

BROOKINGS

Quantifying Harm: Economic Inequality, Wealth Gaps, and the Case for Reparations

New York State Community Commission on Reparations Remedies

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Scale of the Racial Wealth Gap Today

- **Black-White wealth gap is one of the most significant indicators of the legacy of slavery in the US.**
- Black-White wealth inequality has remained unchanged or increased slightly for over 50 years (Derenoncourt et al. 2023)
- Wealth inheritance gap between White and Black recipients is approximately \$200 billion annually (Stewart et al. 2021)
- Between 2019 and 2022, median wealth increased by \$51,800 overall, but the racial wealth gap increased by \$49,950 reaching a total gap of \$240,120 between median white and Black households (Perry et al. 2024)
- For every \$100 in wealth held by white households, Black households held only \$15 in 2022. (Perry et al. 2024)
- From 2019 to 2022, the mean gap in net worth between Black and white households grew from \$841,900 to \$1.15 million, a 38% increase. (Addo, Darity & Myers 2024)

Scale of the Racial Wealth Gap Today

- Net housing equity drove the largest portion of Black wealth accumulation from 2019 to 2022. However, only **44% of Black individuals own a home compared to nearly 73% of white individuals** (Perry et al.2024)
- **Stock equity made up nearly 30% of white wealth growth but only 4% of Black wealth growth.** Capital gains from stocks have been a key driver of wealth concentration for white households since the 1980s (Perry et al. 2024)
- Black wealth is concentrated in a single illiquid asset like housing which is itself subject to **systemic devaluation** (Perry et al. 2024)
- After controlling for home and neighborhood quality and other structural characteristics, **homes in majority-Black neighborhoods are still worth 23% less;** about \$48,000 per home on average (Perry, Rothwell & Harshbarger 2018)
- **Cumulative loss across all majority-Black neighborhoods totals approximately \$156 billion** (Perry, Rothwell & Harshbarger 2018)

Mainstream Economic view of the Racial Wealth Gap

- **The "Human Capital" View says:**
 - Lower education → lower earnings → less savings → less wealth
 - Therefore: close the income gap and the wealth gap follows
- **Evidence (Addo, Darity & Myers 2024):**
 - Black college grads hold less wealth than white high school grads
 - Black managers/professionals have less wealth than white working-class households
 - Black middle-income households hold less than $\frac{1}{3}$ the wealth of white middle-income households
- **Ignores or devalues the cumulative impact of racial history on present wealth gaps and the "intergenerational transmission chain"** e.g., bequests, transfers (down payments, tuition, vehicles, gifts) that perpetuates wealth inequality across generations (Brown 2021;Darity et al. 2023)

Reparations ≠ Compensation

- Income-based interventions alone cannot repair a broken intergenerational transmission chain:
 - Evidence shows that **closing the income gap does not close the wealth gap** (Addo, Darity & Myers, 2024)
- **Reparations directly address the accumulated wealth deficit** that centuries of stolen labor, denied property, and blocked transfers created.
- Sole focus on the financial aspect belittles other dimensions of harm and reduces the conversation to a purely capitalist lens.
- Reparations that fit into the existing system without also confronting the anti-Black narratives upon which that system was built will not achieve lasting repair

Models for Quantifying Harm

■ **Compensatory Model**

- Examines federal government and private institutions (universities, corporations) that benefited from profits traceable to slavery
- Proposes compensation or restitution from those entities
- Includes direct cash transfers, down payments for homes, business grants, trust funds, and investments in social programs
- Combine losses across domains (health, housing, labor, education, business, incarceration) into comprehensive reparations estimate
- Use historical records to calculate unpaid wages, lost wealth, diminished opportunities due to systemic racism.

Models for Quantifying Harm

▪ **Transformational Model**

- Non-monetary reparations, mental health, historical education, cultural initiatives, to repair psychological harm and restore community dignity.
- Recognizes that "race-targeted institutional action" was destructive of a group's social, economic, political, and cultural standing
- Includes: culturally appropriate therapy and mental health services, community empowerment, accurate retelling of Black history, and investments that promote healing

Models for Quantifying Harm

▪ **Restorative Justice Model**

- Draws from principles invoked by South Africa's Truth and Reconciliation Commission
 - Calls for return of lost goods or proportionate compensation for victims' losses and suffering
 - Includes: national apology, gestures of recognition, acknowledgment, atonement, memorializing, social support, and guarantees of prevention
- **A comprehensive reparations program must integrate all three models**

International Reparations Framework (UN Principles on Reparation)

- **Restitution:** Restore victims to original situation (liberty, property, employment, citizenship)
- **Compensation:** Economic awards for physical/mental harm, lost opportunities, lost earnings, moral damage
- **Rehabilitation:** Medical, psychological, legal, and social services; vocational training; rectification of criminal records
- **Satisfaction:** Public apology, acknowledgment of facts, commemorations, inclusion of accurate historical accounts in education
- **Guarantees of Non-Repetition:** Structural legislative changes, judicial reform, human rights education, review of laws that enabled violations

Measuring Foundational Harms

Slavery stole labor, destroyed health (physical and mental), and prevented any wealth from being accumulated or passed forward

| Domain | Method |
|--|--|
| Uncompensated Labor (Craemer Wage Estimation) | Estimates what enslaved individuals would have earned as free workers. Two paths: (1) purchasing power / time value of money from period of enslavement to present, (2) adjust wages for changes in labor market conditions over time. |
| Uncompensated Labor (Value of Statistical Life) | Assign monetary value per life based on labor market risk data; apply to enslaved population to value lives lost |
| Uncompensated Labor (Loss of Productive Life) | Values each life based on expected lifetime earnings had it not been prematurely ended. Historical precedent: enslavers filed insurance claims and received compensation when enslaved people died — treating humans as lost property. |
| Physical Health Harm | $(\text{Value of statistical life} \div \text{white life expectancy}) \times \text{life expectancy gap}$. Captures cumulative effects of enslavement-era violence, environmental racism, healthcare exclusion, and ongoing discriminatory treatment |
| Mental Health & Transgenerational Harm | Trauma valuation using mental health cost metrics; costs for community healing programs; restitution for "dignity wrongs" and community displacement. Includes biological evidence that chronic stress from racism alters gene expression across generations |

Measuring Compounded Structural Harm

Post-slavery government actions and systemic discrimination prevented Black Americans from building wealth, health, education, and stability

| Domain | Method |
|---|--|
| Mass incarceration | Excess arrests above population share × avg prison term × per-year value |
| Housing Discrimination - Access & Accumulation | 1. Total housing gap: Measures the full per-capita homeownership wealth gap between Black and white populations today 2. Redlining specific: Isolates only the portion of the gap caused by government-sanctioned redlining by comparing the wealth gap before it started (1930) to after it ended (1980) and compounding the difference forward. |
| Housing Discrimination - Asset Devaluation | 3. Asset devaluation: Measures how much less homes in Black neighborhoods are worth today compared to equivalent homes in non-Black neighborhoods, after controlling for quality, isolating the ongoing market penalty of racial composition itself. |
| Labor Market Disparities | Compare wages in similar roles/industries, adjust for inflation, compound; quantify cost of higher unemployment and occupational segregation |
| Business Devaluation & Financial Exclusion | Expected number of Black businesses absent discrimination × average firm value = missing business wealth, divided per capita Financial exclusion: measure credit denial rates, unbanked status etc |
| Health Harms (Life Expectancy) | (Value of statistical life ÷ white life expectancy) × life expectancy gap. |
| Healthcare Access & Outcomes | Estimate excess out-of-pocket costs, preventable condition burden, and infrastructure neglect in Black communities |
| Educational Disparities | Lifetime earnings loss by education level; graduation rate gaps; diminished returns for Black graduates |

Source: Thompson & Chandrasekhar, Quantification of Reparations for Transatlantic Chattel Slavery, Brattle Group (2023); Thomas Craemer, as detailed in CA Reparations Report (2023); Urban Institute (2023); Perry, Know Your Price (Brookings, 2020)

Precedence

Reparatory Efforts Across the United States: **Federal, State, and Local governments have implemented reparations**

| Level | Jurisdiction | Year | Reparations |
|-----------------|------------------------------------|-----------|---|
| National | U.S. Indian Claims Commission | 1946-1978 | \$800M payments to tribes for land claims |
| | Japanese American Incarceration | 1988 | Total \$ 1.65B; \$20K per survivor + formal apology + education fund |
| State | California- Reparations Task Force | 2020-2023 | Most comprehensive state reparations effort to date. Established Task Force; produced comprehensive report documenting harms across 13 domains; developed domain-specific calculation methods with per-capita estimates; monetary reparations not yet enacted by the legislature. |
| | Florida - Rosewood | 1994 | Survivor payments + property compensation + descendant scholarships + criminal investigation |
| | California- Forced Sterilization | 2021 | Direct payments to 244 survivors + apology + memorial plaques |
| Local | Evanston, IL | 2021 | \$25K housing grants, later expanded to cash; \$1M/year for 10 years |
| | Chicago, IL | 2015 | \$100K per police torture survivor + apology + free tuition + counseling + curriculum changes |
| | Asheville, NC | 2021 | Reparations Commission funded by sale of land seized from Black communities |
| | Providence, RI | 2022 | Truth-telling report + reconciliation process + restitution programs + mayoral apology |

New York's Obligation & Capacity

- New York State as the Northern state with the largest enslaved population, and as the home of a global financial center whose foundational wealth was extracted from enslaved Black people has both a unique obligation and a unique capacity to lead on reparative justice.
- New York has the institutional and economic capacity to conduct a rigorous quantification effort.

The Path Forward

1. Adopt rigorous, multi-domain quantification methodologies to establish the full scope of harm
2. Learn from established legislative methodologies and case studies
3. Commit to both monetary and transformational reparations that address economic, health, and cultural dimensions simultaneously

The Path Forward

- Quantification methods exist and can be applied
 - Apply to New York's specific data across all domains: uncompensated labor, housing, health, incarceration, education, labor markets, business ownership, and credit access
- The three models (compensatory, transformational, and restorative) must all be reflected in any program

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