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Re: Articles for Posing the Question: Postbellum Southern Economy

Source: Joseph D. Reid, "Sharecropping; An Understandable Market Response?"
JEH (March 1973)

In the literature of the economic history of the postbellum South there are two distinct and contradictory interpretations in competition.

One is based on the competitive model/ consensus oriented in interpretation. Reid article is a classical example. Others in this historiographic genre would be Robert Higgs and Stephen DeCanio).

The basic argument is that the free market forces of the capitalistic system were or are the best to describe what shaped the postbellum economy (agricultural) in the South.

The key in the Reid article to this approach is his explanation for why sharecropping became the dominant economic system in agriculture over ~~fixed~~ rental or the wage-labor system (gang labor/wages per diem).

His argument is that sharecropping emerged the chosen route because it involved "lower transaction costs over the life of the contract." Since contracts for wages, rent, or shares were always made at the beginning of the ~~contract~~ season they could not take into account things like bad weather, prices (decline/incline), insect infestations (the dreaded boll weevil), and the like. If such changes should occur during the course of the contract, who (landlord or laborer) should suffer the loss. In the case of set wages or set rents one or the other contracting persons would lose.

But in the case of sharecropping where the 50/50 split came at the end of the contract and only after a price was set for the cotton, renegotiation could take place during the course of the contract. Decisions made jointly to add more fertilizer/ or change crop mix if there was seasonal opportunity, etc. Since the end product of their joint endeavor was to be split 50/50 both landlord and tenant had a mutual interest in finding an intermediary solution . . . or a mutual interest in the efficiency of agricultural production.

Key: Reid (unlike Ransom & Sutch) is dwelling on the rational decision making that is so typical of classical economics. He cannot entertain the notion that sharecropping rose not out of consensus and mutually understood rationalized economic thinking, but out of other factors. That is, if Ransom & Sutch are correct. These would be political/ cultural/racial. . . . reasons that cannot be subjected to the cool analytical tools of the microeconomist. . . .

Ask reporter:

Does Reid mention any racial discrimination or racial coercion in determining black experience in the postbellum South? Is there any room in his model for a non-economic (irrational) force like racism or sharecropping or tenancy as a means of racial control?

Does Reid see any exploitation of black sharecroppers in the

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Reid(cont.).

sharecropping arrangement?

Does Reid indicate that farmers(blacks)were coerced in choosing cotton or was this a free selection,etc.?

I could add here: That when you are reading the competitive or neo-classical school or model for examing the postwar South the characteristics of the approach will be:

That things like racism, tenancy, sharecropping, and crop liens were not flawed institutions, they did not interfere with the workings of the free market forces so as to make the postwar economy stagnant or backward. The engine of competition working in a free market pushed aside these potential problems and created a rational, efficient, and growing economy in the postwar South.

Why was the South mired in such dreadful poverty after the war. According to the competitive model school it was due to the War itself, emancipation(loss of capital wealth w/ loss of slaves); general disruption of the immediate postwar South(banking,etc./ livestock), which put the South so far back that it was fifty years behind the North after the Civil War and that after fifty years of respectable economic growth under the rational and efficient sharecropping system, etc. there was still not enough time to catch up. . . .

The message is clear--that totally untrammled and in vaco rational workings of the free enterprise system as described in the classical works of Marshall, Saye, etc. produces maximum results. A victory of laissez faire, free market capitalism.

All the forces of cultural and political discrimination of blacks in the postbellum period--the leagacy of slavery, poor or no education, Jim Crow segregtaion, the inability to vote, the lack of real alternatives in the economy other than being type casted for laboring on the land, and other legal and ex-tra legal sanctions do not play any meaningful role in the competitive model. Probably because they cannot be quantified.

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The other alternative explanation or competing view is the monopolistic or coercive model.

Class has read Ransom & Sutch. This school argues that the institutions that arose in the postbellum South were "flawed" and they blocked the economic growth of the region.

They deny that the war's impact on the South was the cause of protracted economic decline and stagnation. It was the institution of sharecropping, That this was a system that was forced into place, not by mutual rational choice of economic man working out rational choices in a free market, but by blacks who, not being able to get their own free land, choose a lesser evil in sharecropping rather than a return to gang-labor on the old plantations--plantation labor without slavery.

Sharecropping had short-range advantages. . .it produced long-range disabilities in the economy. It blocked any real improvements and maintenance.

The credit pinch meant that the tenant or sharecropper had to turn to the cross-roads merchant or factor for short-term credit. The only security was his cash-crop and so the crop lien system forced the laborer into a credit system over which the merchant had total monopoly. Forced overproduction of cotton was the result when diversification via investment was the long-range best alternative for the South. The crop lien system also forced farmers to underproduce corn which assured the end of self-sufficiency in food stuffs and intensified greater dependence of the local merchant for credit, etc. . . .

Ransom & Sutch find the origins of these "flawed institutions" in the legacy of slavery and the pervasive postwar racism. Presumably, Ransom and Sutch imply, that had the market been as free as Reid and others implied, black farmers would have chosen a different mix of cotton and corn. They would have been satisfied w/ subsistence farming and would have tried to remain self-sufficient in food to break the hold of the local merchant/creditor class.

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Source: Jonathan Wiener, "Class Structure and Economic Development in the American South, 1865-1955" AHR

Wiener is a Marxist and will take a class/conflict approach to the question of postbellum southern agricultural development. (Jay Mandle is another).

Wiener begins his paper w/ an attack on the competitive school or model-builders(Reid)and their arguments about the postwar South.

He brings in all the effort of the former planters/slavemasters to reestablish a coercive labor system after the war by legal and extra-legal means. By "laws", governmental pressures, and Klan terror. His thrust is to prove that class conflict shaped the form of postwar plantation more than did purely economic forces operating according to the logic of the free market.

Wiener spends a good deal of the paper on developing a thesis about the "exceptionalism" of the South's postwar economic structure. He cites the kind of practices that fall under "involuntary servitude" developed earlier by legal historians like William Cohen(JSH, Feb. 1976), Pete Daniel, In the Shadow of Slavery, etc.

He looks at the efforts of blacks to leave the South. How the white dominant class attempted to restrict their mobility. See the Kansas Exodus of the 1870s-- Pap Singletary.

Wiener assumed in his study that these means of coercion were endemic and prevalent in the postwar South. . . .He assumes this in his argument.

Weiner sets up his class interpretation of the New South: His explanation is essentially that the old antebellum planter class was not entirely "gone with the wind" after the Civil War. In fact, a substantial proportion survived the war with their landholdings in tact. What had changed for them and their South was the new social relations of production--former slaves learning to become workers and former slavemasters learning to become bourgeois employers. Wiener's argument is that given the social roots of the new postwar planters they reverted to type--to develop ways to establish a labor-repressive, authoritarian system(he calls it the "Prussian road" to modern development. It was natural for them to eschew mechanization and industry. They simply looked to impose a favorable labor-intensive system like slavery but without slaves. Thus, we have all these means employed by the planters with government assistance to keep blacks landless, illiterate, impoverished, politically inert, and geographically immobile, and economically type-casted as a cheap and controllable labor force. Actually, the ideal was to manage a surplus labor force

The forces that blew this system away then were the Great Depression and WW II-- in a sense or in reality exogenous or outside forces, outside of the South.