Written Testimony of Sven Beckert

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Submitted to the Subcommittee on Oversight and Investigations,
Committee of Financial Services,
United States House of Representatives
April 5, 2022

I am submitting this testimony to the Subcommittee on Oversight and Investigations of the House Committee on Financial Oversight for its deliberations on "An Enduring Legacy: The Role of Financial Institutions in the Horrors of Slavery and the Need for Atonement."

I am providing this testimony as a historian of the United States and an expert on its economic history. In the course of my work, I have published widely on slavery's importance to U.S. economic development. In addition to many academic articles, the topic is central to my *Empire of Cotton: A Global History*, which investigates the history of the nineteenth century's most important manufacturing industry and analyzes slavery's role within it.[1] I am also the co-editor (with Seth Rockman) of *Slavery's Capitalism: A New Economic History of the United States*, which explores the question of how slavery impacted U.S. economic development from a variety of perspectives.[2] I have also written a book on the economic history of New York City that investigated among other things the economic links between business elites in that city and the southern slave economy.[3] For the past 15 years, I have also directed research focused on understanding Harvard University's involvement with slavery.

I am not an economist; I am not a specialist in the history of US financial institutions; nor can I speak to the legal implications of this history, if any. But I want to submit to the Committee some broad insights from my research that might guide its thinking about these issues.

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1 Sven Beckert, *Empire of Cotton* (New York; Knopf, 2014), Pulitzer Prize finalist, Bancroft Award in American History, Harvard Business School, Alfred D. Chandler Award for best book in business history, *Foreign Affairs*, Best Books of the Year, *The Economist*, Best Books of the Year, *New York Times*, Ten Best Books of the Year.

2 Sven Beckert and Seth Rockman, *Slavery's Capitalism: A New History of American Economic Development* (Philadelphia: University of Pennsylvania Press, 2016).

3 Sven Beckert, *The Monied Metropolis* (New York: Cambridge University Press, 2001).

1. <u>Slavery was important to US economic development</u>. From 1839 to 1859, initial findings of an ongoing research project have shown, between 10.1 and 14 percent of U.S. GNP derived directly from the labor of enslaved workers.[4] In large parts of the South, almost half of the regional GNP was produced by enslaved people; in other parts of the country the percentage was much lower.[5] The capital stored in slaves exceeded the combined value of all the nation's railroads and factories.[6] The most important industry using enslaved workers in the nineteenth century was cotton agriculture. Cotton production made up about five percent of the nation's GNP in the 1850s, and cotton constituted more than half of the United States' merchandise exports in most years from the 1820s to the 1850s.[7] Cotton was important not only because of the size of the industry, but also for its contribution to the world-altering Industrial Revolution in both Europe and the United States.[8]

2. <u>These numbers are significant</u>. Even if we take the lowest estimate and assume that just 10 percent of the nation's GNP derived from the labor of enslaved people, that unpaid labor mattered greatly to the US economy. We can see this best if we compare it with contemporary industries: In 2021, all manufacturing

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4 Mark Stelzner and Sven Beckert, "The Contribution of Enslaved Workers to Output and Growth in Antebellum United States," Working paper, 2022.

5 For detailed statistics, see Stelzner and Beckert, "The Contribution of Enslaved Workers."

6 Beckert and Rockman, *Slavery's Capitalism*, p. 1.

7 See Series Ee571 Ee366, Ca10, Ca9 and Ca13 in Susan B. Carter, *Historical Statistics of the United States*. *Historical Statistics of the United States: Earliest Times to the Present*. Millennial edition (New York: Cambridge University Press, 2006).

8 Beckert, *Empire of Cotton*, chapters 3, 4, 5.

activities in the United States combined contributed 11.3 percent to the nation's economic output, which is roughly the same share the labor of enslaved people contributed during the antebellum years. Today's finance and insurance industry contributes 8.3 percent to the national economy, which is less than the contribution of enslaved workers in the 1840s and 1850s. As a percentage of the national economy the size of the antebellum cotton sector alone approximately equals the size of the entire Information industry today.[9]

3. The economic impact of slavery in 1860 involved not just the actual production in agriculture and industry by the approximately four million enslaved workers, <u>but also industries that directly served or benefited from the slavery complex</u>. These included northern manufacturers supplying the southern plantation economy, the slave trade itself, mercantile houses, industries dependent on slavery-produced inputs such as the nation's first major industry (cotton textiles), as well as banks and insurance companies. The total importance of slavery and slavery-related industries in the United States in the nineteenth century was definitely greater than the value produced by the labor of enslaved people only, even if we do not yet know the exact figures.

4. <u>Slavery's economic impact was national in scope</u>. Although Northern states began abolishing slavery in the wake of the American Revolution, and although the

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9 For the contemporary numbers, see U.S. Bureau of Economic Analysis, Value Added by Industry: Manufacturing as a percentage of GDP [VAPGDPMA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/VAPGDPMA, accessed April 2, 2022

exploitation of slave labor in these states was always only of limited economic importance, Northerners were deeply implicated in enslavement. Northerners shipped, insured and financed plantation crops; they provided plantations with manufactured wares; and used plantation crops in industrial production. Northern institutions, including universities, were deeply entangled with the slave economy of the US South.

5. Contemporaries were cognizant of slavery's economic importance and national reach. Advocates of national economic development took for granted the reciprocal relationship of the slaveholding and non-slaveholding states, as well as the shared interests of the slaveholder, manufacturer, and merchant. "On the White mountains of New Hampshire we find the sugar of Louisiana, and in the plains beyond the Mississippi the cotton cloths of Rhode Island are domesticated," explained famed editor Hezekiah Niles in 1827. Abolitionists like William Lloyd Garrison recognized the North as a "partner in iniquity" and credited the Panic of 1837 with delivering a deserved ruin to New York City mercantile firms engaged in commerce with the South. In turn, Southern nationalists lambasted Northern sanctimoniousness. "Many of the abolitionists of the present day affect to have such tender consciences, and to feel such abhorrence of slavery, that they declare they will not wear the cotton of the South, because it has been cultivated by slaves," observed Baltimore minister Alexander McCaine, "…yet, these extremely sensitive, and pre-eminently holy characters, feel no qualms of conscience, to sell Southern planters their boots and shoes, their

negro cloth, and all the *et cetera* that make up a cargo of *Yankee notions*, and put the money, arising from the labour of slaves, in their pockets." Indeed, an 1845 manufacturing census found that nearly half the woolens manufacturers in Rhode Island produced textiles for plantation markets. A South Carolina industrialist like William Gregg could justly lament that thriving Northern cities like Bridgeport, Connecticut had "been built by the capital of Charleston," while a compatriot writing in the widely circulated Southern agriculture journal *Debow's Review* could declare slavery the "nursing mother of the prosperity of the North."[10]

6. Financial institutions played a crucial role in enabling enslavement, making slave labor profitable, and facilitating its territorial expansion. The United States was the world's most important supplier of the industrial world's most important raw material—cotton. As cotton fueled an Industrial Revolution, European and US financial institutions rushed into the cotton business. Slavery rested on the capital, institutional know-how, and varied services of the finance sector, and it was the finance sector that connected plantations to factories and London money markets to New Orleans credit markets. Advances on crops enabled planters to acquire land and enslaved workers. Planters offered their enslaved workers as security to access capital markets. While most credit relationships in the antebellum South

10 This paragraph is cited from Beckert and Rockman, *Slavery's Capitalism*, p. 2 based on *General Convention, of Agriculturalists and Manufacturers, and Others Friendly to the Encouragement and Support of the Domestic Industry of the United States* (Baltimore: n.p., 1827), 15; *Proceedings of the Fourth New-England Anti-Slavery Convention, Held in Boston, May 30, 31, and June 1 and 2, 1837* (Boston: Isaac Knapp, 1837), 45; Alexander McCaine, *Slavery Defended from Scripture, Against the Attacks of the Abolitionists, in a Speech Delivered Before the General Conference of the Methodist Protestant Church, in Baltimore, 1842* (Baltimore: William Woody, 1842), 8-9; *Statistics of the Woollen Manufactories in the United States* (New York: W.H. Graham, 1845), 33-39; William Gregg, *Essays on Domestic Industry: or, An Enquiry into the Expediency of Establishing Cotton Manufactures in South Carolina* (Charleston: Burges and James, 1845), 50; John Forsyth, "The North and the South," *Debow's Review* 17 (October 1854): 365.

were mediated by so-called factors, these factors in turn drew on banks and merchant bankers to finance the growing of the crop and the extension of agriculture into new areas. Sophisticated networks channeled European and northern capital into the South and routed cotton into global markets.

7. Private banks played a key role in providing these financial services to the plantation sector and connecting it to the world economy. Large European banks, from the Rothschilds to the Barings, infused significant funds into the US cotton sector. U.S. merchant bankers advanced capital as well, financed cotton production and moved the crop from the plantation to the port and then to European textile factories. Southern banks, many funded by infusions of cash from Northern and European financial institutions and merchants, advanced capital to factors who in turn advanced it to planters to lubricate the cotton economy.[11] In the course of these activities, banks and merchant bankers frequently became even more directly involved with the slavery economy. Since they at times accepted enslaved workers as collateral for loans, they also took ownership of women, men and children when creditors failed on their debts. It is highly likely that all banks doing business in the slave areas of the United States came into ownership of slaves, and we know that some of the predecessor banks of a number of current U.S. financial institutions—including Wells Fargo, JP

[11] Beckert, *Empire of Cotton*, pp. 217-20.

Morgan, Bank of America and Brown Brothers Harriman—owned slaves in the course of their regular business dealings.[12]

8. Public banks, that is the First and Second Banks of the United States (extant between 1791-1811 and 1816-1836, respectively), also invested in the slave economy and came to hold large numbers of enslaved workers as collateral for loans. When debtors defaulted, the banks came to control enslaved workers and entered the business of selling human beings. The Second Bank of the United States, moreover, played a crucial role in the creation of various planter banks during the 1820s and 1830s, banks dominated by southern planters that focused on financing the expansion of slave agriculture. Slave traders also drew on the Second Bank of the United States to facilitate their business.[13]

9. Insurance companies were involved in slavery. Since much of Atlantic trade consisted of the products of enslaved labor, marine insurance received a boost from the expanding slave economy. Life insurance also expanded under slavery. Scholars have estimated that beginning in the 1830s several thousand life insurance policies were written on the lives of enslaved people. Important

12 "Summary of Findings: JP Morgan Chase and Bank One," January 20, 2005 (http://bankone.com (through The Wayback Machine)); Wachovia Completes Research of Predecessor Companies" June 1 2005 (www.wachovia.com through The Wayback Machine); John R. Killick, "The Cotton Operations of Alexander brown and Sons in the Deep South" *The Journal of Southern History* 43, no. 2 (May 1977): 169-194, 187; Heritage Research Center, "Report on Bank of America Predecessor Institutions Research Regarding Slavery and the Slave Trade" August 4, 2005.

13 Sharon Ann Murphy, "The Financialization of Slavery by the First and Second Banks of the United States," in *Journal of Southern History* 87 (August 2021), pp. 392, 420, 426.

companies selling these policies include still extant New York Life, AIG and Aetna, as well as their predecessor organizations.[14]

10. The history of enslavement has left a deep legacy on patterns of inequality in the United States. While millions of African Americans labored for generations without pay, the wealth they produced accumulated elsewhere. In 1860, white Southern men made up 59 percent of the wealthiest one percent of adult males in the United States.[15] Many Northern merchants, manufacturers, banks and non-profit institutions gained from the uncompensated labor of African Americans. Meanwhile, African Americans received no compensation for their labor and could not secure family networks or accumulate property. They could not access educational resources and suffered from extreme forms of exploitation and maltreatment. After slavery, African Americans continued to suffer more than a century of further economic, social, political and educational discrimination. The legacy of slavery structures patterns of inequality and opportunity (or the lack thereof) in the United States to this day.

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14 See, for example, Michael Ralph, and William Rankin, "Decoder: The Slave Insurance Market," in *Foreign Policy*, no. 222 (2017), pp. 22–23. These scholars have located about 1,300 antebellum-era policies in the archives of insurance companies, including Aetna, AIG, and New York Life. They suggest that these archives are incomplete, and that at least 85 percent of policies have been lost. See also Sharon Ann Murphy ,"Securing Human Property: Slavery, Life Insurance, and Industrialization in the Upper South." *Journal of the Early Republic* 25 (4), 2005, pp. 615-652.

15 Lee Soltow, *Men and Wealth in the United States, 1850-1870* (New Haven: Yale University Press, 1975), p. 65.