History 323
Re: Notes for Text(Chpt. 12)
Postbellum Southern Economy/

Historic Context

The postbellum South in historic perspective:

The Old South, like all the slaveholding empires in the Western hemisphere described the same patterns: stunning levels of profitability and prolonged periods of economic growth. Second, in every case the boom rested on the export sector and appromited reliance on a single crop. Thirdly, in each case, the end of the boom left in its wake an economic wreck.

No slaveholding country or region crossed the threshold to industrialization. None adjusted to emancipation so as to launch a new cycle of growth that passed into structural development. All became marked by what is euphismistically called underdevelopment, which left a legacy of poverty, misery, and colonial dependency.

Perhaps the key to the question of the planatation south's viability or the wholesome economic growth of the slave system can be seen in the postwar efforts of the South to respond to the new challenge. Despite all the economies of scale and the sustained ecohomic growth(Fogel & Engerman or Conrad & Meyer)the South was unable to lay the foundations for diversification or change. Nowhere did the slave system advance science and technology; generate self-expanding home markets adequate to encourage industrial diversification; accumulate capital within its own sphere for industrial development; or encourage the kind of entrepreneurial skills without which modern indusrialization is unthinkable. The cotton South enjoyed its ecohomic "boom times" only as long as outside demand remained high and simulataneously guranteed stagnation and decline once that support was withdrawn(G. Wright).

The postwar south shows all the same symtomology of former planatation societies after emancipation. Plantation societies by their very nature perpetuate underdevelopment.

Rigid patterns of social stratification associated with race and color inhibit social mobility and severely restrict the participation of large groups of people in economic and political affairs. Mixed racial societies pregnant with racism exhibit instability which is inimical to development. And the concentration of economic, social, and political power within the society prevents the emergence of a highly motivated population.

History 323

Re: Handout on crop-lien system
Source: L. Goodwyn, Democratic Promise, pp. 27/28

At the heart of the credit system operated by the local merchant or "furnishing merchant"(or, in black parlance, "The Man")was a simple two-price system for all items: one price for case customers and a second and higher price for credit customers. Twenty -five to 50% mark ups would be charged on this inflated base. (Although books of some furnishing merchants reveal that credit charges frequently were well in excess of 100 to 200% annually. This was not an unusual practice). An item carrying a "cash price" of 10 ¢ would be sold on credit for 14¢ and at the end of the year would bring the merchant, after the addition of say, 33% interest, a total of 19¢--almost double the standard of the price set for cash-paying customers. The farmer was ever rarely aware of this disparity between cash price and credit price, for he usually had no basis for comparison; many merchants did business almost eclusively with credit customers because they set no cash prices.

In South Caroliona low farm prices forced middle class white farmer S.R. Simonton to open a credit account with the furnishing house of T. G. Patrick. While Simonton's first year's expenditures were &916.63, declining prices for cotton helped reduce his after-sale credit to $307.31, leaving an unpaid balance of over &600.00, which he settled by note. The subsequent annual credit extended to him by the furnishing merchant did not exceed $400.00 per year, showing that he suffered a drop of well over !00% in his standard of living. Still, he was never able to "pay out." For seven years between 1887 and 1895 Simonton spent a total of $2,681.02, but he produced credit enough to pay only $687.31. The debt was eventually settled by transfer of his land to the furnishing merchant. Simonton became a landless tenant before his death.

Thomas D. Clark, "The Furnishing Merchant and the Supply System in Southern Agriculture Since 1865," Journal of Southern History, XII(1946).

Detailed accounts of the record of a Mississippi black farmer over a 17 year period reveal even a grimmer form of personal degredation. Matt Brown purchased his supplies from the Jones Store in Black Hawk, Maississippi, from 1884 to 1901. Brown was not free of debt at any time in those 17 years. He began the year 1892 with an endebtedness of $226.84 held over from the previous years. At the final settlement his obligation had increased to $452.41. His credits during the year came from selling cotton, cutting wood, clearing land, and hauling for the Jones Store. They amounted to $171.12. His expenditures for that year were $33.15 for food; $29.45 for clothing; and $173.64 for household and farm supplies such as bagging and ties, mules and land rent, ginning, plow tools, and seeds. He also spent 55¢ for drugs, &4.00 in a cash advance, and $112.81 for miscellaneous supplies. By 1895 his credit standing had diminished to the point that his twelve-month expenditures for food totalled $8.42. In that year he spent $27.25 for clothing, $38.30 on farm and household supllies, 95¢ on drugs, $2.35 for a cash advance, and $12.08 on miscellaneous supplies. Brown's account was ultimatelly settled by a mortgage. In 1905 an entry appears for a coffin and burial supplies. The record was permanently closed by "marking it off."

--Form Ike Jones Ledge in Clark, "Furnishing Merchant and Supply System," Ibid.

History 323

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History 319
Re: New South

<u>Conseqences of Indiustrialization in the New South, 1877-1900</u>

The South was industrialized . . .no question . . .Fulfill the promises and the rhetoric of the Redeemers?
<u>Statistics tell a different story</u>:

In 1880 when the South began its industrialization program the per capita wealth of the region was $376 while the national average was $870.

By 1890 the figure for the South incrased to $509 while the national average had risen to $1,165 dollars.

Expressed in percentages: In 1880 thh New South was 56.8 per cent below the national average. In 1890 it was only 56. 3 below. . . .

Limited industrial devlopment was the case here. . . Many of thh new industries werellargely of the low-wage variety. Textiles particularly. . .employming women and children. . ..and those dependent upon convict labor . . .
All this hardly validated the image of <u>an opulent douth.</u> . . .

Indisutrialization did not bear out the New South d<u>ream for power and independence</u>.
Many of the resources and industries of the South were in the hands of northern capital--mines, lumber,rrs, iron ore, and steel production . . . The chief products were often sent north for final processing and marketing. . .the typical colonial pattern pertaineed. . . .

Riches in natural resources is not enough to bring about industrialization.
Institutionn and human resources are as important or more important. . ..

White supremacy thwarted efforts to develop a program to utilize adequaltely their human resourcew . . . .You just could not maintain a quasi-slave system in an industrial age. . .

In trying to make up for lack of capital they dévoped plans for importing it that ended in a colonial relationship with the region's natural wealth being drained out of the South . . . .

By 1890 the South stood in relationship with the North to about the same statuus/ as Tsarist Russia did to Imperial Germany . . . .

History 323

Re: Notes for Ransom & Sutch

Alternatives for the Postbellum South:

Had it been politically feasible would the condition of the South and the newly freed bondman been markedly different had the North persued militantly a land redistribution program? The program that was initiated politically during the course of the Civil War.

Economietricians have argued that this would not have made a significant difference as far as the black man was concerned. No dramatic improvement in living standards.

More than a land program was needed to insure the freeman's economic future. Had blacks had their own land they might have continued with cotton production. Individual micoeconomic decisions that made sense at the individual level but proved counterproductive at the aggregate. For example, more yield from cotton by 3 to 1 over corn per acre. More importantly, Southern agriculture suffered from regional problems that are typical of tropical or sub-tropical climates. (1)Poor soil due to soil erosion(2)soil leaching due to heavy rains.(3)poor forage material for cattle,etc. because of rapid growth and quick maturity of crops meaning that the forage was poor in proteins and carbohydateas giving a low yoild on forage for cattle. Animal parisites were prevalent in South such as hog parasites(larve stayed active all season because of high ground temperatures which meant that the larve did not die) Texax tick fever was prevalent w/ southern cattle herds producing scarwny cattle. Even those cattle which built up immunity could not be sent up North to fatten on the better forage in the Midwest and Plains states.

To deal w/ these problems to rejuvinate and allow the South agrarian economy to be competetive with the North would require massive infusions of federal aid, credit, techincal assistant, and argricultural education.

What was Needed

<u>South</u> <u>needed</u>: overcome structural impediments

(1) Sparsity of employment opportunities in the rural areas

(2) high cost of credit

<u>A</u>. massive migration away from the region or

<u>B</u> a massive Southern industrial revolution

History 323

Re: Notes w/ Ranson & Sutch

Flawed institutions view — Continuums in the post war South -

Legacy of Slavery implied in the Sutch/Ransom article:

(1)slavery impeded the mechanization of southern farmming by offering an alternative way to gain scale efficiency on the plantations--slaves as fixed cpital

(2)Slavery discouraged town building and investment in an infrastructure that might have provided the basis for southern diversification after the Civil War

(3)slavery worked against the spread of rural markets and farm-town econimic interactions because of the self0sufficiency of the planatations.

(4)slavery hindered the progress of manufacturing--by concentrating capital in labor and land and by discouraging immigration into the southland.

________________ Combine these lists

Gavin Wright, "Strange Career of New Southern Economic History"

Wright cites his legacy of alavery:

(1) Slavery reduced the mechanization of farming by using labor instensive means of agricultural output;

(2)slavery discouraged town-building and investment in infrastructure by providing a form of agricultural wealth (slavery/cotton), the value of which wqs independent of local development(exported to England);

(3)slavery worked against the spread of local rural markets and farm-town interactions by creating an incentive toward self-sufficiency on the plantations/ the slave-planatation economy was basically isolated/regional.

(4) Slavery hindred progress of manufacturing by integrating women and children(slave) into the cotton economy(unlike textiles in N.E which used female/child labor in early manufacturing/factory system); and by minimizing the opprtunities to open the region to outside labor flows from European migrants.

History #323

Re: Notes for Postwar South

Re: Postwar Symptoms of Underdevelopment:

(1)Per capita income was down from 1860 to a low of 39%; I done think it ever rose any higher in the 19th Century than 20% of what it was in 1860

(2)End of self-sufficieny in southern food production

(3)The Southern banking system --numbers of southern banks compared to the banks throughout the US in the 19th century remained less than the 15% in 1860. Averaged throughout the remainer of the century at about 2%. Source of the great credit stringency in this century

(4)South would lose control over ots natural resources

(5)S outh would lose control over its transportation system

(6)Institutional(economic)expressions of economic retardation--crop-lien system, debt peonage, in fact, the South would become a great debtors prison for ~~most~~ huge numbers of southerns--white and black

(7)Instead of any vital signs of diversification by the southern economy under control of southerners--the South's greatest postwar product is still cotton for an international ~~indust~~ market that is fast becoming glutted. South was lock-into the cotton production system.

(8)Scandalous underutilization of the South's most crucial natural resource--its people. (terms of education ,health, productivity,etc.

History 323
Notes/Ideas

Source: Woodman, "Economic History and Theory"

Summarizes the economic effects of slavery argument into two questions: (1)the profitability of slavery(2)slavery's impact on the development or the industrialization of the South . .

Woodman concedes that the NEH have demonstrated that slavery was profitable for the slaveholders. This should be set out in the Chpt. in L & P. . .The point here made by Woodman is the presumption or assumptions of those who argue that slavery was profitable and that slaveholders were simply making rationale marketing decisions by buying slaves and producing cotton. In class should I go ahead with this argument and lay it out in its most "obnoxious" manner to see if I can get a reaction. Woodman points out the basic assumption of Fogel/Engerman types--that is, they refuse to see slavery as different from the economic system in the US at this time--men making profits off of the enslavement of other men. Instead they consider slavery as just one of many different types of investment possibilities avialable at this time--and that the Masters were nothing more than risk-taking capitalists,etc. That buying and selling slaves(people) was really no different than buying railriad stock, selling secuties, and mortages,etc. Woodman argues that these assumptions really prefigure their conclusions(their conclsuions are entrenched in their assumptions)despite their claims to the objectivity of their approach and the unbiased nature of their methodology(so much for "scientific" history).

Woodman goes on to question these assumptions. He takes exception with the efforts of NEH to turn the slavehilders into bourgeoise capitalists who are only seeking to maximize their profits.

F/E in their "The Economics of Slavery,"(311-341) "just as with modern day investors in corporate securities, the profit experience of investors in slaves ranged from the bery poor to ususally good." In short, the assertion here is that slaveholders had a wide choice of where to invest their dollars and always after conferring with their brokers and going over their portfolios they decided on the investment in slaves. Becuase the rate of return was on the average so attractive. Of course, unlike the capitalists--large and small--in the North the planters shunned the diversification of their investments. . .They nearly always returned their earnings back into purchase of more slaves. This was unlike the capitalists in the North. Thye did not divert revenues into manufacturing,etc. . .The NEH wpuld argue that reinvestment in slaves was a rationale business decision because of the ex]ected rate of returns. . . What was the average rate of return . . .Woodman cites 12-15%(check in text). .This was at a time of "cotton Boom")see G. Wright, which peeked in the decade 1850-1860 . . . Woodman offers another explanation that is never seriously considered by the NEH--planters continued to invest in slaves for political, social, and cultural reasons: In short, they continued to invest in slaves in order to control what theyr considered a dangerous population and to maintain their political, social and economic hegemony in the South. They would have continued to reinvest in the peculiar institution even if they were sustaining losses just as long as their losses did not destroy the system completely. Woodman questions the explanation of planter behavior by the NEH . . . .He offers a Marxist analysis(see Genovese article on Slave Systems in Historic Perspective)

Woodman'd view of question 2(did slavery retard the industrialization or "modernization" of the southern society)?

NEH take the positiin that slavery did not "stagnate" the southern economy. The older view about the antebelluom south was that it was a poor section of the country.

History 323
Re: Notes/Ideas

Source: H. Woodman, "Economic History and Theory" (p.2)

Earlier historians pointed out the paucity of cities, slight amount of manufacturing, the lack of stores(small merchant class and economically active towns and villages), the weakness of banking, the one-crop agciculture,etc. . .All these were impressionisticall totalled up as the benchmarks of "underdevelopment."
But NEH useng new economic tools like per capita income point out that South was not lagging far behind the North in general, and was in fact ahead of the North in some regions. (Check P & L)

Woodman takes exception with their use of the data and the argument using per capita income. (See his article). Woodman argues w/interpretation of this data. He argues that the reverse case can be made: per capita data shows southern gowth disfavorably via. North. The same kind of case can be made for the long-term impact of slavery in the area of self-sifficiency. (See the notes from Anderson/Gallman, "Slaves as Fixed Capital.") Woodman suggests how this development produced different economic structures in the North as opposed to the South.
Southern planters may have been self-sufficient(consuming what they were able to goow and reducing the idea of dependence on the North). . .But that meant that they did not allow the growth of free farms in the South who sold produce to the nearby cities and developed a cash-for-sale market as was the case in the North. The multidude of middle men required to move crops and money will be absent in a self-sufficient economy which not only limits opportunities for the p pulation, but alos limits the demands for education. A middle class of merchants, bankers, and other middle men supports education provides a market for agricultural products, and creates a demand for manufactured goods. Moreover, monry income in the hands of a more concentrated population is more apt to go to support doctorsand a variety of artisans, skilled workmen,etc. . . . Inshort, the structure of the market in the South did not encourage the rise of a "dry goods" constituen as was the case in the North, a rising bourgeoise. . .There was not as defined a division of labor in the South as was the case w/ the North. (This can be expanded into discussion of a labor force(free)in the South the introduction of immigrants and the growth of urban centers.

An agricultural division of labor was also stifiled. Had the planeers' not been self-sufficient in farm food stuffs, theur demand for food might have fosterd the kind of agriculural division of labor that was in progress in the MW--that is, it might have stimulated the growth of ~~$1~~ small and moderate-sized farms within the South to specializ in food production. . .and this in turn might have encouraged the extension of southern processing(like Chicago), transportation, and marketing apparatus and called forth structural changes favorable to continuous development. As Gallman/Anderson point out that slavery was the cause of this drive toward self-sufficiency on the plantation.

Woodman using all the indicators mentioned above comes up with a different conclusion: that slavery did retard south development. The failure to attract immigrants, the unequal economic distribution of wealth(see G. Wright)the limited economic opportunities available to nonslaveholding whites, the retardation of development of human capital(see education), and self-sufficiency and how this precluded the development of economically progressive and innvoative bourgeoise sectors needed for future growth. .all point to the slave system's "stifling" of the southern economy and the long-term negative impact of the institution