A CALCULATION OF THE BLACK REPARATIONS BILL*

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INTRODUCTION

Given the present black rhetoric about "reparations", and given also the successful lawsuits by American Indians concerning tribal lands, it is not unlikely that sometime there will be a suit on behalf of American Blacks to be paid for their ancestors’ labor when they were in slavery. While the question is fundamentally a legal one, this note calculates rough estimates of the economic magnitudes that may be involved in the appropriate size of the reparations bill.

The legal questions would be difficult. For example, who should compensate the ex-slave and his descendants, assuming that reparations are to be paid on the basis that slave labor created an “appropriable surplus” that normally would have been retained by the slave? One might argue that the ex-slaveholders and their descendants appropriated the slave’s surplus earnings and hence should be liable for reparations (in keeping with Anglo-American legal traditions of third party innocence). But after all these years blood descent is impossible to derive. And furthermore, slaveholders were eventually expropriated of their slave property during the Civil War without compensation by the victorious North.

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In contrast to the legal problem, the economic problem would be relatively straightforward as long as one assumes that only the private profitability of slavery to the slaveholders is involved. Economic historians are generally agreed that slavery was quite profitable to the slaveholders during the entire ante-bellum period. Moreover, reasonably good estimates can be made of the actual amount of profits made by slaveholders [2,7,8,9,16]. But the social profitability of slavery is much more problematic. Slaveholders were the ruling class of the ante-bellum South and their private profits would, if anything, be larger than the profits obtained by the entire non-slave portion of Southern society. Eugene Genovese [6] has restated arguments which were made even during the Civil War [1] that a system of slavery necessarily generated social costs which reduced its social profitability below its private profitability. Foremost among these costs were the social costs of enforcing property rights in slaves and maintaining an "appropriable surplus" for the planter with his investment in human capital. These social costs stemmed from the lack of an educational system, a transportation system, and the expense of maintaining a police state under such conditions. They were maintained by the unwillingness of the planter class to equip slaves with expensive capital equipment, including livestock. And the Southern planters as a class apparently had a high propensity to consume, rather than to invest, their proceeds from slaveholding. Social affairs and luxurious living combined with a desire for display of martial skills meant that the private profits of the Southern planters as a class apparently had a high propensity to consume, rather than to invest, their proceeds from slaveholding. Social affairs and luxurious living combined with a desire for display of martial skills meant that the profits of the Southern planters were not reinvested into the Southern economy but rather into the Northern and English economies.

Even with these social costs of the slavery system, the Southern economy remained viable and economically efficient as a whole so long as there remained fertile cotton lands some place within its political domain. Fogel and Engerman [4] have calculated that the rate of growth of per capita income, the economist's best measure for the progress of economic efficiency in an economy, was roughly the same in the slaveholding South as in the North from 1840 to 1960. This growth was based primarily upon the development of the rich cotton lands of the Southwest where per capita income was