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Slavery and Free Markets: Relationships between Economic Institutions

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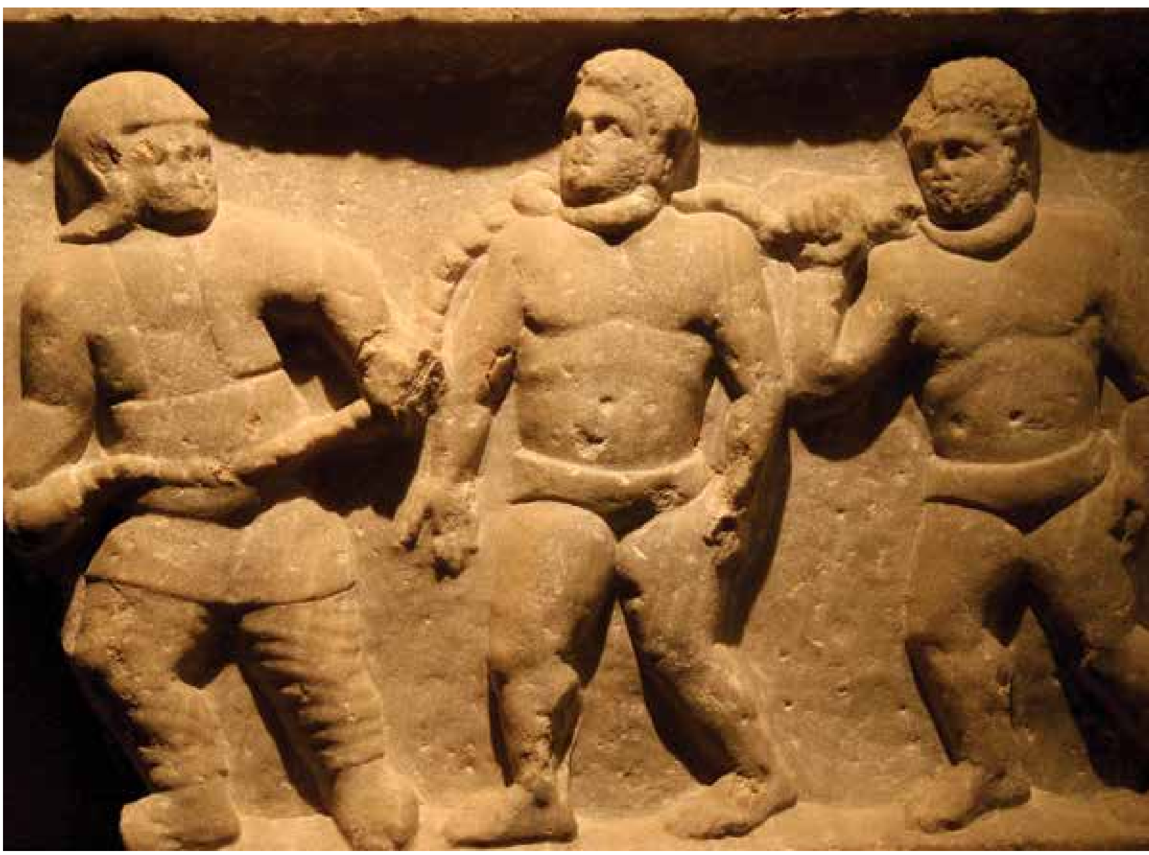
This article presents an economic perspective of the institution of slavery in the context of world and American history. Slavery has existed on all continents and in many societies. Its existence has long been controversial and, in the case of the United States, ended only as the result of a long and destructive war. Many questions linger. Was slavery profitable? Did it provide an efficient system of production? Was slavery still economically viable in the mid-nineteenth century, or was it fading away? What accounts for the development of anti-slavery thought? Finally, should slavery be regarded as a free-market institution or is it more correct to view it as the antithesis of free markets?

The Persistence of Slavery as an Institution

Slavery as an institution was nearly universal throughout world history. People in the ancient Near East—as well as in Asia, Europe, Africa, and America before the arrival of the Europeans—all enslaved people, in varying degrees and circumstances.



Ashmolean Museum of Art and Archaeology, Oxford, England. Courtesy Wikimedia Commons

This marble sculpture from the ancient Greek city of Smyrna (now Izmir, Turkey), 200 AD, depicts Roman collared slaves.

Most likely, slavery began among ancient people with the taking of captives. Under early circumstances, captives were too expensive to keep. Food was scarce and would not be wasted on enemies. So, captives were killed. As ancient people learned how to produce a surplus of food, it made more sense to use captives as slaves rather than killing them. That way, the victor could benefit from the forced labor of the vanquished. This pattern, more or less, dominated the ancient world.[1] Yet, slavery took many forms in world history. Here is a sample:

- Slavery was a normal and unchallenged part of everyday life in the ancient world. For ancient Greece and Rome, prisoners of war were the biggest source of slaves. In Greece, slaves were used across most sectors including agriculture, entertainment, trade, manufacturing, mining, public works, and war production. Among the Romans, enslaved people worked on farms as well as in households. The expansion of the Roman Empire took slavery to a new level. Roman conquests involved the capture of entire cities whose populations could then be killed, enslaved, or spared depending on the decision of the commander. Enslaved people could be given to the state, distributed as a reward to soldiers, ransomed or auctioned. Any income earned usually went to the state.

- Slavery existed in pre-modern China in a variety of settings. In *A Historical Guide to World Slavery*, Watson describes one form of slavery that operated largely along gender lines in southern China.[2] Wealthy families would purchase males from poor families. These males were referred to as *ximin*. The ximin most often performed domestic service in the homes of these masters. A separate system for females, called *mui-jai*, was also in operation. Here, women performed domestic service for masters but were not expected to spend their entire lives as slaves. They would eventually marry to low status families or become concubines. Slavery was abolished in China in the early 1900s, although forms of the mui-jai system lingered until the 1950s.

- The arrival of Europeans to the Americas brought completely new systems of slavery. Slavery existed in Brazil beginning in the mid-sixteenth century until its abolition in 1888. The Portuguese established sugar plantations, which at first depended on the labor of enslaved Indians and later depended on the labor of Africans. Beginning in the eighteenth century, there was great expansion of imports of slaves, largely from Angola, which took place during the growth of sugar plantations. Slaves were used in nearly every occupation. While most worked in sugar plantations, enslaved individuals were used in gold mines, tobacco farms, and cattle ranches.

- Slavery was not limited to pre-twentieth century history. Between 1939 and 1945, Nazi Germany relied heavily upon slave labor. At the high point of its success during the war, German labor resources were stretched thin. In order to continue production, it exploited the labor of millions of civilians and prisoners. Jews, Gypsies, and prisoners of war were an important source of forced labor. Other totalitarian regimes including the Soviet Union also made use of forced labor.

Slavery in the United States

Slavery was an institution that dominated the economy of the American South from the mid-1600s to 1865. It ended only as the result of a long and destructive war. Slavery operated as a morally abhorrent institution, from the kidnapping of Africans and the conditions on board ships that carried them across the Atlantic, to the slave markets and plantation life in the South. Various explanations have been offered for the persistence of slavery in a country that otherwise prided itself on individual freedom. One line of inquiry and explanation concentrates on economic influences. Was slavery profitable? Did it provide an efficient system of production? Was slavery economically viable immediately prior to the Civil War, or was it fading?

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Part of the answer lies in Eli Whitney's invention of the cotton gin in 1793. Before its invention, a worker could clean about one pound of cotton per day, removing seeds and foreign matter in a step necessary to further production. With Whitney's invention, a worker could clean 50 pounds per day—a huge increase in productivity. An increase in productivity means that more goods or services can be produced using the same quantity of resources, or fewer resources. When productivity increases, profits usually increase.

The cotton gin changed the economy of the South. Before its invention, many people believed that slavery would fade away. Large one-crop operations, such as tobacco growing, were on the decline. Farms producing more than one crop were beginning to increase. But after the cotton gin was invented, cotton quickly became King Cotton in the South, increasing the capacity of Southern plantations to supply fast-growing textile industries in Britain and the United States.

The profit characteristics of slavery are important in understanding its role in the American South. If slavery had been less profitable than using hired workers, then economic and moral interests together would point to an end to slavery. If slavery had been more profitable, then economic and moral interests would be in tension. So, was slavery profitable in the period before the Civil War? The answer is yes, according to most economic historians, who took advantage of developments in statistical techniques to look back at the 1800s. Economic historians Fogel and Engerman compared Southern farms, adjusting statistically to make them identical in terms of land, livestock, machinery, and labor. The only difference was that some farms used free labor—workers who were paid—and the other farms (plantations) used the labor of enslaved workers. Fogel and Engerman concluded that investments in slaves were highly profitable for the owners in the 1800s. Their findings largely settled the debate among economic historians. Most now believe that, on the eve of the Civil War, slavery was becoming economically stronger, not weaker.[3] This economic success concentrated the Southern economy on agriculture dependent on slavery, setting up a large conflict between slave owners' interests and moral views of slavery.

The European Enlightenment and Anti-Slavery Thought

Throughout most of world history, slavery was an accepted institution. Under the law, slaves had the status of "chattel," a legal term meaning an article of movable personal property. Chattel slavery existed in the New World and in the Old World. However, beginning in the 1760s and 1770s, views of slavery began to change. Slavery as an institution was challenged. It is difficult to explain the beginnings of widespread anti-slavery sentiment by reference to economic interests. The slave system in the United States, as noted earlier, was strong and prosperous. The same was true for slavery in the Caribbean and Brazil.

Yale University historian David Brion Davis (1998) suggests that Montesquieu, the French political thinker, put the subject of African slavery on the agenda of the European Enlightenment.[4] Montesquieu argued that slavery destroys the soul of men. Montesquieu suggested that certain freedoms are implicit in life and that this observation requires no proof. Among these are the right to live and be free in mind and body.

Montesquieu's contemporary, Francis Hutcheson, added to the intellectual foundation of the anti-slavery movement from his position as a respected moral philosopher at Glasgow University. He was closely associated with the development of the concept of unalienable rights, which seriously challenged assumptions of slavery that denied that such rights existed for enslaved people. By 1760s, the anti-slavery arguments of Montesquieu and Hutcheson were gaining traction with intellectuals of the enlightened world.

Closely related to this line of thinking by Montesquieu and Hutcheson was the work of Hutcheson's best known student, Adam Smith. Smith was a moral philosopher at the University of Glasgow and is widely regarded as the founder of modern economic thought. In *Theory of Moral Sentiments*, Smith argued that slavery was immoral. As he wrote, it is cruel,

> to reduce them [people] into the vilest of all states, that of domestic slavery, and to sell them, man, woman, and child, like so many herds of cattle, to the highest bidder in the market.[5]

In *Wealth of Nations*, Smith opposed slavery on economic grounds. He wrote:

> From the experience of all ages and nations, I believe, that the work done by free men comes cheaper in the end than the work performed by slaves. Whatever work he does, beyond what is sufficient to purchase his own maintenance, can be squeezed out of him by violence only, and not by any interest of his own.[6]

The arguments of Montesquieu, Hutcheson, and Smith did not go unnoticed. Legislatures in Great Britain and the United States came to regard slavery as a morally repugnant institution. In 1807, the British Parliament voted to eliminate the slave trade and took military action to reduce it shortly afterward. The British Parliament also passed the Slavery Abolition Act of 1833 which abolished slavery throughout the British Empire with some exceptions such as territories and possessions of the East India Company.

In the United States, the delegates to the Constitutional Convention voted to eliminate the external slave trade by 1808. While the delegates failed to abolish the institution of slavery outright, several states took action on their own. In 1777, the Constitution of Vermont prohibited slavery. In 1780, the Constitution of Massachusetts stated that all men are free and equal by birth. This proclamation eventually resulted in a judicial decision to abolish slavery there. In 1780, Pennsylvania adopted a plan for gradual emancipation, providing that newborn African Americans would be declared free when they reached adulthood. Several other states—including Rhode Island in 1784, Connecticut in 1784, New York in 1799, and New Jersey in 1804—passed similar laws.

The Relationship between Slavery and a Market Economy

Another line of economic analysis regarding slavery is somewhat more controversial. The system of slavery operated, in many ways, like a modern market. It involved buyers, sellers, prices, trade, production, distribution, and investments. Was slavery, then, a market institution? Or was it the opposite: a blatant violation of the principles of a free-market economy?

A market economy relies on individual choices and voluntary exchange to determine which goods and services will be produced. Market economies have certain characteristics, including the following:

- **Private property**: Markets depend on individuals' ability to own and sell property. In market transactions, people can choose to sell property to others and transfer the right of ownership with the sale. The transactions are voluntary. No one can force you to purchase a hamburger from McDonalds or an iPad from Apple.

- **Competition**: Markets foster competition because they allow many producers to enter market sectors and strive to meet the demands of consumers. Competition puts pressure on businesses to satisfy consumers. Businesses that fail to satisfy consumers are eventually forced out of business, making room for others to try to do better.

- **Profit motive**: Profits are the money that is left after a business has paid all its expenses. Profits act as incentives for businesses to produce the goods and services consumers want. Those businesses that satisfy consumers and produce efficiently are rewarded with profits.

- **Voluntary exchange**: Producers and consumers participate voluntarily in market transactions. Nobody is required to produce particular products; nobody is required to buy particular products. Producers can focus their efforts on what they do best and trade their surplus production to others. Markets encourage trade and thus create wealth.

Was Slavery a Market Institution?

Taken together, these four characteristics go a long way toward describing a market economy. And it might seem, at first glance, that the institution of slavery fits neatly into that profile. Enslaved people were, indeed, regarded as private property. Courts enforced that principle. Markets for enslaved people involved competition, exchange, and profit seeking. Prices for individuals on sale in these markets depended on certain distinguishing characteristics (age, gender, physical condition, skills, and so on), just as prices for other goods depended on their characteristics.

Is there a case to be made that slavery was not a market institution—that it operated in flagrant violation of a central principle of market economies? To explain this point, let's turn now to a quick review of two sorts of freedom: political freedom and economic freedom. Most of us are familiar with the concept of political freedoms. In the American tradition, they include the "unalienable rights" identified in the Declaration of Independence and also the protections listed in the U.S. Constitution's Bill of Rights—freedom of speech, freedom of assembly, the right to due process of law, and so on.

The concept of *economic freedom* has been defined as follows in an influential study by Gwartney, Lawson, and Block:

> Individuals have economic freedom when property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others.[7]

The key characteristic of economic freedom, as highlighted in the definition by Gwartney, Lawson, and Block, is that all exchanges must be voluntary. You might decide that it's time to fill your car's gas tank. You determine that the gas you pump into the tank is worth more to you than the money you pay the gas station owner. The owner, on the other hand, views the money received in payment as worth more than the gas you pumped. You are both better off from this exchange—provided that no force, theft, or deception has been used. In any voluntary or free exchange, both parties expect to benefit. If one side does not expect to benefit, the exchange does not go forward. An exchange in which one of the parties knew he or she would be a loser—she hands over her purse, for example, because a mugger threatens to kill her if she holds back—would not be an exercise of economic freedom.

This brings us back to the issue of slavery and markets. Adam Smith, along with many economists today, would agree that private ownership of property is the fundamental economic freedom. And from that point of view, the right to own oneself is surely the most fundamental property right. If this right is not protected by the government, then the system is one of exploitation, not market exchange. Coercion—or the threat of force—must be used to induce individuals to make transactions to which they do not voluntarily agree, such as getting abducted and being forced to pick cotton in another man's field, for no pay. It is here that slavery fundamentally fails the test of being a market institution. At its root, it depended on coerced, involuntary exchanges. Enslaved people never gave their consent to be involved in any transaction with slave holders. They complied only because threats of dire consequences for noncompliance forced them to do so.

Davis (1998) observes that the problem of slavery "arises from the irreducible humanness of the slave." Although enslaved people were supposed to be treated as chattel, the same laws recognized that throughout history those who were enslaved could never be counted on to conform. They ran away, outwitted their masters, and rebelled. Enslaved people—because they were non-volunteers and therefore exploited—were most often regarded as a threat to their owners. Davis observes the following:

> This central contradiction was underscored in Roman law (the Code of Justinian), which ruled that slavery was the single *institution* contrary to the law of nature but sanctioned by law of nations. That is to say, slavery would not be permitted in an ideal world of perfect justice, but is simply a fact of life that symbolized the compromises that must be made the sinful world of reality. This was the official view of the Christian Churches from the late Roman Empire until the eighteenth century.[8]

Conclusion

The institution of slavery was intellectually unchallenged for centuries. Yet, at its economic height as an institution, moral doubts were expressed by intellectuals sympathetic to political and economic liberty. These ideas were eventually accepted and laws changed as a result. While historians and economists may debate this for years to come, perhaps it was the inherent contradiction between economic freedom and slavery that made the difference. Once observed, repeated, and understood, the institution of slavery was finally doomed.

Notes

1. Milton Meltzer, *Slavery: A World History* (New York: Da Capo Press, 1993).
2. James L. Watson, "China," in *A Historical Guide to World Slavery*, eds. Seymour Drescher and Stanley L. Engerman (New York: Oxford University Press, 1998), 149-152.
3. Robert Fogel and Stanley Engerman, *Time on the Cross: The Economics of American Negro Slavery* (Boston: Little, Brown, and Co., 1974).
4. David Brion Davis, "Introduction: The Problem of Slavery," in *A Historical Guide to World Slavery*, ix-xviii.
5. Adam Smith [1759] *The Theory of Moral Sentiments* Indianapolis: Liberty Fund (1984), p. 281.
6. Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations* (Indianapolis: Liberty Fund 1982 edition), 119.
7. James Gwartney, Robert Lawson, and Walter Block, *Economic Freedom of the World, 1975-1995* (Vancouver: Fraser Institute, 1996), 12.
8. Davis, "Introduction: The Problem of Slavery," in *A Historical Guide to World Slavery*, xv.

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