Economics Research Seminar

You are cordially invited to the following seminar: Thursday, 18 March 2021 from 12:15hrs – 13:30hrs, ONLINE via ZOOM

Job Boerma
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Job Boerma is an incoming assistant professor in economics at the University of Wisconsin at Madison. He holds a PhD from the University of Minnesota, and an MPhil from the University of Oxford. His research interests are macroeconomics and public finance.

Reparations and Persistent Racial Wealth Gaps

Reparations is a policy proposal aiming to address the wealth gap between Black and White households. We provide a first formal analysis of the economics of reparations using a long-run model of heterogeneous dynasties with an occupational choice and bequests. Our innovation is to introduce endogenous dispersion of beliefs about risky returns, reflecting differences in dynasties’ experiences with entrepreneurship over time. Feeding the exclusion of Black dynasties from labor and capital markets as driving force, the model quantitatively reproduces current and historical racial gaps in wealth, income, entrepreneurship, mobility, and beliefs about risky returns. We use the model to evaluate reparations and find that transfers eliminating the racial gap in average wealth today do not lead to wealth convergence in the long run. The logic is that century-long exclusions lead Black dynasties to enter into reparations with pessimistic beliefs about risky returns and to forego investment opportunities. We conclude by showing that entrepreneurial subsidies are more effective than wealth transfers in achieving racial wealth convergence in the long run.