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The Southern Slave Economy Was Anti-Capitalistic

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Economics Slavery Civil War Capitalism

The discussion around the political economy of slavery has been one of the central debates in the academic study of the *Peculiar Institution* in the Antebellum South. Traditionally, the Southern economy was considered non-capitalistic and pre-bourgeoise; a pre-industrialized economy that struggled to thrive due to the lack of incentives imposed by slave labor, the absence of a legal framework that stimulated the emergence of capitalism and a backward, agriculture-based economy.

Conflicting Views

The above view was defended by the so-called "South-as-non-capitalist" school, whose most prominent exponent was the slavery scholar Eugene Genovese.

According to Genovese, slaveholders "were pre-capitalist aristocrats imbued with an antibourgeois spirit with values and mores which subordinated the drive for profit to honor, luxury, ease accomplishment, and family."

In other words, the South was an inefficient economy where the entrepreneurial search for profits typical of capitalist economies was secondary. Instead, a quasi-aristocratic class (the planters) acted like medieval landowners more concerned about their culture of honor, power, and appearances than maximizing profits.

This analysis was challenged by the publication in 1974 of the controversial work *Time on the Cross: The Economics of American Slavery*. The authors, Nobel-awarded economist Robert W. Fogel and economic historian Stanley L. Engerman, applied novel econometric techniques to the study of slavery.

In a nutshell, Fogel and Engerman (F&E) concluded that:

i) slavery was economically profitable;

ii) slave labor was more efficient than free labor;

iii) planters behaved as modern entrepreneurs in a capitalist economy; and

iv) the South was not as underdeveloped as it had been suggested in comparison with the North.

In short, F&E suggested that the Southern economy was mostly capitalistic despite being largely based on slave labor. To what extent are these conclusions accurate?

Southern Limitations to the Development of Capitalism

Profitability *per se* is not a sufficient condition to define an economic system as capitalistic. After all, profits have existed since the emergence of commerce in the dawn of civilization, and capitalism was born as late as in the eighteenth century with the Industrial Revolution. In addition, profits may arise under many circumstances: forced labor, monopolies, the discovery of highly-demanded natural resources, etc.

Yet long-term profits in a capitalist economy are necessarily brought about by increases in efficiency and productivity, which are in turn an inevitable consequence of competition within a legal framework that protects property rights and voluntary contracts.

In a market economy, the dynamic process that leads to business profitability could be said to be more important than profits themselves. Thus, the fact that slavery was profitable does not entail that the Southern economy was dominated by capitalistic features.

F&E's claim that slave labor was more efficient than free labor was contested by Stanford's economic historian Gavin Wright. According to Wright, "the apparent efficiency of slave labor [was due to the] extraordinary growth of world demand for cotton between 1820-1860."

Other authors like Paul A. Davies have questioned F&E's measurement procedures to calculate the efficiency of Southern agriculture.

In any case, the level of coordination achieved by the market process when it comes to allocating human capital to its most productive uses cannot be attained in a slave economy. Furthermore, the lack of incentives under slavery kills the productive capacity of workers, reducing the overall efficiency. Therefore, F&E's thesis on the superior efficiency of slave labor cannot be convincingly sustained.

Ideology and Values

Time on the Cross depicts slaveholders as modern-day entrepreneurs whose investments in the business of slavery were strictly motivated by market considerations. According to this view, southerners chose to allocate their capital in the slavery business after consciously analyzing the market in search of profit opportunities. Investing in slaves was not just a tradition or a way to continue with the family business but a rational business choice made by talented businessmen.

It should be conceded that slaveowners were forced to manage their plantations as efficiently as possible due to competition in international agricultural markets. Yet the idealized view of slaveholders as modern entrepreneurs conveyed by F&E is deeply misleading, if not fictitious.

Planters did not take advantage of many valuable investment opportunities due to their narrow, reactionary mentality. As pointed out by economic historians Fred Bateman and Thomas Weiss, slaveholders failed to invest capital in industry even though “profits from southern manufacturing were high enough to have made investment in industry a rational choice by planters”.

What prevented planters from allocating part of their profits in industrial activities? Essentially, two reasons: first, their commitment to an intensively conservative ideology based on values like hierarchy, tradition, and honor; second, their deep hatred towards the values represented by liberal democracy and capitalism, which were thought to jeopardize the traditional Southern way of life.

The final argument put forward by F&E deals with the macroeconomic situation of the South. F&E estimated that, in per capita terms, the South, if treated as a separated country, was the fourth wealthiest nation in the world in 1860. However, this estimation is skewed for a simple reason: the high income per capital reflected the prosperity of slaveholders, who represented only one-third of the population.

Because slaves were the bulk of the population and barely received any income, GDP per capita is a deficient metric to assess the economic development of the South.

Capitalism Was Hardly Present in the Antebellum South

As shown above, F&E's thesis on the capitalistic nature of the South's economic system seems very difficult to maintain.

It cannot be denied that the South incorporated certain aspects of capitalism due to the fact that its economy largely depended on the demand for cotton that came from several parts of the world. However, the South lagged behind the North in terms of urbanization and economic and social development precisely because market capitalism did not seep through the channels of the Southern economy.

The *Peculiar Institution* was, without doubt, the main cause of the economic, political, and social backwardness in the Antebellum South.

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