, but the additional \$2000 could add up to a cost savings if you paid the debt today as opposed to paying it over time. Generally, such an item would not be relevant in a cost benefit analysis, because while the credit card holder might be happy about not paying \$2,000 in interest, the credit card will not be happy. Someone gains and someone loses out, so there should be no relevant measure for cost benefit. Debt, however, decreases an individual's ability to save and invest. The temptation here is not to omit decreased debt because we cannot be certain how the \$2000 would actually be used now that it will not be applied toward interest on credit card bills. Perhaps over time, it will be spent on more depreciable items. The temptation, though, is to include it here as increase holdings.

Measuring Increased Positive Health Outcomes. The relevant measures here are the cost savings of preventive care over the cost of caring for preventable illnesses and the cost savings from lost productivity as a result of preventable illnesses. Empirical studies already exist that document these costs savings. As health coverage increases,

individuals are more likely to seek preventive treatment. They are more likely to receive care that is appropriate to their ailment.

Why Are These Good Methods?

The methods of measurement proposed in this section are effective because they propose frameworks for accurately answering the key questions associated with cash grants:

- Who will cash in?
- How will they use the grant?

This analysis proposes a survey instrument to determine who will cash in and a combination of survey and economic analysis to measure the impact of the grant. Other measurement methods were considered, but ultimately proved unlikely to provide accurate answers to the key questions asked by this analysis.

Other Alternatives for Measurement

Assessing a cash grant program for the type of population that would likely be the beneficiary of reparation cash grants is not an easy task, considering the impetus in cost benefit analysis and, indeed, microeconomics is towards evidence-based valuation. One of the most striking tradeoffs this analysis had to make was deciding between the often time-consuming, expensive collection of new data that would possibly not reflect the answers we really want to get, and using ill-fitted existing proxies that, will available and cheap, will provide answers that we *know* are not really what we want. This analysis did, however, consider other proxies for determining the potential take-up rate and subsequent use of the cash grant.

Individual Development Accounts (IDAs). This analysis considered using IDAs as a proxy because the crux of an IDA is a cash payment. IDAs assist individuals in contributing to an account, which they can then use for a proscribed set of purposes, like making a down payment on a house or a business. This analysis determined that modeling the availability and use of IDAs would not answer the questions central to assessing cash grants, i.e. Who will cash in? and How will they use the grant? IDAs could be useful for evaluating programs (discussed in Section 6), but not cash grants, which come with no constraints. For example, not only are IDAs geared towards certain segments of the population that are not necessarily inclusive of all potential cash grant recipients, they heavily proscribe the use of the funds. Using these accounts as a proxy would terrifically skew results towards producing benefits that are much greater in magnitude than what we would actually get with a cash grant. IDAs do not take into account all of the different things that people might do with a pot of money if there were no constraints. If we used IDAs, we would still be left no more knowledgeable about what will happen to the grant money and to what extent the grant would produce the benefits we predict than if we had conducted a good literature review and made a set of educated guesses about take-up and use. This analysis contends that IDAs would work better as a proxy for the program development piece discussed in Section 6. Programs

are favored by some proponents of reparations particularly because they proscribe expenditures in much the same way that IDAs and other programs do, increasing the probability that we get a certain set of benefits. IDAs proscribe that the account holder use the account for buying a house or for starting a business. Programs under a reparations policy might center around the same activities and proscribe behavior in the same ways.

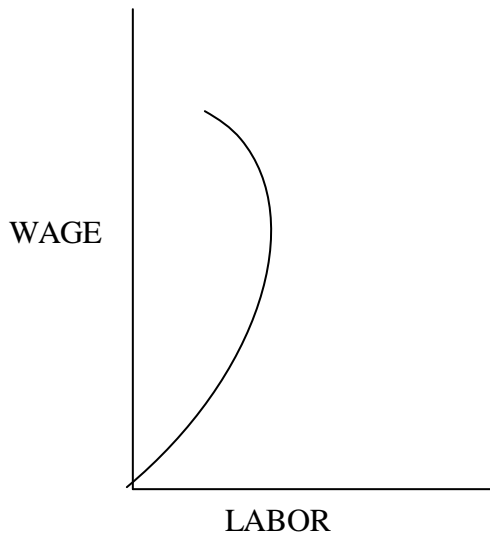
New Jersey Income Tax Program. This analysis considered using the New Jersey Income Tax Experiment as a proxy because the study utilized a treatment group whose welfare benefits were converted to cash in the form of a tax transfer and a control group who kept their welfare benefits. Using this proxy faced two challenges. (1) The relevant population in the experiment consisted of all welfare or welfare-eligible recipients, i.e. individuals living on or below a certain income level. The crux of proposing the range of benefits we expect we would see with cash grants depends largely on the supposition that the pool of potential beneficiaries will cover a range of income levels. This is not an indication that a cash grant from a reparation policy would not, indeed, concentrate on individuals below a certain income level. The supposition of this analysis, however, is that it may not and the analysis seeks, therefore, to develop a framework that would be inclusive and allow for prediction of behavior across a range of statuses. (2) Because the Reverse Income Tax Program set an income limit and taxed participants if they earned anything above that limit and paid them if they earned below that limit, the experiment is not a good proxy for cash grants. The analysis of cash grants does consider that a possible effect is decreased dependence on poverty programs, and the framework for counting the decreased dependency as a benefit could be analogous to a calculation that measure how much the state of New Jersey saves in administering the tax program over administering a welfare program. The income limits set by the program, however, present a serious issue. In fact, the program was abandoned, largely finding few effects for the treatment group (and in some cases reverse incentives), who essentially received the same compensation as the control group, only in a different form.

Other Proxies. This analysis searched for other proxies that might be analogous to receiving a constraint free cash payment. Considered were lottery winners, other reparation payment recipients, and successful defendants in large class action suits. None of these proxies reveal enough impact information or analogy of population to warrant serious consideration.

Limitations

The methods for measurement presented in this section are limited in ways that this analysis wishes to highlight. (1) The methods do not account for reverse incentives. Typical microeconomic modeling assumes a backward bending labor supply curve. Friedman presents the labor supply curve as “the locus points relating to the choice of hours worked to each possible wage rate,” and explains that “as the wage increases from a low initial rate, the substitution effect outweighs the income effect: The individual finds it more important to earn income . . . But as the wage rises past some point, the income effect begins to outweigh the substitution effect: The individual may feel that he or she

has earned the right to spend more time relaxing and enjoying the fruits of a big paycheck.”¹⁴



Politically speaking, this is a reverse incentive, and inasmuch as the choice of individuals not to work inversely affects the productivity of the labor market, this is a reverse incentive. On its head, however, this analysis will not consider it as a reverse incentive that should be counted as a cost. This analysis highlights what Friedman calls the labor-leisure choice (and more specifically what University of California, Berkeley Professor of Public Policy Steve Raphael calls the market time – non market time choice) and valuing work only inasmuch as it does not produce income. This analysis assumes, however, that if individuals are not engaged in labor that is valuable to them at a certain wage, that they are engaged in non-labor

activities that are valuable to them at the same or more than the value of labor for those hours. This analysis would only count an increase in non-labor hours as a result of a cash grant as a cost if the increase were linked to a decrease in productivity of the labor market.

Notably, this analysis already strays enough from conventional cost benefit form by considering increased income (employment) as a benefit. Technically because someone (an employer) is on the other end paying for the increased wages, it is not in the true spirit of a global cost benefit analysis to count employment or increases in income. As previously mentioned, however, many recent cost benefit analyses are straying from this form in an effort to empirically analyze redistributive policies.

The second limitation is that this analysis does not consider costs and benefits that result from illegal activities. This analysis recognizes, as other cost benefit frameworks do, that these costs and benefits exist, but cost benefit as a discipline does not typically consider them.



In arguing for Black reparations, this article supports the idea of compensation through money transfers and group entitlements because I believe that reparations present an opportunity for institution-building that is badly needed, and should not be squandered in the consumer market.

-Robert Westley in Many Billions Gone . . .

1. Introduction
2. Theoretical Framework
3. Limitations of the Framework
4. The Cost Benefit Framework
5. Measuring the Costs and Benefits of Cash Grants
6. Measuring the Costs and Benefits of Programs
7. Methodological Challenges
8. Methodological Outcomes
9. Policy Implications
10. Conclusion

This analysis outlined five key questions for assessing the costs and benefits of cash grants and programs. Three of those questions were specific to programs. They are:

1. What programs will be established, should a reparations policy take the form of program development? (Cost)
2. What will be the scope of programs? (Benefit)
3. In what ways can we compare the programs to those that already exist in terms of scope and constituency? (Benefit)

Measuring the costs and benefits of programs is no less intensive than measuring the costs and benefits of cash grants, but there is an opportunity to perform evidence-based valuation. Programs that are like the programs likely to emerge from a reparation policy already exist and serve as ready analogies because they serve, in many cases, identical target populations and have identical goals. Therefore, in order to measure the costs and benefits associated with programs, this analysis recommends using existing programs as proxies.

Because no actual reparation policy has yet to be proposed and, once again, there is no certainty about the form of that policy, this analysis must predict the range of programs based on the program proposals offered by other disciplines that have spent a significant amount of time examining the issue of reparations. For cash grants, actual amounts have been proposed (though this analysis does not acknowledge or prioritize those amounts). For programs, the proposals often come in the form of program types. According to the proposals, the following types of programs have a likelihood of being established, should a reparation policy take the form of programs (or indeed a trust fund that would support programs):

- Education and Scholarships;
- Job and Skill Development;
- Prison Reform and Training for the Incarcerated;
- Youth Development;
- Economic Development, Investment, and Entrepreneurship;

- Community Development and Property Ownership; and
- Health Programs (Coverage, Screening/Prevention, Treatment/Rehabilitation, and Education).

This list is not, of course, exhaustive of the programs that have been proposed. It is merely representative and presented to demonstrate the fact that the proposals mirror, in many ways, programs that may already exist (on a smaller scale).

Establishing programs is analogous to opening a business. The relevant inputs are capital and labor. The output is productivity. Considering this, the relevant calibration for using existing programs to estimate the costs and benefits of a proposed reparation program involves predicting how the capital and labor requirement for the existing program must be adjusted to match the proposed program and, subsequently, adjusting the predicted outcome, which in the case of programs are referred to as effects or effect sizes. To frame these calibrations, this analysis proposes a set of considerations for determining both costs and benefits.

Basis for Projecting Cost. In projecting the costs for a reparation program, an analysis should consider the following factors for the program and its proxy:

- Demographic of the Target Population: What characteristic or set of characteristics defines that population?
- Location Profile for Each Program: Will the program be a national program? Will the program be based in the federal government, at the state level, local level, etc.?
- Scope by Location Profile: How many individuals comprise the target population in each location? If administration of the program will be based in the federal government, how many individuals will that program serve? If the program will be state-based, how many individuals will be served in Tennessee versus California and are the any locales that would be omitted?
- Existing Proxies By Location Profile: What programs are in that locale already? What is the scope of those programs? What are their goals?
- Projected Costs Based on Existing Proxies: To what extent must the program under the reparation policy be scaled up or down? Is it necessary to develop infrastructure (capital and labor) to launch the program, or does it already exist? What will the reparation program do that the existing program does not do, and vice versa?

Basis For Projecting Benefits. In projecting benefits for a reparation program, an analysis should consider the following factors for the program and its proxy:

- Evaluation: Does a rigorous evaluation exist for the proxy? (Section 7 will discuss rigorous evaluations in detail.)

- **Goals:** Does the evaluation evaluate the proxy according the same goals that the reparation program wishes to prioritize?
- **Effect Size:** Does the evaluation report empirically sound effect sizes that mirror the effects the reparation program wishes to prioritize?
- **Calibration:** For what reasons might we expect or not expect similar effect sizes in the reparation program as those reported in the proxy? Did any factors unrelated to the program influence the effect size that may be present in different proportions or not present at all in the reparation program? Do we expect that there would be increasing or diminishing returns to scale of the effect size?

Case Study. To demonstrate the use of using these factors as a guide for measuring the costs and benefits of programs, this analysis presents a fictional case study. It is based on an actual scholarship program, but most of the specifications, including the name of the program, have been changed.

Measuring Costs	Type: Educ/Scholarship	Proxy	Reparation Program
	Program	City Schools Scholars Programs: Provides up to five years of tuition and fees at the University of State Campus of the Student’s Choice.	National Scholars Program: Provides up to five years of tuition and fees at a state-sponsored four-year institution in the student’s legal state of residency.
	Demographic: Target Population	Graduating students from City High Schools: Qualified by maintaining a minimum 4.0 GPA each semester for all semesters completed from the first semester of the 9 th grade to the first semester of the 12 th grade (or final year), attaining the minimum ACT score required by US by the end of the first semester of the 12 th grade (or final year), and applying for and gaining admission to at least one UT.	Graduating African American students from an accredited high school or home school program: Qualified by maintaining the minimum qualifications required by the state-sponsored school system (GPA, Standardized Test Score, Curriculum, etc.) and applying for an gaining admission to at least one school in the state-sponsored school system.
	Location Profile	Locally Administered; State-Based Costs	Nationally Administered; State-Based Costs
	Scope By Location Profile	(For One Year of the Program) Proportion of total graduating students in the City School System who meet the minimum qualifications.	(For One Year of the Program) Proportion of African American students by state who meet the minimum qualifications for their state. In some states, like California, there may be several proportions if there is more than one state-sponsored school system with differing qualifications.

	Project Costs	<ul style="list-style-type: none"> • Cost of Scholarship (Proportion Meeting Qualification * Tuition and Fees) • Administration (Staff, Data and Information Tracking, Evaluation) 	<ul style="list-style-type: none"> • Cost of Scholarship (Proportion Meeting Qualification * Tuition and Fees) In Each State • Administration (Staff, National Data and Information Tracking, Evaluation)
--	---------------	--	---

Measuring Benefits	Evaluation	<p>Treatment Group: Random Sample of Entering 9th Graders informed of the scholarship and qualifications and reminded semesterly.</p> <p>Control Group: Random Sample of Entering 9th Graders not informed of the scholarship or qualifications.</p> <p>Other than the reminder that the scholarships exists, no difference between treatment and control group, i.e. no difference in counseling services, no additional encouragement of the treatment group to pursue college or the scholarship.</p>
	Goals	Scholarship Increases the likelihood that students will perform on a level that will make them admissible to the state-sponsored school.
	Effect Size	Increase in likelihood that members of the treatment group met the qualifications of the scholarship over members of the control group.
	Calibration	<ul style="list-style-type: none"> • Differences in school districts in the national program; • Differences in the state-sponsored universities; • Are there are preexisting attitudes among African American high school students towards the state-sponsored schools that would cause effects that have little to do with the student's willingness to perform well? <p>By state, control for additional factors in the regression calculating the effect size.</p>

Once we obtain an effect size in which we are confident, how do we monetize that effect size within the framework of a cost benefit analysis? There are several ways to approach monetizing an effect size. Suppose, with the scholarship program, the associated value is the increase in earnings between the ages of 22 and 35 of the treatment group over the control group, that is assuming we would find an increase. It is completely possible that the control group, in not focusing on the scholarship to the state-sponsored schools, felt free to set their sites on other institutions, i.e. private schools or skills-based technical programs that resulted in higher salaries. The point is that we would want to connect the outcome of getting the scholarship and going to the state-sponsored university with values associated with that outcome. What we can measure really depends on the information that we track about the samples or evidence based findings that we can point to from other studies about populations like the scholarship sample. In conducting the cost benefit analysis, we would want to account for as many of these outcomes as possible, as long as we can prove that they are, indeed, the result of this particular treatment.



The unpopularity of this radical plan would no doubt be unprecedented. There are also no guarantees that reparations would be a magic bullet for lingering racial problems. That said, it remains vital . . . to explore formulas and keep the reparations debate alive. It is important because each resulting dollar amount implies a theory of race, history and equal opportunity. That includes the figure implicit in our current policy—zero—which rests on the most absurd assumption of all: that slavery didn't matter.

-Dalton Conley

1. Introduction
2. Theoretical Framework
3. Limitations of the Framework
4. The Cost Benefit Framework
5. Measuring the Costs and Benefits of Cash Grants
6. Measuring the Costs and Benefits of Programs
7. Methodological Challenges
8. Methodological Outcomes
9. Policy Implications
10. Conclusion

A major portion of Section 5 was spent discussing the recommendation to conduct a survey to collect new data. This section will begin by spending some time discussing that survey instrument, some challenges it may face, and some safeguards to those challenges.

Survey Instrument. Recall that this analysis posited that a survey should seek to answer the following questions:

- What is the overall probability that the eligible population will accept the grant?
- Does that probability significantly increase or decrease as the grant amount changes? Is the take up rate correlated with grant amount in any significant way?
- How are grantees likely to use the money?

To what extent will they consume goods that decrease in value?
To what extent will they acquire goods that increase in value?
To what extent are they likely to invest in property?
To what extent are they likely to invest in entrepreneurship?
To what extent will they pay off debt?
To what extent will they invest in education for their children or for themselves?
To what extent will they invest in health care/insurance?

- At what grant levels do these uses exist? i.e. If the grant is \$10,000, will we see investment in entrepreneurship? Would we still see investment at \$5,000? If not at five or ten, would we see investment at \$50,000?
- In what proportions do they exist? i.e. If it is likely that we see investment in entrepreneurship if the grant is \$50,000, what proportion of the grant is likely to be dedicated to that purpose?

Survey Implementation. Potential respondents to a survey should

be stratified by Metropolitan Statistical Area (MSA). The base number of respondents should be 400 and the target number of respondents should be calibrated by MSA based on population. In implementing the survey, a pilot should be run to test the response rate. The response rate will determine the sample. For example, if we, indeed, require 400 respondents, and the pilot indicates a 15 percent response rate, the sample would be calculated by dividing the number of required respondents by the response rate. In this case, the survey would sample 2,667 African Americans.

Survey Challenges. Surveying, in general, faces the challenge that the respondents will deviate too far from the population about which we wish to make inferences. This leads to survey bias. Several tools and processes, however, are useful in determining to what extent the respondents deviate from the population and correcting for some of the bias.

Bowen and Bok utilized a concept that would be useful here. In surveying individuals who had attended institutions of higher education with affirmative action-based admissions policies, they compared characteristics of their sample to their respondents to make some judgments about how closely the two matched. The survey recommended in this analysis would obviously construct a database of respondents. It could also utilize a data set that characterizes the population of the MSA from which the sample was taken by a relevant set of characteristics. A number of comparisons can be made. The sample can be compared to the population. The respondents can be compared to both the sample and the population. This safeguard, however, makes it necessary for the survey to collect information on income, political affiliation, number of family members, current level of education, etc. in addition to collecting information about preferences. This would assist in demographically orienting the respondents in relation to the population to reveal to what extent the respondent data might be skewed. If we know the ways in which the data might be skewed, we can make attempts to control for it in reporting results.

Another interesting method utilized by Bowen and Bok was to assume that responses that required prodding to collect represented non-respondents, because they would have been non-respondents had they not received the extra attention that encouraged them to respond. This helped the analysts characterize a sample of non-respondents to a sample of respondents (people who responded immediately) to determine how much like the non-respondents the respondents actually were.

Electronic methods can also be utilized to account for variation in survey responses through Monte Carlo Modeling. For example, the conductor of this analysis performed a test analysis to demonstrate the usefulness of Monte Carlo modeling for this issue.¹⁵ (See Appendix C for a full description of the test. Note that these test results were meant only to demonstrate the usefulness of Monte Carlo Modeling in Crystal Ball. They are not rigorous results.) That analysis pulled three questions from three surveys that aimed to glean reactions to the idea of compensatory policies.¹⁶ The analysis prioritized questions with responses stratified by both race and age. For each age group, the percentages (from the three survey questions) of African American respondents who indicated support of compensatory policies were averaged. The test assumed that these respondents would also likely support a reparation policy and be likely to claim a cash grant if it was

available to them. The averaged percentages were applied to the census data for African Americans over the age of 15, stratified into age groups. There was some overlap in the groups (between the survey question stratification and the census stratification) but no attempts were made to refine this at that time.

The average percentages became assumptions applied to the population data taken from the census. A normal distribution was applied to the assumptions (though this did not necessarily have to be the case) and the assumptions were bounded, assuming that no less than zero percent and no more than 100 percent could take advantage of any policy. (The bounding is also open to interpretation and can be determined based on the realities of the data with which an analyst is working.) The assumption for age groups up to the age of 15 was zero percent. A decision was calculated as identical to what the results would be if the assumptions were accurate. So if an average percentage of 50 percent of African Americans between the ages of 15 and 19 supported compensatory policies, then the decision was represented by 50 percent of that age group. Running the data produced a mean and standard deviation for each category.¹⁷ These were used to calculate a minimum and maximum per age category and then summed to come up with a total minimum and maximum. The test results concluded at a 95 percent level that a certain number of individual African Americans would collect a cash grant.

Outside of the normal challenges to surveying, contingent valuation surveying (the type utilized in cost benefit analysis) faces many challenges on its own. The bulk of those challenges surround the ability to get survey responses that are an accurate representation of preference. The survey recommended in this analysis can take some steps to ensure accuracy.

- Experiment with open-ended willingness to pay method questions and double-dichotomous choice method questions.

In the open ended method, respondents would simply be asked, for example, to what would they dedicate their grant and, of the answers, how much. Double dichotomous choice might follow the question of to what would the respondent dedicate a grant (answer: paying off credit card bills) with a closed-ended question that asks whether they would dedicate five of a fifty thousand grant to that purpose. If the respondent answered yes, the amount would be increased in the next question, and decreased if the answer is no. The questions would continue to increase/decrease until the limit is reached.

- Clearly state the grant choices when relevant and make every attempt to present the choice as a real possibility.

In order to give realistic answers, respondents should completely understand what their constraints are and they have to believe that the options presented to them are real. To accomplish this, the survey might be preceded by information that explains who is sponsoring the study and what its purpose is. If respondents believe that the survey will really drive policy, they will be more likely to think more critically about their answers.

- Utilize mail surveys.

This method is cheap. It allows the surveyors to share information with the potential respondents that speak to the legitimacy of the survey and the policies it hopes to produce. Although mail surveys bias results against respondents who are more transient, it does not do so to the extent that telephone or internet surveys will.

- Engage a neutral party to conduct the survey who will construct neutral questions.

If survey information and questions are not neutral, they present biases in the survey results, including noncommitment bias and hypotheticality/judgment bias. Noncommitment bias, or anchoring bias, can occur when respondents know that they do not have to commit the actual resources that they commit in the survey. So a respondent might commit in the survey to spending half of a \$50,000 grant investing in a business when that respondent would not actually commit that amount if they were to actually receive \$50,000. This bias can be controlled for by encouraging respondents to think more realistically about their budget and constraints. For example, if the respondent has indicated that they have a substantial amount of credit card debt that should be paid, what is the likelihood that they would dedicate such a large proportion of their grant to a business. Hypotheticality bias and judgment biases can, once again, be controlled by presenting the policy in question as a concrete possibility. If the respondents perceive that the surveyors are legitimate, have some connection to the legislators implementing the policy, and will feed survey results to those legislators so that they can make policy, the survey results will be less susceptible to these kinds of biases.

Evaluation Challenges. Section 6 discussed measuring the costs and benefits of programs, of which an important component was finding existing proxies for which rigorous evaluations exist. The rigor of the program evaluation indicates whether we can really use effects of that program as an indicator for the benefits we would see in the reparation program.

Evaluation challenges include:

- Programs are evaluated in all different kinds of ways, so we must establish a baseline of what is considered rigorous;
- For some programs, evaluations of similar programs may not exist; and
- Some reparations programs may not have an existing proxy at all.

Assuming that a proxy does exist and an evaluation of that proxy has been conducted, some criteria exist for determining whether the evaluation is a good indicator.

Quality of the Research Design. The Washington state crime reduction study evaluated hundreds of programs and devised a rating system according to how rigorous the evaluation was implemented.¹⁸ They assigned a “5” to the best evaluations and a “1” to evaluations that were not usable. They characterized the designs as follows:

5. The most rigorous evaluation present a well-implemented random assignment of subjects into a treatment and control group.
4. These evaluations compare a program and matched comparison group, controlling for self-selection bias with statistical methods. The evaluation may have had problems in implementation.
3. The program and comparison groups were matched for pre-existing differences in key variables in these evaluations. They provide evidence that few, if any, significant differences exist in the variables. They make attempts to statistically control for the differences that do exist.
2. The program and matched comparison group lack comparability on pre-existing variables in these evaluations and no attempts were made to control for differences.
1. These evaluations do not utilize a comparison group. They use before and after analyses to report effects.

Detail of the Reporting of Effects. A rigorous evaluation reports its effects in detail. The crafters of the new program should pre-determine list of effects in choosing evaluations.

Sample Size. The larger, the better.

Real World vs. Simulation. Rigorous evaluations performed on real programs are better than simulations.

Primary Program Goals. Some evaluations report effects for goals that were not central to the purpose of the program. In comparing a proxy to a proposed program, we would want to choose the evaluations that report effects for goals central to both the proxy and the proposed program.

Follow-up Time. These can differ from program to program. Typical follow-up times should be determined based on the type of program being evaluated.



“And for every dollar paid, the government would get a \$100 return.”
– Willie E. Gary in *“Does America Owe a Debt to the Descendants of Its Slaves?”* In *Harper’s Magazine*, reprinted in *Should America Pay*.

- 1. Introduction
- 2. Theoretical Framework
- 3. Limitations of the Framework
- 4. The Cost Benefit Framework
- 5. Measuring the Costs and Benefits of Cash Grants
- 6. Measuring the Costs and Benefits of Programs
- 7. Methodological Challenges
- 8. Methodological Outcomes
- 9. Policy Implications
- 10. Conclusion

In the end, a cost benefit analysis should produce the following:

1. Cash grants
 - A bottom line measure that says, for every dollar we spend on cash grants, we will see x number of dollars in cost savings from decreased dependency on poverty programs or x number of dollars in benefit from increased investment. The net benefit should be calculated based on the grant amount and should equal the benefit per dollar times the number of dollars (cost of policy).
 - Prediction of the life of the costs and benefits, taking the present value.
2. Programs
 - Based on a set of existing proxies, the cost of a cache of reparations programs.
 - Based on those same proxies, the benefit in dollars of a cache of reparations programs.
 - Prediction of the life of the costs and benefits and take the present value.
3. Net Benefit Comparison
 - (Present Value) Net Benefit of Cash Grants vs. (Present Value) Net Benefit of Programs

Once again, because we might see a similar range of benefits for both cash grants and programs, the prediction of the life of costs and benefits is an important measure. For example, if following the rhetoric of popular logic, we might imagine that cash grants and programs would see some of the same benefits and that we would see some of those benefits immediately for cash grants, but they may have a relatively short life span. It may take longer to see the benefits from programs but they may last longer. As a result of this type of analysis, we would want to be able to empirically compare those two scenarios to get an accurate depiction of which is the better policy.



The idea. . . is to change the quality of care of those who are still suffering from centuries-old problems.

- Charles Ogletree

1. Introduction
2. Theoretical Framework
3. Limitations of the Framework
4. The Cost Benefit Framework
5. Measuring the Costs and Benefits of Cash Grants
6. Measuring the Costs and Benefits of Programs
7. Methodological Challenges
8. Methodological Outcomes
- 9. Policy Implications**
10. Conclusion

This section brings the analysis full circle to the question of whether reparation policies are viable for empirical study, whether policy makers can have a quantitative-based conversation about reparations, and indeed, whether there is (at least) an empirical justification for passing H.R. 40 and supporting further study of the topic. There are, admittedly, still legal, moral, and ethical justifications that should be discussed.

Moreover, although this analysis addressed the question of whether H.R. 40 should be discussed and based a conclusion on whether we could demonstrate an empirical framework for the conversation, that is not an indication that we should examine any policy for which an empirical framework exists. In the end, we cannot ignore the legal, moral, and ethical arguments for and against reparations. At the same time, we cannot continue to avoid the conversation because of an inability to practically discuss dollars and cents. As this framework has demonstrated, the tools to evaluate the policies in those ways already exist. We simply need to call on them, and use them.



Of course, information alone cannot resolve all of the issues, since many of them involve differences in values or legal interpretation. Nevertheless, facts often help to confirm some arguments and undermine others. In what ways, then, can the results of this study clarify and advance a debate that has become so heated, so predictable, and yet so inconclusive?

*-William Bowen and Derek Bok in
The Shape of the River*

1. Introduction
2. Theoretical Framework
3. Limitations of the Framework
4. The Cost Benefit Framework
5. Measuring the Costs and Benefits of Cash Grants
6. Measuring the Costs and Benefits of Programs
7. Methodological Challenges
8. Methodological Outcomes
9. Policy Implications
10. Conclusion

Conducting a Cost Benefit Analysis is, necessarily, a formidable task, as we should seriously approach any valuing process that creates policies that affect us all. For all of the difficulty, however, it is odd to approach a policy for which we have not performed even the crudest calculation of costs and benefits. It is in this spirit that this framework for analyzing reparation policies from a cost benefit perspective is offered.

In the case of a reparation policy in the form of programs, the analysis is well served by existing proxies that speak to the effectiveness of programs that would be implemented under a new policy. As discussed, those proxies do not exist for cash grants. The analysis presented a series of recommendations for determining what a cash grant policy would likely net. In conclusion, however, this analysis offers one final recommendation:

- Pilot a cash grant and/or programs policy to determine costs and benefits. Create and rigorously execute a model that will allow us to observe and value impacts.

In the end, these policies are really about poverty reduction, revitalization, and redistribution. We have determined that these are priorities in our society. To the extent that we are committed to these priorities, we should examine and support innovative solutions that propose to solve those problems. If a reparation policy were implemented, it would affect a wide expanse of people. Because the pre-policy analysis drives the types of policies we get, and we want to make sure we get good policies, we should take every precaution get the most reliable results from the pre-policy analysis.

Recommendations have been offered in this analysis to compensate for the lack of observable evidence, but the best evidence is the evidence itself. To the extent that analyses like this one are demonstrating what we *could* get out of policy, should it prove effective, we should consider the value of creating evidence that speaks to those demonstrations.

Finally, this analysis is meant to be the beginning of a conversation, not the end. Certainly it is empirically limited in many ways, as most analyses of this type are, but the hope is that others who are either concerned with reparations as a policy or concerned with the economic and social situations that reparations intends to address will expand the thinking proposed here. Reparations themselves are meant to be an innovative solution to old problems. Likewise for this analysis.

WHO WILL CASH IN?

A RECENT STUDY INDICATES TRENDS LINKING AGE AND POLITICAL SYMPATHIES AMONG AFRICAN AMERICANS.³

USING THAT RESEARCH AS A BASE, THIS PROJECT GATHERED THE FOLLOWING:

.....

***2001 CENSUS DATA FOR AFRICAN AMERICANS
BROKEN DOWN BY AGE**

***SURVEY DATA CONCERNING REPARATIONS AND
COMPENSATORY POLICY TOPICS
RESPONSES BROKEN DOWN BY AGE**

.....

**I USED THIS DATA AND CRYSTAL BALL TO
FORECAST HOW MANY AFRICAN
AMERICANS ARE LIKELY TO CASH IN.**

.....
REPARATIONS
.....

³ Source: Joint Center for Political and Economic Studies 2000 National Opinion Poll Politics

ASSUMPTION ONE: Political (and partisan) identification will be a major determinant of acceptance of this policy.

ASSUMPTION TWO: Recent studies have shown links between age and political identification. These studies have been able to demonstrate the links as a result of recent shifts in partisan identification. As opposed to a static identification with the Democratic Party and with liberal policies, African Americans are much more likely to identify themselves as Independent or Republican, though the Republican numbers are still relatively very small. Within this shift, researchers have noticed some correlation between age and the likelihood of shifting to certain partisan groups.⁴ This research posits a base for us to stratify the population by age and identify the likely proportions of partisan identification within each age group. Assuming that political identification will have a strong influence on whether a person agrees with the policy or not, we can make some forecasts about how many people will agree with the policy and subsequently cash in.

⁴Source: Joint Center for Political and Economic Studies 2000 National Opinion Poll

Survey Question: Are	Number	Percent
Reparations the answer? ⁵ Yes	491	47.53%
No	537	51.98%
No Opinion	5	0.48%
Total Respondents = 1944		
AA Respondents = 1033	Total	1033 100.00%

⁵Source: <http://www.BlackReparation.com>

Survey Question: Blacks	Age	Agree	Disagree	Don't Know
who can't get ahead in	18-25	44.20%	50.90%	4.90%
the U.S. are mostly	26-35	57.10%	42.90%	0.00%
responsible for their own	36-50	35.40%	57.00%	7.60%
condition. ⁵	51-64	46.20%	50.40%	3.40%
	65+	33.90%	59.50%	6.60%

⁵Source: Joint Center for Political and Economic Studies 2000 National Opinion Poll

Survey Question: We	Age	Agree	Disagree	Don't Know
should make every	18-25	54.90%	42.90%	2.20%
possible effort to	26-35	51.20%	45.10%	3.70%
improve the position of	36-50	32.30%	64.20%	3.50%
blacks and other	51-64	46.30%	42.40%	11.30%
minorities, even if it	65+	48.30%	41.80%	9.90%
means giving them				
preferential treatment. ⁶				

⁶Source: Joint Center for Political and Economic Studies 2000 National Opinion Poll

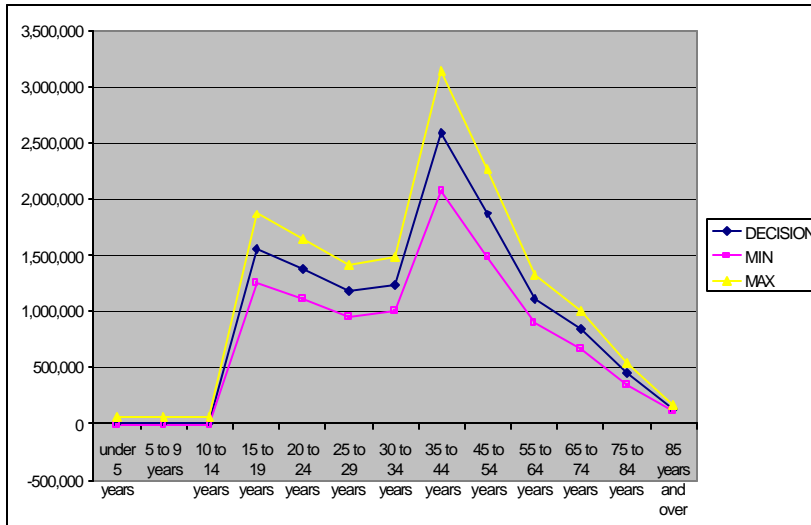
Census by Age	Assumption
15 to 19 years	51.11%
20 to 24 years	49.88%
25 to 29 years	47.21%
30 to 34 years	47.21%
35 to 44 years	45.61%
45 to 54 years	45.61%
55 to 64 years	48.08%
65 to 74 years	51.78%
75 to 84 years	51.78%
85 years and over	51.78%

AFRICAN AMERICAN

POPULATION BY AGE*	NUMBER	ASSUMPTION	DECISION	MEAN	STAND DEV	MIN	MAX
under 5 years	3,017,000	0.00%	0	24,430	18,000	-11,570	60,430
5 to 9 years	3,308,000	0.00%	0	25,855	19,520	-13,185	64,895
10 to 14 years	3,328,000	0.00%	0	27,385	21,043	-14,701	69,471
15 to 19 years	3,057,000	51.11%	1,562,448	1,561,139	155,794	1,249,551	1,872,727
20 to 24 years	2,762,000	49.88%	1,377,607	1,388,048	134,440	1,119,168	1,656,928
25 to 29 years	2,521,000	47.21%	1,190,176	1,188,124	117,787	952,550	1,423,698
30 to 34 years	2,642,000	47.21%	1,247,301	1,248,362	123,688	1,000,986	1,495,738
35 to 44 years	5,699,000	45.61%	2,599,342	2,616,560	267,704	2,081,152	3,151,968
45 to 54 years	4,103,000	45.61%	1,871,398	1,879,642	193,608	1,492,426	2,266,858
55 to 64 years	2,316,000	48.08%	1,113,467	1,113,855	109,863	894,129	1,333,580
65 to 74 years	1,624,000	51.78%	840,861	840,993	85,579	669,836	1,012,151
75 to 84 years	864,000	51.78%	447,355	446,299	45,764	354,771	537,826
85 years and over	267,000	51.78%	138,245	138,577	13,858	110,862	166,292
TOTALS	35,508,000	37.70%	12,388,199	13,509,599	1,368,386	10,772,827	16,246,371

**FORECASTED
TOTALS**

12,499,269	1,306,647	9,885,976	15,112,562
------------	-----------	-----------	------------



Notes

¹ Conyers, John. Major Issues – Reparations Page. April 2003

<http://www.house.gov/conyers/news_reparations.htm>.

² Stokey and Zeckhauser (1978) describe cost benefit as “ex ante; it attempts to evaluate a project before it is undertaken to decide in what form and at what scale it should be undertaken, and indeed whether it should be undertaken at all.”

³ John Conyers, D-MI, has introduced H.R. 40 (or an equivalent) in the U.S. House of Representatives every year since 1989. Currently, approximately 40 members of the house co-sponsor the bill. At least 4 city councils and 2 states have either passed resolution in support of H.R. 40 or passed their own bills calling for a study of reparations.

⁴ America, 1993

⁵ Note that this is purely from an empirical perspective. There may be, of course, a myriad of other reasons why reparation is or is not a viable policy based on other types of analyses.

⁶ Interview with Raymond Winbush, author of *Should America Pay*, April 2003. Previous to my conversation with Mr. Winbush, I had spent a few months looking for information that spoke directly to this issue in an effort to determine if an analysis like this one was necessary or if it would be timely. I found a paucity of information. Mr. Winbush confirmed that he spent years looking for that information and, for the most part, it did not exist. The response of others with whom I have shared my research strategy who found the approach novel further confirms our lack of findings.

⁷ Tavis Smiley, Interview with Connie Rice, [The Tavis Smiley Show](#), National Public Radio, KALW, San Francisco, 7 May 2003.

⁸ According to Stokey and Zeckhauser (1978), “Measuring redistributive benefits is a tricky business.” They make some attempt to accommodate for this process, as they accede that it has gained popularity among policy analysts in recent years. They categorize benefits to the “deserving” individual or group as “redistributive benefits” and recategorize net benefits as “efficiency benefits”, so even if the efficiency benefits are negative, we may implement policies with positive redistributive benefits if our concern for the deserving group warrants implementation. Likewise, if we are comparing two policies, we may choose the policy with fewer (but still positive) redistributive benefits over the policy with more efficiency benefits out of a concern for equity.

⁹ The first year of a project may be counted as $n = 0$, in which case the present value of the cost would just be the cost itself, or the first year may be counted as $n = 1$, in which case the present value should be discounted. There is no universal standard because benchmarking when the funds will actually be expended is not always clear or if the funds will be disbursed over a year’s time it may not be clear whether to use the beginning of the year ($n = 0$) or the end ($n = 1$). Analysts must determine (and specify) what the first year means within the context of their project and be consistent throughout the analysis.

¹⁰ Joint Center for Political and Economic Studies, “2002 National Opinion Pools – Politics,” 2002

¹¹ Washington State Institute for Public Policy, “The Comparative Costs and Benefits of Programs to Reduce Crime: Version 4.0,” May 2001.

¹² Assume that this amount is after taxes and other job related expenditures have been accounted for.

¹³ Boardman (2001) emphasizes that the most accurate method for determining the benefit from employment is to measure net changes in surplus as opposed to net changes in earned income. Boardman’s explanation (because it is modeled on welfare to work programs) assumes that the participants were previously unemployed and accounts in the model for lost leisure time. This model does not blanketly assume that participants will be unemployed previous to award of the grant. To what extent that is the case, however, the model should account for the loss of leisure time.

¹⁴ Friedman, 2001

¹⁵ Test analysis conducted in Fall 2002, before the advent of the research for this analysis.

¹⁶ Assume that surveys were not rigorously conducted. They were used only to demonstrate the model.

¹⁷ Crystal Ball conducts 1000 runs.

¹⁸ Boardman (2001) also provides much of the same information, but in a more general context.

Selected References

America, Richard. Paying the Social Debt: What White America Owes to Black America. Connecticut: Praeger Publishers, 1993.

America, Richard, ed. The Wealth of Races: The Present Value of Benefits From Past Injustices. Connecticut: Greenwood Press, 1990.

Boardman, Anthony, David Greenberg, Aidan Vining, and David Weimer. Cost Benefit Analysis Concepts and Practice. 2nd ed. New Jersey: Prentice Hall, 2001.

Bowen, William and Derek Bok. The Shape of the River: Long-Term Consequences of Considering Race in College and University Admissions. New Jersey: Princeton University Press, 1998.

Friedman, Lee. The Microeconomics of Public Policy Analysis. New Jersey: Princeton University Press, 2001.

Robinson, Randall. The Debt: What America Owes to Blacks. New York: Plume. 2000.

Stokey, Edith and Richard Zeckhauser. A Primer For Policy Analysis. New York: W.W. Norton and Company, 1978.

Washington State Institute for Public Policy, "The Comparative Costs and Benefits of Programs to Reduce Crime," Version 4.0, May 2001.

Westley, Robert. *Many Billions Gone: Is It Time to Reconsider the Case for Black Reparations?* Boston College Law Review, December 1998, Volume XL, No. 1.

Winbush, Raymond, ed. Should America Pay? Slavery and the Raging Debate on Reparations. New York: Harper Collins Publishers, 2003.

Yamamoto, Eric K. *Racial Reparations: Japanese American Redress and African American Claims*. Boston College Law Review, December 1998, Volume XL, No. 1

Selected Internet References

Conyers, John. Major Issues – Reparations Page. April 2003
<http://www.house.gov/conyers/news_reparations.htm>.

Hutchinson, Earl Ofari, "The Touchy Question of Reparations," SFGate.com 25 Feb 2000, 25 Feb 2003 <http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2000/02/25/ED101227.DTL>.

---, "Racial Fault Line: Whites Won't Buy Slave Reparations," SFGate.com 5 May 2002, 25 Feb 2003 <http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2002/05/05/ED46216.DTL>.

Kolker, Claudia, "Communities Begin Examining Their Race-Riot Legacies/Across Nation, Long Hidden Crimes Confronted," SFGate.com 29 Feb 2000, 25 Feb 2003 <http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2000/02/29/MN35664.DTL>.

Merida, Kevin, "Why Reparations?" April 2003. <http://www.swagga.com/reparation.htm>.

Nakao, Annie, "Reparations, maybe – But Repair, Definitely," SFGate.com 15 Aug 2002, 25 Feb 2003 <http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2002/08/15/DD126111.DTL>.

Ogletree, Charles J., "Reparations, A Fundamental Issues of Social Justice," The Black Collegian Online. April 2003. <http://www.black-collegian.com/news/special-reports/reparations2002-1st.shtml>.

Schuck, Peter, "Slavery Reparations: A Misguided Movement," 9 Dec 2002, April 2003. <http://jurist.law.pitt.edu/forum/forumnew78.php>.

Shafer, Betty, "Surviving African Slavery: The Legacy of Black Health Problems in America Today," April 2003. <http://www.reparationsthecure.org/beta/betty1.html>.

Selected Historical Documents

Text of H.R 40 107th Congress First Session

Text of 2001 OK H.B. 1178 (Text of the 1921 Tulsa Race Riot Reconciliation Act)

Text of Official Master's Report Re: HB 591 (Claim Seeking \$7.2 Million for Damages Resulting from the 1923 Destruction of Rosewood, Florida.

Text of Pub.L. 100-383, Aug. 10, 1988, 102 Stat. 903 Restitution for World War II Internment of Japanese-Americans and Aleuts