

# Eighteenth century slave trade profits

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# Introduction (1): Why do we care?

- Slavery is one of the major form of violence in history
- Europeans (on both sides of the Atlantic) have committed it on a massive scale till the 19th century
- This has coincided with the advent of modern economic growth that lead to “our” very prosperous Western societies
- Was the prosperity of Western societies built upon this crime?
  - Recent History of capitalism school (Baptist, *Half has never been told*; Beckert, *Empire of cotton*; Johnson, *River of dark dreams*; Schermerhorn, *Business of slavery*...)
- Public debate: do « we » need to pay reparations?

# Introduction (2): Where do I come in?

- I am a card-carrying economist, trying to span both history and economics
  - PhD in Economics, career in economics departments
  - Economic research on trade in value-added, trade costs, cost-push inflation...
  - Some data-heavy projects in economic history
    - 18th century French trade
      - Construction of a datascape with IT people (Medialab). See [toflit18.medialab.sciences-po.fr/](https://toflit18.medialab.sciences-po.fr/)
    - Research website (IT and navigation specialists) on La Rochelle
      - See <https://medialab.github.io/portic-storymaps-2021/>
    - 1789 domestic trade, 19th c. migrations and demography, Atlantic trade and urban growth...
- Long standing interest in the profits the slave trade
  - My thesis (published 2005) was about the importance of intercontinental trade (including slavery) on eighteenth-century French prosperity
  - I wrote a Journal of Economic History paper on the profits of intercontinental trade (including slavery) published 2004
- Renewed interest
  - 2018 conference panel that lead to a short paper in *Slavery & Abolition* (2021)
  - Since 2019, collective project to collect every slave trade accounts

# Introduction (3): What shall we do today?

- I was asked in 2021 to write a short piece for a public-facing book on the consequences of slavery
  - The brief was « La question des bénéfices économiques apportés par l'esclavage »
- The referees were not happy
  - « Je pense qu'il faudrait également utiliser une perspective centrée sur les individus. Je pense que l'approche macro-économique n'est plus suffisante »
  - « Après tant d'années, l'heure est enfin à l'humanisation des esclaves, et à la célébration de leur contribution au prestige de la France, dans les domaines de la culture, de la politique, de l'économie, des sciences etc. »
  - « réduire la question des bénéfices apportés à l'esclavage à des chiffres et plus généralement à une sphère économique qui serait détachée du social »
  - « Non seulement par rapport aux travaux existants cette approche est pauvre et manque de nuance, mais pire, elle prend le risque de reprendre une logique fondamentale de la pensée esclavagiste: réduire les êtres humains à des calculs financiers sans analyser cette logique de marchandisation. »
- So I will try to re-make an audible point today
  - « Profits » is actually vague a term
  - What do we know about the benefit cost ratios of the slave trade?
  - From benefit cost ratios to individual benefits
  - From individual benefits to macroeconomic change
- As I am an economist, please do interrupt me all the time

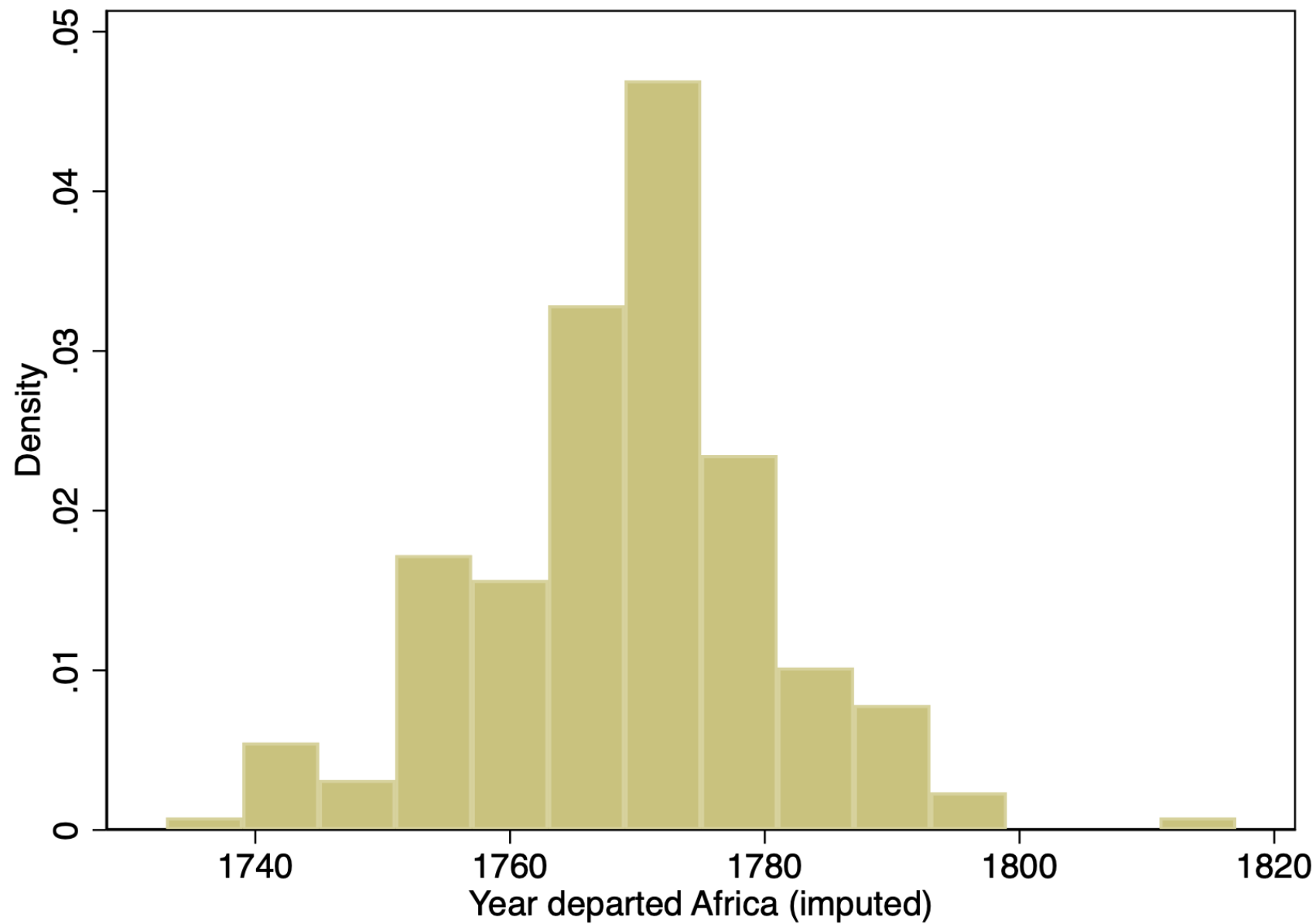
# What do we know about the benefit cost ratios? (1)

- Started in 2019. An idea of Klas Rönnbäck ( + Gerhard de Kok, Miguel Rodriguez, David Richardson)
- Like many long-distance voyages in the 18<sup>th</sup> century, slave trade voyages were financed by pooling the resources of many investors
  - The outfitter owned only part of the ship
  - Which means he had to explain how he had used the capital and what were the returns
  - And these explanations are our sources
- Long debate over profitability of slave trade
  - Studies based on cost-revenue analysis on macro-level (Anstey 1975; Darity 1985; Behrendt 1993).
  - Studies based on samples of slave trade voyages (e.g. Inikori 1973; Anstey 1975; Richardson 1975; Stein 1975; Stein 1979; Inikori 1981; Postma 1990; Hancock 1995; Daudin 2004, 2005; McWatters 2008; Luring 2010, 2011; de Kok 2018).
- Very large range of estimates of profits between the different studies: -1% to +32% per voyage on average.

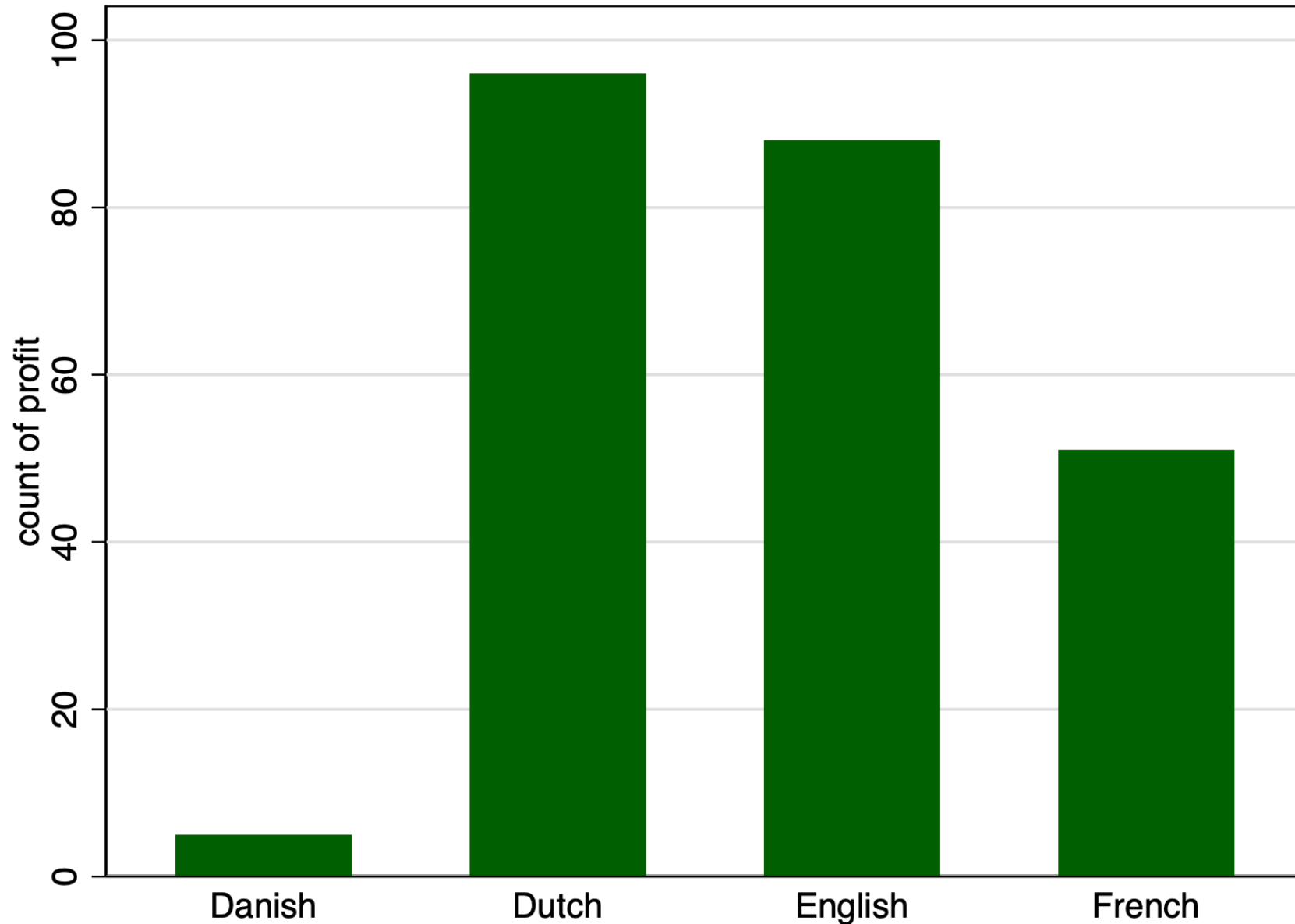
# What do we know about the benefit cost ratios? (2)

- Situation
  - Very large variance in profits between voyages – sensitive to potential bias of sample.
  - Small samples of voyages in all previous studies – often around 50-100 each (smallest based on 3 voyages only).
    - Samples too small to disaggregate, e.g. by place of slave trading in Africa.
  - Samples are not necessarily representative (e.g. sources have survived because of bankruptcy cases).
  - Every previous publication focused upon traders of one single European nationality (British, French, Dutch or Danish, respectively).
  - Unclear if (studies based on samples of voyages) the same methodology is applied.
- Contribution
  - Collect all available data on the profitability of slave trade voyages into a joint database.
  - Collect more data (composition of outfitting, number of slaves traded, mortality...)
    - Link dataset to the Trans-Atlantic Slave Trade Database (<https://www.slavevoyages.org/voyage/database>)
    - Check if our sample is representative
    - Identify the determinants of profits for extrapolation
- General approach : compute the ratio between the net investment costs (before the voyage) and the net returns (after the voyage) (benefit/cost ratio)
  - Insurance

# Sample (1): Year



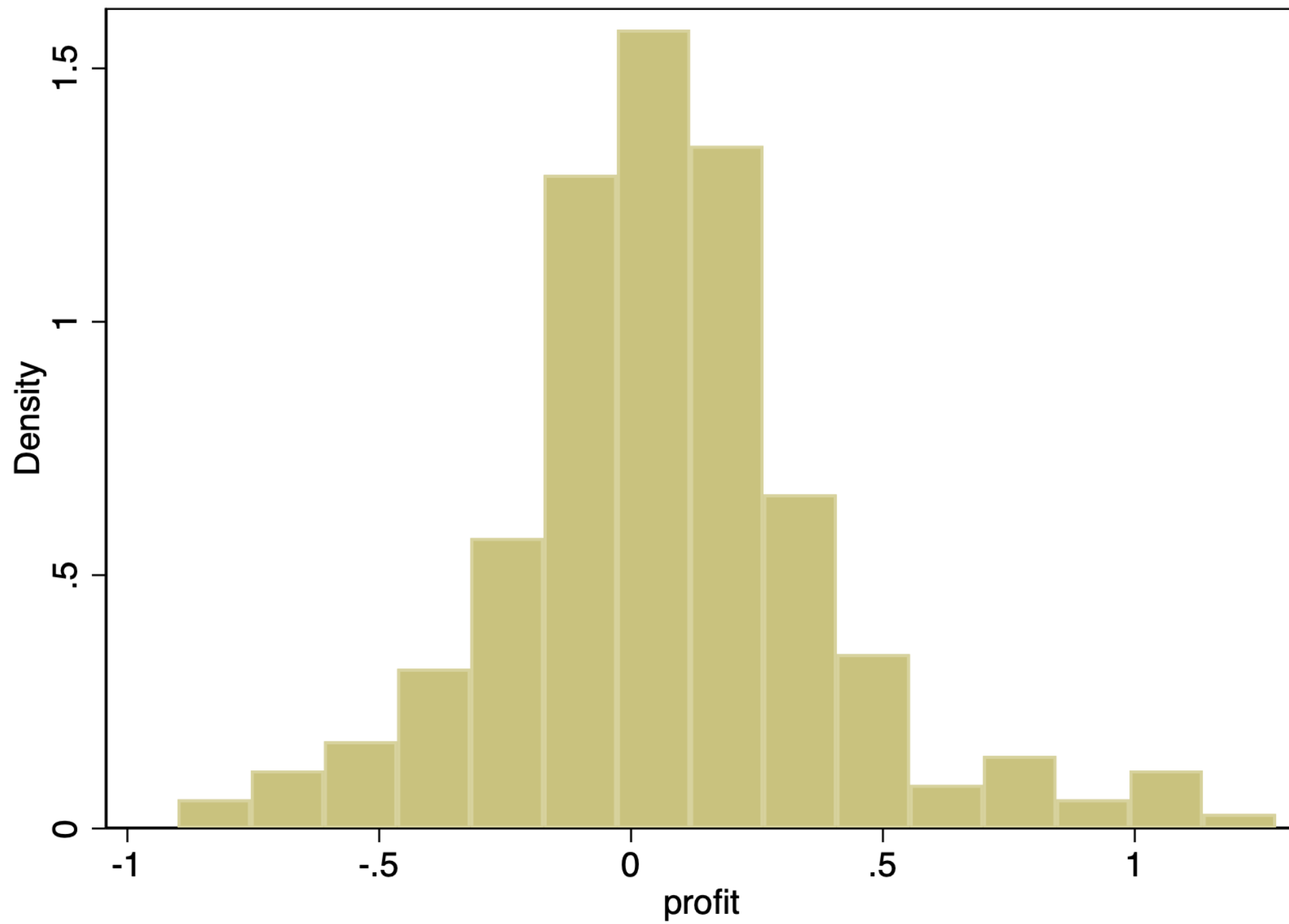
## Sample (2): Nationality (we would very much like to have more Portuguese data)

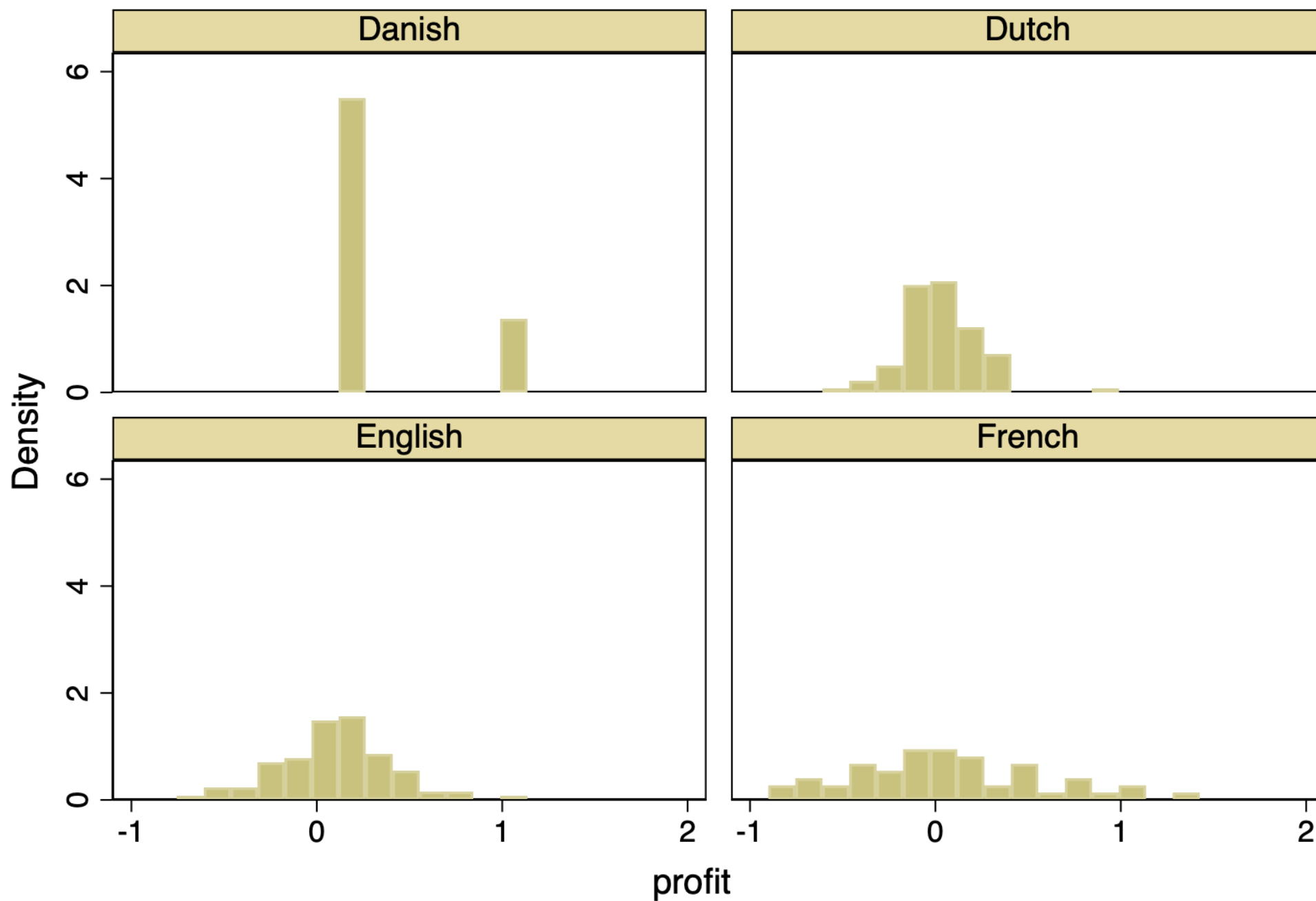




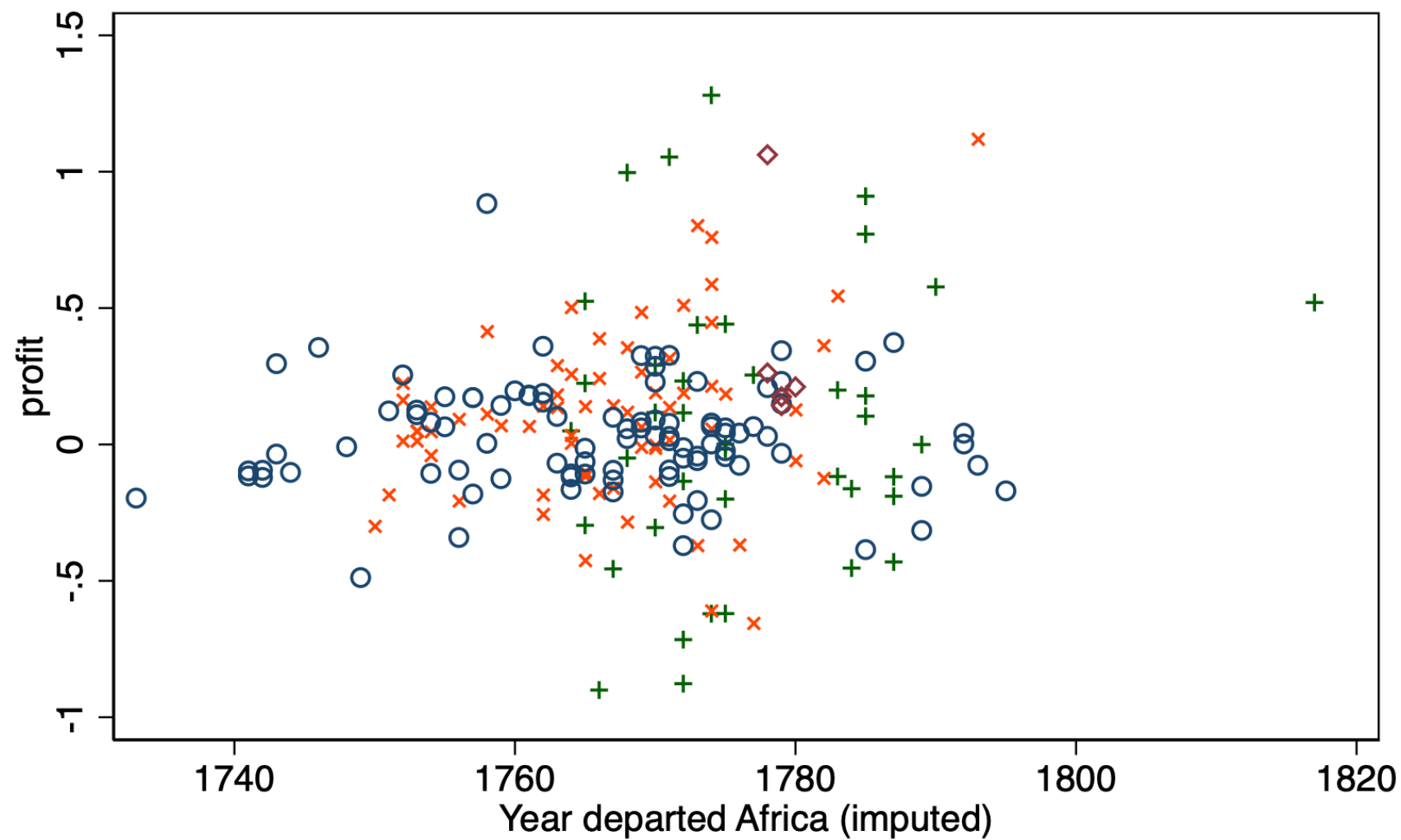
# Sample (3): outfitters

Name of the owner or the outfitter	Nationality			Total
	Dutch	English	French	
A. Menard	0	0	1	1
A. Romanet	0	0	1	1
Ballan ainé	0	0	2	2
Bouteiller Père et ..	0	0	4	4
Chateaubriand	0	0	4	4
Chaurand	0	0	9	9
De Guer	0	0	8	8
Delaville	0	0	1	1
Desclos Le Perley f..	0	0	1	1
Ducollet	0	0	1	1
Geslin et fils	0	0	1	1
Lincoln	0	0	2	2
Middelburgse Commer..	96	0	0	96
N. Arnou père et fils	0	0	1	1
Nicholas Torre	0	14	0	14
Portier de Lantimo ..	0	0	1	1
Veuve Geslin et fils	0	0	1	1
William Davenport	0	73	0	73
Total	96	87	38	221





Graphs by Nationality



# What do we know about the benefit cost ratios? (3)

-> nationality = Dutch

Variable	Obs	Mean	Std. dev.	Min	Max
profit	96	.0286188	.2001133	-.4879333	.8832117

-> nationality = English

Variable	Obs	Mean	Std. dev.	Min	Max
profit	88	.0985198	.3108783	-.6544489	1.120721

-> nationality = French

Variable	Obs	Mean	Std. dev.	Min	Max
profit	51	.0589139	.509869	-.9003112	1.280371

- Seems small compared to my 2004 sample of all long-distance French trade (209 observations, 23%)
- A strong outfitter effect?
- Needs more work... But let us move on

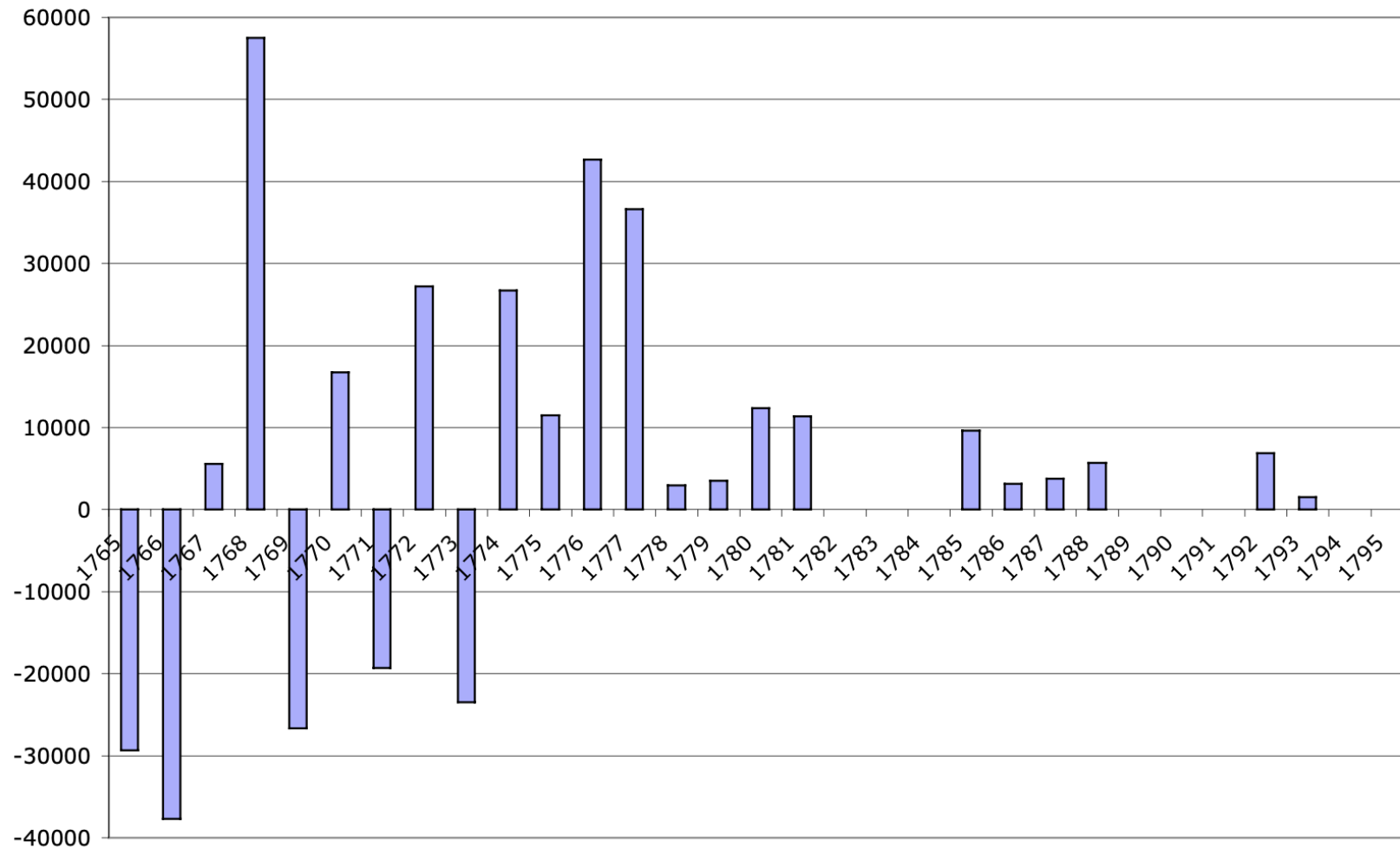
# From benefit cost ratios to individual benefits (1)

- Getting the money after one year and after two is not the same thing
  - Importance of computing “Internal Rates of Return”
  - In the French data, around 6% (with 23% profits)
- But even
- Maturity: it is better to get 5% after one year than 10.5% after two years
  - The issue of “queues”
  - The measure is named “duration”
- Liquidity: it is better to be able to sell your share if you need quick cash than not
  - Selling the income flow from a participation was not possible
  - Selling ship share between voyages was not a problem
  - Short maturity made that less important
- Risk: it is better to be certain of your income flow than not
  - Risk is often misunderstood: variance is not a good measure because of diversification
  - It is important to distinguish idiosyncratic risk (not a problem with enough money) and market risk (a big problem)

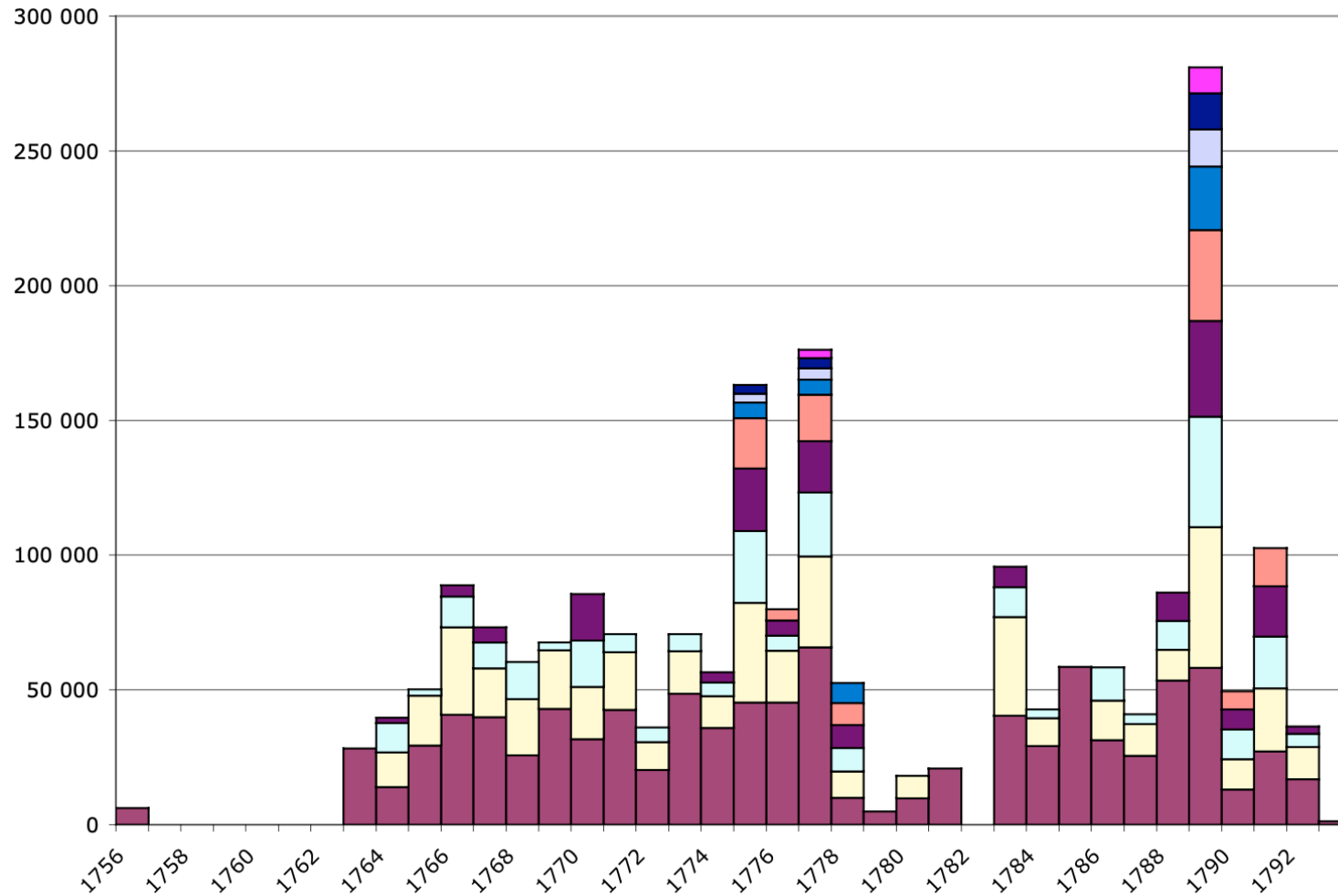
# Investment on the *Saint-Hilaire*

(7 voyages: 1765, 66, 67, 69, 71, 73 and 74)

**Cash flows in livres tournois**

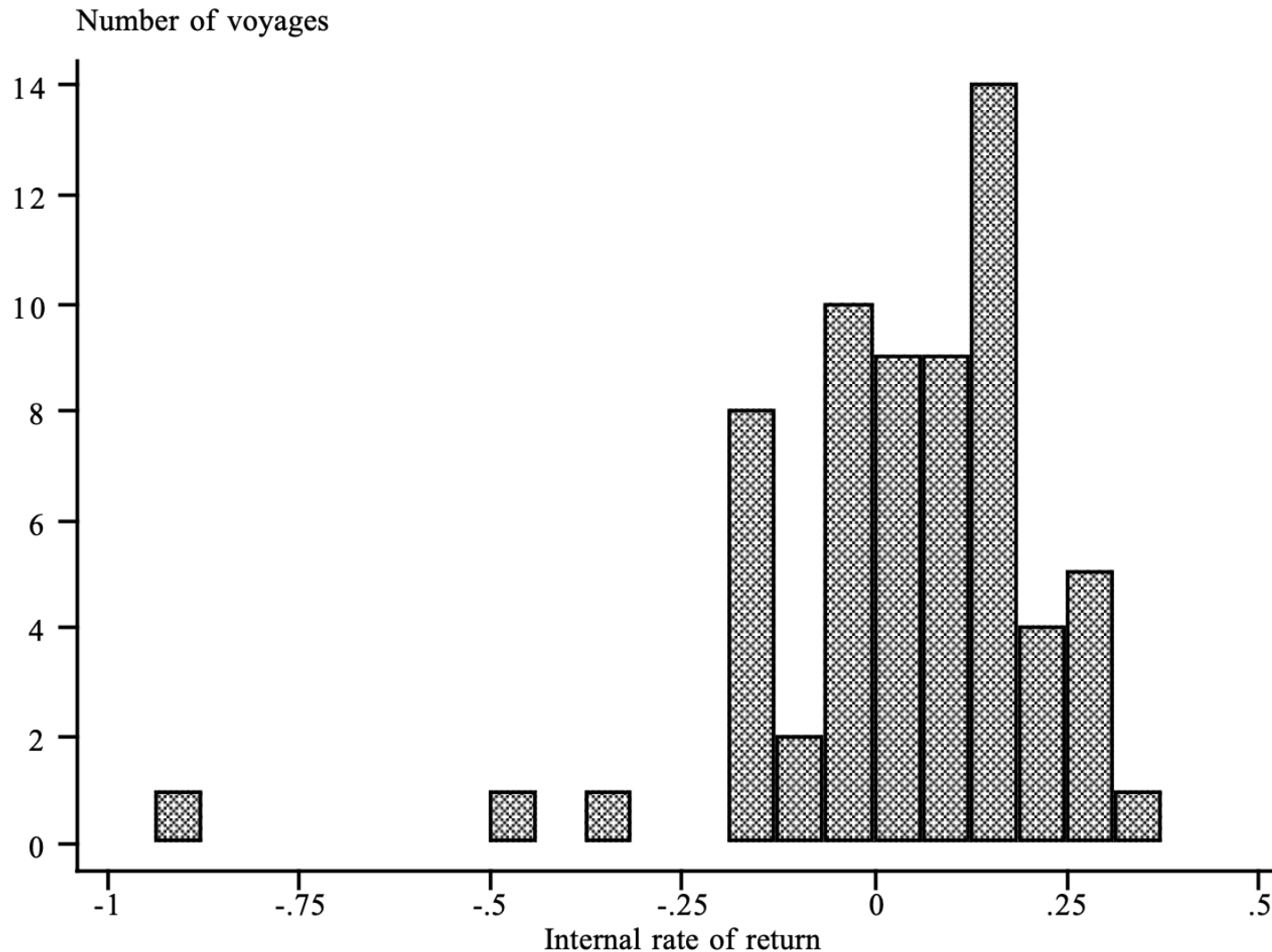


# Dispersing risk away (47 Bertrand de Cœuvre's investments)

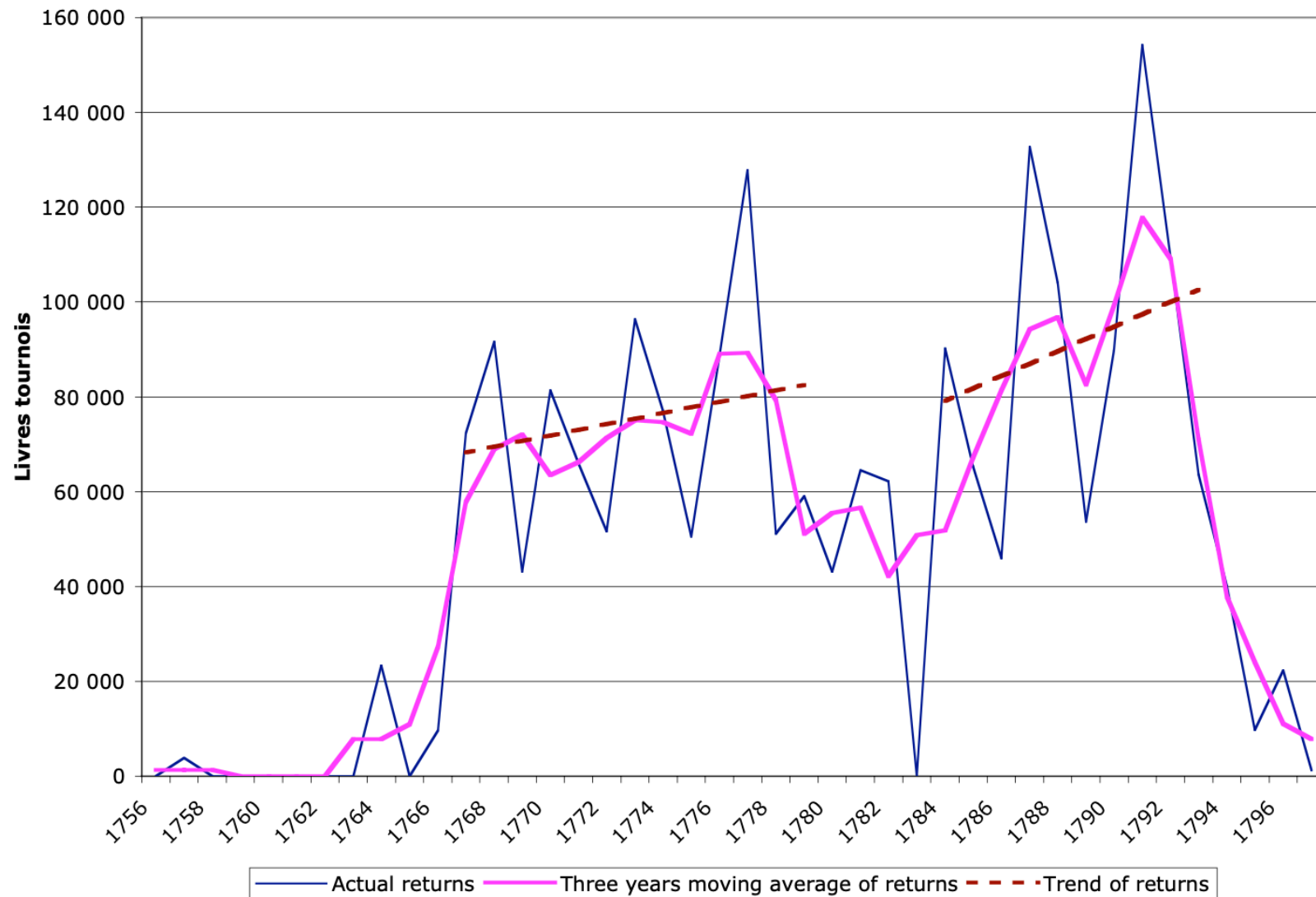




# Dispersion of internal rates of return in Bertrand de Cœuvre's investments



# Dispersion results



# Intercontinental trade was indeed a good investment

	Trade	State debt	Private <i>rente</i>
Internal rate of return	6%	4.8%-6.5%	5%
Maturity	Short	Long	Long
Liquidity	Medium	Medium	Low
Risk	Medium market risk	High market risk	Medium market risk

# From benefit cost ratios to individual benefits (2)

- So one must look beyond the benefit/cost ratio
  - And that made transcontinental trade a good deal
  - We are not quite so sure about the slave trade, work in progress
- But the investors are not the only persons interested
  - The outfitter was doing like the investor + commission
  - The captain, officers and crew were benefiting as they got higher compensation for their labor that if the slave trade had not existed
  - The producers of naval stores and trade goods faced higher demand
  - The transformers of colonial goods benefited from cheaper inputs
  - The consumer of plantation goods benefited from cheaper goods
    - And there were plenty : Sugar, coffee and tea were becoming staples of consumption in Western Europe, including in the countryside.
- Measures of income
  - The intercontinental sector has been estimated as 7%-8% of British income, 4-5% of French income.
  - More specifically slave sector has been estimated at 5% of the Dutch income and 10% of the Holland income
- Is that big ? What effect for Western societies as a whole?

# From individual benefits to macroeconomic change (1)

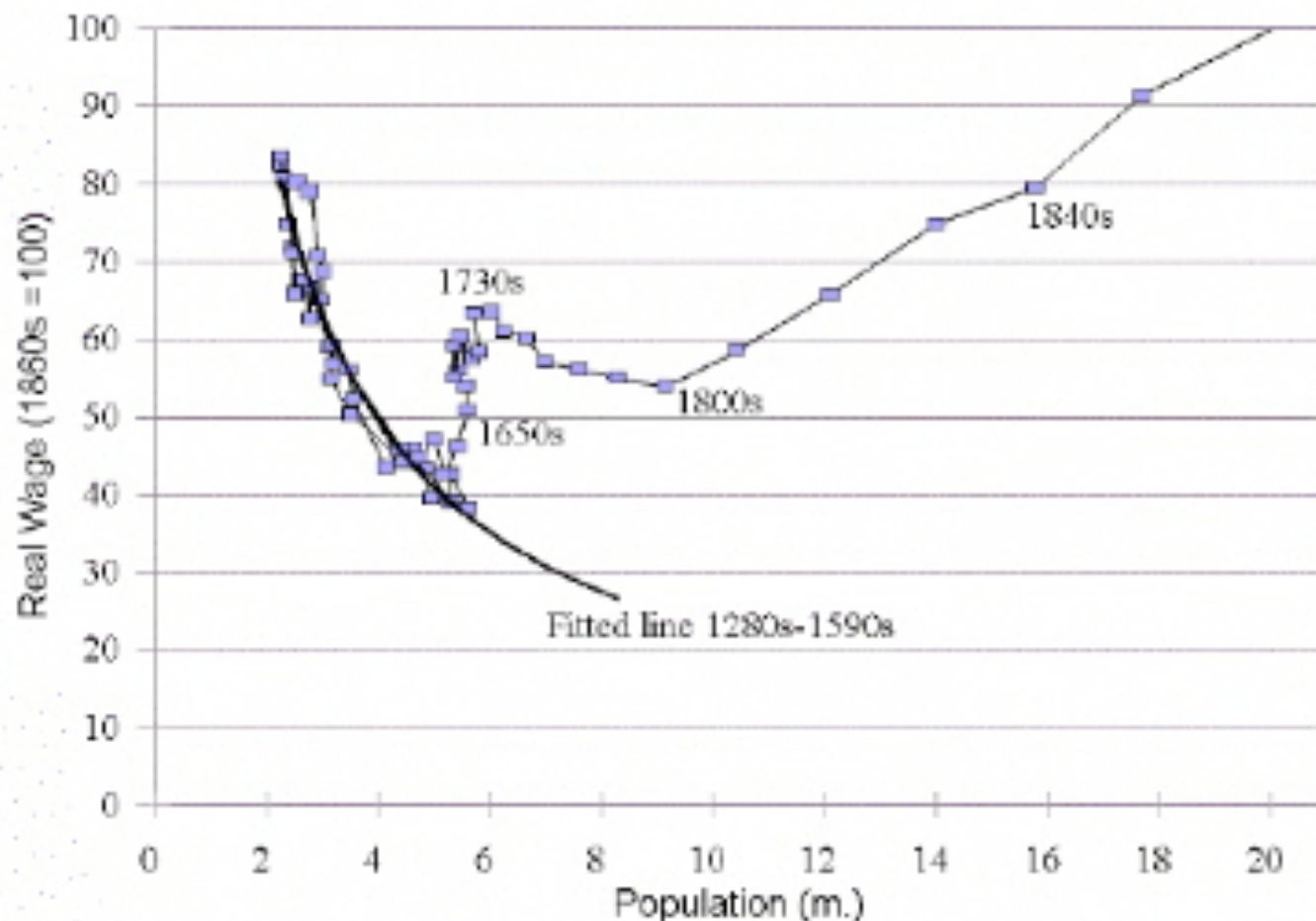
- Showing a large size for the slave trade sector is not enough to demonstrate it led to macroeconomic changes
  - Fossil fuels and carbon today: they are large part of the economy (eg 80% of energy consumption)
  - Yet, getting rid of them would have a small cost: 0.5-2% of GDP
  - It is difficult because of the huge distributional consequences
  - Slave trade might be the same
- What is the counterfactual?
  - The effect of slavery *stricto sensu*? Presumably, it was just one way of extracting surplus from labor. Indentured servants, rural proletariat were close, available, substitutes (and were used after abolition)
  - The effect of the slavery + the Western Hemisphere?
  - The effect of European overseas extension?
  - To be reduce the risk of undervaluation, we should amplify the counterfactual

## From individual benefits to macroeconomic change (2)

- Eric Williams thesis (1944): profits from slave trade were important for the Industrial Revolution in Britain.
  - Abolition could only come when that importance faded
- The historiography has not been kind with the “Industrial Revolution”
  - It was not a revolution ; it came late
  - Still, the Malthusian grip on societies was broken
- Slavery played a very small part in the different causes of the IR
  - North: institutional change and rise of the traders?
    - The link between the rise of traders and intercontinental trade is plausible
    - The link with the IR less so (see Holland)
  - Mokyr: science, technology and high-end human capital, linked to cultural change and industrial enlightenment.
  - Allen: technology linked to high wages economy. Maybe slavery played a part in this high wage economy. Did it?

# Real wages and population in England

Figure 4: Real Wages Versus Population on the new series, 1280s-1860s



Data built by Greg Clark on real wages coupled with population estimates.

# From individual benefits to macroeconomic change (3)

- The core question is « what kind of model do you have of pre-industrial economies »
- Malthus? Importance of natural resources
  - Maybe the « ghost acres » exploited by slaves were important. But...
  - This fits more with 19th century levels of trade
  - This exploitation did not require slavery
  - And anyway, it would simply have led to an increase in European population
- Solow? Importance of capital accumulation
  - Maybe slavery played a central role in capital accumulation and wealth (4-10% of income in FR, GB and the NLD)
  - But what were the alternatives? The production factors could have found something else to do, so the net losses would have been much smaller than these numbers (maybe half?)
  - And capital accumulation does not seem central in the growth of these economies
- Smith? Importance of market integration
  - Plantation system encouraged the market participation of consumers/workers
  - Intercontinental traders' profits encouraged the activity of traders everywhere
  - Maybe an important role in the industrious revolution and increasing living standards
  - By how much ? Work in progress



# Conclusion

- What have I done?
  - What do we know about the benefit cost ratios of the slave trade?
  - From benefit cost ratios to individual benefits
  - From individual benefits to macroeconomic change
- So?
  - We know more and more on the benefit cost ratios of the slave trade (and, a bit surprisingly, they do not look very impressive)
  - We know how to move from them to individual benefits (though the sources are scant)
  - We have much more uncertainty about the link with macroeconomic changes.
- I will continue working on it. Hopefully not alone, but I need to convince people this is the right way to tackle this questions
  - Describing the workings of the slavery system and its scope is very useful. But to answer the higher order question of ‘did it matter’, we must learn much more on the way the early-modern economies worked
  - Only way to know whether the loot was commensurable with the crime
- And what about reparations?