SLAVERY, CLIOMETRICS AND THE AUSTRIAN SCHOOL OF ECONOMICS

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Abstract: Slavery is generally understood as the action of involving one group of people which controls and exploits another group of people in order to obtain a wide range of advantages. Even though historians, sociologists, psychologists, or philosophers appear to be most interested in the subject of slavery, economists have also long looked into the issue, particularly to determine if it was a justified workforce or a profitable institution. In addition to the linkages between slavery and the productivity of the slave labour force, economists continue to discuss whether or not the institution of slavery influenced the social and economic development of today's most developed nations. The purpose of this paper is to highlight and compare two perspectives on the economic profitability of slavery. On the one hand, the position of Alfred H. Conrad and John R. Meyer, the Cliometrics representatives, who examine the slave operations in the Antebellum South of the United States of America, 1812–1861, and who come to the conclusion that slavery was in fact profitable and self-sustaining, will be taken into consideration. On the other hand, the position of Murray Rothbard, a representative of the Austrian School of Economics, will also be presented; more specifically, his opinion will oppose Conrad and Meyer's argument that slavery was neither profitable nor sustainable. The present paper's conclusions emphasises the fact that continuous disagreement over the subject of slavery’s profitability leaves room for further research and debate.

Keywords: slavery; Cliometrics; The Austrian School of Economics.

JEL Classification: A13, B25, B53, J40, N31

1. Introduction

Slavery has been a delicate topic within academia as researchers from multiple fields continue to attempt to explain why slavery persisted throughout time as a well-established institution and they also try to uncover the processes that made slavery possible for so long in all human cultures. As mentioned before, this form of

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oppression was common throughout all human history; for instance, Ancient Greece and Rome were slave states where slavery was a deeply ingrained component and a significant institution. For example, Aristotle, a highly well-known philosopher from Ancient Greece, defended slavery. He claimed that slaves, unlike free people, lack normative intelligence in order to defend natural slavery on the basis of intellectual arguments (Garnsey, 1996; Brunt, 1993; Charles River Editors, 2016). At the same time, slavery was legally permissible in ancient Rome. Roman Law specifically made a distinction between people who were free and those who were slaves (Buckland, 1970; Hunt, 2018). Subordination to the master (Buckland, 1970; Bradley, 1987), the slaves' status as objects, forms of propriety, and a lack of dignity were the main factors in establishing a slave's status (McKeown, 2011; Patterson, 1982). Even though this form of oppression and exploitation may be traced back centuries, we must proceed cautiously because the available information is fragmentary and does not give a clear picture of slavery in Ancient Greece and Rome (McKeown, 2011). Even though slavery is often considered a thing of the past, it is important to remember that the various forms of modern slavery serve as the finest examples of the consequences of today's slavery. The term "modern slavery" refers to a wide range of illegal practises, including forced labour, domestic servitude, sex trafficking, forced marriage, and enslavement based on descent (O'Connell Davidson, 2015). Modern slavery is a result of past slavery, although the latter also raises concerns about whether it aided in the economic advancement of today's most developed countries, especially those involved in Transatlantic Slave Trade. The Transatlantic Slave Trade was a global slave trade that carried enslaved Africans from Africa to the Americas over the Atlantic Ocean (Rawley and Behrendt, 2005). As the present paper explores Alfred H. Conrad and John R. Meyer's approach on the profitability of slavery in the Antebellum South of the United States of America, 1812–1861, and Murray Rothbard's criticism of their analysis, it is important to comprehend the framework of the Transatlantic Slave trade.

The purpose of this paper to present and compare two points of view on the profitability and self-sustainability of slavery. To be further precise, Alfred H. Conrad and John R. Meyer, two proponents of the Cliometrics methodology, employed statistical and economic instruments to reach the conclusions that slave activities were lucrative and that slavery was a long-lasting institution. They also emphasise that the American Independence War (Higginbotham, 1983) was necessary to put an end to slavery because of the profitability and durability of slavery. A representative of the Austrian School of Economics, Murray Rothbard, on the contrary, criticises Conrad and Meyer's work, particularly their use of
Cliometrics and their expeditious findings regarding the profitability of slavery. The remainder of this paper is organized in the following manner: Chapter 2 presents the used methodology; Chapter 3 introduces the relationship between slavery and its profitability and various views on this matter; Chapter 4 explores Conrad and Meyer and Rothbard’s approaches on the profitability of slavery. Some final remarks conclude the paper.

2. METHODOLOGY

In order to achieve the purpose of the present paper, a qualitative research method was used, namely, content analysis. Through the content analysis there was undertaken a literature review on different views related to the profitability of slavery. In all, 22 sources were examined, including 11 books and 11 articles. Jstor, ProQuest, Science Direct and Francis and Taylor were the main databases used. The primary keywords employed were slavery, slavery profitability, transatlantic slavery. More specifically, books and articles arguing that slavery was not a very profitable activity and therefore had little impact on the economic development of state entities which used slave workforce, as well as books and articles supporting the idea that slavery was profitable and also was an economic growth determinant were examined. Furthermore, the focus was established on Conrad and Meyer’s paper about the profitability of slavery, as well as on Rothbard’s response to their analysis.

3. THE PROFITABILITY OF SLAVERY

It is challenging to separate the subjective aspects from the objective and economic components of slavery and its profitability, therefore the subject has long been a source of academic debate. Despite the fact that there have also been researchers who have attempted to demonstrate the unprofitability of this institution, specialists have always attempted to underline how and why slavery was thought to be lucrative.

Taking into consideration the case of the Ancient Greece, the institution of slavery had a considerable economic impact on this area, despite the fact that Greece lacked a unified Greek economy as there was no universal Greek society (Wiedemann, 1981; Cartledge, 2002). Therefore, within Greek society, slaves have represented a significant component of the labour force, participating in various industrial, agricultural, and household tasks (Schlaifer, 1968). More specifically, Greek individuals might earned profits only via the labour of slaves, according to various methods mentioned by the great thinker Socrates: (1) owning a significant
farm (where all labour was completed by slaves); (2) owning rental properties that may be rented (generally, these types of housing were offering accommodation to temporary residents, but they also represented brothels for prostituted slaves); (3) owning slave craftspeople (many workshops were based on the labour of slaves, and some of them were even managed by dependable and highly skilled slaves) (Cartledge, 2002). As it was already stated, even if Ancient Greece's political economy and economic system were not entirely consistent, the ruling class nonetheless conducted a contemporary analysis of economic logic to increase their profits; even though slaves were a significant source of financial rewards for Greek citizens who owned them, it must be acknowledged that there appears to be a scarcity of measurable historical data when examining the profitability and the political economy of slaves’ labour (Finley, 1999; Cartledge, 2002).

In more recent times, the Transatlantic Slave Trade has been used to suggest that slavery was profitable because it allowed the state entities that participated in the trade to develop economically and socially. There are specialists who argue and are working to support the idea that The Transatlantic Slave Trade and slavery had a favourable impact on the economies and growth of the empires involved. For instance, if we refer to the case of the British Empire, there are researchers (Williams, 1944; Inikori, 1992; Darity, 1990) who claim that the triangle trade between the British Empire, France, and the colonized Americas allowed the expansion of trade on a global scale as well as the economic development of the participating nations – especially the British Empire – at the disadvantage of non-trading nations. The following is a description of the triangle trade's profitability process: various things specific to the European continent were loaded into ships that traveled from their home countries; these goods were then exchanged for African slaves, who were then used to trade colonial goods that were later taken back to their home countries, and, therefore, the triangular trade provided the British Empire with a threefold incentive for industrial development (Williams, 1944). Taking a more detailed look at the example of the Dutch Empire, there are specialists (Brandon and Bosma, 2021; Williams, 1944; Fatah-Black and van Rossum, 2014) who argue that slavery and The Transatlantic Slave Trade played a very important role in the expansion and economic development of the Dutch Empire as the phenomenon of slavery benefited the Dutch economy in a wider context. Specialists claim that the Dutch Empire benefited indirectly economically from The Transatlantic Slave Trade in a number of ways. As a result, the Dutch economy created and sold the ships used to transport slaves, had to provide food and other necessities for trade to each slave-buying mission, and simultaneously had to produce and market all the items that would be
traded in the interactions with African state entities. These activities have undoubtedly created a large number of jobs for textile and gun businesses as well as for numerous workshops across the Dutch Empire (Brandon and Bosma, 2021).

Regardless the fact that a wide variety of experts argue in favour of slavery's profitability, there are also researchers who advocate against it, suggesting that it was actually a more expensive than profitable activity. For instance, given the historical time in which he lived, Adam Smith, the Scottish economist, philosopher, and politician who is regarded as the founder of modern economics, had the unique opportunity to witness the involvement of the world's most powerful states in the Transatlantic Slave Trade, arguing against the institution of slavery. Adam Smith's economic arguments against slavery centre significantly on the efficacy of the slave labour force. Smith promoted the idea that slave labour has always costed far more than free labour because slaves lacked the motivation to become more productive (Smith, 1994). Slaves were completely obedient to their owners, thus they were unable to enjoy the independence and security necessary to benefit from the advantages of their work (Smith, 1994). Adam Smith's argument on the low productivity of labour rooted in slavery was frequently contradicted by the Caribbean sugar cane industry's success (Salter, 1996). Smith countered this claim by stating that economic laws controlling foreign commerce in the colonies maintained the earnings from this activity artificially above market values (Salter, 1996). In particular, the colonial powers' trade and production monopolies were a direct result of the extraordinary profitability of sugar cane plantations in the colonies (Salter, 1996; Smith, 1994).

In the recent past, The Transatlantic Slave Trade has also been analyzed in order to demonstrate that the institution of slavery was actually unprofitable and did not support the socio-economic development of nations involved in this activity. Even though The Transatlantic Slave Trade was investigated in order to demonstrate the profitability of slavery, slavery was recently shown to be unproductive and did not contribute to the socio-economic growth of the countries participating in this activity by analysing again The Transatlantic Slave Trade. Taking anew into consideration the case of the British Empire, there are specialists who claim that the early estimates of the profitability of slaves by experts like Williams (1944) and Inikori (1988) were confusing because they overestimated the quantity of slaves and the prices at which they were sold, ignored time factors in estimating profits, and relied on unrepresentative samples using relatively small slave shipments (Morgan, 2000). The expenditures and dangers of transporting slaves from West Africa to the colonies of the British Empire or the continent of Europe are some underappreciated
factors that were not taken into consideration while analysing the profitability of slavery in the British Empire (Morgan 2000). The full cost picture included the costs of setting up the ship to transport the slaves, including the deployment of the crew of enslaved slaves, the minimal subsistence needs for the maintenance of the slaves, and the extent to which the slaves were transported farther off the West African coast – the higher the transport costs (Richardson, 1978). Additionally, the arguments raised against the profitability of slavery inside the Dutch Empire often follow the same course as those raised against the British Empire's slavery's profitability. For example, specialists have tried to demonstrate that costs varied depending on the weather, the distance traveled, market fluctuations, and international political circumstances. Examples of costs were the passengers ship's damages, food for the crew and slaves, salaries of the crew and officers, and maritime insurance (a tense international political climate could lead to much higher costs for those involved in The Transatlantic Slave Trade) (Anstey, 1976; Postma, 1990). Moreover, due to the fact that the human cargo was extremely vulnerable and prone to illness and death, the triangle slave trade had costs that other kinds of trade did not, and, therefore, it involved a risky activity (Postma, 1990; Eltis, Emmer and Lewis, 2016).

4. RESULTS

Alfred H. Conrad and John R. Meyer were two American economists, pioneers of the quantitative economic current called New Economic History or Cliometrics. The Economics of Slavery and Other Studies in Econometric History (1964) is a significant work by the two American economists in which they concretized the current of cliometrics. On the other hand, Anarcho-capitalism and contemporary libertarianism were concepts developed by the American economist Murray Rothbard, a representative of the Austrian School of Economics. The Anatomy of the State (1974), Man, Economy, and State (1962), and An Austrian Perspective on the History of Economic Thought (1995) are some of his most significant contributions.

Conrad and Meyer set out to illustrate the ways in which economic theory could be used to order and organize historical facts. Specifically, they measured the profitability of slave operations in the antebellum South of the United States of America, 1812-1861, by referring not to accounting profit but to economic profit, and treating slavery as a capitalist institution. They defined slavery in terms of two production functions – a production function for slave-based agriculture, especially cotton crops, and a production function that refers to the production of an intermediate
good, namely, the breeding of slaves as a common product of slavery (Conrad & Meyer, 1958). Furthermore, Conrad and Meyer considered a sensitive ideological issue, namely, whether the American Civil War was justified or not. The two economists tried to answer a series of questions in this regard: (1) whether the slave system was destroyed by its own weight; (2) whether the allocation of resources was affected by the rigidity of the capitalized labor supply; (3) whether capital from the South has been misused or drawn to the North; (4) whether slavery would have inevitably diminished through the inability of slaves to reproduce sufficiently (Conrad & Meyer, 1958). Basically, they set out to conclude whether slavery was ineffective and would have disappeared on its own, not justifying the American Civil War, or whether slavery was profitable and required the outbreak of the Civil War to abolish it. The two American economists pointed out that there was nothing self-destructive about the profits of the slave economy because the prices of slaves did not exceed the productivity of this system of forced labor (Conrad & Meyer, 1958). In short, Conrad and Meyer reach the conclusion that slavery was profitable because the combined output of slave labor – such as agricultural production and slave breeding – exceeded the returns on alternative investments (Conrad & Meyer, 1958). Conrad and Meyer therefore confirmed the argument that the War of Independence was essential in determining the abolition of the phenomena of slavery by coming to the conclusion that slavery was profitable.

Murray Rothbard wrote about the antebellum slave economy of the United States South in the early 1960s in an unpublished note. This note was actually a critique of cliometrics, the methodology used by Conrad and Meyer (1958) to establish the profitability of slavery (Rothbart, 1960). Conrad and Meyer's thesis has mostly been criticized for connecting slavery to capitalism, whereas according to Rothbard, historically, slavery has resulted from warfare not from trade (Thornton, 2019). Building on this idea, Rothbard explains that the real economic benefits of slavery arose in the past when slave hunters and traders exploited the initial supply of slaves. Specifically, the original price would have reflected the anticipated present value of the income streams over time. However, in the long run, even slave hunters would have earned a normal return on investment in the market, and subsequent slave owners would have earned only a normal profit from their exploitation (Rothbart, 1960; Thornton, 1994). Therefore, any detection and measurement of economic returns in a short-term disequilibrium situation in the real world would be the result of other factors than slavery itself (Rothbart, 1960; Thornton, 2019). Rothbard further argues that although the institution of slavery was not profitable, the anti-manumission laws enacted in the laws of the slaveholding states were a central element in preventing the collapse of slavery.
At the same time, Rothbard points out that the constitutional measure to close the international slave trade increased the profitability of slave breeding (Rothbard, 1960). In addition to these external measures which determined the support of slavery in the absence of its profitability, a series of legislative acts and events were added which increased the profitability of agriculture based on slave labor which, in turn, determined the maintenance of slavery: The Slave Clause of the United States Constitution, the Fugitive Slave Act of 1793, the invention of the cotton gin in 1793, the Industrial Revolution, laws preventing the escape of slaves, and the passage of the Fugitive Slave Act of 1850 (Rothbard, 1960). Rothbard therefore concludes that (1) slavery itself was not economically profitable after the initial, past slave-hunting stage and was generally inefficient, and (2) political forces were the main factor preventing the system of slavery from collapsing sooner (Thornton, 2019). Murray Rothbard was not against the introduction of statistics and mathematical calculations into economics books and articles, but his criticism of cliometric methodology came through the prism of the dangerous ideological conclusions that could arise from its use – in this case, the justification and attribution of war to a role of constructive activity within society (Thornton, 2019).

5. CONCLUSIONS

Researchers from a multitude of disciplines, including history, psychology, sociology, and economics, have been interested in the issue of slavery. Slavery is relevant for economics because it may be used to explain the historical economic expansion of today's most developed nations. In addition, economists can determine whether it was profitable and not supported by external factors, such as political ones, by measuring and analysing its functions production, the slave prices, the production of goods determined by slave labour, or its capitalist nature. As a result, like in the case of the United States of America, the profitability and the self-sustainability of slavery can determine whether or not a war was required to put an end to it.

The purpose of this paper sought to examine how two Cliometrics representatives, Conrad and Meyer, conducted a study supported by empirical data wherefrom it resulted that slavery was profitable, necessitating the American Independence War, as well as how Rothbard, who is an influential representative of The Austrian School of Economics approached and criticized Conrad and Meyer's findings. In conclusion, there is nevertheless room for more research given the ongoing disagreement among experts regarding whether slavery was a factor that
drove economic growth or whether it was profitable and self-sustaining so that violent episodes, such as war, were required to outlaw it.

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