Center for Social Development
BROWN SCHOOL AT WASHINGTON UNIVERSITY

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Asset-Building Policy and Black Reparations: Effective Delivery and Wealth Accumulation

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Productive discussions of Black reparations have emerged in the post–George Floyd era, spurred by important works of Darity and Mullen (2022; Box 1), Logan (2023), and others. These exchanges focus on who should pay reparations, who should receive them, and how much should be paid (e.g., Darity & Mullen, 2022). There is much less consideration of the delivery design. How can reparations be delivered in a way that protects and builds assets over time? How can designers ensure that the delivery model is sustainable?

In response to this "delivery gap" in the discussion of Black reparations, we conducted an evidence-based analysis that drew upon the policy model for delivering Child Development Accounts (CDAs), and we detailed a proposal to adapt that model for reparations (Shanks et al., 2024). This brief summarizes options for delivering reparations, discusses the policy model for delivering CDAs, and elaborates that model's implications for the structure of a reparations policy.

Delivering a Policy for Black Reparations

In general, there are three policy options for delivery of Black reparations: direct cash payments, trust funds, and savings plan structures (summarized in Box 2; Shanks et al., 2024). In addition, specific reparations preferences among Black adults include financial assistance for housing, business ventures, and educational opportunities (Pew Research Center, 2022). These preferences underscore the desirability of facilitating long-term asset protection and growth.

Overall, a savings plan structure may be the most promising option for the effective delivery of Black reparations. It offers a way to address historical wealth disparities and distribute funds with full property rights, individual access, and control. A savings plan structure also promotes long-term economic development and equity through asset protection and growth, as well as through investing assets for individual development (e.g., postsecondary education, housing, and entrepreneurship).

BOX 1

Black Reparations

Reparations aim to atone for slavery and to mitigate slavery's economic, social, and political harms, which did not end with slavery's abolition. They have been carried forward and expressed in Jim Crow policies (DuBois 1970), racist policing, mass incarceration of Blacks (Alexander 2010), redlining, voting suppression in many forms, and other discriminatory practices. These conditions continue into the present, severely undercutting the ability of Black families to participate in and benefit from American institutions. In other words, slavery did not merely steal wealth. It also reduced opportunities, lifespans, and freedom of self-determination (see Wrigley-Field 2024).

From "A Policy Platform to Deliver Black Reparations: Building on Evidence from Child Development Accounts," by T. R. Shanks, J. Huang, W. Elliott, H. Zheng, M. M. Clancy, and M. Sherraden, 2024, *RSF: The Russell Sage Foundation Journal of the Social Sciences, 16*(2). CC BY-NC-ND 3.0.

CDAs as a Delivery Model for Black Reparations

CDAs offer an example to learn from. They are delivered in a savings plan structure and aim at fostering wealth accumulation for all children, particularly those from economically disadvantaged and minoritized backgrounds.

BOX 2
Delivery Options for Black Reparations

Cash Transfer

Advantages
- **Clarity of property rights**
- **Availability for immediate use**
- **Autonomy**

Disadvantages
- **Risk of asset losses and depletion**
- **No design for asset protection and investment growth**

Trust Funds

Advantages
- **Asset protection via government oversight**
- **Investment arrangements provided by government**
- **Predictable payouts**

Disadvantages
- **Limited autonomy**
- **Daunting oversite task by government agencies**
- **Conservative investments**

Savings Plan Structure

Advantages
- **Clarity of property rights**
- **Private-sector asset management is well developed in United States**
- **Sensible investment options**
- **Potential for asset growth**

Disadvantages
Some limits on investment options, and perhaps on use of assets, depending on policy design.

Originally proposed as a means to address historical injustices, including the stripping of assets from Black Americans, CDAs are designed to accumulate assets for development purposes such as education, entrepreneurship, and homeownership. CDAs are viewed as the first step in and foundation for lifelong asset-building policy (Sherraden, 1991).

The SEED for Oklahoma Kids (SEED OK) experiment serves as a comprehensive study of statewide CDAs (see Box 3). It tests a policy delivery structure and provides robust evidence on the potential of a CDA-like policy model in supporting delivery of Black reparations (see Table 1).

The observations in Table 1 are consistent with the core features of the CDA policy model summarized in Sherraden et al. (2018). As Figure 1 illustrates, the model suggests that CDAs with these features can support purposeful structural changes toward racial-wealth equality through Black reparations.

The SEED OK policy model is based on a transformed 529 college savings plan (529) policy platform. It is important to note that the SEED OK experiment has robustly demonstrated that all children can be included in asset building—that is, 529 policy that has served about 6% of the population is, with the adaptations indicated in SEED OK, capable of serving 100% (Shanks et al., 2024).

As a result of this evidence, CDAs have been enacted in seven U.S. states and over five million U.S. children have assets in CDAs (Clancy, Beverly, and Sherraden, 2019a, 2019b; Sherraden and Clancy 2005; Sherraden, Clancy, and Beverly 2018). The CDA policy model accounts for over 95% of the accounts in child wealth-building policy in the United States. Most of the rest are bank accounts that provide little investment return and banks are reluctant to administer.

Conclusion

The idea of Black reparations has gained momentum in discussions about racial equity, with several U.S. cities enacting

BOX 3
SEED for Oklahoma Kids

Initiated in 2007, SEED OK is a longitudinal, randomized study focusing on statewide CDAs, specifically targeting Oklahoma children. The experiment, now in its 17th year, has followed a representative cohort of children born in 2007, with 2,704 primary caregivers participating in the study. SEED OK demonstrates the effectiveness of CDAs in promoting universal inclusion, long-term stability, and wealth accumulation. By automatically opening accounts for children and providing initial deposits, SEED OK achieved universal 529 account holding among targeted populations, showcasing the potential for large-scale asset accumulation, growth, management, and distribution.

TABLE 1

The CDA Example of a Savings Plan Structure for Black Reparations

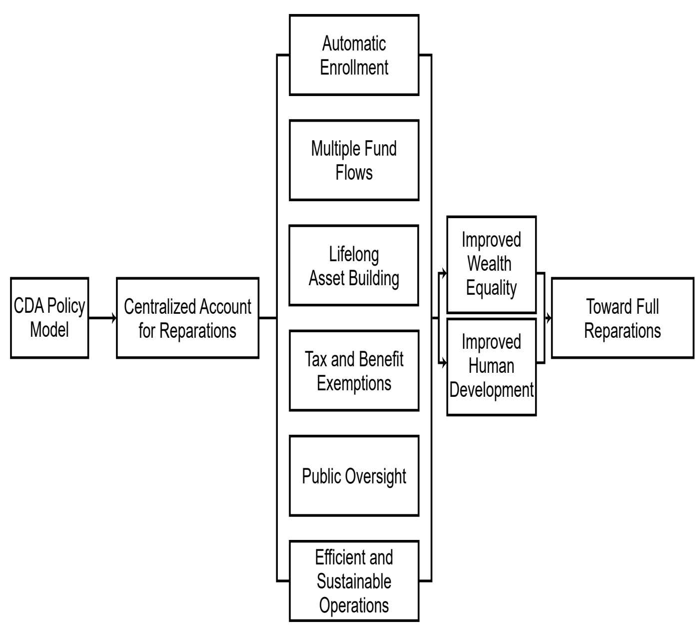
SEED OK finding	Implications for Black reparations delivery
Achieve universal inclusion built on a centralized platform	A strategy similar to the CDA policy model could create an account structure to hold and manage reparations funds for all eligible Black individuals and families, with accounts fully owned and controlled by participants
Create a long-term, stable, sustainable policy structure	All target children were enrolled, with limited administrative costs. The policy structure is stable. The initial deposit in 2007 more than doubled by 2022 (despite losses during the Great Recession of 2008-09). Overall, this is a promising option for administration of Black reparations.
Receive fund accumulation from multiple sources	Payments for Black reparations could be offered in a similar way via automatic federal deposits or something like it. The policy structure could (and should) welcome deposits from other sources, including state and local governments, philanthropy, and corporations.
Promote wealth building	If a reparation payment equivalent to $30,000 in today's dollars—the amount specified in the original CDA proposal (Sherraden 1991)—had been deposited into the SEED OK account for each eligible Black family in 2007, the payment would have grown to over $60,000 by the end of 2022. This amount would have reduced the 2021 median wealth gap between Black and White families by nearly 40 percent, and the mean wealth gap by about 7%.
Promote social and economic development	Assets enable investments in development. This policy model may reduce disparities caused by racial, social, structural, and historical inequality.
Establish a foundation for financial capability	Asset holding also promotes financial capability. Reparations in the form of growing and sustainable assets could support Black families in household finances and expanding capabilities.

CDA = Child Development Account; SEED OK = SEED for Oklahoma Kids experiment.

policies. Federal provisions for a reparations commission have been reintroduced in Congress (Darity, Craemer, et al., 2024). Research on delivery strategies will be expanding. The CDA policy, built on a transformed 529 platform, offers a promising model for the delivery of a nationwide reparations policy, one that is inclusive, efficient, bipartisan, and sustainable. If CDAs are adapted for the purpose of delivering Black reparations, the model has the potential to improve family outcomes and reduce the racial wealth gap.

FIGURE 1

A CDA Policy Structure for Black Reparations



From "A Policy Platform to Deliver Black Reparations: Building on Evidence from Child Development Accounts," by T. R. Shanks, J. Huang, W. Elliott, H. Zheng, M. M. Clancy, and M. Sherraden, 2024, *RSF: The Russell Sage Foundation Journal of the Social Sciences, 10*(3), 92–111. https://doi.org/10.7758/RSF.2024.10.3.05. CC BY-NC-ND 3.0.

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