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Slavery, education, and inequality

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ABSTRACT

We investigate the effect of slavery on the current level of income inequality across US counties. We find that a larger proportion of slaves over population in 1860 persistently increases inequality, and in particular inequality across races. We also show that a crucial channel of transmission from slavery to racial inequality is human capital accumulation, i.e., current inequality is primarily influenced by slavery through the unequal educational attainment of blacks and whites. Finally, we provide suggestive evidence that the underlying links run through the political exclusion of former slaves and the resulting negative influence on the local provision of education.

1. Introduction

Recent advances in growth theory have debated the long-run determinants of current comparative economic performances. In this paper we address the same issue by investigating the legacy of slavery in the US. Our goal is to assess if, nearly a century and a half after its abolition, this peculiar institution still exerts an influence on the American economy and society. We are especially interested on its potential effect on current inequality. To concentrate on a single country facilitates the empirical investigation on several grounds, since it reduces the risk of omitted variable bias that typically plagues cross-country investigations. At the same time, because of their size and history, the US still presents sufficient variations along both the geographic and the institutional dimensions to make such investigation worthwhile.

Slavery was introduced in North America as early as in the sixteenth century and its diffusion escalated throughout the next centuries. Overall, the Middle Passage brought an estimated 645,000 slaves, mostly from Africa, to the territories that today represent the US. Initially most of the slaves were forcibly settled in the coastal Southern colonies, where they were employed primarily in agriculture. Later, between the American Revolution and the Civil War, with the Second Middle Passage around a million slaves were relocated toward the inland regions where the plantation economy was developing (Berlin, 2003). By the 1860 Census the US slave population had grown to four million, to represent about 13% of the entire

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population, distributed within 15 slave states, mostly in the South. In the same year, almost 90% of the blacks living in the US were slaves. The American Civil War led to the abolition of slavery in 1865.

We measure the historical legacy of slavery with the share of slaves over population in 1860 and we find that the current level of income inequality is indeed shaped by it, since the distribution of per capita income is more unequal today in counties associated in the past with a larger proportion of slaves in the population. Moreover, we show that past slavery affects the racial component of inequality, while it is not associated with higher inequality within each race.

To investigate the mechanism through which slavery determines current racial inequality, we compare two alternative channels: human capital transmission and racial discrimination. To be noticed is that, at least in principle, these two channels are not mutually exclusive since, as suggested by Sokoloff and Engerman (2000) and Acemoglu et al. (2008a,b), institutional and economic development paths may be interlinked and jointly determined by various factors. For instance, the institution of public schooling, which has been a major vehicle of capital accumulation, may have been more rapid and more effective in the same counties which were less exposed to de facto and de jure discrimination.

In evaluating the human capital transmission mechanism, we test the hypothesis that the long-term influence of slavery may run through its negative impact on the educational attainment of blacks relative to those of whites. According to this hypothesis, which is closely associated with Smith (1984) and the literature on race and human capital, the counties more affected by slavery should be associated with worse educational attainment for the black population. For a cross section of counties, our empirical investigation does support this hypothesis.

The second channel of transmission we test is motivated by those racial discrimination theories which have emphasized racial differences in the value of skills. Racial discrimination can manifest itself on the schooling dimension, through worse quantity and quality of the education publicly provided, or directly on the labor market, by denying blacks access to certain jobs (see Smith, 1984). We find that the evidence supporting the relevance of this second potential channel of transmission is much weaker than that collected for the first channel.

Our empirical findings are confirmed after robustness checks involving other potential confounding factors such as factor endowments, IV estimation, and quasi-experimental evidence.

We complete our investigation with a series of reduced forms illustrated by scatter plots which further explore the underlying mechanisms linking slavery to local politics, and in turn to education policies and the resulting racial gap in education. The resulting evidence, together with our previous results, supports the following theory. Slave counties have been persistently characterized by restricted political participation achieved both through de jure and de facto methods. The political exclusion of former slaves resulted in a limited supply of education since, being education locally administered and financed, political exclusion implied undertaxation and reduced funding.

Our empirical implementation of the concept of slavery involves the fraction of slaves over population in 1860, which reflects the intensity of the diffusion of this specific form of work organization together with its influence on local institutions. The long-term legacy of slavery can also run through institutional differences, such as national or state-level institutions aimed at protecting property rights in human labor and the associated balance of political power, which may be influential even in the presence of small fractions of slaves even though it should be eliminated by state fixed effects. Despite controlling for de-jure institutional differences using state dummies, we do find the same effect on racial inequality even when we control for the slave share measured in 1800, at a time when small fractions of slaves were still present in some Northern states. We interpret these results as supportive of our empirical strategy.

The rest of the paper is organized as follows. In Section 2 we discuss the relevant literature. In Section 3 we examine the effect of slavery on inequality. In Section 4 we explore the channels through which this effect materializes. Section 5 is devoted to a quasi experiment and Section 6 to the reduced-form evidence. In Section 7 we derive our conclusions.

2. Related literature

The historiography of slavery in North America is huge. Economic historians have focused on the profitability and the efficiency of slavery. In their provocative and controversial empirical work on the antebellum South, Fogel and Engerman (1974) suggested that slavery was both productive and economically efficient, a conclusion which was criticized, among others, by David and Stampp (1976) and Ransom and Sutch (2001). Lagerlof (2009) and Acemoglu and Wolitzky (2011) model the economics of labor coercion from a related perspective.

Since our goal is to establish whether slavery can be viewed as a deep determinant of long-run development, we contribute to the research line, initiated by Hall and Jones (1999), which has searched for fundamental, rather than proximate, growth factors. Other authors have already focused on the long-term legacy of slavery, in a number of dimensions. While Nunn (2008a) has examined the implications of slave trades in Africa, Engerman and Sokoloff (2005a) and Nunn (2008b) have looked at the impact of slavery in the receiving countries. In particular, on the basis of historical evidence, the former formulate the hypothesis that factor endowments, through large-plantation slavery and other inequality-perpetuating institutions, may have hampered subsequent economic growth. The latter estimates the influence of slavery on the current performances of the US economy at the county level, to find that slave use is negatively correlated with subsequent economic development, but that this relationship is not driven by large-scale plantation slavery, i.e., a more precise measure of factor endowments. He also finds a positive impact of slavery on 1860 land inequality, which is in turn correlated with current income inequality, but no impact of 1860 land inequality on current income, which suggests that inequality may not be the channel of influence running from factor endowments to the current level of development. Mitchener and McLean (2003) find that the legacy of slavery has a strong and persistent effect on