

# Southern Economic History Project

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I

THE RISE OF SHARECROPPING  
IN THE AMERICAN SOUTH—  
1865-1900

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SOUTHERN ECONOMIC HISTORY PROJECT

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The Rise of Sharecropping in the American South--1865-1900

A Preliminary Report\*

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As the immediate effects of the physical damage and the interruption of markets from the Civil War gradually subsided, two major problems emerged to confront the Southern economy in its attempt at recovery. The solutions which developed to meet these difficulties were to determine in large part the course of economic development of the South for the next 40 years.

1. *The question of organizing the labor force.* Lincoln's Emancipation Proclamation had freed the slaves. About four million Negroes--most of them in the agricultural work force--had to be integrated into a new system of agricultural production when it became apparent that the traditional approaches to agricultural organization would not work satisfactorily in the environment of the post-bellum South.

2. *The collapse of credit following the War.* Some means had to be found to finance production--especially in agriculture. The planter class had been the mainstay of the credit arrangements of the ante-bellum South, but they were impoverished by the War. Few banks had survived the fall of the Confederate Government, and the more stringent requirements of the National Banking Act made the development of new banks more difficult.

The solutions which Southerners found for these problems emerged simultaneously, and the interaction between the two provides the core of our analytical framework. The collapse of credit was a major factor in

the decision to adopt sharecropping in agriculture. As this spread, the nature of the *demand for credit* in Southern agriculture changed drastically as the old plantation gave way to the small sharecropper. To meet the demand for credit from the small farmer a new type of financial intermediary appeared--the merchant banker. With the disappearance of the demand for large commercial banks to finance production, the small and less efficient merchant banker became the cornerstone of the Southern banking system. The resulting high cost of capital in Southern agriculture limited the attempts by farmers to increase their productivity through investment.

This interaction operated in a context of a third major issue in the Reconstruction period, racial attitudes. The major impact of the racist attitudes of the white population was to reinforce certain immobilities which might otherwise have been overcome. They closed off options--such as Negro ownership of land--which might have permitted a more efficient solution to have evolved in the long run.

## I

Under slavery the factors of production had been efficiently--if not humanely--blended through the planter's entrepreneurial talents in utilizing land, labor, and capital on the plantation.<sup>1</sup> In addition, the Southern planter was the center of a rather effective method of commercial

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<sup>1</sup>For a summary of the literature regarding the efficiency of the ante-bellum cotton production, see Engerman [10].

financing. His credit was supported by the large holdings of land, slaves, and other assets which gave him access to the highly developed commercial markets of Southern cotton centers like New Orleans, Charleston, Mobile, and Savannah. The system worked well, but it was destroyed by the War. After 1865 a new method of farm organization and new sources of credit had to be developed.

The immediate problem was how to employ the newly freed Negro. Clearly he had to remain in Southern agriculture, for other areas of the economy could provide only limited alternatives. In particular, Southern manufacturing would be of little assistance in creating jobs. Table 1 illustrates the problem facing five major cotton producing states. With a Negro population of 2.1 million in 1860, there were only 65,000 hired workers in manufacturing. Ten years later the situation was hardly better; with 2.2 million Negroes in these states manufacturing employment was only 70,200 and this overstates the true level of manufacturing employment by some 14,000 nonmanufacturing jobs included in the census data. Only in Louisiana were jobs in manufacturing even a remote possibility for nonagricultural employment. The first date for which careful estimates of the labor force have been constructed is 1880. They show that the manufacturing sector rarely employed more than 3.5 percent of the labor force in southern states.<sup>2</sup> Clearly, it would be many

<sup>2</sup>The data for 1880, derived from the census figures, shows the following breakdown between agriculture and manufacturing in five southern states:

	Agriculture (percent)	Manufacturing (percent)
South Carolina	81.3	2.5
Georgia	78.3	3.4
Alabama	83.4	2.5
Mississippi	86.0	1.5
Louisiana	67.3	3.7

(Kuznets, *et al.* [23], Vol. II, pp. 87-88.)

TABLE 1  
 NEGRO POPULATION AND EMPLOYMENT IN MANUFACTURING: 1860, 1870  
 (in thousands)

State	1860		1870		
	Negro Population	Manufacturing Employment	Negro Population	Manufacturing Employment Unadjusted	Manufacturing Employment Adjusted <sup>a</sup>
Alabama	437.8	7.9	475.5	8.2	7.1
Georgia	482.0	11.6	545.1	17.9	15.5
Louisiana	339.3	34.6	364.2	30.1	28.7
Mississippi	437.7	4.8	444.2	5.9	4.8
South Carolina	403.7	7.0	415.8	8.1	7.1
TOTAL	2,100.5	65.8	2,244.8	70.2	56.1

<sup>a</sup>The manufacturing employment for 1870 has been adjusted by removing agricultural and other nonmanufacturing occupations from the reported data. See Kuznets *et al.* [23].

Source: Population, 1860: U.S. Census Office, *8th Census (1860)*, Population [40].  
 1870: U.S. Census Office, *9th Census (1870)*, Population [43].  
 Employment, 1860: U.S. Census Office, *8th Census (1860)*, Manufactures [39].  
 1870: U.S. Census Office, *9th Census (1870)*, Manufactures [44].  
 Kuznets, *et al.* [23], Vol. I, Table M-2, p. 684.

years before manufacturing in the South could employ sizable numbers of Negroes.

Northern manufacturing, with its rapid expansion after the War might have been another possible alternative. However, the urban centers of the North were far from the rural South. Communication and transportation costs were still high in 1865. Given a large element of uncertainty and high transfer costs, it would take substantial gains to lure the freedman to the North. Nor did residents north of the Mason-Dixon line show any real enthusiasm for encouraging the Negro to emigrate. Racial prejudice in the North was widespread.<sup>3</sup> Moreover, the large inflows of immigrants from Europe supplied labor to the growing industries, forestalling labor shortages which might have increased real wages sufficiently to tempt the Negro North. To be sure, industrial development of the North ultimately provided an escape from the low returns of Southern agriculture-- but this was not until almost the end of the century.<sup>4</sup>

Perhaps even more important than the dearth of alternatives for the Negro after the War was the overwhelming commitment of the South to staple agriculture. Clearly the South's comparative advantage before the War was in the production of cotton, tobacco, sugar, and rice. Emancipation of the Negro would not have destroyed the resources upon which this

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<sup>3</sup>Stampf [31] and other "revisionist" historians have argued that this was a factor in causing the Radicals to fail in their efforts to give substantial assistance to the Negro, and also in the Republicans abandoning the cause of the Negro after 1876.

<sup>4</sup>The estimates of Kuznets *et al.* [23] show that the flow of Negro population out of the South did not reach substantial levels prior to the decade 1890-1900. Depression in that decade undoubtedly constrained movement; the first real surge to the North was in the first decade of the next century.

comparative advantage was based, unless the free Negro proved to be far less efficient than the slave. Southerners quite naturally contemplated no other future than a return to staple agriculture. The real question facing the South was not what to do with the Negro, but how to employ him as a free laborer in the production of cotton. This was not a trivial problem. The freedman had inherited virtually nothing from his slave past which might be put to use in this transition from slave to free labor. He owned no assets. He had little or no formal education, with the result that he was not only illiterate, but ignorant of commercial practices and the market environment. Literally, his only resource was his practical experience as a field hand in the ante-bellum plantation system.

Not unnaturally, the attitudes of the Negro freedman were affected by these limitations, and these attitudes played an important role in the adjustment of the ex-slave to freedom. Two reactions appear to have particularly dominated his actions.<sup>5</sup> First was his obvious relief at being released from human bondage. The notion that the Negro would have preferred to remain in slavery has been largely discredited. Even a cursory glance at the contemporary documents is sufficient to dispel such a theory.

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<sup>5</sup>The comments on the Negro and White attitudes in this section are drawn from a wide range of sources on conditions immediately after the War (1865-70). We have drawn particularly from Reid [26], Trowbridge [32], Schurz [28], Somers [30], and the volumes of reports and testimony before Congress. Perhaps the most impartial evidence is that of the Freedman's Bureau Reports [17], [18], [19], [37]. Testimony such as that before the Joint Committee on Reconstruction [36] sheds additional light on the prejudices of both races. Except for those points which we feel require special attention, we shall eschew detailed citations in the text.



Perhaps the most dominating feature of the Negro's attitude was his thirst for land.<sup>6</sup> Surrounded by an agricultural society, the freedman felt that his economic independence required the acquisition of land. A Negro leader told General Sherman in 1864: "The way we can best take care of ourselves is to have land, and turn in and till it by our own labor. . . . We want to be placed on land until we are able to buy it and make it our own."<sup>7</sup> Such sentiments repeatedly appear in all documents of the period.

At least a few Radicals--such as Thadeus Stevens--agreed. It became increasingly apparent that the only practical way to assure the freedmen land would be for Congress to distribute improved lands confiscated from former slaveowners. In March of 1865 Congress established the Bureau of Refugees, Freedmen, and Abandoned Lands. It was the original intention of Congress that the Bureau would finance itself through the confiscation of land and property of rebels. The land was to be distributed to the freedmen, and the property sold to finance the establishment of Negro schools and the provision of emergency relief. However, President Johnson ordered the Bureau to restore abandoned

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<sup>6</sup>Two aspects which we will not treat in detail are the Negro's insistence on the vote and his enthusiasm for education. His progress in getting civil rights is widely known. Unfortunately, attempts by the Freedmen's Bureau to establish an educational system for the Blacks met with vigorous White opposition. The demise of the Freedmen's Bureau at the end of 1868 spelled the end of any concerted effort to provide widespread education for the Negro.

<sup>7</sup>Cited in Hoffman [16], p. 20. Sherman evidently agreed, for he then issued an order which resulted in a considerable amount of land in the Sea Islands being transferred to ex-slaves for cultivation. We shall consider the results of that move below.

property to its former owners if they could present a special pardon or a loyalty oath. Because of the widespread pardoning of ex-confederates, the Bureau was forced to abandon the plan of providing homesteads for Negroes.<sup>8</sup>

Thadeus Stevens introduced a bill in March of 1867 which would grant 40 acres and \$50 to every former slave who was head of a household.<sup>9</sup> The bill was defeated, and with it went any hope of Congressional action on the distribution of confiscated land.

The defeat of the Congressional action did nothing to stem the freedman's appetite for land.<sup>10</sup> However, his appetite alone was not enough to secure a homestead. While there is substantial evidence that much land was placed on the market immediately after the War, few Negroes had sufficient capital to purchase even a modest farm. The complete collapse of the credit market and the reluctance of those with land on the market to grant the Negro credit denied the rest an opportunity to invest in land. Moreover, even if the Negro were able to find a willing lender, it was quite clear that the Southerner was determined not to grant him landowning status. Whitelaw Reid's observation regarding Mississippi seems to apply to most areas of the South:

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<sup>8</sup>Howard [20], p. 504.

<sup>9</sup>Stevens' plan involved confiscation of land belonging to some 70,000 Rebels amounting to about 394,000,000 acres. On the issue of land confiscation see Stamp [31], pp. 122-130.

<sup>10</sup>In fact, it did not remove immediately the expectation that it would come from the government. Stamp [31] and Wharton [47] both present evidence that among the Negroes the belief the government would provide land persisted at least until the 1868 election.

In many portions of the Mississippi Valley the feeling against any ownership of the soil by negroes is so strong that, the man who should sell small tracts to them would be in actual personal danger. Every effort will be made to prevent negroes from acquiring lands; even the renting of small tracts to them is held to be unpatriotic and unworthy of a good citizen.<sup>11</sup>

Several state governments passed as part of the infamous "black codes" a prohibition of Negro landownership. The fact that Congress in 1867 set aside these codes did not remove the sentiment behind them.

Racial attitudes and credit conditions meant that few Negroes became landowners during this period. Nevertheless, it is tempting to speculate what would have been the outcome of widespread distribution of land--such as that originally intended with the creation of the Freedman's Bureau. Most historians have assumed that such a scheme would inevitably have failed.<sup>12</sup> Two isolated "experiments" with independent Negro farming cast some doubt on the validity of this conclusion.

Early in the War the Sea Islands off South Carolina and Georgia were occupied by Federal troops. The exodus of the White plantation owners confronted the Army with a problem of what to do with the Negroes who remained behind. Upon the orders of General Sherman, 480,000 acres of land on these islands were distributed to about 40,000 Negroes.<sup>13</sup> As

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<sup>11</sup>Reid [26], pp. 564-565. A witness before Congress was more succinct: "Former slaveowners will not lease or sell land to Negroes." Joint Committee on Reconstruction [36] 1865-66, Part III, p. 122.

<sup>12</sup>The principal evidence behind this conclusion is the fact that most Negroes were not successful as independent farmers in the years immediately following the War. Recent writers have tended, however, to take a more optimistic view. Wharton [47], pp. 39-42.

<sup>13</sup>This is Sherman's famous Special Field Order #15. The large number of Negroes receiving land was due to the influx of refugees from the mainland. Two accounts of the Sea Island experiment are Hoffman [16] and Rose [27].

one might expect, the islanders suffered considerable difficulty. Nevertheless, when viewed in the light of their background in slavery, they did remarkably well. Reid, visiting right after the war, was quite impressed with their accomplishments.<sup>14</sup> Of course, cotton prices at this time were quite favorable, and the Negroes undoubtedly benefited from the help and encouragement of both the Army and Northerners who had come to assist the experiment. Nevertheless, even after the withdrawal of these favorable conditions, the Negro landowners of the Sea Islands continued to prosper and they have retained their farms to the present day.

A second "experiment" with independent farming by Blacks was at the Davis Bend Plantation in Mississippi. This land, owned by Jefferson Davis and his brother, was turned over to Negroes under the guidance of the Freedmen's Bureau in 1863-64. They were able to retain the land until 1866 due to the delay in pardoning the President of the Confederacy. The government permitted Negroes to farm about 5,000 acres of land along the banks of the Mississippi. According to the accounts reported to the Freedmen's Bureau, the "colonists" had cleared almost \$160,000 in 1864.

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<sup>14</sup>After taking great pains to point out that the system of slavery on the Sea Islands produced "the most degraded slaves in the South," he concluded that: "If the 'negro-elevation' effort of the Abolitionists is to fail anywhere, it would be likely to fail here. If it succeeded among these degraded people, it would be likely to succeed anywhere." He found the Negro farms compared favorably "with the average of Northern Farming" and was quite impressed with the "prosperity" of the Negroes. He quotes a former resident and slaveowner from the Island: "I never saw St. Helena look so well. I never saw as much land there under cultivation--never saw the same general evidences of prosperity, and never saw the negroes themselves appearing so well or so contented." See Reid [26], pp. 94-121. The quotes are taken from pages 94, 95, 98, 114, and 113 respectively.

This amounts to a return of better than \$30 per acre after costs; however, rent was not charged. Even so, the best lands never rented for more than \$15-\$20 per acre annually.<sup>15</sup>

These examples involved only a small fraction of the Negro population. Their importance lies in the fact that they illustrate that the Negro could have become a successful independent farmer, *given a reasonable chance*. That he was never given such a chance is painfully obvious in the statistics for land ownership in the South after the War. Unfortunately, for information on the number of Negro landowners in the South before 1900, we must rely on scattered information.

While there are no reliable data concerning the period immediately following the war, contemporary reports are unanimous in the impression that Negro land owning was a rarity. The first official report on the subject was made by the Department of Agriculture in 1876. It was based on a survey taken of the Department's correspondents in each county. The Department's Statistician reported:

The proportion of freedmen occupying their own land is 4 per cent. in Tennessee and Alabama; between 4 and 5 in North Carolina and Georgia; 5 in South Carolina and Texas; between 5 and 6 in Mississippi, Louisiana, and Arkansas; and 8 in Florida. The average, if it fairly represents the unreported portion of the cotton area, indicates that nineteen out of twenty have no homes. In some counties not one in a hundred owns land.<sup>16</sup>

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<sup>15</sup> See the report in [37], pp. 38-39.

<sup>16</sup> Dodge [7] p. 137. The Tenth Census, taken in 1880, did record the tenure of farm operators, but unfortunately the *published* tables do not report the number of farm owners by race. These data are, however, still recoverable. The manuscript returns of the 1880 census of Agriculture have been collected for fifteen Southern states at the University of North Carolina. It would be possible by collating the names of the farmers contained in the agricultural schedules with the names reported in the manuscript population schedules, which are deposited in the National Archives, to identify the race of each farm owner.

An extensive study of Negro land ownership in Georgia was undertaken by W. E. B. Du Bois for the U.S. Department of Labor [9]. Using the county tax records as the basic source, Du Bois was able to obtain estimates of the total acreage in the state owned by Negroes for each year between 1874 and 1900. His figures are presented in Table 2. The tax records will overestimate the number of acres cultivated by Negro owners, since they include land not under cultivation and land owned by Negroes but cultivated by a farmer other than the landowner. Nevertheless, the Du Bois data indicate that very few Negroes had a farm of their own. In 1874, the first year included in Du Bois's statistics, the total acreage owned by Negroes was a mere 339,000 acres. This is compared with over twenty-three million acres of farm land in Georgia reported in the 1870 Census and twenty-six million reported ten years later. In other words, Negroes owned only a little over one percent of the farmland in Georgia in 1874, despite the fact they accounted for one-half the state's population.

TABLE 2  
LAND OWNERSHIP BY NEGROES IN GEORGIA--1874-1900

Year	Acres of Land Owned by Negroes	Year	Acres of Land Owned by Negroes
1874	338,769	1885	788,376
1876	457,635	1890	967,234
1878	501,890	1895	1,038,824
1880	586,664	1900	1,075,073

Source: Du Bois [9], p. 665.

A more extensive comparison of Du Bois's estimates with the Census reports, this time for 1880, is given in Table 3. For each of the major agricultural regions of the state the percentage of the total area in farms accounted for by Negro owners is compared with the percentage of Negroes in the population, the extent of cotton production and the fertility of the soil as indicated by the average yield of cotton per acre.

The Du Bois data in Table 2 indicate a slow but steady growth of Negro land ownership in Georgia throughout the last quarter of the nineteenth century. For the United States as a whole, by 1900 Blacks owned 6.6 percent of the cotton farms in the United States, and 5.6 percent of the area cultivated in cotton. In that year, however, Georgia reported the lowest percentage of Negro ownerships. The corresponding figures for Georgia were 3.6 percent of the farms and 3.3 percent of the acreage. (See Table 4.) This indicates that the 1880 data for Georgia may underrepresent the extent of Negro ownership for the South as a whole. However, even if we took the 1900 figures reported in Table 4 as representative of the period immediately following the Civil War,<sup>17</sup> the conclusion would remain unchanged: *The Negro farmer by and large worked on land he did not own.*

For all practical purposes, then, the option of owning land was one which may be discarded when considering the situation of the labor

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<sup>17</sup>The data reported in Table 4 are for cotton farms owned by Negroes, Indians, and other nonwhite races. However, for this period the figures can be taken as referring to Negroes alone as the numbers of Indians and "Mongolians" who farmed in the South at this time are trivial. See Du Bois [8], pp. 526-527.

TABLE 3  
LAND OWNERSHIP BY NEGROES IN GEORGIA--1880

Region <sup>a</sup>	Area of Farms		Percent of Negroes in Population <sup>d</sup>	Percent of Tilled Land in Cotton <sup>d</sup>	Average Bales per Acre (1879) <sup>d</sup>	
	Total <sup>b</sup> Acres	Owned by Negroes <sup>c</sup> Acres				
Northwest Georgia	1,614,950	27,278	1.7	25.8	19.2	0.44
Blue Ridge	1,416,143	7,239	0.5	5.7	2.8	0.35
Middle Georgia	9,487,717	153,286	1.6	47.4	37.9	0.33
Central Cotton Belt	5,124,895	117,224	2.3	61.9	38.7	0.28
Southern Oak, Hickory, and Pine Uplands	941,573	52,157	5.5	55.4	35.4	0.25
Limesink Region	1,891,829	50,019	2.6	48.3	34.4	0.24
Pine Barrens	4,191,621	107,828	2.6	29.3	18.2	0.34
Pine Flats and Coast	1,374,554	71,633	5.2	57.4	7.5	0.28
THE STATE	26,043,282	586,664	2.25	47.03	34.03	0.31

<sup>a</sup>The list of counties included in each region was taken from Loughridge [24], pp. 3-5.

<sup>b</sup>Source: U.S. Census Office, *10th Census (1880)*, Agriculture [41], pp. 109-111.

<sup>c</sup>Source: Du Bois [8], pp. 688-776.

<sup>d</sup>Source: Loughridge [24], pp. 3-5.



TABLE 4  
COTTON FARMS OWNED BY NEGROES, INDIANS, AND MONGOLIANS--1900

	Cotton Farms Cultivated by Colored Owners	Cotton Farms Cultivated by Colored Owners as a percentage of:		
		All Cotton Farms	Colored Operated Cotton Farms	Owner Operated Cotton Farms
South Carolina				
Number of Farms	11,976	8.9	16.1	27.3
Cotton Acreage	118,345	5.7	11.6	17.2
Georgia				
Number of Farms	6,447	3.6	8.8	10.6
Cotton Acreage	116,168	3.3	7.5	11.2
Alabama				
Number of Farms	9,582	5.0	11.0	14.7
Cotton Acreage	158,821	5.0	9.7	16.3
Mississippi				
Number of Farms	17,321	9.3	15.5	27.3
Cotton Acreage	250,679	8.7	13.1	29.3
Louisiana				
Number of Farms	6,620	7.5	12.9	22.0
Cotton Acreage	101,165	7.4	12.9	21.5
The United States				
Number of Farms	93,531	6.6	16.4	17.8
Cotton Acreage	1,347,431	5.6	14.0	16.2

Source: U.S. Census Office, *12th Census (1900)*, Agriculture: Part II [38], pp. 426-28.

market in 1865. The most obvious alternative was to hire the Negro for wages. While he had little experience in dealing with free labor, the planter could at least draw upon an established technology. The plantation system had utilized "gangs" of hands working in the fields. The method had worked well with slaves, and it is hardly surprising that the planter attempted to restore the system using free labor after 1865. Money wages were offered to induce the freedman to work, and housing was provided in the slave quarters of the old plantation.

The wage payment system was, from all indications, universally attempted. The reports of the Freedmen's Bureau and the testimony of planters and travelers all agree that any other system of compensating labor was so rare as to constitute an isolated experiment. The Freedmen's Bureau Report of 1866 makes no mention of tenant farming in its extensive reports on the reorganization of agriculture and labor [17]. Reports from the Assistant Commissioners to the Bureau cite numerous cases of wage contracts and seem to reflect support for a system involving monthly payments for field workers [37]. Testimony in 1865-66 before the Joint Committee on Reconstruction [36] reveals planters supported wage payments. Travelers in the South such as the journalists Whitelaw Reid, whose visit in the South extended from May 1865 to May 1866, and John Trowbridge, who was there from August 1865 to February 1866, also report that the wage system was the nearly unanimous choice of the landowners. Reid makes only one reference to sharecropping in a chapter on labor experiments [26], p. 572. Trowbridge records hearing of two such "experiments" [32], pp. 195, 204.

Even more striking than the preeminence of the wage system in 1865 and 1866 is the rapidity of its fall from favor. The beginnings of this dramatic change are recorded in the Freedman's Bureau Report for 1867 [18]. The reports from the states of South Carolina, Florida, Mississippi, and Texas all mention the growing prevalence of the tenant-farming system. In Mississippi a "majority" were working on shares [18], p. 681, and in Texas about one-half were reported working on shares in the cotton districts [p. 684]. In the same year the Federal Commissioner of Agriculture, discussing conditions in the South, stated that "[t]he most prevalent and popular mode of contracting proprietors and laborers is *Working upon Shares*" (Capron [4], p. 417). The Freedmen's Bureau Report for 1868 indicates an increasing tendency to adopt the share system and to abandon the wage system [17]. The report from Georgia, for example, stated that "[m]ost of the contracts were for a share of the crop." [p. 1004]

It appears as though by 1870 payment of wages, while still in use quite generally through the South, was less prevalent than other alternatives which had developed. This decline in the use of wages was in spite of a strong preference on the part of landowners for the wage system over its alternatives.<sup>18</sup> This preference was based partly on the technological similarity to the plantation system practiced before the War. It was felt that the wage system allowed for closer supervision

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<sup>18</sup>Citations to this effect are numerous. See for example, the comments by Janes [21] who reported the results of a survey of cotton planters in Georgia. Also see the surveys taken in connection with the 1880 Census (Hilgard [15]).

of the Negro who, it was asserted, would not work without the threat of corporal punishment.<sup>19</sup> Finally, the wage system allowed the large plantation--which before the War was the source political and social as well as economic power--to remain intact.

On the other hand, the attitudes of the freedmen exerted a strong resistance to the persistence of wage payments. Initially, the encouragement of the Freedmen's Bureau led many Negroes to reluctantly enter into wage contracts. As we have already mentioned, the Negro would have preferred to till land of his own. He found that the wage system as it was practiced after the war bore an uneasy resemblance to the slave system. The work gangs, the old slave quarters, the overseers, and the use of corporal punishment all led to the feeling that little had been gained with his freedom.

Other problems in the immediate postwar period contributed to the decline of the system. Chief among these was the almost total lack of a circulating currency and the absence of any credit facilities.<sup>20</sup> This required the planter to postpone full payment of wages until the crop was harvested. Many farmers, encouraged by the high prices of cotton during the wartime famine, made extravagant plans for production in 1865-66.<sup>21</sup> The initial shortage of labor, the inexperience of planters

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<sup>19</sup>This need for "supervision" was undoubtedly exaggerated in the planter's mind by his experience with slavery. See the remarks by Schurz [28] pp. 19-20.

<sup>20</sup>The problems of credit in this period will be analyzed in more detail below.

<sup>21</sup>Reid [26] pp. 414-16 and Hammond [13] pp. 121-25 note the high expectations of farmers right after the War. Somers [30] frequently comments on the effects of the fall in cotton prices during his tour in 1870-71.

with the wage system, and pressure from the Freedman's Bureau resulted in a high level of wages. When the cotton stocks hoarded during the War reached market, prices collapsed and many farmers found themselves unable to meet their commitments at the end of the season.<sup>22</sup> In some localities, this problem was aggravated by poor harvests. Naturally, the freedman--already distrustful of the planter--was unwilling to enter into renewals of contracts which had not been fulfilled.<sup>23</sup> The planter, for his part, was dissatisfied with the performance of the free Negroes. The contemporary reports are full of complaints about Negroes leaving the farm--temporarily or permanently--before the crop was harvested. The landowners' reaction was to seek protection through the passage of laws which restricted the mobility of the Negro. Vagrancy laws were passed which required the Negro to obtain permission in order to travel away from his place of employment. Some effort was made to impose penalties for bidding labor away from plantations through offers of higher wages.<sup>24</sup> In addition, the laws enforcing contracts were strengthened. All of these laws only in-

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<sup>22</sup>Prices fell dramatically. The following data come from Hammond [13], Appendix I, p. 359:

Year	Price/lb.
1864	\$1.015
1865	.834
1866	.432
1867	.316
1868	.249

<sup>23</sup>The Freedmen's Bureau Reports [19, 37] are full of instances of planters attempting to cheat the Negroes even when the planter could afford to make payment. It is impossible, of course, to accurately assess the extent of this practice.

<sup>24</sup>See the examples of vagrancy restrictions in Schurz [28], pp. 92-99. Wharton [47], and Ezell [11] provide additional examples of social constraint on labor mobility.

creased the Negro's unwillingness to enter labor contracts. As Whitelaw Reid noted, their effect was: ". . . like the patent rat-trap. Nobody could make a safer contrivance. Rats could n't [sic] possibly get out of it. The only difficulty was they declined to go in." [26] p. 291.

The result of these forces was the widespread abandonment of the wage system in favor of tenant farming.<sup>25</sup> There is little direct evidence which would allow us to assess the extent of wage contracts in the years following 1865. The Census for Agriculture for 1870 reported the size distribution of farms in that year. Since it can be reasonably supposed that farms larger than 100 acres must hire some labor in order to function efficiently, we can use these census figures as some indication of the extent of the wage system in 1869.<sup>26</sup> Table 5 presents for the five major cotton producing states the number and percentage of such farms. For the five states taken together about twenty percent of the farms were in the over-one-hundred-acre class.

How many laborers these farms employed is not available from the published census records. However, as part of the Census of Occupations the number of persons who were recorded as farm laborers--as distinct

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<sup>25</sup>In addition to these shortcomings to the operation of a wage system, sharecropping appeared at the time to offer substantial advantages over the wage-payment system. These points will be discussed below.

<sup>26</sup>There is some evidence that a number of plantations which were broken up into separate tenant farms were mistakenly returned as single farms rather than as independent units. In addition there were a number of plantations which continued to operate as a single unit organizing the labor into field gangs but where the laborers' remuneration was a share of the crop rather than a fixed amount of money or cotton. These factors would imply that some of these large farms did not operate with the contract system.

TABLE 5  
 NUMBER AND PERCENTAGE OF FARMS OVER 100 ACRES--1870

State	Number of Farms with Over 100 Acres	Total Number of Farms	Large Farms as a Percentage of the Total
South Carolina	7,706	51,889	14.9
Georgia	19,415	69,956	27.8
Alabama	13,219	67,382	19.6
Mississippi	10,024	68,023	14.7
Louisiana	4,545	28,481	16.0
Total	54,909	285,731	19.2

Source: U.S. Census Office, *10th Census (1880)*, Agriculture [41], pp. 25, 27.

from farmers, planters, and overseers--is reported. Of course, a farm laborer need not be hired for wages. The relatives of the farm owner or sharecropper quite often worked upon the farm and they would have been recorded as farm laborers rather than as farmers. If we assume that the average farm included one and one-half nonwage family workers in addition to the farm operator, we can compute an approximation to the number of farm laborers not on home farms. This has been done for 1870 and 1880 in Table 6. According to those calculations 36 percent of the agricultural labor force in five Southern states worked for wages in 1870 and 14 percent were so engaged in 1880.

A survey taken by the Georgia State Department of Agriculture in 1874 indicated that for that state 21.4 percent of the farm labor was hired for wages (Janes [21] p. 88).

In 1900 approximately thirty percent of the Negroes engaged in agriculture in the South worked for wages (see Table 8). Apparently the wage-payment system was able to survive in the South alongside tenant farming, but after 1867 it appears to have been dominated by other forms of land tenure as a method for compensating labor.

Land ownership by Negroes was constrained by the race prejudice of the White population. Wage payments using free labor survived to some extent in the South, but suffered from the inadequacies of credit arrangements and the attitudes of Negroes toward a system they identified with slavery. A third possible way of combining factors of production was through tenant farming. Such an arrangement rapidly emerged as the dominant means of land tenure in the South by 1870.



TABLE 6  
 COMPUTATION OF THE APPROXIMATE NUMBER OF WAGE WORKERS IN SOUTH CAROLINA,  
 GEORGIA, ALABAMA, MISSISSIPPI, AND LOUISIANA FOR 1870 AND 1880

Occupation	1870	1880
(1) Farmers, Planters, Overseers, and Foremen	315,411 <sup>a</sup>	563,854 <sup>b</sup>
(2) Agricultural Laborers	916,250 <sup>a</sup>	1,079,191 <sup>b</sup>
(3) Estimated Number of Home-Farm Workers <sup>c</sup>	473,117	845,781
(4) Approximate Number of Wage Workers <sup>d</sup>	443,133	233,410
(5) Total Population Employed in Agriculture <sup>e</sup>	1,235,093 <sup>f</sup>	1,652,680 <sup>g</sup>
(6) Wage Workers as a Percentage of All Agricultural Occupations	35.9	14.1

<sup>a</sup>Source: U.S. Census Office, *9th Census (1870)*, Population [43], pp. 674-75.

<sup>b</sup>Source: U.S. Census Office, *10th Census (1880)*, Population [42], pp. 760-61, 768.

<sup>c</sup>Estimated by multiplying the number in row (1) by 1.5.

<sup>d</sup>Row (2) less row (3).

<sup>e</sup>Row (1) plus row (2) plus a residual group which includes apiarists, dairymen, florists, gardeners, nurserymen, stock-drovers, stock-herders, stock-raisers, turpentine farmers, turpentine laborers, and vinegrowers. In 1870 this group numbered 3,432 and in 1880 it numbered 9,635.

<sup>f</sup>Source: U.S. Census Office, *9th Census (1870)*, Population [43], pp. 670-71.

<sup>g</sup>Source: U.S. Census Office, *10th Census (1880)*, Population [42], p. 712.

The appearance of tenancy took two fundamentally different forms. The first, which we shall refer to as "renting," involved leasing a parcel of land for some period in return for a fixed rent. The second, which we shall call "sharecropping," involved an arrangement where the tenant received a share of the output produced. The principal differences between the two systems involve the degree of control over land and production, and the risk to the landlord and tenant.

The tenant who rents for a fixed rent generally retains his independence as a farmer. He is free to choose the combination of outputs and inputs which he expects will yield him the largest returns. His obligation is simply to pay the rent at the end of each accounting period. The sharecropper, on the other hand, retains virtually *no* control over his production.<sup>27</sup> The landlord determines the outputs to be produced, and he also controls the level of inputs by fixing the size of the plot and making arrangements with regard to supplies. Moreover, the cropper has no legal claim to the output produced. His position, in fact, is much closer to a laborer paid on a piece rate than to that of an independent tenant.

The incidence of risk also differs with the organization of land and labor. If the landlord decides to employ wage labor, he will bear all of the risk himself. The wages of the laborers are set without regard to the value of the crop. Leasing land for fixed rents, the situation is reversed; all of the risk is borne by the tenant. He is

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<sup>27</sup>As we shall point out below, control over the tenant is a necessary condition of sharecropping regardless of how perfect the markets may be.

committed to pay a fixed sum regardless of the value of his crop.<sup>28</sup>

With sharecropping, the risk is shared proportionately by the landlord and the cropper. A poor harvest will reduce the returns to both.

The two factors of risk and control were particularly relevant to the situation in the South immediately after the War. The white landowner insisted that the Negro required direction to be a successful farmer. The freedman, for his part, was anxious to escape control and try his hand at independent farming. Fluctuating prices and the uncertainty of crop yields make the incidence of risk an important consideration for landowner and laborer alike.

Of the two alternatives--renting and sharecropping--the Negro clearly preferred renting. His attempts to become a tenant, however, were thwarted by White reluctance to rent and his inability to obtain credit with which to finance his production. We have already noted the racist attitudes which stood in the way of land ownership by the Blacks. Although the prejudice against renting was less powerful, it clearly was present. The attitudes of the Whites are illustrated by the following quote from Thomas Janes, Georgia's Commissioner of Agriculture in 1874:

The practice . . . of renting land to irresponsible freedmen, who, generally must be supplied in advance, with stock, implements, fertilizers, and food for themselves and families as well as their stock, is an anomaly in the history of business transactions. . . . It is not reasonable to suppose that men, naturally indolent, ignorant and superstitious, mere muscular automata by habit, having

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<sup>28</sup>In both wages and renting, the risk can be shared somewhat through the use of payments in kind rather than money. Sudden changes in output prices--a common phenomenon in the postwar South--would then affect the market value of wages or rent.

been accustomed to direction even in the minutia of their work, could, by a presidential proclamation, be converted into intelligent and reliable business managers. . . . No such reckless risks are taken in any other business, nor could any long exist under such management (Janes [21], p. 133).

Janes' contention that the Negro was incapable of successfully operating independently is clearly an extreme exaggeration. While there can be little objection to the claim that the ex-slave was grossly unprepared for independent farming, the experiences at Davis Bend and on the Sea Islands discredit Janes' conclusions. The attitudes of Whites such as Janes, who regarded the Negro incapable of *ever* learning about farming, meant that few freedmen were given a chance to try their hand at renting.

Those Negroes who did get an opportunity to lease had no means of obtaining credit, for they had no collateral to offer with their request for loans. They could, of course, offer a lien on the coming crop as security; but this would have the effect of transferring the risk of failure back to the individual holding the lien. Given the attitudes of the Whites regarding the prospects for Negro farming, any lender would be reluctant to grant credit without substantial control over the organization of the farm. To the Negro, this alternative was no better than sharecropping. In fact, with such an arrangement, he would give up control yet continue to bear the normal risks associated with farming. Other things equal, sharecropping would be preferred since it involved a sharing of the risks.

The evidence seems to indicate that in the latter part of the century Negroes were able increasingly to turn to renting. In 1900,

roughly one-third of Negro farmers rented for fixed rents.<sup>29</sup> However, in the period of transition from wages to tenancy, it appears as though renting to Negroes was exceptional.<sup>30</sup>

The result was the widespread adoption of sharecropping. The degree of control it gave to the landowner reassured him that the land would not be misused. Also, since cropping gave the Black a reward for his marginal effort, it removed some of the problems of incentives which had existed under the wage system. For example, a landowner in Georgia became convinced that sharecropping was the superior alternative because "it interests the laborer, makes him dependent on the success of his management, and enables him to work his entire family. I get more work done under this system than for wages, and the work is much better done . . ."<sup>31</sup>

The inefficiency of the credit arrangements generated a further pressure favoring sharecropping. One of the nearly universal complaints of farmers who tried to pay wages was the difficulty of obtaining funds with which to make payments.<sup>32</sup> It would not be an exaggeration to assert

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<sup>29</sup>See Table 8.

<sup>30</sup>The English economist Robert Somers' report is representative of contemporary views: "[the] system of share and share alike betwixt the planter and the negro I have found to prevail so generally that any other form of contract is but the exception" [30] p. 128. See also Capron [4], p. 131.

<sup>31</sup>Montgomery [25], p. 397. Somers notes the same reasoning on the part of planters in Mississippi and Alabama [30], p. 146.

<sup>32</sup>Somers repeatedly comments on the dearth of credit [30] pp. 184, 209-11, 241-43; Dodge [7] p. 131; Vason [46]; Reid [26] pp. 481-82; and Hammond [13] pp. 121-25.

that the imperfections in the credit market were an important factor in the selection of farm organization. Since it was essentially a barter agreement, sharecropping eliminated much of the demand for cash by landowners. It did not, to be sure, eliminate the need for *credit* in order to purchase supplies and necessities during the growing season; however, this demand now originated with the small sharecropper. The few banks and financial intermediaries in the credit market were ill equipped to deal with this new demand from small farming units. As sharecropping spread, the local merchant emerged as the supplier of credit. His willingness to extend credit on purchases during the growing season eliminated the need for large banking facilities to handle the provision of working capital for production. Smaller banks, which might have performed this role, were constrained by the restrictions on banking after the War. Thus, the merchant-banker became the cornerstone of financing cotton production in the South.

As a method of employing the Negro in agriculture, sharecropping appears to have become dominant in the late sixties.<sup>33</sup> By 1874 the survey in Georgia previously cited indicated that 48.8 percent of the Negroes in agriculture worked for shares and an additional 29.7 percent rented (Janes [21], p. 88). The Census of 1880 reported the extent of sharecropping, but did not distinguish between White and Negro farmers. Even so, 28 percent of all farms were recorded as being operated by

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<sup>33</sup>Recall the comment by the Department of Agriculture in 1867 that "[t]he most prevalent and popular mode of contracting proprietors and laborers is *Working upon Shares*" Capron [4], p. 417.

sharecroppers. The distribution of farms by type of land tenure is presented in Table 7 for that year. As we have already indicated, very few Blacks owned their own farm in 1880, and there is some reason to believe that substantial numbers of the renters were White.<sup>34</sup> By 1900 it is possible to distinguish tenancy by race. In Table 8, we have computed the percentage distribution of the Negro population engaged in agriculture for five Southern states. Fifty-nine percent of the Blacks in agriculture were on tenant farms; twenty-five percent on sharecropped farms. Put another way, thirty-six percent of all farms operated by Negroes were sharecropped. These figures, of course, reflect the increasing shift towards independent agriculture which occurred in the last quarter of the nineteenth century. Nevertheless, it is fair to characterize the position of the Negro in Southern agriculture as that of a sharecropper during the decades of the seventies and the eighties.

A major implication of the shift away from the plantation system to tenant farming was a dramatic shift in the size distribution of farms. No longer was cotton production characterized by the large plantation; it was now the product predominantly of small, single-family farms. Table 9, presenting statistics on the average size of farms from the 1860, 1870, and 1880 censuses, clearly illustrates the extent of this fall in farm size. However, these data are based on the total acreage per farm, regardless of whether or not the land was devoted to agriculture. A more

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<sup>34</sup>One of the issues not resolved by the available data is the extent of Negro renting before 1900. Hammond asserts that renting "had its best results in those portions of the South with large white populations" Hammond [13], p. 131.

TABLE 7  
DISTRIBUTION OF FARMS BY FORM OF LAND TENURE--1880

State	Owners	Renters	Sharecroppers	Total
South Carolina				
Number	46,645	21,974	25,245	93,864
Percentage	49.7	23.4	26.9	100.0
Georgia				
Number	76,451	18,557	43,618	138,626
Percentage	55.1	13.4	31.5	100.0
Alabama				
Number	72,215	22,888	40,761	135,864
Percentage	53.2	16.8	30.0	100.0
Mississippi				
Number	57,214	17,440	27,118	101,772
Percentage	56.2	17.1	26.6	100.0
Louisiana				
Number	31,286	6,669	10,337	48,292
Percentage	64.8	13.8	21.4	100.0
Total				
Number	283,811	87,528	147,079	518,418
Percentage	54.7	16.9	28.4	100.0

Source: U.S. Census, *10th Census (1880)*, Agriculture [41], pp. 28-29.



TABLE 8  
 NEGRO FARMERS AND FARM WORKERS BY TYPE OF FARM ORGANIZATION  
 IN FIVE SOUTHERN STATES, 1900<sup>a</sup>

(in thousands)

	Farms Operated by Negroes <sup>b</sup>		Surplus of Farmers Over Farms <sup>c</sup>	Farm Laborers, Home Farm <sup>d</sup>	Total Farmers and Farm Workers <sup>e</sup>	Percent- age Distri- bution
	Number	Distribution (percent)				
Owners	74.8	16.7	1.6	79.9	156.3	11.8
Full Owners	63.0	14.0	1.3	67.1	131.5	9.9
Part Owners	11.3	2.5	0.2	12.2	23.8	1.8
Owners and Tenants	0.5	0.1	0.0	0.5	1.0	0.1
Managers	0.6	0.1	0.0	0.7	1.4	0.1
Tenants	373.3	83.2	7.8	399.1	780.2	58.8
Cash Tenants <sup>f</sup>	211.7	47.2	4.4	226.4	442.5	33.4
Sharecroppers <sup>g</sup>	161.6	36.0	3.4	172.7	337.7	25.4
Total on Home Farms	448.7	100.0	9.4	479.6	937.8	70.7
Workers not on Home Farms <sup>h</sup>					389.1	29.3
Total Negroes Engaged in Agriculture					1,326.8	100.0

<sup>a</sup>The five states included are South Carolina, Georgia, Alabama, Mississippi, and Louisiana.

<sup>b</sup>Source: Du Bois [8], p. 544.

<sup>c</sup>The Census reports more farmers than it reports farms for 1900. This discrepancy arises because the occupation census would record both of the co-owners or co-tenants of a jointly operated farm while the census of agriculture would count only one farm. To handle this problem the excess of Negro farmers over the number of farms operated by Negroes (9,412 in 1900) was distributed to each tenure class in the same proportion as the number of farms. See U.S. Bureau of the Census, *Negro Population* [33], p. 528, for the number of farmers.

<sup>d</sup>The total number of home laborers reported in U.S. Bureau of the Census, *Negro Population* [33], p. 528, was distributed among the tenure classes in the same proportion as the number of farms in each class.

<sup>e</sup>Sum of columns (1), (3), and (4).

<sup>f</sup>Includes not specified tenants.

<sup>g</sup>Includes tenants who both pay cash and receive shares of the crop.

<sup>h</sup>Source: U.S. Bureau of the Census, *Negro Population* [33], p. 528. The data include only those workers ten years of age and over.

meaningful comparison, perhaps, would be to look at the size distribution of farms based on improved acreage. This is done in Figure 1 where the pre- and postwar situations are compared.<sup>35</sup> That the dramatic increase in the number of small farming units was accompanied by an equally significant fall in the number of plantation-sized farms is further demonstrated by the data presented in Table 10. The fall in farm size is clearly related to the rise of sharecropping. Seventy-four percent of all sharecropped farms had less than fifty acres of land, including unimproved land, and almost ninety percent of the sharecropped farms had less than one hundred acres. Moreover, half of the very small farms were sharecropped. The complete cross-classification by size and tenure class of farms in the cotton states is presented for 1880 in Table 11.

## II

Throughout the argument of the previous section we have stressed the problems caused by the collapse of the credit system following the War. If Southern agriculture was disrupted by the War, Southern banking was destroyed. In a technical sense, the Southern banks were bankrupted by the collapse of the Confederate monetary system. More importantly, the structure of the Southern financial intermediation process, rooted as it was in the plantation slave economy, was drastically affected by emancipation.

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<sup>35</sup>The published census results for 1860 and 1870 give the size distribution of farms based on improved acreage, while the figures for 1880 and succeeding censuses are based on total acreage.

TABLE 9  
AVERAGE SIZE OF FARMS: 1860, 1870, AND 1880

State	Acres per Farm		
	1860	1870	1880
South Carolina	488	233	143
Georgia	430	338	188
Alabama	346	222	139
Mississippi	370	193	156
Louisiana	536	247	171

Source: U.S. Census Office, *10th Census (1880)*, Agriculture [41], p. 25.

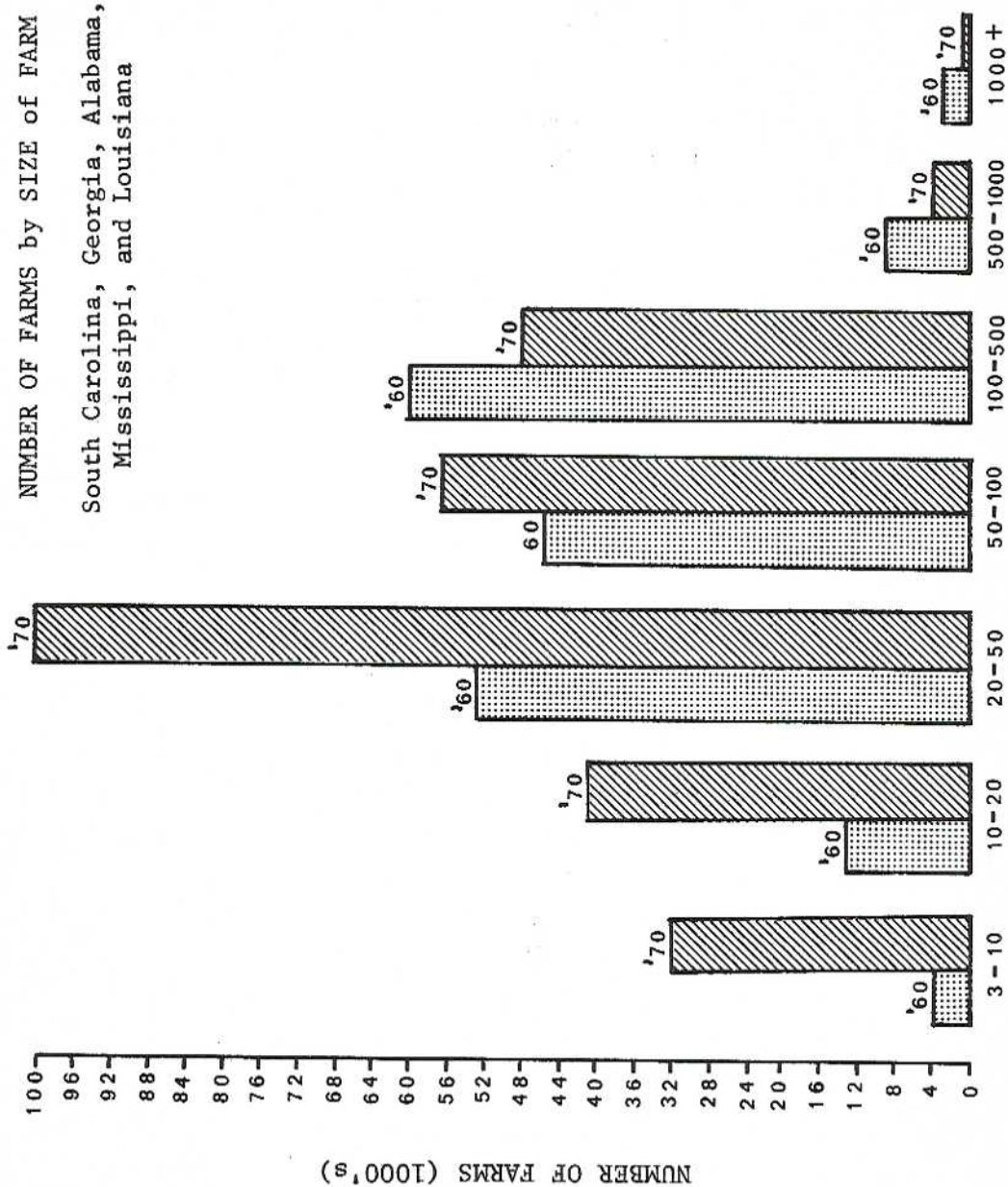
TABLE 10  
THE NUMBER OF SMALL AND LARGE FARMS: 1860 AND 1870

State	Tilling Under 100 Acres <sup>a</sup>		Tilling 500 Acres and Over	
	1860	1870	1860	1870
South Carolina	15,246	43,995	1,841	594
Georgia	31,482	50,541	3,594	1,925
Alabama	33,897	54,163	2,712	1,500
Mississippi	23,250	57,999	2,349	1,086
Louisiana	10,794	23,251	1,532	792
Total	114,669	229,949	12,028	5,897

<sup>a</sup>Includes only farms tilling three acres and over.

Source: U.S. Census Office, *10th Census (1880)*, Agriculture [41], p. 27.

NUMBER OF FARMS by SIZE of FARM  
South Carolina, Georgia, Alabama,  
Mississippi, and Louisiana



ACRES OF IMPROVED LAND

TABLE 11

THE DISTRIBUTION OF FARMS IN SOUTH CAROLINA, GEORGIA, ALABAMA, MISSISSIPPI,  
AND LOUISIANA BY SIZE AND TENURE OF FARM OPERATOR: 1880

Size and Tenure Class	Number	Percentage of Size Class in Specified Tenure	Percentage of Tenure Class of Specified Size
Under 50 Acres			
Owners	46,037	21.2	16.2
Renters	61,807	28.5	70.6
Sharecroppers	108,898	50.2	74.0
Total	216,742	100.0	41.8
50 to 100 Acres			
Owners	59,245	63.1	20.9
Renters	12,970	13.8	14.8
Sharecroppers	21,717	23.1	14.8
Total	93,932	100.0	18.1
100 to 500 Acres			
Owners	149,851	85.1	52.8
Renters	11,102	6.3	12.7
Sharecroppers	15,195	8.6	10.3
Total	176,148	100.0	34.0
Over 500 Acres			
Owners	28,678	90.8	10.1
Renters	1,649	5.2	1.9
Sharecroppers	1,269	4.0	0.9
Total	31,596	100.0	6.1
All Sizes			
Owners	283,811	54.7	100.0
Renters	87,528	16.9	100.0
Sharecroppers	147,079	28.4	100.0
Total	518,418	100.0	100.0

Source: U.S. Census Office, *10th Census (1880)*, Agriculture [41], pp. 26, 28, 29.

A major feature of the prewar Southern economy was an elaborate structure for the financing of the production and marketing of cotton. The plantation owner, with his assets of land and slaves, obtained credit from the cotton factor, who was far more than a mere marketer of cotton. The factor was the chief financial intermediary of the South. Working out of large marketing centers--such as New Orleans, Charleston, and Mobile--the factors dealt in highly developed capital markets. They had connections to the financial centers of New York, Philadelphia, and London.<sup>36</sup>

A class of banks arose in the South chiefly to meet the needs of these cotton factors, who were not only financing their own operations, but indirectly, the operations of many cotton planters as well. In addition to these large banks specializing in cotton bills of exchange, there arose a second group of banks specializing in the financing of land and, in some instances, slaves. These banks were encouraged by liberal banking laws and direct support through capital subscriptions by the state governments in the South.

After the War, the task of rebuilding a financial structure was hampered by changes in the federal banking laws. In 1864 Congress passed the National Banking Act and a year later added a ten-percent tax on the note issue of state banks. Although entry into banking was nominally "free," the National Banking Act required, in effect, a minimum of \$50,000 capital paid in. The note issue and deposits of the banks were more

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<sup>36</sup>For a discussion of the role of the cotton factor before the War see Woodman [48].

stringently controlled than state banking had generally been in the past. The tax on state bank notes virtually eliminated them from competition in the financial markets.<sup>37</sup>

Two other developments contributed to the failure of banks to re-emerge in the South. The rise of sharecropping, as we have already noted, shifted the demand for credit from the factors to the local storekeeper. The demise of the cotton factor as the principal marketing agent for cotton, eliminated the second major element of the demand for credit in the prewar South.<sup>38</sup>

Incomplete though data on Southern banking are, they can illustrate the magnitude of the collapse in 1865 and the failure to revive thereafter.<sup>39</sup> Table 12 presents the number of banks and branches reporting, the average capital per bank, the average level of notes in circulation, and the average level of deposits per bank. The data have been averaged for all reporting banks for the years 1855-60 and for National Banks from 1866 to 1869.

While the prewar South never had a large number of banks, they were substantially larger than the national average of banks in the period. What is impressive is the decline in the number of banks after

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<sup>37</sup>See Sharkey [29] for an exposition of the impact of the Act (pp. 221-38).

<sup>38</sup>The effect of sharecropping and the demise of the factor will be discussed at greater detail below.

<sup>39</sup>The basic source for banking data in this period is the Reports of the Secretary of Treasury. The report for 1863 [45] collected information for those banks reporting between 1855 and 1863. Not all banks were required to report, and the extent of coverage is not given. After the war, only data for National Banks were reported.

TABLE 12

NUMBER OF BANKS, AVERAGE PAID IN CAPITAL, AVERAGE NOTES IN CIRCULATION  
AND AVERAGE LEVEL OF DEPOSITS: SOUTHERN BANKS 1855-60 AND 1866-69

State	Number of Banks	Capital/Bank (\$000)	Notes/Bank (\$000)	Deposits/Bank <sup>a</sup> (\$000)
Louisiana:				
1855-60	15.2	1,470	520	1,080
1866-69	2.3	633	437	547
Mississippi: <sup>b</sup>				
1856-59	1.2	384	210	42
1866-69	1.3	90	34	51
Georgia:				
1856-60	27.6	529	333	134
1866-69	8.0	200	144	222
South Carolina:				
1855-60	19.8	705	387	171
1866-69	2.2	259	60	350
Alabama:				
1855-60	5.3	584	834	519
1866-69	2.3	259	122	150
Average Five Southern States:				
1855-60	69.1	789	425	380
1866-69	16.7	270	160	270
Average U.S.:				
1855-60	1,473	251	127	154
1866-69	1,637	257	181	349

<sup>a</sup>No deposits reported for 1866. Averages are for 1867-69 only.

<sup>b</sup>Mississippi reported no banks in 1869.

Sources: 1855-60: U.S. Secretary of Treasury, *Report*, 1863 [45], Tables 2 and 3, pp. 214-17.  
1866-70: U.S. Comptroller of the Currency, *Report*, 1869 [35].



the War. From about 70 banks in the five years prior to the War, the total fell to less than 17 in 1865-69. Moreover, the average size of the postwar Southern bank was roughly one-third the prewar level and note issue and deposits also failed to recover anywhere near their prewar levels. Louisiana--the center of the Southwestern cotton market--averaged 15 banks before the War; only 2.3 banks remained after 1865.

The data also indicate another problem which we have stressed--a shortage of currency. The level of notes per bank fell by better than 60 percent for the five states.

In the years immediately following the War, the absence of banks severely hampered the attempts of cotton factors to resume their operations along the prewar pattern. The planters, unable to obtain credit from the factors, found great difficulty in meeting their wage payments and providing for other costs of growing cotton. As was already noted, the inability of the planter to obtain credit was an important factor in leading him to turn away from the use of the wage labor system. As sharecropping spread, the demand for credit no longer came from the landowners, but from many small tenant farmers. The result was the emergence of the merchant-banker as an important credit intermediary in the South. He sprang up in response to the demand for a source of credit which could take cognizance of the particular needs and situations of local small farms; a service which could not be performed by the large city banks.

The merchant-banker was another product of the adjustment of the South to the disruption caused by the War. As Robert Gallman has

demonstrated, before the War Southern farms were self-sufficient in the provision of foodstuffs [12]. Those few items they could not produce for themselves were obtained through cotton factors or travelling peddlers (Hammond [13] pp. 107-12). The interruption of the War and the breakdown of the factorage system made the obtaining of provisions in 1865-66 very expensive. The resulting high prices made merchandizing a lucrative pursuit. Northern merchants, discharged soldiers, and other entrepreneurs did not fail to recognize the opportunity. Commission merchants apparently appeared in every small town throughout the South.<sup>40</sup>

This group of merchants found it possessed an unique advantage. They had an established relationship with the Northern credit market. The wholesale suppliers in the North were willing to send goods to them on commission, allowing the Southerner, in turn, to grant credit to the local populace. The merchants, of course, charged a price for this service. The most widespread practice involved the use of higher prices for those items bought on credit than for those purchased with cash.<sup>41</sup> As security for the credit advanced, the merchant demanded a mortgage on either livestock, land, or the growing crop. In the case of the share-cropper, who had no claim to land or other assets, he could only pledge his crop. This development was fostered--and indeed made possible--by the enactment of crop-lien laws which permitted the merchant to enforce

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<sup>40</sup>See the remarks of Reid [26] pp. 481-82 and Somers [30] pp. 70, 241-43. Clark [6] cites numerous additional examples, p. 24.

<sup>41</sup>For a general description of the operations of the Southern merchant see Clark [6] and Bull [3].

such contracts. The lien gave the merchant legal title to the farmer's future crop.<sup>42</sup> This gave the merchant considerable control over the farmer. The lien took away the freedom of the farmer to dispose of his crop in the most advantageous manner, as well as the option of shopping around for supplies. He was committed to engage in all transactions--buying supplies as well as selling his output--with the merchant who held the lien. This control was all the more significant when considered with another phenomenon of the postwar transition in agriculture--the apparent disappearance of self-sufficiency. All contemporary reports agree that the small farmer bought a considerable portion of his basic food requirements from the local merchant. Data presented by Hammond for the state of Georgia indicate that about 30 percent of the farmer's requirements of corn, bacon, and hay were purchased rather than produced at home [13], p. 153. The survey of cotton planters taken in 1880 in connection with the census indicates that this situation was common throughout the South (Hilgard [15]). It has been frequently alleged that the control given the merchant by the lien laws was responsible for the heavy emphasis on the cash crop. Certainly there is evidence to support the contention that the merchant preferred a crop-lien on cotton to one on corn or other food crops. The highly developed market for cotton; its ability to bear shipping costs; its lack of perishability (in marked

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<sup>42</sup>On the early passage of lien laws, see Banks [1], Chapter III; Hammond [13], Chapter V; and Brooks, Chapter III. There can be little doubt but that the lien system was widespread. See the remarks by Hemhill [14] regarding South Carolina, by Janes [21] regarding Georgia, and as a general reference Chapter V in Hammond [13].

contrast to food crops); its resistance to crop failure; and familiarity of the Negro with cotton production all exerted pressure on the merchant to insist on cotton as the farmer's output.<sup>43</sup>

On the other hand, the concentration on cotton as a staple crop can also be explained by a preference of the farmer based on economic motives. With a falling cost of transportation, the price of purchasing foodstuffs relative to the cost of home production could have fallen sufficiently to give the farmer a comparative advantage in the production of cotton. This tendency would be fostered by the decreased size of farms. On a small forty-acre plot the gains from attempting self-sufficiency might be less than producing cotton for the market. Whether the farmer was forced by the merchant to the cash crop emphasis, was led there by the economic motives, or--most likely--arrived there by some combination of the two effects; the impact was the same. The tenant farmer depended upon the local merchant for a substantial portion of his food requirements. The merchant-banker, then, replaced the prewar cotton factor: as the dominant financial intermediary in the South, as a retailer of supplies, and as the marketing intermediary for cotton.

Although the merchant-banker provided the solution to the credit problem in the South, the system was by no means an efficient one. The merchant was supplying only a limited local market. He had a virtual monopoly in the locality which he served, and yet his small size made it difficult for him to serve as an efficient intermediary. The result

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<sup>43</sup>Hammond [13], pp. 150-52; Clark [6], pp. 33-37.

of the monopoly power, coupled with the inefficiency, was a level of interest rates which was high by any reasonable standard. The method of charging interest through price differentials makes the determination of actual rates of interest very imprecise. A careful study by Hammond produced the results displayed in Table 13. As can be seen, effective rates of interest range from forty to 110 percent. Evidence abounds that these conditions existed throughout the South. Nor was the price differential always the end of the credit charges. The merchant quite often charged "service fees" for marketing cotton, placing special orders, and advancing cash.

There can be no doubt that these high rates of interest operated as a severe constraint to the investment by individual farmers. The extent to which this operated as a long-run constraint to Southern development is an open question. Economic historians have not examined the problem, and historians, for their part, have tended to focus upon another aspect of the Southern economy when they have attempted to explain the failure of the South to keep pace with the North. They have long maintained that sharecropping induced significant inefficiencies into Southern agriculture. In general, they have been supported by economists on this score: Smith, Mill, and Marshall all asserted that share tenancy was detrimental to agriculture.<sup>44</sup> Some recent reflections on the problem by Johnson and Cheung have raised doubts that such inefficiency is an inevitable consequence of sharecropping [22], [5]. The point deserves some comment.

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<sup>44</sup>See the introductory remarks by Cheung [5] and Johnson [22].

TABLE 13  
 THE EFFECTIVE RATE OF INTEREST CHARGED BY MERCHANTS  
 IN GEORGIA AND LOUISIANA, 1880-1896  
 (in percent)

Year	Georgia		Louisiana
	For Corn	For Bacon	For Corn
1880	61.4	40.0	....
1881	51.6	....	....
1882	51.0	42.8	....
1883	76.0	66.0	....
1884	....	....	....
1885	....	....	....
1886	69.6	84.0	85.6
1887	72.0	60.0	60.6
1888	54.0	52.0	56.4
1889	63.6	60.8	72.0
1890	58.0	58.6	65.8
1891	....	....	45.4
1892	....	....	50.6
1893	....	....	61.6
1894	....	....	52.6
1895	....	....	110.4
1896	....	....	74.0

Source: Hammond [13], p. 153.

The principal basis for concluding that sharecroppers are inefficient rests on the assertion that the tenant will always be induced to misallocate his inputs of land, labor, and capital. This will necessarily be so since he receives only a fraction of the marginal output from using resources and pays none of the marginal cost of using more land or additional material inputs. In fact, marginal analysis of the sharecropper's solution shows that the tenant will always try to use additional land up to the point where the marginal product from the last acre is zero.<sup>45</sup> Such a use of a scarce resource is clearly not optimal; the cropper is using too much land relative to labor inputs. But is this partial equilibrium analysis meaningful? It takes as given both the size of the share and the size of the farm, while, in general, the amount of land, the amount of labor, and the division of output are all mutually agreed upon by the tenant and landowner. Any such agreement must clearly reflect the landlord's interest in seeing that an optimal mix of land and labor is employed. Cheung is able to show that when this transaction takes place in a competitive world, an optimal mix of resources will result [5], p. 1122. A crucial condition for such a result is the control of inputs by the landlord.<sup>46</sup> For if this is not the case, the tenant cannot be expected to achieve an optimum when he does not take cognizance of the marginal cost of one of the factors--land.

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<sup>45</sup>This is because the marginal cost of using more land to the cropper is zero. The proposition is formally proven by Johnson [22], and later by Cheung [5].

<sup>46</sup>As Cheung explicitly notes on p. 1115 [5].

Cheung and Johnson have demonstrated that--in the absence of any market imperfections, and with control by the landlord--sharecropping is not inherently inefficient. Moreover, some superficial evidence can be cited to support the applicability of this result to the situation in the South. To begin with, the attitude of the Southern landowner toward the several alternative systems seems to border on indifference. To be sure, the issue was hotly debated, but no general agreement was ever reached. A survey of "experienced and intelligent agriculturalists" taken in 1874 in Georgia indicated that 66 percent favored wage payments; 23 percent favored sharecropping, and 11 percent favored renting. The same men reported that they were actually farming in the ratio: 21 percent wages, 49 percent sharecropping, and 30 percent renting (Janes [21], pp. 87-88). Hilgard's survey [15] also produced numerous conflicting opinions; many farmers reported using several systems simultaneously. It might be argued that this diversity of opinion and practice reflects an equivalence at the margin between the several alternatives.

Data from the 1900 Census on the average yield of cotton per acre of land do not reveal radically different levels of productivity from farms under different tenure arrangements. Table 14 presents the data for five cotton states. No clear implications emerge from this table. If the partial equilibrium argument for the inefficiency of sharecropping were correct, output per acre would be highest on the sharecropped farms. This appears to be the case in Georgia, Alabama, and Mississippi, but only for the farms operated by Black tenants. On the other hand, owner-operated farms produced higher yields in South



TABLE 14  
 AVERAGE YIELD OF COTTON PER ACRE BY TENURE AND RACE, 1899  
 (in 500 lb. bales)

	South Carolina	Georgia	Alabama	Mississippi	Louisiana
Non-Whites:					
Owners	.377	.320	.314	.395	.423
Cash Tenants	.367	.310	.298	.454	.562
Share Tenants	.374	.346	.325	.461	.530
Whites:					
Owners	.462	.379	.392	.430	.452
Cash Tenants	.416	.349	.361	.447	.592
Share Tenants	.397	.371	.368	.447	.466

Source: U.S. Census Office, *12th Census (1900)*, Agriculture Part II  
 [38], p. 419.

Carolina, Georgia, and Alabama when farmed by Whites. Since there is some evidence that land quality cannot be assumed constant across tenure and race, we cannot even take these figures as indicative of an advantage of one system over another.

While the data just presented do not reject the argument of Cheung and Johnson, they certainly are not sufficient to make the case either. In fact, evidence we have already cited suggests we should reject an analysis which assumes a competitive framework. Southern agriculture was characterized by monopoly elements, racist attitudes, and imperfect markets. The exclusion of Negroes as landowners and the biases against allowing them to become independent tenants surely constrained available alternatives when bargaining over the share contract. The data already presented on the changes in size distribution in farms after the War (Table 11 and Figure 1) cannot be explained within the framework adopted by Cheung and Johnson. Why was the family taken as the standard unit of labor for a tenant farm? If larger farms were more efficient before the War, why would the landlord not prefer to combine two, three, or more families to sharecrop a larger farm after the War? The answers to these questions must await a more elaborate analysis of the relative productivity of the alternative systems.<sup>47</sup>

Further study is also required to answer a host of other problems and questions such as: the impact of the system on the welfare of the Negro; its impact on the position of the poor White; the reasons for

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<sup>47</sup> It is hoped that data available from the manuscript census of agriculture can be used for this purpose.

persistence of the system and the apparent stagnation of southern agriculture; the migration of Negroes to the North . . . . The list is practically endless. The purpose of this paper has been rather modest. We have attempted to relate the pattern of events leading from the emancipation of the Negro to the establishment of a system of tenant farming and merchant banking which characterized the South for nearly a century. At the same time we have tried to identify the basic economic forces at work in this transformation.

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