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Slavery Was Never Economically Efficient

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Economics

Slavery is one of humanity's great evils. Despite its ubiquity throughout human history, some forms were particularly abhorrent and vile. While all slavery was and is wrong on moral grounds, it also has economic problems. Taken together, these reasons suggest that slavery should end on its own, even if it never does in practice.

Slavery is economically inefficient. If slaveholders made decisions purely on economics and not corrupt emotion, the practice would likely cease to exist in many of its forms.

While modern defenders of slavery are hard to find, many nonetheless believe it is economically efficient. After all, slaveholders have no labor costs. Many people wrongly believe this simply means the twisted enterprise is an economic powerhouse, but limiting slavery to wages misses other costs that diminish the economic value of slavery to the slaveholder.

Slavery Is Inefficient

No single explanation is the key to the shackles. If a single inefficiency were so powerful and evident, slavery would never have taken hold in America or elsewhere, and modern slaves would be set free today. Instead, it is the totality of factors and costs that add up to be more expensive than free wages in many examples. It is also important to focus on accounting costs rather than purely economic value because some may gain such great utility from oppressing others that it is efficient for them, even if it means lower output.

Wages are about the only thing a slaveholder saves when compared to having employees. They may save on employment benefits (health, dental, retirement), as well, but these are optional even within competitive free markets. What the slaveholder saves in wages he does not necessarily make up for in revenue from his output.

The Costs

A slaveholder has to pay for the room and board, food, clothing, and medical treatment of his slaves. Of course, this can be incredibly minimal—even dehumanizing—but costs nonetheless he would not incur if he did not treat them as living property. A wage reflects value added and is not meant to compensate workers for the food and board they need to survive. With slavery, instead of paying a low wage commensurate with the value created, the slaveholder pays for these living expenses directly.

Additionally, the slaveholder has to invest in near-24-hour security to keep his slaves from escaping. This may mean infrastructures like fencing, buildings, chains, locks, cameras, and more, and it could also include personnel to watch and keep slaves locked away. For setups where slave or sweatshop workers may not be housed in a prison-like location, the slaveholder still must employ security or enforcers to round people up and subdue them. When added together, these costs begin to have weight. They may decrease in the long run, but they are still ongoing costs that exceed the efficient investment for a free market workforce.

There is also an opportunity cost to consider. Not only does the slaveholder have to pay the actual accounting cost to maintain a worker population and secure them, but he also loses the things he could have if he did not pay for those things. He could have more capital, better quality inputs, and better facilities. The revenue from the slave labor is thought to so exceed these costs that it is irrelevant. That is a shortsighted view. Consider scale, as well; in American slavery, the slave population grew due to birth rates. A higher population costs more to feed and shelter, as well as secure and patrol. Eventually, the numbers could be so overwhelming that it is too expensive to prevent a revolt or escape. Thus inefficiency may grow worse over time.

Productivity of Labor

In the free market, some are paid even above the equilibrium wage for an industry or job at a rate known as an efficiency wage. This wage is higher because it attracts exceptional workers who can do the job with greater skill and efficiency, more than justifying their wage. While this type of wage is mainly used in high skill sectors, and slavery is usually centered around low skills, the worker attitude is relevant. Slaves have no incentive to work harder or better. In fact, in all likelihood, they resent and hate their oppressors. This means they will not be working as efficiently as possible. This turns into inefficiency for a few reasons.

If the slaveholder forces them to work hard at a low-skill job, they can threaten pain or withhold food or comfort. This means the slave has no options and must keep up the output, but due to fear, pain, or exhaustion, is less likely to be operating at full capacity. The mental resistance likely drags this even further. A slaveholder demanding ten units of output could get them. But a motivated worker at full capacity may be able to put out far more units. And when slaves are harmed, they cannot produce as much. Any worker who is killed or incapacitated must be replaced, which is costly to the operator. Even for low-skilled work, as most slavery and sweatshop work is, some level of a learning curve is present that drags the efficiency of the operation.

Working for no pay will mean profit because revenue exceeds cost when wage is not included. But as with the efficiency wage, paying workers can actually bring in more revenue because it brings greater skill, harder work or better attitude, and more efficient labor to the enterprise.

Disincentive to Improve

Businesses are always trying to cut costs to increase profit and also to save money to invest in development or expansion. An enterprise that does not innovate or expand will not remain profitable forever, and part of the incentive to innovate is in improving products.

Slave labor is unlikely to come to the boss with innovations, ideas, and tips for better products or techniques for saving time or resources, which is common in free markets. And bosses who already do not pay for labor are not likely to consider labor costs as part of the process of streamlining and improving. To this end, by blinding oneself to a huge cost, the slaveholder is likely blinded to costs as a whole and to improving things.

It also sacrifices the most efficient mix of capital and labor. Blinded by the short-term expediency of not paying for labor, slaveholders likely disproportionately favor labor. Although a machine could work for free, as well, slaveholders may not invest in capital, which could produce more efficiently, because they already do not pay the slaves, so buying the capital is expensive to them. Moreover, if competitors are innovating or using capital and commodity prices begin to fall, the price of the slaveholder's product falls, and his revenue decreases.

Opposition and Public Image

A final drag on efficiency comes through opposition from the public or private actors. This looks different in different eras and locations. Abolitionists may be a thorn in the side of a slaveholder. They could persuade people not to do business with the slaveholder, condemn him in public as a bad person, or protest or physically intervene with things like supply shipments, product sales, or other.

In the modern era, many countries make slavery formally illegal. This means slaveholders have to undertake great costs to stay secret and hidden or pay bribes to authorities to overlook it. If it became known, the press would condemn it and shine a spotlight on it, which would likely lead to humanitarian groups and government bodies intervening.

Economics or Not, It Hasn't Disappeared

Slavery is an old institution. If it were inefficient enough, it never would have taken root. Certainly, there is expediency, but expediency is not efficiency. While all decent people already abhor slavery, many fail to account for the many short-term and long-term economic costs that, taken as a whole, make most forms of slavery inefficient despite the seemingly intuitive belief to the contrary.

Economics is not a magic bullet to end modern slavery, just as it did not end historic slavery. It does reveal that slavery is difficult to sustain. There very well may be instances where slave labor happens to be efficient economically, but by and large, people who believe this are missing key factors. The practice of slavery is immoral and must be ended. Slavery is also inefficient. Hopefully, that inefficiency prevents it in some cases and can impede it in present and future instances. Using economics to make it even more costly may be one policy approach to consider.

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