

The background of the cover is a light yellow-green gradient. It is decorated with several stylized, dark green leaf motifs. These motifs are arranged in a diagonal pattern, with some at the top left and others towards the bottom right. Each motif consists of a small stem with two leaves.

# **PAYING THE SOCIAL DEBT**

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**What White America Owes Black America**

**Richard F. America**

 **Greenwood**  
PUBLISHING GROUP

# Paying the Social Debt

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WHAT WHITE AMERICA  
OWES BLACK AMERICA

Richard F. America

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To My Great Grandparents,  
William Anderson and Ellen Craighead Anderson,  
Samuel Goode and Elizabeth Pitts Goode,  
Francis Caldwell and Mary Millis Caldwell,  
and  
Moses America and Clara Price America,  
whose generation, and those before, helped build the country, but went  
largely unrewarded.  
And to Robert F. Kennedy and Martin Luther King, Jr., who seemed  
to intuitively understand that reparations are justified and will benefit  
the nation many times over.

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Fondly do we hope, fervently do we pray, that this mighty scourge of war may speedily pass away. Yet, if God wills that it continue, until *all the wealth piled by the bondsmen's two hundred and fifty years of unrequited toil* shall be sunk, and until every drop of blood drawn with the lash shall be paid by another drawn with the sword, as was said three thousand years ago, so still it must be said, "the judgments of the Lord are true and righteous altogether.

—Abraham Lincoln

Every idea is an incitement.

—Oliver Wendell Holmes, Jr.

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## *Preface*

We should pay the have nots, the poor and marginal, what we owe them. We can do that by investing in their education and training, housing, and health. That will benefit them and all the rest of us. We should also invest in crime prevention, business formation, and community development. That will help the poor and marginal become independent and fully functioning contributors to society. In the end, all this assistance will ease the financial and psychic burden on everyone else and will increase U.S. productivity and competition.

Our present economic distress can be traced in part to the economic injustices that the haves' ancestors committed against the have nots' ancestors. This indictment, though all inclusive, is essentially correct and conceptually helpful. Those injustices produced wrongful benefits that have been passed on to the present day, creating an imbalance that has damaged economic performance and caused social instability. The tax and budget system may be employed to remedy these imbalances. We should adopt specific, targeted, and time-limited income and wealth redistribution because it's right and because it's essential to our nation's current and future well-being. The unjust enrichments unbalance the economy, and these injustices alienate and demoralize millions who react by withholding their best efforts and by behaving in ways that in the end impose high social costs. That reaction undermines overall economic performance and diminishes the United States' competitiveness and productivity.

The book proceeds this way. First it shows one way to estimate the current value of some of the income diverted from have nots to haves. Then it deals with the reality that the idea of restitution usually is unpalatable, and encounters a negative first reaction, even from socially progressive people. Next, it outlines how to redistribute capital in ways that enhance overall economic performance. The way to make restitution is

not through handouts and income transfers, either cash or in kind. Instead, the best way is through investments in education, health, housing, training, crime prevention and business development. These are capital transfers. They help the have nots contribute to the economy and become self-sufficient.

The book then introduces a theory of social monopoly as an antitrust concept. And it proposes subsidized corporate redistribution as another innovative way to make restitution. Then it examines poverty from the restitution point of view, shows how affirmative action should work and how it should be designed as a way to redistribute capital, and examines how crime, and self-destructive behavior by the poor and marginal, prevents local investment and job creation, and how increased investment in crime prevention will help pay the debt and boost the economy.

It examines how curing chronic dependency and family dysfunction will help pay the debt, and shows how to prevent crime and discourage much of those other kinds of destructive behavior, by putting new emphasis on persuasive communications that promote the idea of "behave yourself."

Finally, it examines the tax structure and offers ways to get tax reform by using restitution theory to correct injustices in the way we levy taxes, and applies restitution theory to the debate over how to become globally fully competitive and productive.

## *Acknowledgments*

This book took shape over thirty years. The basic ideas began to form in Cambridge in the early 1960s. I thank Fred Wallace, Harry Denny, Conrad Harper, and John Hatch for many hours of extended, and sometimes raucous discussion on all aspects of the race question over the dinner table.

The specific concept formed in the tumultuous days of Berkeley and Palo Alto in the late 1960s. Over the years, I debated the possibility of reparations as a serious, constructive public policy tool, especially with Robert Browne and David Swinton.

Bob Arnold at Stanford Research Institute, Mike Winston at Howard University, Gerry Udinsky, and Bernadette Chachere, and Chuck Lucas, at U.C. Berkeley, all enriched my thinking.

Thanks to the San Francisco Foundation and the Rockefeller Foundation for indirect support. And thanks to the members of the National Economic Association, carrying on the battle to make sure pathbreaking economic and policy analyses, on issues of racial justice, continue to get a full hearing.

Dick Holton and Ed Epstein, at U.C. School of Business, and Gerald Bach at Stanford Business School, made administrative and teaching arrangements that created opportunities to develop this and other projects.

Thanks to James Dunton, Arlene Belzer, Denise Van Acker and Betty Pessagno at Praeger Publishers. Restitution is a controversial idea, one that many publishers would avoid or even actively oppose and seek to suppress. I'm grateful Praeger has seen fit to provide a forum in which a disturbing but potentially highly constructive and beneficial notion can find an audience and, perhaps, help bind up and heal the nation's wounds.

My wife, Dino, and daughter, Amy, let me work in the "cave" to my heart's content, and I thank them for the space and good wishes.

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# *Introduction*

... an imbalance between rich and poor is the oldest and most fatal ailment of republics.

—Plutarch

Injustice ruins civilizations.

—Ibn Khaldun

Something is wrong in our country. As we look back over the years since World War II, we see growth, progress, and success, and much that inspires pride. At the same time, too many signs are mixed and too many trends are down. For example, at one point in 1991, one out of ten Americans was on food stamps.<sup>1</sup> We are clearly in economic trouble, and getting back to robust health and staying there doesn't seem to be just around the corner, as so many would have us believe.

The period since the outbreak of the Vietnam War has been marked by economic and social troubles. This period witnessed higher total output, corporate equity, and real estate booms, but survey after survey reveals a people plagued by fear, insecurity, anger, and ambivalence. And we nervously pose the question: Are we on the right track?

All Americans—the haves, the middle classes, and the have nots alike—have been told that some unpleasant changes may be permanent and that the world may have changed in ways that will mean less for America. That would mean less for them. Those in the middle resent the idea that the haves did so well during the 1980s by using methods that seemed a bit unfair. They also don't like to see government attention and resources focused on the have nots. To the middle, both the haves and the have nots appear to have made out at their expense, and they want an end to that injustice.