Different Economic Systems

Economic systems are distinguished according to how the dominant class in the economy gets the surplus. The ways that the dominant class can get control over the surplus is limited only by the imagination. An astounding number of different economic systems have appeared in human history.

A relatively small number of economic systems, however, have played a central role in economic history: kinship production, feudalism, capitalism, slavery, and socialism.

Some of these economic systems have been around for a long time. Kinship production and slavery, for instance, are ancient. These two economic systems date from the beginning of human history approximately 100,000 years ago. Other economic systems have not been around so long. Indeed, some economic systems appeared only very recently.

In this chapter I present a general overview of some of the most important economic systems. Some notable omissions exist in this discussion and no economic system is discussed in great detail. The economic systems that I discuss are those that provide the greatest insight into the nature of capitalism. Interested readers can find a wealth of book-length discussions of each of the economic systems discussed in this chapter and for many economic systems not discussed below.

IS CAPITALISM NATURAL?
Capitalism—the economic system that currently dominates the world—has existed in meaningful amounts about 300 years. From one point of view, this is a long time. After all, in the early 1700s—300 years ago—the world was a very different place from what it is today. The United States did not yet exist, people
accused of witchcraft were still being executed. Europe and elsewhere, Japan 
continued to refused to establish political or economic relations with Europe, 
and the Ottoman Empire was still one of the world’s great powers.

But from other points of view, 300 years is an extremely brief period of 
time. For instance, Homo sapiens (that is, you and me) have been around about 
100,000 years. Capitalism, then, has been around about only 0.3% of human 
history \( \frac{300}{100000} = \frac{3}{1000} = 0.003 \).

The relative recentness of capitalism fails to support the argument—made by 
some—that there is something “natural” about capitalism or that there is 
something within the human makeup that makes capitalism the most 
“appropriate” economic system. For 99.7% of human history, non-capitalist 
economic systems were dominant.

For instance, since the beginning of human history an economic system 
labeled as kinship production has existed. Today most people in the US 
participate in kinship production (and other economic systems too). Arguably, 
kinship production might be natural; capitalism, a relatively recent economic 
system, is likely not “natural” in the same way that kinship production is.

**KINSHIP PRODUCTION**

Kinship production is perhaps the most ancient economic system. The first 
group of humans relied on this economic system for survival and kinship 
production has been the dominant type of economic system through most of 
human history.

This economic system still exists today. Indeed, many people experience this 
economic system on a daily basis. But for the most part kinship production 
today is very different from what it was in the past.

**DESCRIPTION OF ECONOMIC SYSTEM**

Kinship connections dominate kinship production. First, the members of the 
production unit are members of the same kinship group—or “family”—by birth 
or marriage.¹ These people live in close proximity to each other and explicit and

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¹ The social relationships—between parents and between each parent and the child—
created by birth have varied widely over time and place. Further, what has constituted a 
“marriage” has varied greatly over time and place. Anthropologists who have studied 
marrige, however, have concluded that long-lasting “alliances” between members of 
the opposite sex appeared soon after the beginning of human history. But marriage is far 
more than an alliance between individuals linked to sexual reproduction: it also serves to 
establish a link between an individual and a family with which this individual has no
clear economic linkages exist between everyone within the group. The members of a given kinship group might be a migratory band of hunter-gathers or a band of farmers who inhabit temporary or semi-permanent settlements. The group making up a particular economy might have hundreds of people or it might involve a few people, such as a modern “family.”

Second, status within the kinship network—determined perhaps by some combination of age, birth order, marriage relationships, and, perhaps, intra-family political maneuvering—translates to the same status within “the economy.” Those who are powerful within the family are powerful in the determination of what is produced, how it is produced, and what happens to the surplus (if one happens to exist).

No general rule exists for determining who has power within a group of people connected by kinship relationships. However, patriarchy, age, and birth order often play a role in determining status among those living within a particular kinship production unit. In particular, it is often the case that if one is male, if one is older, and if one is the first born to someone who currently has a position of power, then one is more likely to achieve greater power within the family and, so, within the economy in kinship production.

In kinship production the “economy” is not a separate sphere of society that operates according to its own logic. Instead, economic activities are subordinated to power relationships, customs, and traditions that developed within the group of people connected by kinship connections. The other aspects of family life—child rearing, networks of loving relationships, religious beliefs, and so on—are not necessarily subordinated to the economic aspects of family production. Indeed, these other aspects can dominate the economic aspects of family life.

Kinship production often develops a simple “division of labor.” A division of labor exists when people specialize in certain economic activities within the family: some might hunt, some might raise children, some might prepare meals, and so on. Economic specialization is typically based on sex: most men engage in one set of production activities while most women engage in a different set of production activities.

Through most of history, kinship production aimed to achieve survival of the kinship group. That is, production within this economic system aimed to

birth relationship. Such links are important for family production as it establishes social obligations and status relationships among people not related by birth.
meet the basic needs for food, shelter, and clothing by the production of all these things within the production unit. Most often, the production unit did not rely on outsiders for the production of basic needs.

Further, through most of history notions of earning a profit were foreign to this economic system. Production was for use within the family rather than for sale to outsiders to make a profit.

Yet, kinship production need not aim for self-sufficiency or for production for use. On the other hand, there is nothing within the economic system that pushes it towards external economic relationships and the obtainment of basic needs from outsiders or towards the goal of profit.

In years past, kinship production involved a moderate sized group of perhaps 5 to 100 people living in close proximity related by birth or marriage. Today, however, kinship production might involve 2 to 10 people who live together in a single location (house or apartment) with perhaps a few others with whom one has weaker economic relationships (perhaps siblings, parents, children, etc). Today the economic activities of most family production units are few, often limited to the use of goods produced by others (and purchased in stores) and household maintenance activities. Still, it is kinship production, although a shadow of what once existed.

Clearly kinship production can exist in the presence of other economic systems. Indeed, people might spend part of their day in one economic system—kinship production—and another part of their day in another economic system (say capitalism).

Exchange—or trade—is generally unimportant within the kinship production unit. Goods and services are transferred among members of the production unit, but most of these transfers are not classified as exchanges. For instance, many transfers are best seen as gifts made not with the intent of getting something in return but because of family obligation or, indeed, love. Sometimes “reciprocal exchange” does occur, in which what is given today creates a social obligation by the recipient to provide something back to the giver in the future. These gifts and reciprocal exchanges, however, are not necessary parts of the economic system of kinship production.

**CREATION AND TRANSFER OF SURPLUS**

In kinship production all who can engage in production typically do so. All are producers.
Further, everyone within the kinship unit has a claim to some of the output simply because they are a member of the family. Some people, however, might have greater claims than others.

If a surplus exists, those with more power and status within the family decide what to do with it. They gain this right simply because of their position within the family. In fact, it is possible that the “head” of the kinship production unit plays a major, if not the major, role in determining who gets the surplus and what happens to the surplus.

Nothing within the economic system of family production, however, requires that a surplus exists. Kinship production units that fail to generate a surplus need not experience any “punishment” except the inability to use the surplus. We will discuss later how other economic systems put more pressure on the generation of a surplus.

Further, it is possible that economic forces might work against the generation of a surplus. In a natural and technological environment in which subsistence is sometimes difficult to achieve, kinship producers might be most worried about downside risk: the failure to achieve subsistence. Failure to achieve subsistence greatly harms the members of the kinship group and might mean its breakup or end. Failure does not lead so, say, a mere walking away from a failed business but the family is harmed or greatly damaged. As a result, kinship producers might be quite conservative in their economic decisions and avoid as much risk as possible. This might make them avoid any activities that might lead to a surplus, but do so only if the production unit makes more risky decisions.

COERCION AND CONSENT WITHIN KINSHIP PRODUCTION

No general rule exists for the mixture of coercion and consent existing within a given kinship production unit. Custom and tradition likely sanction the power held by the leaders of the kinship group and, so, consent might play a large part in kinship production. Yet, coercion might also play a role. Indeed, it is likely that in many kinship production units coercion was frequently used by those at the head of the kinship group in order to keep their social and economic position.

USE OF THE SURPLUS IN KINSHIP PRODUCTION

If a surplus exists, no general rule guides the use of this surplus. Most likely, however, those who control the surplus might pursue uses of the surplus that enhance the probability that the group achieves subsistence.
DIFFERENT ECONOMIC SYSTEMS

NEXT STEP BEYOND KINSHIP PRODUCTION

Many societies have been based on kinship production for long periods. Often, however, various kinship groups combine to form a larger economic unit. This combination might be voluntary or due to one kinship group conquering other groups and subjecting these other groups.

A tribe exists when a number of kinship groups form informal alliances. Some economic activities span more than a single kinship group and the tribe might engage in production as a single group. Such an economic system differs from kinship production because simple kinship relationships can’t determine who will make the economic decisions for the tribe as the tribe encompasses more than one single family. The decision-making process of the tribe is often informal; no formal leadership positions exist and the people who fill the informal leadership positions might change over time. For the most part those who make decisions for the tribe are producers just like everyone else in the tribe. These decision-makers do not rely on the surplus for their standard of living.

Tribes, in turn, might become chiefdoms. Chiefdoms differ from tribes in that a more formal “leadership” structure appears. Further, in chiefdoms economics, social, and political power becomes dominated by those in particular families. Leadership positions are passed between people within this family. To an extent far beyond kinship production and tribe production, the leaders in chiefdom gain a formal claim on the surplus. Those within the “ruling family” are generally not direct producers. A distinct dominant economic class often appears in this social system.

FEUDALISM

DESCRIPTION OF ECONOMIC SYSTEM

Feudalism existed in Western Europe from around 900 A.D. to the 1400s. It was also found in Eastern Europe, China, and Japan. Feudalism varied greatly in different areas and even within the same area the precise characteristics of the feudal system changed and evolved.

However, a number of characteristics were found in all types of feudalism. Two classes were central to feudalism: serfs and lords. The serfs—the subordinate class—tilled the land while the lords—the dominant class—were the “nobility”

Serfs were, for the most part, small farmers. Serf families owned the tools and equipment they used to grow crops and to construct household goods and
they owned the animals they raised. Further, serf families farmed the same plot of land generations after generation and had the right to determine what to produce, when to produce it, and how to produce it. The serf owned the output that they produced.

Yet, serfs did not own the land on which they labored. Custom dictated that serfs had the right to keep tilling the same land they had for generations. They could ordinarily expect that others would respect this customary claim. But the monarch owned the land itself.

The lords in feudalism included the monarch (king or queen) and a hierarchy of nobles beneath the monarch. The links between the individual members of the nobility were based on personal allegiance. In feudal societies, nobles who carried out civil or military duties did so not for the sake of “the state” or to benefit “the public” but because of a personal allegiance to their “overlord”: the individual who granted them the fief over which they rule. This link between lord and overlord, based on personal allegiance, was termed “vassalage.”

Imagine the following hypothetical situation. A monarch comes to control a particular region. The region is vast enough so that he cannot control it effectively in person. As a result, the monarch breaks this large area into 20 separate regions. The monarch then appoints 20 people to be the lord of these areas: they are granted a fief. The monarch maintains ownership of the land of each fief, but the lord granted the fief has direct control over the area and is permitted to benefit politically, socially, and economically from his fief. These 20 lords owe personal allegiance to the monarch in return for their being granted a fief.

The allegiance takes at least two forms. If called upon, these lords must provide military support to the monarch. And, to show their allegiance on a year-to-year basis, these lords provide resources to the monarch above them.

These 20 areas, however, might still be far too large to control by a single individual. As a result, each of these 20 lords split their own fief in to smaller units, say 30 sub-fiefs. Each lord grants to 30 other people control one of these 30 land units. Each of these 30 people owes allegiance to the lord who gives them control over the land. If called upon they must provide military support to their overlord and regular support in terms of economic resources.

In turn each of these 30 sub-lords might split the land over which they hold power into still smaller units and give some other individual control over these
smaller units. These individuals, of course, owe allegiance to the sub-lord above them.

Over time, what developed in feudalism was a large and complex hierarchy of allegiances between a given lord and someone “above” him. (It was almost invariably a male who was given control over the land).

Over time the power of the central monarch weakened. Particular lords originally vassals of the monarch come to develop their own somewhat independent territorial state. These lords were often at war with each other and, occasionally, they were at war with the monarch.

If you were a serf, you worked on land that was controlled by some local lord. Although the land was—technically—the monarch’s, the local lord had effective control of the land. Although custom permitted the serfs to keep working “their” land, the local lord had the right to demand that the serf pay “rent” to the local lord.

The rent might take the form of crops, animals, or household goods produced by the serf. Or, the rent might take the form of the obligation of the serf to work on the lord’s land helping to grow crops that would become the lords. Or, as happened later on in feudalism, the rent might take the form of money.

The right of the lord to this rent was enforced very simply: the local lord also oversaw the development of the legal system and controlled those who enforce the laws promulgated by the local lord. In short, the legal and political system of feudalism were constructed and controlled by the same lords who demanded the rents from “his” serfs.

Although this system was clearly to the benefit of the local lord, the feudal system dictated that the local lord provide certain services to “his” serfs. Most importantly, the local lord was to provide some measure of safety to serfs. Outlaws and marauding armies were two possible sources of danger to serfs. In addition, the local lord was expected to dispense “justice” when necessary by adjudicating disputes or claims of unfair situations by his subjects.

When some other lord replaced a local lord all rights previously held by the old lord passed to the new lord. The new lord now had the same control over the land and serfs now owed rents to the new lord.

In most cases, serfs did not have the right to leave the land they worked. Serfs were obliged to stay and work the land their family had worked for generations. In short, serfs did not have the right to “vote with their feet” to
find a better lord elsewhere or to attempt to find a region in which they would not be subjected to control by a lord.

**CREATION AND TRANSFER OF SURPLUS**

In feudalism, the serfs were the direct producers. The lords received and controlled the surplus.

The transfer of the surplus to the lords was based on the right the lord had to demand resources from his subjects who worked within his fief. This right was enforced by a political and legal system run by the lords themselves. The serfs had no formal input into the construction and running of this political and legal system.

If serfs decided that the lord was demanding rent from them that was too large, they had no voice within the feudal system to set right what they believed was an excess demand. Their only recourse was to revolt. Serf revolts did frequently occur within feudalism. The nobles, however, often were able to take protection from the fortifications around their living quarters—perhaps even within a castle—and make use of the soldiers under their command (and perhaps with the help of nearby knights) to quell the serf revolt. While a serf revolt might convince a local noble to be less demanding on his serfs, most serf revolts ended with the original lord in effective control of the local area.

**COERCION AND CONSENT WITHIN FEUDALISM**

Behind the feudal economic system was the feudal political and legal system. All were the domains of the nobility. The desire of the nobility to maintain the feudal economic system was the force of law: the nobility had the legal right to enforce their right to the surplus and the legal right to use coercion to keep the system running.

A serf who resisted could face the lord’s coercion. Imprisonment, fines, or physical harm could follow. The most extensive revolt against the nobility (and the closely aligned clergy) was the “Peasants’ War” in Germany towards the end of European Feudalism (in the early 1500s). Both peasants and townspeople were upset at how they were treated by the nobility and by what they way as too high taxes. Although part of the motivation of this revolt was the newly developing religious ideas of the Reformation, its primary source was long-standing grievances against the nobility. Some have estimated that by 1525 more the 300,000 people were in open revolt in Germany against the nobility and the Church. The nobility was quite harsh in putting down this revolt: as
many as 100,000 peasants and townspeople were killed in the ruthless suppression of the revolt.

But no economic/social system can maintain itself simply on the basis of coercion. Feudalism maintained itself in large part by the day-to-day consent of the serfs and their belief by the nobles that feudalism was natural and just.

Custom played a large part in the generation of consent. In the minds of most people in the European Middle Ages, the current economic system had always existed: very few people had access to anything like historical knowledge. As, in their eyes, feudalism had always been around it is reasonable for serfs to assume that there was no other way to organize the economic system. Consent was generated just by the fact that people presumed the world was as it must be.

Further, the idea that hierarchy and authority was natural and necessary permeated feudal society in Western Europe. The further someone was up the hierarchy the closer to perfection this person was. At the top of the hierarchy, of course, was the Christian God. Below them were the lords. And, far below the lords, were the serfs.

It was accepted that subordination to legitimate authority (in both economic and religious matters) was natural and inevitable. Such subordination was deemed morally just and a part of God's plan. Those above you did not have to earn respect; they were accorded respect simply because they were above you in the hierarchy. This relationship required respect and loyalty and was an ongoing relationship that could not be ended by either party. It was not based on a temporary contract but was based on permanent status and permanent obligations. This relationship was certainly not something that the parties thought could be “renegotiated”: rather, the parties accepted preexisting customs and practices. And, the relationship was not one between individuals: rather, each individual fit into a certain social category (e.g., lord or serf) and the social status each had was based upon their membership in a group.

Buttressing this set of beliefs were the religious ideas of Western Europe. Characterized crudely, western Christianity placed at the center the recognition—and acceptance—by the individual of the hierarchical system as being necessary for salvation. ²

² Although elements of Christianity in the middle ages clearly supported the feudal system, other elements of Christianity played a part in the rise of a more democratic society. Behind the overt hierarchical aspects of Christianity was a radical notion that all stood before God as equals: both the king and the peasant were judged by the same
Importantly, nobles were the largest financial supporters of local churches. The nobility occasionally selected who would become the leader of the local churches. Often, the children of the nobility went into the Church were they often achieved high positions. This was particularly true for those who were not the first born of the children: the first born likely would take over for the parents while the other children would unlikely have that as their fate.

For instance, consider the experience of Thomas Aquinas, who eventually became one of the great theologians and philosophers of the middle ages. Thomas was born around 1224, the youngest son of noble parents. When Thomas was only five, his parents sent him to be educated at the Monastery of Monte Cassino. His family anticipated that after he grew up Thomas would take a leadership position in the local church hierarchy. But as Thomas turned out to be a very capable thinker, he was instead sent off for more education at the University of Naples. Although his becoming a theologian was unusual, it was not unusual that Thomas, the son of a noble, was placed in a monastery anticipating that he would eventually rise to the top of the local church. The economic and social interconnections between nobles and priests were significant during the era of feudalism in Western Europe.

USE OF SURPLUS IN FEUDALISM

Feudal societies were not static and unchanging. But the change generally occurred very slowly as the force of custom was so powerful.

When the lord received the surplus, he had many different uses for it. First, the lord had a (relatively) good standard of living to maintain. In addition, the lord might have a large court—administrators of the domain along with armed men and others who protected the lord. These things both personally helped the lord but also served to show that the lord was different from the rest of people in society—he lived on a higher, more opulent, realm as befitted a noble being.

Additionally, to be perceived as being a beneficial lord, the lord occasionally held fairs, ran a legal system, and provided support for the local church.

And, of course, the lord had an incentive to use the surplus to strengthen his house/castle and to equip his knights with the best offensive armaments. The lord both had to be concerned with the possibility of attack by other lords and assorted roving bands of robbers, the possibility that he was called upon to standards. The Reformation was, in part, an assertion of this point of view. Later Western thinkers stressed the role and dignity of the individual in society.
raise an army for the king, and the ever-present danger that the serfs would pick up their pitchforks and march on the castle.

To maintain his position within the feudal economic system, the lord had to use the surplus in ways such as detailed above. No economic or social force acted on the lord to force him to reinvest the surplus back into the economy. Therefore, economic growth in feudalism tended to be very slow (and often did not grow at all for long periods). The size of the pie depended in large part on the weather.

Feudalism, therefore, did not benefit from the conflict-reducing side effect of economic growth. Instead, many feudal areas experienced regular periods of conflict between lords and serfs.

**SLAVERY**

**DESCRIPTION OF ECONOMIC SYSTEM**

A slave is someone who is owned by another person according to the laws and/or customs of the place in which they live. A slave can be sold or given to someone else. Sometimes, the slave owner had the absolute right to determine whether the slave lived or died. Most importantly for the owner, however, a slave can be forced to work without being paid.

In slavery, two classes exist: the master and the slave. The master owned the slave. The master also owned the tools the slaves used, the land the slave worked on, the house slave family lived in, and the product the slaves produced. The master directly oversaw the production process either by himself or by the use of an overseer. This was necessary because most slaves provided labor only reluctantly as the slave did not benefit from increased production.

Slavery has been widely found. All ancient and medieval societies had slaves, though some had more slaves than did others. In most societies, however, slavery played a small role. The vast majority of the direct producers in these societies were not slaves and the slaves that were held often served as household servants.

Occasionally, though, societies developed in which slavery served as the foundation of the whole economy. For instance, ancient Greece (in particular, ancient Athens) and Rome were based largely on slavery. Some have estimated that in both ancient Greece and ancient Rome as much as 30% to 40% of the population was enslaved.
Most slaves in the ancient world were used as field hands, tilling the soil and providing the food for the rest of society. Others worked in mines, perhaps the most difficult and dangerous work in the ancient world. Still others acted as household help: they cooked, cleaned, and oversaw the running of the household. An occasional slave was a skilled artisan. As portrayed in Hollywood moves, gladiators were often slaves. The overwhelming majority of slaves, however, labored in the fields.

On some individual farms in ancient Rome hundreds or even thousands of slaves were forced to labor all day. Slaves were often beaten and poorly fed. Slaves slept in austere barracks with men and women sleeping in separate buildings. Children were often sold despite their parents’ protests.

In ancient Rome, most slaves came from conquered peoples. For instance, at the end of one battle a Roman consul returned to Rome with 20,000 slaves. Additionally, if a free man could not pay back his debts, he was sold into slavery, along with his wife and children, so that his creditors could receive their money back.

Other societies had depended largely on slavery for significant part of their production. For instance, the economies of 9th-century Iraq, of the Kwakiutl Indians of the American Northwest, of the Ottoman Empire, and of Zanzibar and large sections of the east coast of Africa in the 19th century were based on slavery. In these societies slaves labored long and hard on plantations and in mines and engaged in simple handicraft production.

The best-known slave economies, however, are those that existed in the Americas between 1600 and 1900. Only in these economies did race play a major role in slavery. Up through the Middle Ages into early modern times, the color of your skin was not what made you a slave. Indeed, most slaves through history were White with White masters. And in sub-Saharan Africa, most Black slaves had Black masters.

But with the coming of slavery in the “New World” this changed: the overwhelming majority of Blacks in the Americans between 1600 and 1850 were slaves. Many of the indigenous people were held in slavery in Mesoamerica and South America in the 16th century, but were replaced by Black slaves when European diseases killed a significant percentage of the indigenous population in later centuries.

Slaves were first brought to Virginia in 1619. For many years, though, the English settlers relied on White indentured servants for their labor force. Changes in the laws governing slavery in the 1660s and 1670s—in particular
making it more difficult for a slave to earn his or her freedom by becoming Christian—contributed to the shift to slavery.

Up until the invention of the cotton gin by Eli Whitney in 1793, most slaves worked on tobacco plantations. The cotton gin, however, made cotton production using slaves become much more economical. With the settling of good cotton land within Alabama, Mississippi, Louisiana, and Texas brought the rapid growth of slavery in the ante-bellum South.

By the mid-1800s, 40 percent of the population in the Southern states consisted of Black slaves.

**CREATION AND TRANSFER OF THE SURPLUS IN SLAVERY**

According to the laws governing slavery, the master owned all output produced by the slave. After deductions for replacement of used up inputs (tools, seed, and raw materials) and for what was needed to keep the slaves alive, what was left over was owned by the master. This was the surplus. In slavery, the production and transfer of the surplus to the dominant class was quite simple and transparent.

**COERCION AND CONSENT IN SLAVERY**

Slavery was based on forced labor. As such, it utilized coercion more than any other economic system. If a slave refuses to work, he can be punished using physical force. If a slave runs away, he is pursued by representatives of the state and can expect to be severely punished if she is caught.

Some masters did attempt to generate consent among their slaves. This was—to say the least—hard to do. For instance, some masters were less cruel than other masters and this sometimes served to create some personal gratitude by the slaves in question. Slaveholders also did their best to inculcate slaves in Christian religions, in part hoping like feudal lords that Christianity would contribute to the subordinate class’s acceptance of their subordinate status.

**THE USE OF THE SURPLUS IN SLAVERY**

In many slave societies, the masters see themselves as representing the height of culture and civilization. This was true both in ancient Greece and in the ante-bellum U.S. South. The reasons they had this self-perception are complex and can’t be discussed here.

An implication of the masters’ self-perception as being highly civilized was that they spent a significant part of the surplus in ways designed to express their self-perceived status. Foreign travel, luxurious and impressive dwellings,
and the finest clothes absorbed a significant part of the surplus generated within slave economies.

Some of the surplus, particularly in the case of the ante-bellum U.S. South, did go to expand the production unit (the plantation) and to introduce new and better tools. The reason for this is that slave economy systems in the U.S. South did face some pressure to compete as they sold in international markets. Yet this link with markets was not a necessary feature of slavery (unlike in, say, capitalism). But the pressure to compete that came with linkage to the international market did not necessarily give rise to rapid economic growth on the U.S. South before the Civil War.

**ECONOMIC GROWTH IN SLAVERY**

Slave societies rarely achieved rapid rates of economic growth. One reason for this is that slavery itself tended to hinder the use of the best technologies available within any economy. This is true even for slave systems that sell in markets and that, therefore, face some measure of competition.

Slaves were reluctant workers who worked primarily due to the use of coercion by masters. As a result, slaves had little reason to give much attention to their productivity activities. The tools and equipment used by slaves often became quickly unusable due to a lack of care on the part of the slaves. Further, slaves often found that the only way they could protest their status was to intentionally harm the tools and equipment they used.

Masters were understandably reluctant to introduce expensive and/or fragile tools to the production process they oversaw. This meant that slave production was less efficient than it otherwise would have been. This hindered the level of output and the rate of economic growth that slave economies were able to achieve.
SLAVES SHOT.

The Plaquemine, La., Gazette, states that on the night of Saturday, the 17th ult., a girl belonging to Mr. Joseph Schlaire, was shot, while endeavoring to escape a man who ordered her to stop. She was in company with three or four other runaways. The person who shot her, first tried to stop her by firing at her fine shot, which did not injure her materially; and as she still continued to run he brought her down with a charge of buck shot!

J. P. Ashford, advertises as follows in the Natchez Courrier, August 24th 1838.

"Ranaway, a negro girl called Mary; has a small scar over her eye, a good many teeth missing, the letter A is branded on her cheek and forehead."

A. B. Maltzall, thus advertises a woman in the same paper, of June 13th 1838.

"Ranaway, Mary, a black woman, has a scar on her back and right arm near the shoulder, caused by a rifle ball."

Palladium Of Liberty 01, no. 10 (04/03/1844) The Archives Department, National Afro-American Museum and Cultural Center, Wilberforce, Ohio 45384
# List of 17 Rice Field Negroes

FOR SALE BY

J. S. RYAN,

AT PUBLIC AUCTION,

On Tuesday next, 23d inst., at 11 o'clock, A. M.

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Description</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marlow</td>
<td>Engineer</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>Hercules</td>
<td>House Servant</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>Betsy</td>
<td>Field Hand</td>
<td>30</td>
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<tr>
<td>4</td>
<td>Mary</td>
<td>Field Hand</td>
<td>23</td>
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<tr>
<td>5</td>
<td>Port Royal</td>
<td>Field Hand and Ferryman,</td>
<td>50</td>
</tr>
<tr>
<td>6</td>
<td>Brass</td>
<td>Engineer</td>
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<td>Cynthia</td>
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**Terms.**—One-third cash, remainder in four equal annual installments, secured by bond with undoubted and approved security, and mortgage of the property.

[http://scriptorium.lib.duke.edu/eaa/broadsides/B03/B0319/B0319-72dpi.html](http://scriptorium.lib.duke.edu/eaa/broadsides/B03/B0319/B0319-72dpi.html)
CAPITALISM

Small pockets of capitalism have existed for hundreds of years. Yet before 1700, these small pockets of capitalist production often had a transitory existence: they appeared and disappeared relatively quickly without spreading beyond narrow boundaries. Further, before 1700 capitalism never approached being the dominant economic system in any area: capitalism existed on the fringes of a dominant feudal or slave economic system. For the most part, these small pockets of capitalism in the past did not become large enough or long-lasting enough to leave any meaningful historical records.

Capitalism’s first widespread appearance occurred in Western Europe in the 1700s. By 1900 capitalism had become the dominant economic systems in many countries such as the United States, France, and Great Britain.

Capitalism now dominates the world. The expansion of capitalism is recently increased in speed with the shift in the economic systems of formerly socialist countries towards capitalism. This does not mean, however, that capitalism is the only economy system found in the world. Even in a “capitalist country” such as the United States, kinship production and other non-capitalist commodity producing economic systems are widely found. The overwhelming majority of economic activity in the United States, however, occurs within capitalism.

DESCRIPTION OF ECONOMIC SYSTEM

In capitalism two primary classes exist: “employees” and “employers.” Employees (also called “workers”) are the subordinate class. They are the direct producers who generate the surplus that goes to the employers. They often have little power in the social and political world. Employers (also called “capitalists”) are the dominant class: they receive the surplus and decide what to do with it.

Employers are both the dominant class in the economy. They are also generally dominant in social and political matters within their country. This is not unique to capitalism, of course. In feudalism and slavery the dominant class in the economy also holds a dominant position within other areas of the society also.
Capitalism exists when an economic system meets all four of the following criteria:

- Products are produced as commodities,
- Production is for profit,
- Private ownership of capital goods used in production exists and is narrowly distributed in the population, and
- Wage labor is used in production.

Commodities are goods and services that are produced to be sold on markets. This is the opposite from production for use, in which what is produced is consumed within the production unit. Capitalism is an economic system in which the market—where commodities are bought and sold—plays an essential, and necessary, role. Other economic systems have in history certainly been linked to markets, but market links for these other economic systems are not necessary for these economic systems. And, as a result, the role of markets in most noncapitalist economic systems is far less important than they are in capitalism. But the existence of markets—and of commodity production—is only one criterion that must be met if an economic system is to be classified as “capitalist.”

In capitalism, products are made only if they bring profit to the owner of the firm. If buyers need a product, but the owner does not earn the profit he desires, the firm will not sell the good. A profit is earned if the revenue from selling these commodities is greater than the wages paid and the cost of materials and machinery used up. This profit is surplus: it is what workers produce above and beyond that necessary to pay their wages. Thus, the worker-capitalist relationship is a class relationship.

In capitalism, the capital goods (machines, buildings, tools) are owned by capitalists. The proportion of the population in a capitalist economy who has meaningful control over the economy’s capital goods is small. Although indirect ownership of capital goods (via ownership of stocks and/or mutual funds) might appear to be relatively widespread, very few people in society are able to live off their ownership of capital goods.

Most people in a capitalist economy can survive only by engaging in wage labor. Wage labor is also called the “employer-employee relationship.” It exists when direct producers own themselves (unlike in slavery) but hire themselves out to capitalists in order to earn a wage or salary. Employees do not have
sufficient access to income apart from employment to allow them to live even modestly—employees are not independently wealthy.

Once employed, the employee enters a place of work in which the employer has almost all the power. The employer has almost one-sided power within the firm. The only limits are those set by labor contracts (if one exists within the firm) or by law (which places few limits on the actions of business owners).

Some call capitalism "the market system." This is a mistake. Although capitalism invariably involves market production—in which commodities are produced to be sold—other noncapitalist economic systems often involve markets. For instance, markets exist in feudalism and there is something called "market socialism." Many non-capitalist economic units within the US produce exclusively for the market. But, because they don’t have employees—the owner of the firm is the exclusive provider of labor—they are not capitalist firms.

**CREATION AND TRANSFER OF THE SURPLUS IN CAPITALISM**

In capitalism, the dominant class—the capitalists—gets control of the surplus in a way that is identical to slavery. According to the laws governing capitalism, the capitalist owns all output produced by the employee. This is because the employer owns the firm and the capital goods within the firm. As the owner, the employer gets all the revenue generated by the firm.

The capitalist, of course, must deduct the replacement cost of used up inputs (tools, raw materials, etc.) and must pay employees (their wages and salaries). If anything is left over, the capitalist owns it. This is the surplus. In capitalism the surplus is called “profit.”

**COERCION AND CONSENT IN CAPITALISM**

Why do workers go along with this system? For the most part, employees grant their consent to capitalism.

First, custom and tradition support this economic system in countries such as the United States. To people in these countries capitalist seems to be the “natural” economic system. Interestingly, most people in the United States only 150 years ago looked at capitalism—in particular wage labor—as unnatural. Most people tried their best to avoid wage labor, as they believed that it represented an unwelcome subservience to an employer. Cultural changes over the past 150 years, however, have lead most people in countries such as the US to see wage labor as an inevitable and natural. Few people today in the United States believe that wage labor is inherently demeaning; rather they see wage labor as their primary source of income and necessary for survival.
Second, many institutions within capitalist societies contribute to the generation of consent. First, the schools in capitalist societies invariably teach—sometimes subtly and sometimes overtly—that capitalism is the best and most natural economic system. Only rarely does the school system in a capitalist society teach that capitalism might be something other than the best of all economic systems.

In the economic systems that preceded capitalism, parents often taught their children the economic and social skills these children would need to survive. This teaching occurred informally in the home, the field, or the shop. This system of education was not suited for capitalism. Due to rapid changes in technology, the skills needed by one generation might be very different from those required by the previous generation. Some work within capitalism also required more education in reading, writing, and arithmetic than had previously been needed.

Capitalism also weakened the family and the church—the sites of much learning about social and technical matters—and this called into question whether the necessary socialization would be produced within a capitalist economy. For instance, increased geographical mobility of individuals reduced the importance of the family and weakened people’s attachment to a given church. An increased emphasis on individualism and on “rational” thought within capitalism also undermined the strength of many churches.

Mass education solved these problems. First, compulsory public mass education could supply workers with the intellectual and technical skills required by firms within the capitalist economy. Secondly, public education produced workers who had already learned the values and behavior conducive to employment within a business firm. Children were taught punctuality, discipline, deference to authority; and acceptance of responsibility for their work. Third, the schools could teach loyalty to the state and obedience to the law.

Further, mass education also legitimizes existing inequalities in the economy and society by suggesting that these inequalities are based on merit rather than coercion. The educational system appears to be open to all and it appears to reward people on the basis of talent, ability, and willingness to work. Children are taught that they all can prove their worth, can all receive prestigious educational credentials, and can all, therefore, go on to be successful in the economy and in society.
Studies have shown, however, that educational system rewards children differentially on the basis of their income and social origins. Children from wealthy families become the elite of the next generation. Children from poor families are almost fated to be poor themselves when they grow up. Despite this, schools often teach that those in the dominant class are there because they deserve to be and that those who are in the subordinate class lack talent, ambition, and/or a willingness to work hard.

Fourth, schools—and the mass media—also relentlessly claim that employers have a right to the surplus. According to such claims employers have risked their capital in order to start a business and they need to be rewarded for this risk. Other employers have used their creativity to start a business and this creativity should be rewarded.

Fifth, in capitalism the economic system comes to be judged by most people according to the rate of growth in the material standard of living. This generates consent for capitalism because capitalism in normal times often leads to relentless improvements in the material standard of living. When capitalism fails to do this—such as was the case in the Great Depression in the United States—consent for the economic system starts to weaken and some people become openly critical of capitalism.

Sometimes consent breaks down completely. This breakdown might involve an individual employee, someone without a job, large groups of employees, or even a large number of people within society.

The legal system within capitalism is then relied upon to maintain the economic positions of the employers. The legal system within capitalism supports the right of the capitalists to own capital goods, to own what is produced using their capital goods, to keep others from taking it away, and to have exclusive claim on the profit of the firm. The government within a capitalist society stands ready to enforce these legal claims by the use of force.

Occasionally, the legal system fails to provide adequate coercion. In this case, individual employers and/or the government resort to the use of outright force to protect the claim of employers to profit. During the Great Depression, when consent for capitalism weakened considerably, the government and private employers made use of the military and/or private armies to protect employers from the activities of employees that threatened the “property rights” of employers.
THE USE OF THE SURPLUS IN CAPITALISM

What distinguishes capitalism is not the relative size of the surplus—other economic systems have generated huge surpluses relative to the size of their economy—but what the dominant class does with a large part of the surplus. In capitalism, a large part of the surplus goes back into the economic system as reinvestment. This reinvestment is what leads to the rapid growth within many capitalist economic systems.

Employers’ motivation for reinvesting is simple: if they fail to improve their product and/or to reduce the cost to produce their goods one of their competitors might do so. In this case the first employer might be driven out of business.

Competition—one firm battling with another firm—forces employers to plow back into the economy a sizeable part of the surplus. Only if they do so, can the dominant class—the employers—hope to keep their economic, social, and political position.

Employers within capitalism were the first dominant class for which reinvestment was necessary for their survival. Employers reinvest not because reinvestment gives them a warm fuzzy feeling, but because they have little choice. Competition forces firms to use a large part of the surplus (that is, profit) they have obtained to enhance their competitive position.
MOST SOCIETIES HAVE MULTIPLE ECONOMIC SYSTEMS WITHIN THEM

Some societies had only a single economic system within it. For instance, many ancient societies had only kinship production within them while some societies in the European Middle Ages were exclusively based on the feudal economic systems.

Yet frequently particular societies have within themselves many different economic systems. For instance, in the first half of the 19th century the U.S. had within at least three different economic systems: capitalism, slavery, and kinship production. Today capitalism dominates the U.S. but there are still within the country other economic systems. For instance, kinship production is widely found in contemporary capitalism along with a number of other non-economic systems (that we have not discussed above).