COMMENT

Reflections on One Kind of Freedom and the Southern Economy

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One Kind of Freedom is a landmark work in American economic history, a pioneering application of economic concepts and quantitative methods to a subject of enduring significance to our field: “The Economic Consequences of Emancipation.” As Roger Ransom and Richard Sutch acknowledge, the book was a product of its times in many ways, not only in the limitations of its computational methods but also in the selection of issues around which the book was structured. The Lehigh “Reconsideration” Conference has offered a timely opportunity to take stock, to “question the questions” as they were perceived in that era. Subsequent scholarship has clarified many important matters. But in my view we have barely scratched the surface on the paramount question: What was the relationship between the South’s oppressive racial regime and the painfully slow pace of postbellum regional economic development?

A BRIEF REVIEW

In One Kind of Freedom, Ransom and Sutch did address this relationship, but it was not their primary concern. The book lays out a microeconomic analysis of postwar labor relations, in which the driving force is the voluntary withdrawal black labor supply that accompanied emancipation: “The decline in per capita output, the decline in land values and mule prices, the reduction of acreage planted in crops, and the decline in work stock employed in agriculture are all seen as a consequence of the change in labor supply” (p. 51). Subsequent chapters go on to describe and interpret the demise of the centralized plantation as an organizational structure, and its replacement by sharecropping (Chaps. 4 and 5). This partial triumph for family-farm autonomy is then shown to be transitory, owing to the emergence of new forms of financial exploitation and control, through “the merchants’ territorial monopoly” (Chaps. 6 and 7). The culmination to these trends was “the trap of debt peonage” (Chap. 8), in which
high interest rates implicit in the “credit price” of corn and other supplies led to a decline in food production and persistent overproduction of cotton by small tenant farmers “locked in” to this system.

Thus, by the book’s concluding chapter on “the roots of southern poverty,” the reader is prepared to view these institutions as pathological from an economic as well as a racial perspective, and the adverse implications for regional development are drawn with a minimum of supplementary analysis (Chap. 9). Exorbitant rates of interest discouraged capital formation and innovation; pressures to expand cotton acreage exacerbated dependence on cotton, leaving the region vulnerable to fluctuations in world demand; short time horizons led to excessive reliance on commercial fertilizer, with detrimental long-term consequences for the soil. Compounding these problems of credit, prevailing white racism aggravated the incidence of economic suffering and denied blacks access to education as a means of escape (pp. 177–179).

To be sure, many of the elements in the Ransom–Sutch scenario came in for debate. Critics have questioned whether merchants possessed true monopoly power in credit markets, whether merchants controlled planting decisions, or would have done so in a detrimental manner, and whether cotton was “overproduced” in a meaningful sense.¹ Some of these debates had substance, while others were largely matters of preference in semantics and analytical style. One may hope that the profession is now less prone to such inconclusive wrangling than we were in the 1970s. In Debraj Ray’s 1998 textbook in development economics, for example, the list of characteristic features of rural credit markets would be familiar to students of the postbellum South. In addition to high interest rates, Ray lists informational constraints, segmentation, interlinkage (among credit, land, and labor arrangements), credit rationing, and exclusivity as standard properties of credit relationships in poor rural areas. When it comes to explaining these patterns, Ray rejects the simple monopoly power thesis in favor of a complex blend of informational asymmetries, correlated risks, strategic default, and enforcement costs.² My point is not to suggest that the microeconomic issues coming out of One Kind of Freedom are now well understood by development economists. It is to express the hope that future research will place the postbellum South within the broader comparative experience of rural credit relationships, deploying the much richer array of models and conceptualizations that are now available.

Sometimes, of course, semantic issues are important, especially when economists interact with the community of historians. In this connection, one may

¹ These debates may be reviewed in Walton and Shepherd (1981), a collection of articles from special issues of Explorations in Economic History 16 (Jan. and April, 1979).
² This list of analytical components is not meant to imply that the Ransom–Sutch monopoly power thesis is incorrect. Indeed, exclusivity is one of the items on the list, suggesting that elements of monopoly do indeed enter the picture in a basic way. In Ray’s scheme, however, exclusivity is an endogenous property of the system, not its predetermined causal force.
question the wisdom of Ransom and Sutch's use of the term “debt peonage” to refer to a situation of chronic seasonal borrowing on the part of poor impoverished farmers (Chap. 8). The Ransom–Sutch concept is carefully defined, especially for those willing and able to read the technical details. But the more general reader is apt to confuse the seasonal phenomenon with what Fishback (1989) calls “post-harvest” debt peonage, which was far less frequent in the postbellum South. Still more serious would be a confusion between chronic high-cost indebtedness and true legal peonage, in which the laborer was physically restrained from leaving even at the end of the growing season. Historians sometimes imply that legal or quasi-legal debt peonage was a common feature of postbellum Southern agriculture, but virtually all explicit empirical studies confirm that annual turnover and mobility rates were high among southern tenants and sharecroppers of both races (e.g., Pritchett, 1987; Wright, 1987).³ Notwithstanding the desirability of placing the postbellum setting in a comparative context, we should guard against the risk that our choice of terminology may suggest inappropriate parallels between southern institutions and historical cases of outright (and less analytically challenging) immobility and forced labor.

AGGREGATING FROM FARM TO REGION

For the most part, however, these analytical clarifications are not particularly helpful in explaining the linkage between micro level imperfections and regional economic performance. One can accept the premise that a rapacious class of merchants and merchant/landlords tried to enrich themselves at the expense of vulnerable, impoverished farmers. But would they choose to impoverish themselves in the process? Without doubt, interest charges upward of 40 and 50% would discourage long-term investments on the part of poor tenant farmers. But were these also the implicit planning rates governing investment and allocation decisions by wealthy landowners? Evidently the Ransom–Sutch interpretation is that the transactions and enforcement requirements of the system were so severe that they precluded rational adjustments even by the powerful actors at the top. They write, “It was as if the South, exhausted by the effort to rebuild its economic institutions, had placed a moratorium on further development” (p. 171). Perhaps so, but the implied corollary is an institutional failure on a scale high enough to justify explicit attention.

A second aggregation problem is going from race to region. Writers from Gunnar Myrdal (1944) to Robert Higgs (1978) have suggested that one major reason for historical black poverty is that blacks had the bad fortune to live and work in one of the most backward regions of the country.⁴ In contrast, Ransom

³ My impression is that this fact is now acknowledged by historians of southern agriculture. See Daniel (1979) and Cohen (1991). High annual turnover among tenants and sharecroppers is by no means a reason to dismiss the important issues related to legal peonage and convict labor in the South. On these, see Daniel (1972), Cohen (1991), Lichtenstein (1996), and Mancini (1996).

⁴ Myrdal wrote, “Why is such an extraordinarily large proportion of the Negro people so poor? The
and Sutch take a clear position on the other side, arguing that “the system [of racial repression] tended to cripple all economic growth. It caught up whites in its trap, stifled their initiative, and curtailed their economic progress” (p. 186). But how exactly did this transmission mechanism work? Although *One Kind of Freedom* devotes considerable space to documenting racial discrimination in employment, education, and land markets, race *per se* does not have an integral place in the analysis of credit markets that forms the distinctive core of the book’s contribution. As the authors write, “it is more appropriate to think of racism as shaping the context within which the adjustments were worked out than as motivating the changes themselves . . . . The reorganization of southern financial institutions can be described almost without reference to the issue of race; yet probably no institutional change proved more detrimental to black progress than the rise of the rural merchant banker” (p. 105).

These weak linkages in the argument call attention to some limitations on the subject matter under discussion, imposed by the way Ransom and Sutch conceptualized the issues. First, because they committed themselves to “the demise of the plantation” in Chapter 4, they could not very well appeal to distinctive features of plantation agriculture as the locus of institutional failure in the South. Yet many observers, both before and after *One Kind of Freedom*, have pointed to deep long-term continuities in the large landholding units of the deep South—not just in the ownership of land, which Ransom and Sutch do acknowledge, but in the element of centralized management of the plantation as an organization (U.S. Bureau of the Census, 1916; Prunty, 1955; Virts, 1987). A closely related observation is that the areas dominated by plantations form a distinctive subregion within the South, differentiated in its racial demographics, its economic geography, and its politics (Mandle, 1978; Weiman, 1995). Ransom and Sutch devoted considerable attention to geographic clustering in designing their sample selection criteria, but plantation-belt divergence was not directly addressed in their analysis, neither for confirmation or refutation. Ironically, the rural merchant-credit problems which they place center stage are more closely linked to the plight of poor white farmers than of plantation sharecroppers; yet they are advanced in the book as central to understanding the historical plight of African Americans.

The plantation and the plantation belt might have been unavoidable subjects, were it not for two additional self-imposed limitations on the text. Following
what was then common practice in cliometrics, Ransom and Sutch devoted little attention to southern politics, concentrating more or less exclusively on market processes after the withdrawal of federal Reconstruction efforts in the 1870s. Thus, the potential role of such movements as the Farmers’ Alliance and Populism in ameliorating credit conditions was not considered. A closely related limitation was chronological. Aware that the turn of the century marked a distinct historical turning point in many respects, Ransom and Sutch restricted their analysis to 1870–1900. Possibly it was the desire to bring their story to an interim endpoint that led the authors to place exaggerated emphasis on the transforming implications of the boll weevil: “It required a shock nearly equal to emancipation to jolt the agrarian South out of the routine it had followed for the four post-emancipation decades. That shock was the coming of the boll weevil . . . the boll weevil heralded the end of the era the Civil War had introduced” (pp. 171–172, 174).

My recollections are somewhat hazy, but I believe that p. 122 of Old South, New South was drafted primarily to refute this thesis. Citing the work of Douglas Helms, Robert Higgs, and Kent Osband, I noted that the cotton South as a whole did not suffer as a result of boll weevil infestation and that “the attraction of cotton profits led to a mobilization of responses and adaptations, so that the decline in cotton acreage and production was transitory in most places . . . . What it did not do was to trigger a major diversification of southern agriculture into industry and other pursuits” (p. 122). The pace of the Southern economy continued to be heavily influenced by the state of world cotton demand well into the 20th century.

POLITICS, ECONOMICS, AND RACE AFTER 1900

The boll weevil, however, is not the main point here. Unquestionably, the South after 1900 was a different place, economically as well as politically. My analysis placed primary emphasis on the revival of world cotton demand, which did indeed shake the region out of the extreme doldrums of the 1890s. But political historians emphasize the counterrevolution that took place between 1890 and 1910, during which time the disfranchisement of black voters became complete, new harsh forms of legal segregation were instituted, and the standards of black schools were set back for a full generation of students. Ransom and Sutch noted many of these developments in their concluding chapter, and it would be unreasonable to criticize them for not venturing into this new and different historical terrain. To trace the full implications for the South and for African Americans would have required another research project and a second book at least as long as the first. The only reason for raising the matter here is that a longer time horizon prompts some questions about the interpretive emphasis of One Kind of Freedom.

In the immediate postwar environment, the institutions of production and marketing were so disrupted that one may understand the rise of sharecropping
and the crop lien as part of a desperate effort to conserve scarce credit by all parties involved. Generalized regional credit scarcity is central to the Ransom–Sutch scenario, and even more so in the account of Gerald Jaynes (1986). In the context of falling prices, disrupted credit, and mutual suspicion between freedmen and planters, the pressures toward credit-saving share arrangements seem clear. What is less clear is why these temporary conditions should have “made payment by a share of the crop a permanent institution” (Jaynes, 1986, p. 156). True, the South continued to suffer from “financial underdevelopment” for an extended time (James, 1981). But when we come into the first decade of the 20th century, prosperity returned to the cotton markets, and many of the restraints on the diffusion of banking services were liberalized. Yet giant corporate cotton plantations like the Delta & Pine Land Company of Scott, Mississippi, which hired workers by the thousands and certainly had access to national capital markets on favorable terms, still practiced sharecropping (Woodman, 1982, pp. 219–222). Surely this institutional persistence calls for a fuller explanation, beyond the routine invocation of historical path-dependence and Southern institutional fatigue.

Changes in cotton markets certainly did shake up many parts of the South after 1900, but that historical turning point by no means constituted a new burst of freedom and prosperity for the majority of African Americans. Disfranchisement, segregation, and impoverished education marked a major economic setback for blacks in the South, calling into question the simple extrapolation from regional backwardness to black poverty. Nowhere were these trends more visible or more severe than in the plantation belt. It seems that this region settled into a kind of institutional and political equilibrium, in which racism and racial segregation played increasingly central roles. Plantation owners constituted a powerful political class, whose economic interests were served by the perpetuation of black poverty and isolation, and who therefore had no reason to object to the systems of racial segregation and white privilege that became entrenched in urban and industrial areas after 1900. In its implications for African-American progress, the dominance of the planter class in the black belt makes the credit-price chiseling of rural merchants look like a friendly game of horseshoes at a Sunday school picnic.

The invocation of class power is not intended to return the matter to crude conceptions of unrestrained exploitation. But as future studies take advantage of new electronic tools to pursue microeconomic relationships in far greater detail than was previously possible, it will still be important to reach for a larger understanding of how political, economic, and racial elements fit together in the South. Planters were by no means all-powerful. They might have controlled state governments, but state governments could not control international markets, and even their powers over banking and credit were by that time severely circum-

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5 The disruption to credit markets in one Louisiana parish, aggravated by the destruction of slave asset values, is vividly described by Kilbourne (1995, Chaps. 4–6).
scribed. Perhaps most importantly, southern state governments did not have the power to establish and administer large-scale immigration programs, such as the contract labor systems that replaced slavery in many other postemancipation cases (Engerman, 1984). Black-belt planters did not possess a thorough-going control of the regional economy and its future, only an implicit veto over interference with the plantation labor supply and with the racial order that kept it in place.6

The veto power was real, however, and its implications for the race issue can scarcely be exaggerated. This is not to deny the potency of racism as a factor with its own force, only to suggest that the character of U.S. racism as it came to be known in the 20th century could not have been unaffected by the economic structures and incentives of the plantation South. In the debate over the continuity of the planter class from antebellum to postbellum times, this key point has been underappreciated: emancipation served to increase the relative power of black-belt planters, by changing the basis for political representation and by redirecting taxes from slaves onto land. Though they could no longer prohibit the movement of black labor, large-scale planters took a far more intense interest in local and state political issues than they had as slave owners (Wright, 1986, Chap. 2). This shift offers a material base for the proposition advanced by James Oakes (1986), that the crystallization of the planters as a politically self-conscious class was more advanced in the 20th century than it ever had been in the 19th. It should not be conceptually difficult to identify this occurrence as a simultaneous cause of both black poverty and regional underdevelopment.

REFERENCES


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6 The disproportionate influence of Southern planters in state and national politics is emphasized by Alston and Ferrie (1999).


