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“Can Crime Pay the Black American (Afrodescendant) Reparations Bill?”

Self-conceit may cause humans to think, speak, and decide prematurely without sufficient and careful consideration. We imagine ourselves more knowledgeable than we ought to think. Pointing the finger at self, a guilty plea is entered here. Case in point: Certain opposing individuals and groups reject out of hand the Reparations idea. Fundamental economic principles are used often to support their conclusions that Reparations will be, *inter alia*, tax increasing, debt creating, and inflation inducing. However, the application of economic principles without full knowledge of conditions and relevant data can cause errors in policymaking. The purpose of this analysis brief is to bring Reparations opposers from behind a veil of ignorance by introducing seldom-considered realities.

It is important to note that economists, who are Reparations advocates, often dismiss Reparations opposer of the type just described and for the reasons given by appealing to the following selected and popular arguments: (1) Modern Monetary Theory (MMT);¹ and (2) US Government expansive crisis spending; e.g., spending

during the Great Recession of 2008/9 and the Covid-19 Pandemic of 2020-22.

We leave those arguments behind and look for keys, not under the light post, but in the bowels of US Government operations. Specifically, we leverage detailed US Government Accountability Office (GAO) reports to the US Congress that seldom reach the public’s eyes and ears. Did you know that the US Government is a crime victim, and that it lacks certain proficiencies? When the bite has been taken out of the crimes against the US Government and when the government’s proficiency is improved, then a significant source of funds for Reparations should surface that will dispel concerns about the taxes, debt, and inflation increasing effects of Reparations.

The GAO estimated that during fiscal years (FYs) 2018-2022, which includes massive Covid-19-related government spending, the value of annual fraudulent transactions was between \$233 billion and \$521 billion.² For FY 2023, GAO reported that the value of identified improper payments (i.e., monetary transactions that were executed improperly)

¹ MMT posits that the vagaries of inflation serve as the primary constraint to monetary expansion. That is, governments can and should adopt expansionary monetary policies that should only be altered when the related inflationary effects become troublesome.

² General Accountability Office (2024A), *Fraud Risk Management: 2018-2022 Data Show Federal*

Government Losses an Estimated \$233 Billion to \$521 Billion Annual to Fraud, Based on Various Risk Environments;
<https://www.gao.gov/assets/d24105833.pdf> (Ret. 042424).

was \$236 Billion; the GAO hastened to add that the just-given value was not comprehensive.³ Given that the just-reported fraudulent transactions and improper payments estimates are not overlapping, and with the former representing an “exceptional (Covid-19)” period and the latter not being comprehensive, neither estimate is fully satisfying. Consequently, we suggest that it is reasonable to conclude that the combination of fraudulent and improper payments typically account for about five percent (**5.0%**) of all US Government expenditures.⁴

To determine potential sources of revenue to support Reparations payment, we ignore the question of whether the above-cited fraudulent transactions and improper payments are or are not recoverable. Also, although the creativity of criminals may be prolific, we anticipate that the gap will close between the rate at which technology and AI grow to detect and prevent crime and the rate at which criminals devise new strategies to commit crimes. Given a concerted US Government effort to employ all available technologies to stifle leakage of funds, imagine that the value of fraudulent transactions and improper payments are reduced by 80% to 90% in the medium term. Therefore, using FY 2023 as a case study, we estimate that fraudulent transactions and improper payments are reduced from \$350 billion under today’s conditions to just the \$35-to-\$70 billion range after crime prevention expertise is increased substantially.

[The \$350 billion amount is computed as ~\$7 trillion in total US Government expenditures for FY 2023 multiplied by **5.0%**, which is the current expected loss rate due to fraudulent transactions and improper payments that was established above.⁵ The \$35 and \$70 billion values are computed by multiplying the \$350 billion amount by 0.5% and 1.0%, respectively, which represent 90% and 80% **reductions** in the current expected loss rate (**5.0%**), respectively.]

In other words, if the US Government engineers substantial reductions in leakages from the system (i.e., by 80%-to-90%), then it would generate \$280-to-\$315 billion in saving (surplus); i.e., \$350 billion less the above-referenced \$70 and \$35 billion in fraudulent transactions and improper payments. This \$280-to-\$315 billion should be viewed as saving that could finance Reparations. For convenience in completing the analysis, we judgmentally adopt a \$300 billion estimate as saving for Reparations.

Additional saving for Reparations should come from US Government cost efficiency gains. The GAO developed a series of reports for the US Congress during 2011 to 2023 that included 1,753 recommendations designed to assist Federal Government agencies in eliminating, reducing, or better managing fragmentation, overlap, or duplication in operations and in achieving cost saving or enhancing revenue. These recommendations produced financial benefits totaling ~\$600 billion.⁶ Consequently, the 12-year effort

³ General Accountability Office (2024B), “Improper Payments: Information on Agencies’ Fiscal Year 2023 Estimates;” <https://www.gao.gov/assets/d24106927.pdf> (Ret. 042424).

⁴ The 5.0% estimate is at the top of the range of such estimates identified through studies of other governments’ losses: The range is from 0.5% to 5.0%. *Op cit.* (GAO 2024A), p. 18.

⁵ The ~ \$7.0 trillion is from BEA’s National Income and Product Account Table 3.2 Federal Government Current Receipts and Expenditures, line 43; www.BEA.gov (Ret. 042424).

⁶ General Accountability Office (2023). “Government Efficiency and Effectiveness: Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions of Dollars in Financial Benefits.

produced about \$50 billion in annual saving or new revenue.

The \$300 billion saving from reduced losses due to fraudulent transactions and improper payments plus the just cited \$50 billion in efficiency gains combine to generate \$350 billion in saving for Reparations. Now account for expanding budgets due to economic growth and increased expertise in squeezing these types of saving from budgets, and it would not be unexpected that ~\$400 billion could be available annually for Reparations for Black Americans (Afrodescendants) in the medium term.

But this very favorable scenario does not end here. It is true that \$400 billion would just be a fraction of the Reparations bill that has been estimated at \$10-to-\$14 trillion.⁷ However, these two estimates present a very tractable problem. Consider the following strategy as a solution for providing Reparations:

- The final Reparations bill is negotiated to the midpoint of the Reparations range amount (\$10-to-\$14 trillion) mentioned above—\$12 trillion.
- Multiform Reparations are extended to Black Americans (Afrodescendants): i.e., land; financial and material resources; service provision agreements; and international support.⁸
- All Reparations forms except financial resources are configured to account for one-half of the total negotiated Reparations amount—\$6 trillion.

- Given a \$6 trillion cash Reparations requirement and \$400 billion in annually available Reparations funds, an agreement should be reachable in the form of a series of 15 payments. Of course, the \$6 trillion and \$400 billion should be adjusted to account for the time value of money at an agreed interest rate.

This analysis brief presents realistic conditions under which Reparations can be extended by the US Government to Black Americans (Afrodescendants) without the often cited and problematic downsides that opposers argue will accompany Reparations: Increased taxes, expanded Federal Government debt, and worrisome inflation. Also, it is absent a need to appeal to MMT or recent adverse economic events that forced extraordinary levels of government spending to rescue a nation in crisis.

The scenario outlined here is akin to religious and mythical accounts where there is an intent to perform a good deed, but there is no wherewithal to do so. But sudden and magical events make resources available with which to perform the good deed. Afterward the do-gooder is rewarded.

The Black American (Afrodescendant) Ourstory that produced the current Reparations demand can never countenance the US Government as a do-gooder. Yet the path that may produce a modicum of redemption for the US Government must traverse and reduce its balance sheet significantly.

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<https://www.gao.gov/products/gao-23-106864>, p.1. (Ret. 042524).

⁷ Noted expert on Reparations for Black Americans, Duke University Professor William Darity, Jr., has suggested this Reparations amount while engaged in public discourses on the topic.

⁸ Our vision for multiform Reparations appears in Brooks Robinson (2015), "[A Broad Three-Point Reparations Program for US Afrodescendants Versus CARICOM's 10-Point Program](#)," BlackEconomics.org. (Ret. 042524).