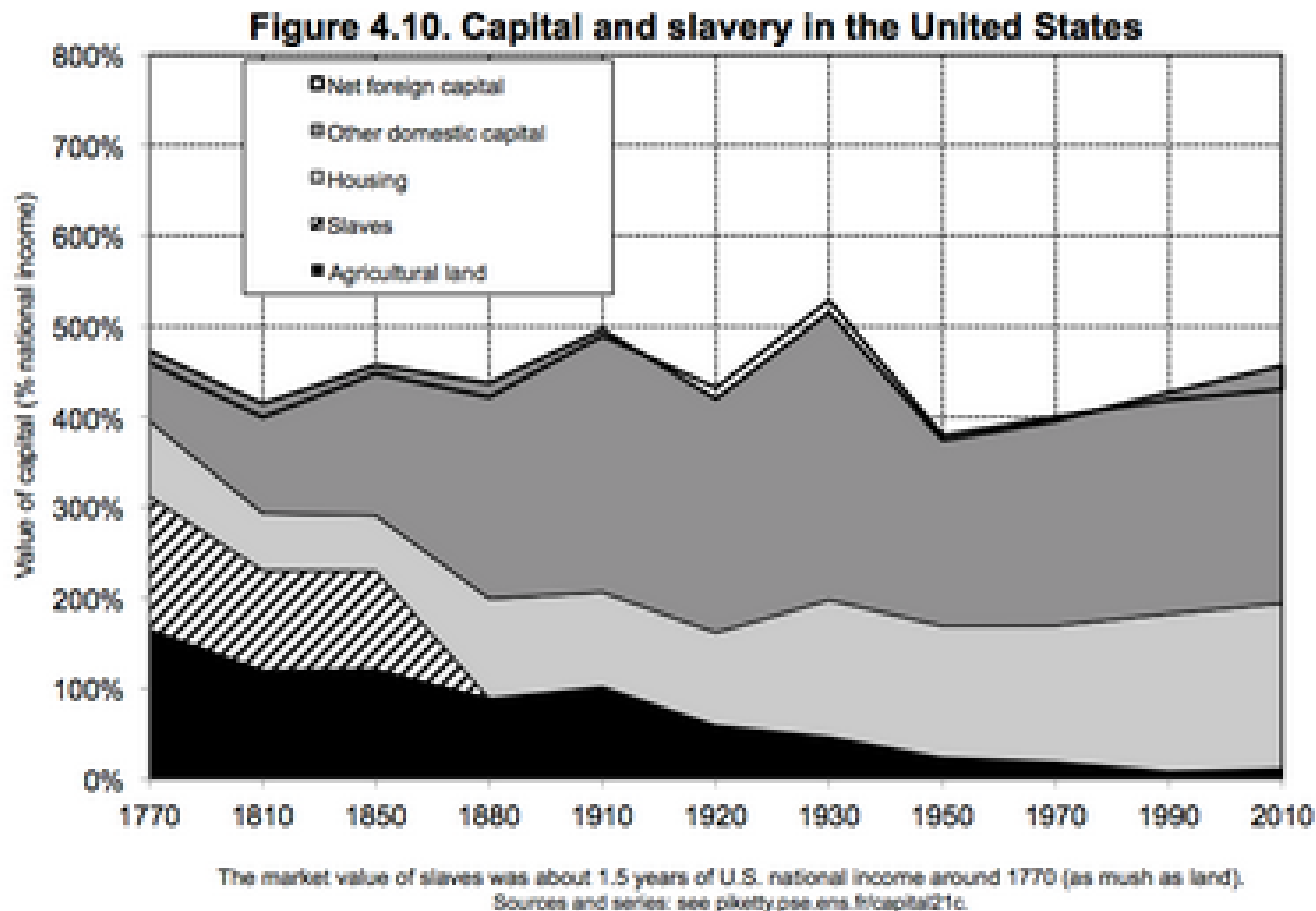


Ending slavery made America richer

By: Scott Sumner



By Scott Sumner, Sep 13 2014

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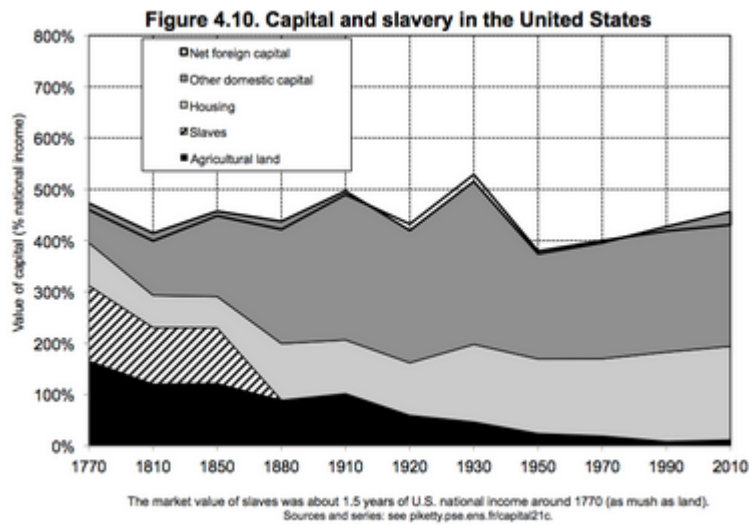
Matt Yglesias has a [good post](#) that goes right at the “smiley-face” view of early US history—that we were a great country save for the regrettable aberration of slavery. He doesn’t pull any punches:

Specifically, white Americans conquered a vast new empire (Alabama, Mississippi, Florida, Arkansas, Louisiana, Missouri, and Texas), populated it with millions of slaves forcibly transported from the Atlantic coast, and developed innovative new torture-based management techniques to enhance the productivity of this coerced labor.

Thus I regret to say that the title of the post sends the wrong message:

American prosperity was built on slavery and torture

In fact, countries with free labor tend to be more prosperous. Indeed Yglesias's post contains a graph (from Thomas Piketty's book) that undercuts the message in the title:



At first glance it doesn't look like there was much change in the capital stock between 1850 and 1880. But that's very deceptive, as Piketty classifies (or should I say mis-classifies) slaves as "capital." It's true that they were legally considered capital, but in a functional sense they were obviously labor. Slaves don't stop being people just because the government treats them like animals.

Between 1850 and 1880 the market value of slaves falls by just over 100% of GDP. And that decrease is almost precisely offset by a slightly more than 100% increase in capital (industrial and housing.) The total capital stock declines slightly in the Piketty graph, but that's only because of a fall in the value of agricultural land, not capital.

Now here's where mislabeling slaves as capital comes into the equation. At first glance it looks like America's capital stock was unaffected by the abolition of slavery. But the actual capital stock rose by over 100% of GDP—an industrial revolution. If you insist on treating slaves as "capital" it doesn't change the basic story. Because in that case a separate ledger of "labor resources" would have soared after 1865. Former slaves would now be classified as "labor," and hence the labor stock would rise dramatically, even on a per capita basis. Either way, abolishing slavery made America a much more productive, and hence richer country.

Now let me anticipate the “yes buts.” Some Americans were made worse off. Obviously slave-owners, and less obviously those who were closely connected to the slave economy (bankers who financed them, cotton mills, etc.) But as Fogel showed (in a study of railroads), when thinking about any economy we tend to mentally overrate the importance of any one sector, especially big sectors. So despite the very real losses to a sizable group of Americans, the economy overall did much better as a result of the abolition of slavery.

Do we know that this was because of the abolition of slavery? There are very few certainties in economics, but consider:

1. Brazil didn't abolish slavery until the 1880s, and did worse than America. It also did worse than countries to the south of Brazil.
2. When the American South abolished Jim Crow, incomes in that region began to converge on those in the North. Indeed even southern whites began to catch up, especially when adjusting for cost of living differences. Freedom increases productivity.
3. Most of the rich countries around the world were places with free labor in the 19th century. Places that had slavery tend to be much poorer.
4. Superficially the South seemed “richer,” but only if you don't count slaves. But why not count them? The North was far more dynamic, industrializing rapidly and drawing more immigrants from Europe. Why didn't more whites from Europe move to the South?
5. Countries are richer when workers have more rights—compare North and South Korea.

America still has a long way to go. Blacks (and whites) are legally barred from many professions by occupational licensing laws. It's also worth pointing out that Yglesias is one of the few progressives that frequently criticizes those laws.

America is much freer than it used to be, but there is more work to be done.

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