Economic history

Did slavery make economic sense?

Slavery worked for slave-owners but for very few others

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THE profitability of slavery is an enduring question of economic history. Thomas Gowan, writing way back in 1942, noted wearily that "the debate [...] has been going on, in one form or another, for almost one hundred and fifty years."

Intuitively, a business that uses slaves should be profitable. You pay your workers nothing, and reap the benefits of their labour. And some economic historians try to show just how lucrative it was.

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Robert Fogel and Stanley Engerman made the most famous contribution to the debate. Their book, *Time on the Cross*, suggested that slavery in the American South was a lucrative enterprise for plantation owners. The authors reckoned that slaves were treated pretty well. And this meant that they were productive. So for the owners, slavery was:

> *"generally a highly profitable investment which yielded rates of return that compared favourably with the most outstanding investment opportunities in manufacturing"*

Another study, by Alfred Conrad and John Meyer, calculated the rate of return on investing in slaves. They reckoned that "slave capital" earned at least equal returns to those from other forms of capital investment—such as railroad bonds. The rate of return on slaves could be as high as 13%—compared to a yield of 6-8% on the railroads.

There was also a big industry in slave finance, procurement and transport. And by the end of the 17th century, there were about 70,000 slaves transported each year. And some financiers became fabulously wealthy. Christopher Codrington made a lot of money from the sugar trade, and made large bequests to All Souls College, Oxford.

Individual businesses might have done well out of the slave trade. But the effect of individual businesses might have done well out of the slave trade. But the effect of slavery on wider economic development is also important.

John Elliott Cairnes, an economist, reckoned that slavery stifled economic growth in the South. Cairnes argued that reluctant workers depleted soils more quickly. In addition, scientific agriculture was impossible. Reluctant slaves, with little interest in learning, had no interest in using new farming techniques. And this meant that Southern farms lost competitiveness to their Northern counterparts.

Others reckon that slavery made it difficult for the South to establish trading networks. According to Ralph Anderson and Robert Gallman, slavery forced planters to diversify their economic activities. The costs of owning a slave—such as food and shelter—were pretty constant. And so if plantations specialised in a certain crop, they left themselves open to sudden drops in income and consequently big losses. But by pursuing a range of economic activities, they had a steadier revenue flow to match their fixed costs.

Diversification posed problems. Messrs Anderson and Gallman argue that it inhibited trade within the South—and, consequently, the development of towns and villages. Slaveowners found it easier to produce something themselves, rather than buy it. And the South found it difficult to develop a manufacturing industry—instead, it depended on imports from the North. As a result, economic growth was stifled.

Slavery hindered the development of Southern capitalism in other ways. Eugene Genovese, writing in 1961, reckoned that the antebellum South was not profit-seeking. In fact, slavery was not even meant to be profitable. Slaveowners were keener on flaunting their vast plantations and huge reserves of slaves than they were about profits and investment. Rational economic decisions were sacrificed for pomp and circumstance.

Economies which used slavery may, in the long run, have been at a disadvantage. Some analyses suggest that the economic contradictions of slavery led to its inevitable demise. But slavery had indirect effects on other economies. Douglass North, a Nobel-Prize-winning economist, argued that the expansion of Southern plantation slavery was at the centre of midwestern economic development in the nineteenth century (though the South's demand for certain foodstuffs).

And other research looks at slavery's effects on economies outside America. James Walvin reckoned that provincial banking emerged in the eighteenth century because of the need for credit in the long-distance Atlantic slave trade. And

according to Eric Williams, although slavery stifled Caribbean economic growth, it encouraged global commodity circulation—a major precondition for the British industrialisation in the late eighteenth century. He also thought that slave profits were important to financing the infrastructure projects, like railways, that powered the industrial revolution.

Of course any account of the economic effect of slavery should note the effect of treating human beings as capital equipment. The direct impact on the utility of the slaves themselves of this condition represented a terrible economic cost. And there was also an opportunity cost to the broader economy, which lost out on the potential human capital and entrepreneurial contributions slaves might have made as free workers. Abolition of involuntary servitude to say nothing of chattel slavery, was clearly a moral imperative. We can also feel pretty safe concluding that, whatever the benefit of the system to slave-owners, its abolition made as much economic sense as anything can.

Suggested reading list:

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