



Issues in Postbellum Southern Agriculture

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THERE IS AND PROBABLY ALWAYS WILL BE considerable controversy about agriculture in the postbellum South. In large part this controversy reflects the rich cast of characters involved: Yankee soldiers running the South, country merchants coercing tenants into debt peonage, ex-slaves facing discrimination, plantation landlords regaining political power, and independent yeoman farmers forced into producing for the market. To make sense of this drama it is necessary to know what was grown where and to understand the more complex issues of labor contracts, credit arrangements, and racial discrimination. Additional issues underlying the drama are the importance of plantations and the reasons Southern income lagged behind Northern income.

CROPS

In the postbellum period corn was the leading southern crop in terms of acreage, but cotton was by far the dominant cash crop. Moreover, cotton's relative importance increased over the nineteenth century, largely at the expense of feed crops and livestock. In terms of output per capita of rural population, corn and hog production declined between 1860 and 1880 in all the southern states. Corn production per capita fell 29 percent while hog production fell 41 percent (Wright 1986, 35). Meanwhile cotton production increased dramatically: from 3.8 million bales in 1860 to 6.6 million bales in 1880 to 11.6 million bales in 1910 (U.S. Bureau of Census 1975, 517-18). Cotton remained king in the postbel-

lum period because production increased where it was grown in 1860—principally South Carolina, Georgia, Alabama, Mississippi, Louisiana, and Arkansas—and because the domain of cotton increased, spreading east, north, and west.¹

What prompted the South's increased emphasis on cotton? Simply put, this was the profit-maximizing crop to grow (McGuire and Higgs 1977; DeCanio 1974; Wright 1986). Of the four developments favoring a shift into cotton, an increase in the relative price of cotton and a dramatic fall in the price of fertilizer were perhaps the most important factors. Additionally, upland farmers shifted into more cotton because railroads now served their areas and enabled them to forego self-sufficiency and to produce for the market. And finally, country store owners preferred cotton over other crops as collateral for credit.

Cotton was not the only cash crop grown in the South. Tobacco, rice, and sugar had their domains. Before 1890 tobacco was grown chiefly in Kentucky, Virginia, and Tennessee. After 1890 many farmers in North Carolina turned to the specialized production of bright flured tobacco, the demand for which was increased by the expanding cigarette industry.²

Before the Civil War most rice was produced in the coastal lowlands of Georgia and South Carolina. Although some farmers continued to produce rice in the southeast until about 1900, the dominant producers of rice emerged in southwestern Louisiana, southeastern Texas, and parts of Arkansas after irrigation techniques were perfected (Fite 1984, 11). The new rice farmers ran the most modernized farms in the postbellum South.

Sugarcane production required specialized climatic conditions found mainly in Louisiana. The production process also required considerable capital in mills and irrigation ditches, which were largely destroyed in the Civil War. As a result, it took Louisiana sugar farmers some time to regain antebellum production levels.

As transportation costs fell during the postbellum period, some farmers, particularly on the eastern seaboard, turned their efforts to producing fruits and vegetables for southern and northern urban areas. The production of specialty crops required greater care in handling and greater attention to marketing than did the main cash crops. Many farmers shied away from the production of fruits and vegetables because of the high risk associated with uncertain marketing opportunities and a perishable output.

CONTRACT FORM³

Emancipation threw labor relations into total disarray. Given the initial conditions, it is a wonder that any cotton was produced in the years immediately following the Civil War.⁴ Plantation owners and ex-slaves were unaccustomed to dealing with one another in contractual relationships. Despite emancipation, plantation owners expected subservience and obedience from their ex-slaves. However, many ex-slaves were eager to test their new-found freedom and expected land and capital—forty acres and a mule—as compensation for their past enslavement. A third actor, the Freedman's Bureau composed of Yankee soldiers, oversaw race and labor relations and had the power of martial law. Clearly a disequilibrium market situation prevailed, and the participants in the early years were engaged in the process of search. Participants tried different forms of contracts, but some type of share contracting was the most prevalent even in the first year following the Civil War (Shlomowitz 1984, 592). In the earliest share arrangements, all workers on the plantation shared the proceeds. The collective share contract suffered from the free-rider problem and gave way to "squads." The squad was a subset of the plantation work force, usually no more than ten hands, and it was self-selecting (Shlomowitz 1984). Because the group was small and self-selecting, one might expect that the free-rider problem was minimized. Nevertheless, disputes about fair shares for all the participants, including women and children, doomed the squad system. The squad system, as distinct from family units, prevailed for a decade after the Civil War. By the late 1870s the sharecropping arrangement based on the family unit had become the most common form of contract—though by no means the exclusive one. In general terms, though with numerous variations, planters and workers settled on three forms of contract: fixed wages, shares, and fixed rent.

What factors determined the mix of contracts? One might suspect that planters would initially favor wage payments with workers organized in "gangs" as they had been under slavery. Some did, but gang labor, although successful in terms of productivity under slavery (Fogel and Engerman 1974), rested in part on the ability of planters to induce work effort through physical punishment (Fenoaltea 1984). Freedmen would no longer tolerate such "slave conditions." Even without physical punishment, ex-slaves found the close supervision necessitated by wages irksome at best. Many workers would work for wages only if they were

paid a premium over what they would make as sharecroppers.

Planters too had an incentive to move away from wage contracts. Workers with a share contract had a greater incentive to work without costly supervision. Also, in the immediate postwar period it was difficult for planters to ensure the availability of sufficient harvest labor. It appears that share contracts provided a greater incentive than wage contracts for workers to stay through the harvest.

In the early postbellum years an additional incentive for share contracts was the paucity of credit (Jaynes 1985). Planters had difficulty coming up with money to pay workers during the year and consequently favored paying workers out of future output. Given the risk associated with planters paying wages, workers felt they too might fare better by being paid out of output. This explains why workers demanded a wage premium to work on wages.

Among the three principal forms of contract, the mix varied over time. Table 9.1 presents figures on the percentage distribution of farm operators by tenure between 1880 and 1910. The category of owners includes farms or parts of farms that utilize wage laborers. Over the thirty years indicated, owner-operated farms gave way to tenancy arrangements. Fixed-rent arrangements gained ground relative to share arrangements between 1880 to 1900 and lost ground between 1900 to 1910.

TABLE 9.1. Percentage Distribution of Southern Farm Operators by Tenure, 1880-1910

| | 1880 | 1890 | 1900 | 1910 |
|---------|------|------|------|------|
| Owners | 63.8 | 61.5 | 53.0 | 50.4 |
| Tenants | 36.2 | 38.5 | 47.0 | 49.6 |
| Rent | 11.8 | 13.5 | 17.5 | 14.6 |
| Share | 24.4 | 25.0 | 29.5 | 33.0 |

Source: Reid (1979b, 40).

Rent and share tenants may not sum to tenants because of omission of others and unspecified tenants.

Before examining the determinants of contractual mix, it is necessary to understand the economic differences among the prevailing contract forms. First, price and yield risk borne by the contracting parties varies. Whoever is the residual claimant to output bears the risk from changing prices or yields. Wage workers, who are paid a fixed amount per unit of time, do not bear any such risk. Share contracts spread the risk between landlords and workers according to their shares in the crop.

Fixed-rent contracts place all the risk on the worker if the value of the crop is sufficient to pay the rent and any advances; in practice landlords faced some risk because tenants frequently did not have sufficient collateral to pay the rent when disaster wiped out the crop. Though the three types of contracts vary with respect to the amount of risk borne by the contracting parties, it is not immediately apparent how workers and landlords rearranged the mix of contracts in the face of increased risk. Robert Higgs (1973) has tested the hypothesis that landlords are more willing to take risks than tenants because of better access to capital markets or greater wealth, and therefore higher risk should be associated with fewer fixed-rent contracts relative to share or wage contracts. Higgs found that increased risk was indeed negatively correlated with the use of fixed-rent contracts in 1910.

Second, as discussed above, different contract forms give different incentives to honor the full term of the contract. In premechanized cotton production, the peak demand for labor occurred at harvest time. Consequently, high wages for cotton picking might lure some workers away from their present contractual obligations. But not all workers face the same costs of leaving. Costs depend on how much one would forgo by leaving. For a wage worker, ignoring reputational effects, the cost is simply the current wage. For a sharecropper and a fixed renter, the opportunity cost of leaving is how much one would clear after harvest net of advances. In theory, wages throughout the season could be withheld. If so, then the question is: Under which contract form do workers receive the most remuneration? The answer is that on average tenants make more than sharecroppers, and sharecroppers more than wage workers. As a result, if a landlord is worried about insufficient labor at harvest, he will try to negotiate more fixed-rent and share contracts.

It is not always equally damaging if labor leaves before the harvest. The damage depends on how difficult it is to replace labor, which in turn depends on unemployment and access to a large pool of labor. Immediately after the Civil War the problem of securing labor through harvest seemed particularly great. This is not surprising considering that emancipation brought about a reduction in labor services, particularly of women and children. One would expect that wage contracting should be more prevalent close to urban areas, where employers have a larger pool of labor to draw from, and when unemployment increases.⁵

A third economic difference among the contract forms is that they

give rise to different incentives to take on-the-job leisure, that is, to shirk. When effort is closely linked to reward, as is the case for fixed renters, there is little incentive to shirk. Alternatively, when workers are paid according to a proxy for output (that is, per hour), they have little incentive to work without supervision. Sharecroppers, because they receive a fraction of their marginal product, have greater incentive to labor than wage workers but less incentive than fixed renters. Contract form is in part a response to high labor-supervision costs. Attributes of the landlord and worker determine supervision costs and influence contract form. Given that an owner has only a fixed amount of time, supervision costs rise with the size of the farm. To reduce supervision costs, planters with greater acreage negotiated relatively more tenant contracts (Higgs 1974).

The marginal cost of supervising workers depends on the human and physical capital supplied by landlords and workers. If landlords are supplying physical capital (for example, workstock) then they have an incentive to monitor its use to prevent depreciation. When a landlord is present to monitor workstock, the marginal cost of supervising work effort is negligible. Similarly if a landlord has to be present to provide know-how, the extra cost of monitoring effort is low. This hypothesis explains in part why young workers tend to be wage hands and why older, more experienced workers who own their workstock tend to be fixed renters.⁶

COUNTRY STORES

The Civil War destroyed the factor system of rural finance on which antebellum planters relied. Factors (financial intermediaries between investors and plantation owners) specialized in providing large loans to plantation owners. Credit needs changed with emancipation. Now tenants were the demanders of credit. Most tenants had little wealth and needed capital for farm operations (such as fertilizer and seeds) and personal consumption. Tenants and some owners incurred debts at the beginning of the crop year and settled accounts after harvest when the crop was sold. Small country merchants filled the credit vacuum left by the disappearance of factors. The number of country stores in the Cotton South increased dramatically: 18.5 percent per year from 1870 to 1875, 4.9 percent per year between 1875 and 1880, and 7.8 percent per

year between 1880 and 1885 (Goldin 1979, 17). This expansion suggests that country merchants were well suited to sell goods and furnish credit. Credit to tenants was risky business, and merchants were in a position to know the personal characteristics of tenants and minimize the risk of lending.

In general, lending is not done without some form of collateral. Credit to tenants was no exception. What was somewhat unusual was that loans were made to people with virtually no assets. The most valuable (marketable) asset that tenants possessed was their share of the crop, yet to be harvested. To allow a future crop to serve as collateral, the legislatures of southern states passed crop lien laws in the early postbellum years. A crop lien was a note given to a storekeeper or landlord that gave the holder, in event of default, the right to have the crop of the debtor sold for repayment of the debt. Merchants accepted crop liens and in exchange gave advances. They did not want to extend credit beyond the value of the lien, but the value of the lien depended on luck and how much effort a worker put into the crop. Thus lien holders (merchants) had an incentive to monitor the work effort of those to whom they advanced credit. The value of the lien also depended on a worker's skill, the size and fertility of acreage farmed, and the number of dependents (wife and children) who could help out during peak labor times.

So far I have described the relationship between merchants and debtors as one of mutually beneficial exchange. Without credit, wealthless workers would not have been able to advance from wage worker to tenant. Yet controversy surrounds the role of the merchant. At issue are whether crop lien holders coerced tenants into growing "too much" cotton, charged "extortionate" interest rates, and kept their tenants in perpetual debt.

Contemporaries railed against the practice of merchants insisting on cotton production before accepting a crop lien, and yet on average cotton was the most profitable crop for southerners to grow. If merchants possessed monopoly power, and if cotton was not the most profitable crop, then merchants were not exploiting all profit opportunities. This is because many items in tenants' consumption bundles (for example, tobacco, tea, sugar, and coffee) could not be grown on many farms. Tenants had to purchase these commodities at the country store. To the extent that these goods had a low price elasticity of demand, store owners would want to maximize the income of tenants by having them

produce the profit-maximizing crop mix and then extract the profits by charging monopoly prices on the goods that tenants purchased. Moreover, if merchants coerced sharecroppers into producing a crop mix that did not maximize profits, then merchants were directly cutting into the profits of the landlords who got a share of the output either directly or in the form of the fixed rent (Lebergott 1984, 265). If the crop mix was not optimal for the sharecropper, then it was also not optimal for the landlord.

The notion that landlords could have been so taxed by merchants does not seem plausible. Landlords had considerably more political power and financial resources than did merchants. In any struggle over who would be able to tax whom, landowners would seem to have had the upper hand. Consistent with this view is the fact that landlords in the cotton states were given the first claim to a tenant's crops (Wiener 1978). That is, landlords received rent before merchants could claim payment for advances. Perhaps what angered workers was not the loss of self-sufficiency that came from growing more cotton, for they were never really self-sufficient in foodstuffs, but the loss of choice over their production and marketing decisions (Wright 1986, 113-14).

It is legend that indebted Southern sharecroppers and tenants paid extortionate interest on their debts. How high were interest rates, and did competition put a ceiling on interest rates? Ransom and Sutch (1977) maintain that merchants on average charged 60 percent on an annual basis for credit. Ransom and Sutch estimate their implicit interest rate by calculating the difference in prices between goods purchased on credit and goods purchased for cash and then adjusting the difference to an annual rate. Prices for goods purchased on credit averaged 30 percent more than cash prices. Since credit was extended from May until harvest, the period of the loan was approximately six months. The 30 percent markup for six months converts into an annual rate of 60 percent. However, the 30 percent markup does not necessarily imply that merchants earned 60 percent. Implicit in the 60 percent is that merchants earned 60 percent on their money for the half of the year that tenants did not receive credit (Temin 1979, 62). Temin notes that the total annual return of merchants is a mixture of the 30 percent they received for six months and what they could receive at a financial institution for the remaining six months. Temin suggests that 5 percent was a reasonable short-term market rate and hence suggests that the gross return was closer to 35 percent. From this gross return, bad loans need to be de-

ducted. Some loans were never repaid while other loans were extended, usually at an annual rate of 8 percent (Higgs 1977, 56).

Other evidence suggests that although loan rates were high, they were not a result of monopoly power but rather of risk. For one to have monopoly power, there need to be barriers to entry. There appear to have been few constraints to entry.⁷

No legal constraints precluded entry. The net worth of merchant stores was between \$5000 and \$10,000 (Ransom and Sutch 1977, 138). This relatively small amount suggests that if country stores were extremely profitable, the profits would be competed away. Actually there was considerable entry as indicated earlier. If merchants had monopoly power, then it is implicit that many farmers had no access to a store before the arrival of new entrants (Goldin 1979, 17). Surely most farmers had some outlet from which they purchased goods.

Suppose one acknowledges that merchants had some monopoly power. How large were monopoly profits? Lebergott estimates that monopoly profits from credit ranged between \$8 and \$18 per loan (Lebergott 1984, 264). Lebergott derived his estimates by taking the difference between the interest rate charged by merchants (60 percent) and a justifiable interest rate (15 percent to 28 percent), times the average lien (\$18), times the length of loan (one-half year).⁸ Given that the average income of sharecroppers was \$184, it appears that either merchants were benevolent monopolists or simply did not have much monopoly power (Lebergott 1984, 262).

Distinct from the argument about high interest rates is the allegation that merchants held their tenants in debt peonage. There is a strong and weak variant of the argument. The strong view is that tenants were held in debt perpetually. They could not escape because their income after harvest was not sufficient to pay their advances (Wiener 1988, 979). The weak variant is that most tenants made enough to pay out after the harvest but did not have sufficient wealth to get through the next year without borrowing from the same merchant (Ransom and Sutch, 1977).

The strong variant has a theoretical weakness. Holding someone in perpetual debt is not desirable for a lender because it implies giving away real resources. To understand why, answer the question: Would you be willing to loan me \$1000 if you never expected to get paid back? Of course, if the debt is fictitious, then a lender might gain if the debt reduces the mobility of a valued tenant (Higgs 1977, 58). But if the loan was real, merchants were quite wary of extending too much credit for

fear that tenants would abandon the farm without notice. It seems reasonable to assume that merchants tried to limit credit to an amount they expected tenants would repay. How much credit a tenant could secure depended on his reputation, the state of his current crop, and how many dependents he had to help with the harvest.

Despite the best efforts of merchants in monitoring their debtors, some failed to pay out at the end of the year. Unfortunately there is little systematic evidence on the degree of indebtedness or changes in indebtedness.⁹ The data that exist indicate that for Georgia, indebtedness of farmers to merchants fell between 1883 and 1887: the average indebtedness in 1887 was between 74 percent and 80 percent of the 1883 level (Fishback 1987, 4-5). Perhaps of more interest is what factors determined the changes in indebtedness. Fishback (1989) estimated the impact of various factors on the indebtedness of farmers in one year compared to the previous year. The results are consistent with the view that good farm conditions increase the likelihood of paying out and that increased purchases from merchants increase the likelihood of debt. The results did not support the view that farmers lived in perpetual indebtedness: indebtedness the previous year had little effect on indebtedness in the current year. The view that seems to be emerging is that farmers were in and out of debt depending on the prices and yields of crops, cotton in particular.

Although on average merchants did not hold tenants in perpetual debt peonage, no doubt there were some farmers who were defrauded through fictitious debts and cowed into remaining with the same creditor. But it seems that the crop lien system was simply the vehicle for fraud and not the reason. Ignorance on the part of tenants and uncertain (or an absence of) legal rights provided the underlying basis for fraud.

BLACKS IN AGRICULTURE

We have only to reflect for a moment upon the situation in which these people found themselves when liberated. Consider their ignorance, their poverty, their destitution, and their absolute dependence upon the very class by which they had been held in bondage for centuries, a class whose every sentiment was averse to their freedom, and we shall be prepared to marvel that they have, under the circumstances, done so well. (Frederick Douglass, 1880. Quoted in Higgs [1977, 37].)

Judging the economic condition of blacks in agriculture is a lot like determining whether the glass is half full or half empty. In an absolute sense, poverty abounded throughout the postbellum period (Fite 1984, Chap. 1). Hand-to-mouth existence was the norm for many black farmers, as it was for many white sharecroppers and tenants as well. A farmer's (black or white) wealth position was largely determined by where he stood on the agricultural ladder. Table 9.2 gives the percentage distribution of farm operators by tenure and race. Several comparisons are noteworthy. First, from no ownership in 1865, 20 percent of black farm operators owned the land they tilled by 1880. Relative to whites, black operators were a third as likely to be owners, three times more likely to be fixed renters, and twice as likely to be sharecroppers. Clearly in 1880 blacks tended to be on the lower rungs of the agricultural ladder relative to whites. Between 1880 and 1900 there was an absolute and relative improvement in the farm status of blacks. The percentage of operators represented by black sharecroppers fell while the percentage of fixed-rent tenants and owners increased. Whites did not match the gains by blacks: there was little change in the mix of classifications between 1880 and 1900.

The next ten years, 1900–1910, witnessed a decline in conditions for blacks. The percentage of black share tenants increased while the percentage of fixed renters and owners fell. For whites there was a small decline in status. That by 1900 a quarter of black operators achieved ownership is impressive, particularly in light of the difficulty in accumulating sufficient wealth to purchase land and the discriminatory obstacles faced by blacks. To own land, blacks had to be acceptable to the white community. They had to know their "place" and not be too aggressive.

TABLE 9.2. Percentage Distribution of Southern Farm Operators, 1880–1910

| | 1880 | 1900 | 1910 |
|----------------------------|------|------|------|
| Owners | | | |
| Black | 20 | 25 | 25 |
| White | 66 | 64 | 61 |
| Fixed and Other Renters | | | |
| Black | 26 | 37 | 29 |
| White | 8 | 10 | 10 |
| Share Renters and Croppers | | | |
| Black | 54 | 38 | 46 |
| White | 27 | 26 | 29 |

Sources: The figures for 1880 come from Reid (1979b, 40). The figures for 1900 and 1910 come from Reid (1979a, 286).

Because of rounding the figures may not sum to 100%.

In addition to farm ownership there are other indicators of black progress, in absolute terms and relative to whites. Robert Higgs estimates that for Georgia, black real wealth grew by almost 9 percent per year from 1875 to 1892, stagnated during the remainder of the nineties, and then grew 6 percent per year from 1902 to 1915.¹⁰ Relative to whites, black income per capita grew faster from the Civil War to the depression of the 1890s, slower from 1892 to 1902 and at the same rate or faster from 1902 to 1920.

Changes in mortality also indicate that the standard of living of blacks improved over the postbellum period. Declines in mortality rates in this period most likely resulted from changes in housing and diet because there was little advance in medical science or reduction in the incidence of infectious diseases. In the 1850s the black expectation of life at birth was approximately thirty-one or thirty-two years. Health deteriorated during and immediately following the Civil War. For the later postbellum period recent estimates indicate that life expectancy increased, reaching forty to forty-two years by the mid-1890s.

Despite the absolute and relative gains in income over the postbellum period, black income remained considerably below white income. We do not have estimates for the rural South, but for the United States as a whole black income relative to white stood at about 35 percent in 1900.

What factors can account for large differences in income between the blacks and whites? There is little evidence that blacks and whites received different agricultural wages or tenancy terms (Wright 1986, 96; Higgs 1977, 54, 65). However, it is clear that humanitarian concerns did not prompt the payment of equal wages. Consider the statement of Colonel Samuel Thomas in 1865.

[T]hey [the Southern whites] are yet unable to conceive of the negro as possessing any rights at all. Men who are honorable in their dealings with their white neighbors will cheat a negro without feeling a single twinge of their honor. To kill a negro they do not deem murder; to debauch a negro woman they do not think fornication; to take the property away from a negro they do not consider robbery. The people boast that when they get freedmen affairs in their own hands, to use their own classic expression, "the niggers will catch hell." The reason for all this is simple and manifest. The whites esteem the blacks their property by natural right, and however much they may admit that the individual relations of masters

and slaves have been destroyed by the war and by the President's emancipation proclamation, they still have an ingrained feeling that the blacks at large belong to the whites at large, and whenever opportunity serves they treat the colored people just as their profit, caprice, or passion may dictate. (Quoted in Higgs 1977, 9).

Attitudes probably changed little by the turn of the century. Despite a taste for discrimination, it appears as if a taste for greed was stronger. Competition among landlords bid up wages for blacks. Landlords tried to form cartels to prevent competition, but evidence suggests that the cartels were not effective. The repeated proposals throughout the postbellum period for cooperation would not have been necessary had cooperation existed.

Part of the difference in income can be explained by differences in initial conditions. For blacks to have attained income equality with whites by World War I, black income per capita needed to increase almost elevenfold (Higgs 1977, 126). It is important to keep in mind that white incomes were also growing over the period.

Another reason why white incomes exceeded black incomes stems from the role of property (DeCanio 1979, 1984). At the national level property generated about a third of national income in the late nineteenth century. At emancipation blacks had virtually no property so they could not close the income gap until differences in property income were eliminated. As we can see in Table 2, by 1900 blacks in southern agriculture had begun to accumulate property but these figures understate the white/black difference in ownership. Blacks owned smaller and less fertile farms than whites. For example, in a sample of Georgia counties in 1902 the average acreage of white proprietorships was 264.8 acres compared to 64.3 acres for black proprietorships (Wright 1986, 105).

No doubt the lack of initial property ownership is important in accounting for income differences, but so too are the discriminatory forces faced by blacks in the postbellum South. It was noted earlier that blacks and whites tended to receive comparable wages for the same work, but they often did not have access to the same work. Blacks in the postbellum South were overwhelmingly in agriculture. Gavin Wright (1986) argues that the lack of blacks in the textile industry was not the result of outright discrimination but rather was a historical legacy: in the postbellum period whites were employed first in textiles. To the extent that whites passed on skills to their children, blacks could only be em-

ployed in textiles if they were willing to work for less than whites. But blacks had no incentive to work for less than whites because the going wage in textile mills was set by the agricultural wage.

With respect to other occupations there is some evidence of exclusion. Craft unions in the South and particularly in the North did not encourage black membership (Higgs 1977, 85–86). Of course any occupations in which blacks would oversee whites were out of the question. Some jobs were simply “white man’s” jobs.

Blacks had considerable reason to pursue an agricultural career given the socio-legal conditions. Educational expenditures were grossly unequal beginning with emancipation and worsening over time as blacks lost political power after 1890 (Margo 1982, 11). Gavin Wright suggests that low expenditures on education for blacks and whites was a result of decision makers’ (rural planters and mill owners) inability to capture the returns from education. Planters and mill owners feared that education would prompt migration and thereby raise labor costs. In 1910 per pupil southern expenditures as a percent of the U.S. average ranged from 24 percent in South Carolina to 65 percent in Texas (Wright 1986, 80). Considering that within the South per pupil expenditures on whites were as great as five times the expenditures on blacks, the amount of education for blacks was pitiful indeed (Margo 1985, Table I.1).¹¹

Perhaps more than anything else, uncertainty over property rights reduced the opportunity for blacks to acquire skills and possessions. Blacks feared reprisals should they transgress the norms of race etiquette, one of which was never appearing uppity. Given the savagery with which whites loosed their wrath on blacks—namely, beatings, lynchings, rapes—the fear of white reprisal was well warranted.

Since the southern legal authorities allowed and at times participated in crimes against blacks, blacks had every incentive to seek for themselves a powerful patron, one who could protect them from hostilities. White plantation owners fulfilled the role of “protector” (Alston and Ferrie 1989). In return for protection, blacks had to perform as “good and faithful labor.” Good and faithful meant working hard over several years. Plantation owners, through their political power, fostered an intimidating, discriminatory state and then gave protection to increase work intensity and reduce labor turnover. Protection took other forms as well, including old-age assistance and medical care. Poorer whites also entered into “paternalistic” relationships, but in general they had a

lower demand for protection than blacks. The feedback effect on blacks of a discriminatory legal and judicial system was to adopt a risk-averse strategy: stay in agriculture and manage as best one could.

WHY THE SOUTH LAGGED BEHIND

Available evidence indicates that real wages for unskilled farm labor were greater in the North than the South dating back to 1866. Moreover, the difference increased over time. A comparison between Mississippi (a high-wage southern state) with Ohio (a low-wage northern state) reveals that the absolute difference in wages was about \$0.10 a day in 1865, \$0.20 in 1880, \$0.50 in 1902, and \$0.80 in 1914 (Wright 1986, 66). These differences are significant because absolute real wages per day in Mississippi ranged from \$0.70 to \$1.20 between the Civil War and World War I (Wright 1986, 66). Thus the cost of staying in the South increased over the postbellum period. Was southern agricultural labor bound? It would appear not, given the considerable migration within the South. Labor moved from the low-wage Southeast to the high-wage Southwest in large numbers throughout the postbellum period. What then prevented labor from moving North?

Limited localized knowledge about seeds, crops, and climate is one part of the answer. People tend to feel physically and psychologically comfortable in a similar climate. Agricultural skills and knowledge that are well suited to one region may be useless in another. Moreover, a move from the South to the North most likely meant abandoning agriculture for an urban job. Since migration flows North never really got started in the antebellum period, this further stunted postbellum migration because a prime source of information about jobs is letters from former migrants whom one trusts.

The southern labor market could have remained separate but equal.¹² Instead of labor flowing out to equalize wages, capital could have flowed in to utilize cheap labor, eventually equalizing wage rates. This did not happen in the South. Some capital did flow in, but southern industry never really took off because northern capitalists brought with them northern technology unsuited to the resource endowments of the South (Wright 1986). The South needed its own technology. But for technology one needs education, and the South invested few resources in

education. The South as a whole might have benefitted from increased educational expenditures, but the rural elite who controlled the purse strings worried about the impact of education on labor costs.

As a result of racism, low educational expenditures, inappropriate technology, and little out-migration, the South at the end of the postbellum period remained an isolated low-wage region within the U.S. economy.

At the turn of the twentieth century more than a million black and white southern farmers were mired in what seemed to be inescapable poverty. These farm families lived out their lives in a hand-to-mouth existence. Their homes, their diets, their clothes, and their meager expenditures for items other than food, fuel, and shelter all testified to perpetual hard times. Hundreds of thousands of farmers were unable to accumulate enough capital to own a farm, to earn sufficient money to provide a decent house and furnishings, or to buy the amenities that might make life a little more pleasant. In an economy where money was essential to acquire the industrial products being turned out by the nation's expanding factories, poor southern farmers were left in the economic and social backwash. Although both white and black farm families developed institutions that met some of their social and cultural needs, life was too often dull and monotonous. (Fite 1984, 47).

Life was not dull and monotonous for everyone. One suspects that the life of plantation families could be quite jolly indeed. The high life of the rural elite was made possible by the impoverished conditions elsewhere. If the proximate causes of southern poverty were low education, racism, and little out-migration, the root of southern poverty was most likely the political power of the rural elite. The connections between the economic incentive of the southern elite to maintain a dependent low-wage labor force and the ways in which they accomplished their goal is a relatively unexplored area of research.

What was the incentive of the rural elite to maintain a dependent low-wage labor force? By a dependent low-wage labor force I mean the bottom half of the paternalistic relationship already described between landlord and tenant.

Landlords offered to compensate workers with paternalism to increase work intensity, reduce mobility, and instill in workers a longer time horizon (Alston and Ferrie 1989). Southern agriculture in postbellum times is typified by high supervision costs of labor because southern landlords, unlike their northern counterparts, had a large work force

spread over vast acreages. By giving their workers paternalistic goods that could be seen as goodwill gestures, landlords might legitimate their position in the social hierarchy and also might cause workers to feel grateful and work harder. Perhaps more importantly, paternalism would increase the cost to workers of being detected shirking by raising the cost of losing their jobs. Paternalism was not something a worker could readily replicate with another employer or purchase in the market. It was something that employers gave only to their "good and faithful" laborers. Thus it not only increased work effort but also reduced job mobility. This was important to landlords because before advances in science the only way to ascertain and control soil fertility was through learning by doing. The learning by doing was embedded in tenants who had farmed the same plot over a number of years. Paternalism also represents a commitment on both sides to a long-term relationship. The advantage to employers is that workers under a paternalistic relationship have an incentive to labor in the long-run interests of the landlord: rather than maximizing short-run yields they would maximize the present value of the stream of yields over the expected relationship. This was accomplished by the appropriate application of fertilizers and maintaining capital assets such as ditches and fences.

The above rationale for the provision of paternalism helps us to explain why, in general, tenants and sharecroppers were recipients of paternalism while wage workers were not. To a certain extent direct supervision, contract mix, and paternalism are substitute means for encouraging work effort. Wage workers are directly supervised to increase work effort, and the provision of paternalism may not further increase work effort to warrant its costs. Sharecroppers are less frequently supervised, and paternalism functions to increase work effort and reduce turnover. Tenants on plantations are the most likely to receive paternalism, which reduces the incentive to change employers. The provision of paternalism rested on the ability of landlords to provide goods that markets or governments did not supply, and the landlords maintained a monopoly on this ability through their disproportionate political power. Before examining the results of the political power of the plantation elite, I will attempt to assess the importance of plantations in southern agriculture.

Plantations dominated the production of cotton in the antebellum years. In the postbellum years it is difficult to determine the importance of plantations because the census did not enumerate farms according to

ownership or management but only by operator. That is, the census considered all sharecroppers as farmers operating a farm even though the farm was part of a large management ownership unit. If what one means by a plantation is that a large tract of land was worked with gang labor, then it is correct to say that plantation-style agriculture died out after the Civil War. But if one is interested in large ownership units that employed large work forces under central management, then it is a mistake to suppose plantations were unimportant in the postbellum period. A recent case study of the Natchez district in Mississippi indicates that antebellum plantation owners were able to hold on to their land in the postbellum period (Wayne 1983). Land was neither confiscated by the victorious North nor seized by creditors for payment of debts. In some instances to avoid seizure landowners transferred land titles to their unencumbered spouses.

How representative was the Natchez district? My guess is that Natchez was not atypical, and in postbellum times plantations continued to dominate rural agriculture in some areas of the South. Plantations declined in relative importance over the postbellum period because of the increased production for market by upcountry farmers. Nevertheless, in absolute terms, at the end of the postbellum period plantations were important enough for the Census Bureau in 1910 to undertake a special survey of their prevalence in the South. The Census defined a plantation as "a contiguous tract of land of considerable area under the general supervision or control of a single individual or firm, all or part of such tract being divided into at least five smaller tracts which are leased out to tenants" (U.S. Bureau of the Census 1916, quoted in Whatley [1987]). The Census never published the county data but presented a map showing 325 plantation counties. The plantation belt, typified by fertile soil and a large black population, ran in an arc from Texas to Virginia and represented more than 30 percent of improved acreage in Alabama, Arkansas, Georgia, Louisiana, Mississippi, and South Carolina (Whatley 1987, 54). In the fertile Mississippi Delta plantations dominated cotton cultivation.

For our purposes the point is not simply that plantations survived and thrived as agricultural production units but that the plantation owners and their allies (bankers and merchants) dominated political decisions (Harvard 1972, 9-10). The disfranchisement of blacks and legal segregation can be viewed as the political means of maintaining a cheap and reliable labor force. Similarly, the low levels of educational expendi-

tures reduced the likelihood of rural out-migration and contributed to the impoverishment of rural areas, which again enhanced the paternalistic arrangements of the planters.

The political power of the rural elite operated at all levels of government—local, state, and federal. After Reconstruction local and state governments maintained a policy platform of relatively low expenditures on education, welfare, and old-age assistance. At the national level, in the 1930s and 1940s when social legislation was proposed that would have affected the labor costs of the rural elite, southerner legislators moved quickly to exempt farm labor from the provisions of the legislation (Alston and Ferrie 1985). Examples include social security legislation and minimum wages. Rather than market arrangements, such as sharecropping and crop liens, causing the South to lag behind the rest of the country, it appears as if the culprit was the political power of the rural Southern elite.

NOTES

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1. For maps depicting the increase in cotton production, see U.S. Department of Agriculture (1918, 17).

2. Nanny May Tilley (1948) gives the authoritative account of the tobacco industry in North Carolina. For a recent study focusing on the economic and social relations in an old tobacco region see Shifflett (1984). Anyone searching for a topic in southern history is advised to analyze the labor and capital relations in tobacco cultivation.

3. The following account draws heavily on Alston and Higgs (1982).

4. Lebergott (1984, 249) maintains that the Southern production of cotton following emancipation declined far less than sugar production following emancipation in two British sugar colonies.

5. In the South a large shift into wage contracts occurred during the Great Depression.

6. Perhaps the most dramatic change in enforcement and supervision costs came with the adoption of the tractor and cotton picker in the twentieth century. The tractor standardized the marginal productivity of labor. That is, it controlled the quality of plowing and thereby reduced the need to monitor labor (Alston 1981). The cotton picker reduced the need for downstream harvest labor and enabled planters to use more wage contracts (Whatley 1985, 1987).

Gavin Wright (1986) explains contract form largely through sorting: young, unmarried workers sought wage contracts in a large geographic area whereas married workers sought more permanent employment as sharecroppers and tenants. The need to secure credit through one's reputation limited widespread geographic mobility for married workers. Wright's interpretation is consistent with the explanation presented here but can-

not account for differences in contractual mix across demographically similar places or times.

7. For an alternative view, see Ransom and Sutch (1979) who argue that social constraints precluded entry.

8. The lower band of 15% was taken from Ransom and Sutch (1977) who specified 15 percent as justifiable. Lebergott considered 28 percent, which was the rate rural banks charged white farmers, as a "low upper bound" (Lebergott 1984, 265).

9. Ideally we would like evidence on indebtedness and turnover. Even if a tenant was in debt to one merchant of the landlord, another merchant or landlord might be willing to pay the debt to acquire the labor services of the tenant.

10. The following paragraphs on health and wealth of blacks are based on data found in Higgs (forthcoming).

11. Robert Margo (1986) using data from 1930 to 1940 argues that even if school inputs had been equal for blacks and whites, educational achievement of blacks would have lagged behind whites because of relatively low black incomes and wealth and a high rate of illiteracy.

12. The separateness of southern labor markets is the unifying theme in Wright (1986).

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