

THE MARKET FOR MOVING PEOPLE TO AMERICA

Lecture 2
ECON 4524

What is an indentured contract?

- A fixed term labor contract-servants exchange labor for transportation
- Important: during colonial period (1650-1780)- 50-75% of *free* immigrants came as indentured servants: 300,000-450,000 people
- Origins in America
 - ▣ Jamestown (1619) -Young women financed by Virginia Company for purposes on entering into marriage; (1620) First regular shipment of indentures

What did labor know?

- Destination and length of contract

To whom did indentured servants sell their labor?

- Captains of ships

How did this differ from slavery?

- Entered voluntarily
- Fixed term
- A “person” in the eyes of the law

Who bought indentured contracts?

- Colonists


The economics of free migration: investment decision

- Human capital framework-determine net present value of benefits

$$\sum_{t=1}^T \frac{B_D - B_{Ot}}{(1+r)^t} - C$$

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- 🍏 Costs: enduring the passage, adjustment in the colonies
- 🍏 Implication: Migrants should be young

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Characteristics	1680s	1770s
% Male	81%	91%
Avg Age (Male)	23	24
Avg Age (Female)	21	23
% Literate (Male)	41%	69%
% Literate	11%	35%
% Males Skilled	35%	85%
% Mainland (Males)	47%	100%
% Mainland (Females)	58%	100%

Evidence of a Market

- 1. Men more likely to go to Caribbean-agricultural labor shortage
- 2. Women more likely to go to the mainland-bride shortage
- 3. Service varied with characteristics

Base: time of indenture for 20 year old illiterate male with no recorded occupation bound for Pennsylvania over the period 1718-1759 was 4 years and 8 months

Differential value (in months) of market characteristics

Age	33 months
Under 15	26
15	16
16	9
17	4
18	2
19	-2
Female	-1
Literate	-4
Farmer	-4
Metalworker	-4
Textile worker	-5
Antigua Destination	-6
Other West Indies	4
Maryland	2
Virginia	

□ **Are these differences demand or supply driven?**

□ **Could a prospective migrant self-finance his trip?**

□ Wages in England (for agricultural workers) during colonial period : 6-7 lbs

□ Cost of Passage during peacetime: 1st half of 18th Century-5 lbs

□ Cost of Passage during wartime: 2nd half of 18th Century:8-10 lbs

□ **How long would it take someone to save a years gross income?**

Market over time

- Mid-17th century until the 1760s-modal length of contract was 4 years
 - ▣ 1760s length of contract fell to mode of 3 years
- Why the fall?
 - ▣ Possible explanations: cost of passage, wages in England or demand in colonies

Why the fall?

- Cost of Passage:
 - ▣ no, if anything cost increased

- Wages in England:
 - ▣ no stayed constant

- Supply in England fluctuated with wartime demands

- Demand in colonies; most likely increased
 1. Rise in African Slave prices in the 1760s (price of a substitute)
 2. Abolitionist movement, especially in Pennsylvania
 3. Rising wage levels in the colonies (price of a substitute)

Implications of looking at indentured system as a market

1. co-existence of slave market and indentured market
 - ▣ Differences: use of punishment
 - ▣ Greater incentive to punish indentures (rental labor)
 - ▣ Easier for indentured servants to run away
 - ▣ Result: indentured servants treated better
2. Convicts as a substitute: societal interests vs. personal

When did the market disappear?

- The numbers dropped significantly during and after the Revolutionary War
- Virtually disappeared after 1815, formally outlawed at the federal level in 1885

Why did the market disappear?

1. More profitable incentive mechanisms for slaves and slaves-reproductive rates were high
2. After the revolution, the British discouraged Irish and English indentures from coming to the U.S.
3. Cost of passage fell; made self-financing possible, coupled with improved familial and ethnic credit