Slavery versus Labor

May 26, 2017, 14h30, ISCTE-IUL, Auditorium 0NE2 (Building I)

Guilherme de Oliveira

University of Amsterdam

Guilherme de Oliveira holds a M. Phil. Degree in economics, with a specialization in applied microeconomics, from the Tinbergen Institute. In 2013, he joined the Amsterdam Center in Law & Economics in order to develop his PhD dissertation. He currently works as a PostDoc Research Scholar at the Columbia Law School. His research topics include economic history, political economy and finance. He is eager to read and crunch numbers incessantly until he finds causality.

[Abstract]: Under what conditions would a principal choose to buy a slave rather than to hire a free worker? First, slaves cannot leave at will, which reduces turnover costs; second, slaves can be subjected to physical punishments, which reduces enforcement costs. In complex tasks, relation-specific investments are responsible for high turnover costs, which makes principals prefer slaves over workers. At the other end of the spectrum, in simple tasks, the threat of physical punishment is a relatively cheap way to produce incentives as compared to rewards, because effort is easy to monitor, which again makes slaves the better alternative. The resulting equilibrium price in the market for slaves affects demand in the labor market and induces principals to hire workers for those intermediate tasks. A thorough analysis of the historical evidence confirms this pattern. The relative prevalence of slaves over workers further depends on the slave supply, the turnover costs and the cost of applying sticks. These comparative statics are used to shed light on cross-society differences in the use of slaves and on diachronic trends. Finally, the analysis sheds light on current policies to fight slavery and warns that some of them might have negative effects on the welfare of remaining slaves.