

History 323

Re: Notes from Ranson & Sutch "Debt Peonage in Cotton South After Civil War"

Crop-lien System → *Debt Peonage System*

Peonage system which grew out of the credit problem in the South in addition to the rise of sharecropping basically explain the political economy of this region and provide the reasons for its underdevelopment until well into the 20th century. . . .

The article addresses its self to (1) why the credit pinch in the South. Note that during the antebellum period and the King Cotton boom times that the Southern banking system was able to furnish the credit and financial support needed to sustain this economic system. Although they note that the Confederacy (the eleven states that formed the Confederacy) had only about 15% of the banking system in the US at the time of the Civil War.

They note that the average capital per bank was at about 450,000 dollars which compared favorably with the national average and much greater than was the case with the banking system in the Midwest.

After the war's end the South--with 25% of the population--had left only about 2% of the banking system in the nation in 1865. Even as late as 1890 the South had not recovered its share or 15% of the banks in the US at this late date.

Paper deals with (1) the difficulties of establishing new banks under the banking laws. Especially cites the National Banking Act (1864)--forbade national banks getting into the mortgage business or holding mortgages for collateral. National banks to open required 50,000 in paid-in capital. Why South was unable to establish deposit banks to work with the southern farmers. Especially notes the high levels of illiteracy among black/white farmers. (2) With the failure of banks the credit-supply system fell to local merchants whose monopoly control ended in the introduction of inefficiencies and distortion . . . The crop-lien system set in. . . The "locked-in" aspect of the system. The local merchant system meant a high cost estimates for competitors to break into the credit market. Merchants were perforce to limit their clientele in order to personally know their clients and prospective clients. Who were good risks for the average \$100.00 per annum loans. Newcomers would have a great risk before they were able to identify reasonably safe risks, etc. Lack of transportation also limited the farmer in his choice of loan officer. The laws of the South supported the lien system in that the farmer was tied to the local merchant he signed his contract with in the first instance. Once the loan was made and the crop pledged the farmer was tied inextricably to the loaning merchants. The illiteracy also helped to tie the farmer to one source. And if he was black and without political and having no support from the law enforcement system gave him little choice in the system. (3) that the local merchant by exercising his monopoly power was able to prevent the production of agricultural commodities for home consumption and force, instead, the production of staple crops. In short, to end the Old South's self-sufficiency standards.