Book Reviews

'Free trade' leads Chicago School economists to promote chattel slavery

by Paul Gallagher

Time on the Cross: The Economics of American Negro Slavery
by Robert William Fogel and Stanley L. Engerman
University Press of America, Lanham, Md., 1985
304 pages, paperbound, $20.75

The 1993 Nobel Prize for Economics should be withdrawn. That the award honors "shock therapy" economists Robert Fogel and Douglass C. North, who are ideologues of "free trade" from the University of Chicago School of Economics—all this is unfortunately not new for the Nobel Committee, which consistently honors dangerous incompetence in economics. But the latest Nobel Prize highlights how evil "free trade" doctrine really is: It is here used to promote a work defending chattel slavery in the pre-Civil War American South, as a form of agriculture superior to independent productive farms. The committee's award is promoting the destruction of independent agricultural producers worldwide—and consciously so, as is clear from what immediately follows.

The 1993 prizewinner Robert Fogel co-authored *Time on the Cross: The Economics of American Negro Slavery,* with Stanley L. Engerman of the University of Rochester, assisted by the Chicago School of Economics staff; Douglass North, with whom Fogel shared the Nobel Prize, was an economic adviser to the governments of Russia, the Czech Republic, Peru, and Argentina.

In awarding the prize, the Nobel Committee made their evil intention explicit. They said, according to accounts in the European press, that they had chosen Fogel precisely because the nations of eastern Europe are now looking for economic models, after freeing themselves from Soviet rule in 1989. Large-scale agricultural slavery! (Emphasized by Fogel and Engerman to be better agriculture, the larger the plantation.) Chattel slavery promoted to the free nations of eastern Europe, by the Nobel Prize Committee! And this under the strict "free trade" argument that slave plantation agriculture can be "a marginally more profitable and efficient investment than others available to investors for their capital." The parameters of Fogel and Engerman's argument could just as well be describing large, cartel-owned single-commodity livestock or produce farms today, with their large and often rented labor forces. But the fact that in the model the Nobel Committee now promotes, the agricultural laborer is actually a bonded slave, shows the evil heart of the "free trade" dogma.

The award to Fogel and collaborators can be compared to the emergence in the last months of 1993 of the "Limes" doctrine in a number of books being promoted among British and European elites. This concept describes the more advanced industrial countries as the core Roman Empire surrounded by barbarians (the Third World, eastern Europe), who are kept behind Limes, or outer walls, in a *terra incognita,* except for cheap labor investment areas like China's southern coast, Mexico's *maquiladoras,* etc. (See *EIR,* Nov. 26, 1993, "A 'Limes' To Separate Rich and Poor?"; and Dec. 10, 1993, "Advocating Genocide and Enjoying Every Minute of It.")

What would the United States, supposedly honored by this 1993 Economics Prize to two American citizens, get from the promotion of this book? Simply the open acceptance of the return of feudal bondage to agriculture—a bondage tens of thousands of formerly independent American farms, now directly or indirectly owned by giant food cartels, are already being subjected to.

But worse than that. Think of the several attempts, now ongoing by Disney and others, to create "southern culture theme parks" in southeastern states, featuring "realistic recreations of slave life." One easily imagines large, hardbound, cellophane-wrapped copies of *Time on the Cross* bringing upscale prestige to these theme parks, which have so far been fought off by civil rights groups and other aroused citizens. The United States can gain only shame and impoverishment

Migrant farm workers picking beans in 1967, over 100 years after Emancipation. Nobel laureate Robert Fogel's study of the slave-based cotton economy advocates this form of "labor management" for the newly liberated nations of eastern Europe.

from this Nobel Prize.

Attacking the American System

Despite the tepid denial in their final chapter, "Implications for Our Time," Fogel and Engerman are "trying to sell slavery." Their mild denial is added at the end simply because what they *are* doing is so obvious. Nowhere in the entire book do they identify a single serious problem with chattel slavery in agriculture. Even the bonded slavery of the individual slave, which elicits perhaps three or four mild expressions of sympathy in 300 pages, is made to sound up-to-date in a later section on "the modern concept of human capital." This "market economics" idea makes the human being just a fixed cost (for short periods) of reproduction, which can be substituted for mechanical capital, rather than the subject and source of all productive activity. The *value* of a human being is repeatedly equated to his or her *cost of maintenance*. But more generally, Fogel and Engerman claim during the course of their book that *every* aspect of slave agriculture—housing, work conditions, health care, education (!), family life, opportunities for saving and advancement (!!), etc.—was favorable and superior to free farming.

Just as in the promotion of the North American Free Trade Agreement (NAFTA), the General Agreement on Tariffs and Trade (GATT), and other "free trade" agreements; just as in promotion by the International Monetary Fund and World Bank of "labor-intensive, sustainable" agricultural backwardness in the Third World; Fogel and Engerman wanted to obliterate all the principles which made the American System of National Economy—and American family farming—the wonder of the world from the end of the Civil War to the 1960s. They call their sub-school of Chicago economics, "cliometrics." "The cliometricians," they declare, "have downgraded the role of technology in American economic advance; they have controverted the claim that railroads were necessary to the settlement and exploration of the West; . . . and they have rejected the contention that the Civil War greatly accelerated the industrialization of the nation."

This rejects, explicitly or implicitly, all the policies of President Abraham Lincoln, by which he saved this nation and began its reconstruction into the world's industrial and agricultural leader.

Beyond this, Fogel and Engerman explicitly wanted to attack *the denunciations of slavery* by all of the leading American System economists and observers of slavery—Mathew

Carey, Henry Carey, E. Pechine Smith, Cassius Marcellus Clay, Frederick Law Olmstead, and others. The "free trade" ideologues claim, in *Time on the Cross,* that "economics of large-scale operation, effective management, and intensive utilization of labor and capital made southern slave agriculture 35% more efficient than the northern system of family farming."

Zero population model

Making this claim, Fogel and Engerman dismiss and attack the most powerful evidence of successful economy—sustained and rapid population growth. Specifically, the comparisons of northern and southern states from colonial times to 1850, published by author Hinton Rowan Helper in 1857. Virginia was the chief commercial and most populous state at the time of American Independence; by 1850, New York had twice as many people. Massachusetts had twice North Carolina's population in 1850, the two having been equal in 1790. Pennsylvania had 2.5 times South Carolina's population by 1850, and in measures of literacy and education, 15 times as many public libraries and 12 times as much newspaper circulation.

Though trying to belittle this, Fogel and Engerman admit that 40% of slaves did not live to 19 years. The average slave's life expectancy at birth was about 35 years. That for the northern population was about 43 years, a difference of more than 20%; but the southern white life expectancy was under 40.

Yet, they acknowledge that the great majority of slave women had between 5 and 10 surviving children, showing how low the rate of slave family formation had to be in order to produce such low population growth. They quote another like-minded pair of economists, Conrad and Meyer: "Planters in the exhausted lands of the upper South who earned only 4 or 5% on male slaves, still [achieved] a return equal to alternative investment opportunities"—by selling slave children to western planters, they raised their "profitability" to 7 or 8%. The authors claim another "efficient" market factor—"the capacity to use the labor of the elderly . . . a feature of the predominantly agrarian character of slavery."

Throughout, these free trade ideologues find *efficiency, productivity,* and *short-term profitability* in a process whose longer tendency is human suffering, "using up" a human population and destruction of economic values, just as they and cothinkers do for the *maquiladoras* and "special economic zones" of today's "free market."

They acknowledge, and show, that prices for southern cotton drifted downward from 1800-60, as did southern land values.

But: "the unprecedented increase in cotton production even after 1857 was due to a rapid advance in the world demand for U.S. cotton." Again, imitating exactly the arguments for "free trade's" destructive investments in cheap labor and cheap commodities today—"the world market wants them." This is fraud: For the antebellum U.S. slave states, that huge world cotton market was not free at all. It was ruled and maintained by British Empire and finance: For one example, the British had wiped out Indian textile production to force India to buy British textiles made from U.S. cotton. That world market in cotton was the reason for the British and French support of the slave trade and the Confederacy, which would have led to military intervention had not Russian support of the Union blocked it. In fact, Fogel and Engerman state in their second chapter that France and Britain's genocidal *Caribbean* slave economy was nothing but a creature of the monopolized world "free trade" in sugar. The most obvious fraud of their book is that they pretend that we won't see the monopolized world cotton market looming behind the "efficient profitability" of cotton slavery; only on two subtle occasions do they even mention it (one of which we quoted above).

Slave 'economies of scale'

The evil idea of presenting chattel slavery to eastern European governments as an agricultural model is most naked in Fogel and Engerman's Chapter 6, with the odd title "Paradoxes of Forced Labor." Here they reveal that the Nobel Committee is actually rewarding an entire "pro-slavery task force," so to speak: "Over a score of economists and their assistants," over a decade, working on the "relative efficiency of input utilization in the agricultural sectors of the North and South."

The "findings" of this perfidious school come straight from the cartelization juggernaut ripping up independent farms worldwide today. "Economies of scale were achieved only with slave labor. . . . The larger the farm, the larger the percentage of persons who were slaves." The economies of scale were only in cotton production, not in grains or tobacco. The economies of scale, they claim, made southern agriculture 35% more efficient *for a given amount of capital and land investment*. (They had admitted earlier that free northern farms had much higher capital investment per acre and total northern agricultural production grew much faster—we shall see shortly how absurdly they deal with this.)

Next, the "management" factor: "The leading planters were . . . a highly self-conscious class of entrepreneurs who generally approached their governmental responsibilities with deliberation and gravity." A most oppressive gravity, indeed. And, "No question was treated with more gravity than that of labor management." Then follows a loving description of the slave labor gang's large-scale division of labor, the "assembly-line pressure" to keep up with the pace, and the crucial factor: *"driving them."* A grave and deliberate planter is quoted: "You never could depend on white men, and you couldn't *drive* them any; they wouldn't stand it. Slaves are the only reliable laborers. . . ." This description of the "efficiency" of *driving* large slave labor gangs so hard that they didn't look up when a horseman galloped right through a gang, goes on for many pages.

Then, the big picture of the "efficient, productive" labor force: "In the free economy, approximately one-third of the population was in the labor force" (the measure of child-rearing, education, professions and entrepreneurship, retirement, etc. in a work force which is reproducing *families* at an advancing level). "Among slaves, the labor-force participation rate was two-thirds . . . due largely to the inability of slaves, particularly women and children, to choose leisure, education, or work at home."

This hell of labor-intensive slave agriculture is then summed up by the ideologues of "free trade": "Just as the great plantations were the first large, scientifically managed business enterprises; and as planters were the first to engage in large-scale, scientific personnel management, so, too, black slaves were the first group of workers to be trained in the work rhythms which later became characteristic of industrial society."

And then finally, the "free market" appears on page 244: "The main gainers from the gang system were not slaveholders, but the consumers of cotton . . . the extra profits to slaveholders which arose from the gang system persisted . . . due to the behavior of consumers of cotton whose demand increased more rapidly than the labor force. . . ." As if the "consumers" were happy shirt-wearers and not the British monopoly cotton trading boards!

In this action by the Nobel Committee and the Chicago School, the modern ideology of "free trade" is touching its British origin in the attacks at the turn of the 19th century, led by Adam Smith and Jeremy Bentham, against American Independence and the American System of economics. Smith and Bentham spoke for the British trading monopolies in promoting "free trade." What it has always meant is the right of finance and monopoly to exploit and "use up" cheap labor supplies wherever they could trap them in a "global" labor force. Here the modern free-trade ideologues are promoting large-scale chattel slavery in agriculture, against free and independent farmers, just as Bentham and Smith did.

Incompetent method

Behind these evil conclusions is an incompetent economic method. It is precisely the same method now in use by the World Bank to promote the GATT agreement, and whose incompetence has been publicly denounced by France's leading economist Maurice Allais, ironically, a Nobel Prize-winner in economics himself. This is the method of using large numbers of simultaneous linear equations in a computer model—each equation claiming to *isolate* and describe a single economic "fact" in financial terms—in order to generate "conclusions" about the impact of economic policies. As Allais has shown incisively, the World Bank's influential computer model, known as RUNS, for eliminating agricultural subsidies worldwide is a complete fraud as a result of this method. Such "modelling" of human physical economy—which is rooted in creative scientific discovery and technological change—by many isolated financial equations, had its origins in the 1950s "artificial intelligence" doctrine that all human thought processes could be computer-modelled.

Fogel and the "cliometricians" use no fewer than 46 separate variables, many with several sub-variables, to generate scores of equations to "model" the "slave agricultural economy," as if it were an isolate. One such equation, relating slave prices to slave sales at New Orleans from 1850 to 1860, fills an entire page of the appendix. One particularly meaningless "table" purports to compute "net pecuniary gain or loss" for slaves, cotton consumers, and slaveholders from large-scale plantation operations in 1850.

The method of fraud in this madness is to isolate "investments in slave labor" from all investments in infrastructure and technology needed to have a human economy at all. The authors attack Olmstead for treating capital improvements in farming (much higher in the free states) as a necessary input cost of agriculture; they want to account slave maintenance as the only cost, and treat capital improvements as "other economic activities," (akin to other of today's ideologues who claim essential municipal services like education, police, and sanitation, can be "privatized" and the municipality can treat them as simply a bill, to be minimized). And they complain that Olmstead's comparisons (i.e., Pennsylvania versus South Carolina) are unfair because the South Carolina plantations are not as close as those of Pennsylvania, to vital improved infrastructure like canals and railroads. No wonder—South Carolina hadn't made these improvements! To Fogel and Engerman, *only* the immediate rate of return of the investor in the individual large plantation counts. The broader process of economic devolution and human degradation, to them, is just one among many other factors for other investors at other times, who may not do as well.

Where it leads

Recent years' policies of cartelizing food and fertilizer production, enforced "set-aside" of land and actions like the forced closing of Germany's only potash mine at Bischofferode, are reaping their grim results. The U.N. Food and Agriculture Organization said at Christmastime 1993 that world grain production fell 4% (the third straight annual decline) and that 20 nations faced "massive" foot shortages in 1994.

Against the "free trade" paradigm stands Lyndon LaRouche's *The Science of Christian Economy*. LaRouche's internationally circulated works make the subject of economics the individual creativity of human beings in the image of God, the cause of scientific progress and of successful growth in human population density. These works increasingly inspire independent farmer movements in several countries, fighting NAFTA, GATT, and "free trade." The 1993 Nobel Prize in Economics has crossed the line in promoting evil. It should be withdrawn.