The Transformation of the South and the Growth of the American Welfare State

- Until circa 1960 The South was dominated by agriculture, both economically in terms of employment and politically
  - Very low-wage
  - Low per capita income
  - Very low education compared to the North
  - Effectively only one political party
African Americans were:

- Rural Southerners (90% in 1920 in the South)
- Predominantly in agriculture
- Very poor (1940 black men earned 43% of white men)
- Legally discriminated against
- Very low education rates and low expenditures for schools
Paternalistic labor relations on large plantations

- **Paternalism**: an implicit contract between landlords and agricultural workers; workers exchange “good and faithful” labor for a variety of in-kind goods and services, most notably protection from civil rights abuses.
Demand and Supply of Paternalism:

- **Supply by landlords:**
  - Pre-mechanized labor intensive agriculture has high monitoring costs
  - Planter can induce greater work effort and reduce turnover by offering goods and services that are difficult if not impossible to procure in the market.
  - Efficiency wage argument: a compensation package greater than your opportunity compensation package.

- **Demand by workers based on:**
  - Social control in the South: discriminatory laws and practices, e.g. disfranchisement and tolerance of violence.
  - Absence of Federal Welfare Programs: a potential substitute for some of the services of planters.
Rise of Paternalism

- **Following the Civil War:**
  - turnover and work intensity a major problem for planters as a result of decline in the labor force, in particular female labor force participation rates fell

- **After Reconstruction:**
  1) social control evolved - paternalism became more valuable to workers as South became "an armed camp for intimidating black folk" (W.E.B. DuBois).
  2) federal government "agreed" not to interfere in race or labor relations in the South.
Life of Paternalism

- Rested on the ability of Southern Congressmen to maintain social control in the South and prevent outside interference in race and labor relations. Such ability arose from:
  - 1) One party system. This resulted in disproportionate seniority of Southern Congressmen which in turn allowed Southern politicians to occupy nodes of power in Congress, in particular chairs of committees. "Agenda control" gave Southerners veto power and the ability to shape bills to their preferences.
  - Chairs of Committee: set meeting times, made appointments to sub-committees, hired staff, lead debate on the floor, and reconciled differences between house and Senate.
2) Pivotal ideological position within the Democratic Party: on labor and race relations Southerners were conservative faction and aligned themselves with Republicans but on other issues they were populist.
Evidence of Maintenance of Social control:

- Within the South little or no change in welfare policy, civil rights or voting rights until the 1960s
Evidence of Southern Political Power at the National Level:

- 1. Agricultural workers excluded from Social Security Act and Fair Labor Standards Act
- 2. Cut appropriations of Farm Security Administration when agenda turned to reform in the late 1930s
Death of Paternalism - circa 1960

- Economic incentive to supply paternalism fell with the mechanization of cotton - 1960 only 50% of cotton crop mechanized.

**Mechanization:**
- Displaced workers reduced monitoring costs
- Technology reduces monitoring costs

**Quantitative Evidence:**
- Paternalism and sharecropping went hand in hand.
- Both used to reduce monitoring costs. Sharecroppers virtually disappeared between 1950 and 1970.
Political Ability of Southerners Declined

- Southerners could no longer prevent the expansion of the welfare state and interference in "social control"
- Evidence: Not consistent with Southerners losing political power. They did not lose senior positions on committees.
### Seniority of Southern Democratic Congressmen 1947-1970

#### House Committees

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## Senate Committees

### Years Chaired by Southern Democrat  
### Avg # of 5 most Senior Seats

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With Paternalism Obsolete: Southerners allowed the welfare state to expand

- **Examples:**
  1. Economic Opportunity Act - first legislation to encourage migration out of the South; retained state control; considerable Southern support.
  2. Termination of "Bracero" Program - 1964
  3. Food Stamp Program
  4. Began to welcome outside capital - became a low corporate income tax region
  5. Outmigration - 1920 90% of blacks in the South (overwhelmingly rural), 1970 52% in the South (North urban had larger numbers than South rural)
  6. Southern Schools improved and wage gap largely disappeared in real dollars
Industry in the South

Pre-1930 Southern industry was:
- 1) very low-wage and mostly white employees
- 2) natural resource and labor intensive (little capital and low technology)

The New Deal blocked the ‘low-wage growth path’ – ‘high’ wages imposed by the FLSA

Examples: Cotton textiles, lumber – the minimum wage was greater than the market wage
- Cotton textiles went overseas (China and Japan) where labor was far cheaper
- Lumber went to the higher-wage but more resource rich western states
- 1940s-1970s growth of light manufacturing – some skills required, labor still cheaper than the North or West
- 1980s Heavier manufacturing (automobiles) – based on labor flexibility (lower wages, weaker unions, more flexible work rules and low taxes)