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THE EX-SLAVE IN THE POST-BELLUM SOUTH:
A STUDY OF THE ECONOMIC IMPACT OF RACISM
IN A MARKET ENVIRONMENT

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THE EX-SLAVE IN THE POST-BELLUM SOUTH: A STUDY OF THE ECONOMIC
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Immediately after the Civil War, Southern landowners attempted to preserve the plantation system by offering to hire the newly freed ex-slaves on an annual contract for wages. However, serious problems soon developed. Foremost amongst these were difficulties engendered by views of White landlords and White overseers regarding the performance of the free Black labor. Because they insisted that Blacks were incapable of working productively without strict controls and corporal punishment, the landlords were convinced that only the workgang-overseer organization of the slave regime would be feasible. Many freedmen, quite naturally, were reluctant to work under conditions approximating those of slavery. Perhaps the landlord who would have preferred to hire wage labor might have succeeded had he been willing to offer higher wages. However, his views of Black productivity inhibited him from doing so, and this approach was soon abandoned.

The large cotton plantation, which had been the cornerstone of the ante-bellum regime, seldom remained intact. Its land was subdivided into smaller units, many of which became tenant farms operated by family labor. Table 1 presents the distribution of farms and farmland in the cotton growing areas of the South in 1880 by the race of the farm operator, the form of land tenure, and the size and organization of the farm.^{1/} By this time, the process of fragmentation was nearly complete. Fewer than one percent of all farms in the region could be considered plantations either in terms of their size or their reliance on wage labor. In fact, only 5.3 percent of all farms reported over one hundred

acres in crops. Most of these were excluded from the plantation category because they were operated with labor of family members. The rise of the small farm is also evident. Almost eighty percent of the farms reported fifty or fewer acres in crops. Most of these farms were run exclusively with family labor. Only eight percent of the farms in the South were of this scale and hired more than six man-months of labor per year.

Approximately sixty percent of the small family farms were operated by tenants rather than owners. Three out of four of these tenants rented for a share of the crop; a form of tenure not at all typical of the pre-war South.

Historians have always argued that racism played an important role in the rebuilding of Southern society and the restructuring of agriculture after the Civil War. Economists and economic historians, on the other hand, have tended to discount or ignore the impact of racist attitudes. Perhaps this is because the application of standard economic theory to the problem of discrimination suggests that free markets and competition will mitigate the effects of discriminatory behavior by individuals.

In the long run, differences in economic position should disappear as market forces erode away any inequalities initially present. The economic analysis developed in this paper, to the contrary, suggests that racism can have a profound and lasting effect even in the face of competitive market pressures.

Our analysis focuses on the costs of information underlying decisions in the labor market. Conventional theory typically assumes that in an economic transaction there are no problems associated with evaluating the quality of the labor hired. In fact, there are many instances when the employer obtains information on quality only

Table 1

Distribution of Farms and Farmland in the Cotton South, 1880

Type of Farm ^a	Percentage Distribution of Farms			Percentage of All Land in Each Class			Percentage of All Acres Reported in Crops in Each Class ^b		
	White	Black	All	White	Black	All	White	Black	All
Small Family Farms	40.2	29.6	69.7	29.0	8.4	37.4	23.8	16.6	40.4
Owned	23.6	4.8	28.4	23.1	2.3	25.4	14.7	2.5	17.2
Tenanted	16.6	24.8	41.4	5.9	6.1	12.0	9.0	14.1	23.1
Rented	3.2	7.9	11.1	1.5	2.0	3.5	1.9	4.5	6.4
Sharecropped	13.4	17.0	30.3	4.4	4.1	8.5	7.1	9.6	16.7
Other Small Farms	5.9	2.6	8.5	7.5	1.0	8.5	4.3	1.7	6.0
Owned	4.4	0.3 ^c	4.7	6.3	0.2 ^c	6.5	3.3	0.2 ^c	3.5
Tenanted	1.5	2.2	3.7	1.2	0.8	2.1	1.1	1.5	2.5
Rented	0.3 ^c	0.6 ^c	0.9	0.5 ^c	0.1 ^c	0.7	0.2 ^c	0.4 ^c	0.6
Sharecropped	1.2 ^c	1.6	2.9	0.7 ^c	0.7	1.4	0.8 ^c	1.1	1.9
Medium Scale Farms	12.3	4.2	16.5	29.2	4.2	33.4	19.6	6.5	26.0
Owned	9.4	1.4	10.8	25.1	1.5	26.6	14.9	2.2	17.1
Tenanted	2.9	2.8	5.7	4.2	2.7	6.9	4.7	4.3	9.0
Rented	1.0	1.1	2.1	2.0	1.2	3.1	1.7	1.7	3.4
Sharecropped	1.9	1.7	3.6	2.2	1.5	3.7	3.0	2.6	5.6
Plantations	0.8	0.1 ^c	0.9	6.2	0.6 ^c	6.8	7.6	1.1 ^c	8.7
Owned	0.8 ^c	0.1 ^c	0.8 ^c	5.9 ^c	0.6 ^c	6.5 ^c	7.1 ^c	1.1 ^c	8.2 ^c
Tenanted	0.1 ^c	0.0 ^c	0.1 ^c	0.3 ^c	0.0 ^c	0.3 ^c	0.5 ^c	0.0 ^c	0.5 ^c
Other Large Farms	3.5	0.9 ^c	4.4	11.4	2.5 ^c	13.9	13.0	4.1 ^c	17.1
Owned	3.1	0.7 ^c	3.8	9.5	2.1 ^c	11.6	10.2	3.6 ^c	13.8
Tenanted	0.4 ^c	0.2 ^c	0.6 ^c	1.9 ^c	0.4 ^c	2.3 ^c	2.8 ^c	0.5 ^c	3.3 ^c
All Farms	62.7	37.3	100.0	83.2	16.8	100.0	69.6	30.4	100.0
Owned	41.3	7.3	48.6	69.8	6.7	76.5	50.8	9.7	60.5
Tenanted	21.5	29.9	51.4	13.4	10.0	23.5	18.6	20.5	39.1
Rented	4.8	9.6	14.4	5.8	3.4	9.2	6.9	6.8	13.7
Sharecropped	16.6	20.3	37.0	7.6	6.7	14.3	11.8	13.7	25.5

a. The definition of farm type is as follows:

- Small Family Farms: Farms reporting 50 or fewer acres in crops and 26 or fewer weeks of hired labor.
- Other Small Farms: Farms reporting 50 or fewer acres in crops and more than 26 weeks of hired labor.
- Medium Scale Farms: Farms reporting more than 50 but 100 or fewer acres in crops.
- Plantations: Farms reporting 200 or more acres in crops, greater than 98 weeks of hired labor, and which rely on hired labor for at least sixty percent of their requirements.
- Other Large Farms: All farms not included in one of the above categories.

b. Acres reported in crops are the total acres harvested in 1879 planted with the following crops: rice, barley, buckwheat, Indian corn, oats, rye, wheat, cotton, flax, hemp, sugar cane, sorghum, tobacco, apples, and peaches.

c. The figure reported is based upon fewer than forty sampled farms.

Source: Computed from a sample of farms from the 1880 Census of Agriculture. See the Appendix for details.

at some cost. The more information he obtains, the more reliable his estimate of productivity. There is a trade-off between the cost of obtaining more information on the one hand, and the benefits from an improved estimate of quality on the other. In general, one cannot expect that the employer will be willing to pay for enough information to reduce uncertainty to zero. The essence of our argument is that in many such situations there will be "signals" or "indexes" of labor productivity available which will provide a great deal of information at a relatively low cost.^{2/} Frequently, in these instances, additional information may be obtained only at substantially higher marginal cost. Whenever there are readily identifiable characteristics, such as race or sex of the applicant, believed to be strongly associated with the ability of the worker, the employer will use this costless index as a guide to the actual ability of the applicant. Unless the potential advantages to the employer outweigh the costs of additional information beyond that provided by the index, he will make identical job offers to all laborers in a given category. When the possibility is low that an applicant's productivity will be substantially different from the average supposed for the group, the employer risks little by such a strategy. The potential gain from discriminating between laborers within a group will also appear small when the cost of determining differences in ability is high. Because the employer will be unwilling to verify a laborer's claim to higher than average productivity, every worker will be treated as if his productivity is equal to the supposed average for his group.

Before we apply this reasoning to the question of land tenure in the Reconstruction period, we must note the extreme prejudice of the Whites against land ownership on the part of Blacks. Whitelaw Reid, a

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journalist visiting the South in 1865-66, summarized the view prevailing amongst the Whites throughout the cotton regions:^{3/}

"...[T]he 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 land; even the renting of small tracts to them is held to be unpatriotic and unworthy of a good citizen."

The "cost" of selling land to Blacks must have been appreciably increased by the threat of violence against both the buyer and the seller. In any event, most Blacks had to depend on borrowed funds to finance the purchase of a farm. Thus, the failure of a mortgage market to develop in the South became a severe obstacle to Black ownership in the long run.^{4/} The likelihood that mortgages would be offered individual Black buyers by White sellers of land was remote. The ability of the Black farmer to meet his mortgage obligations would depend upon his success as an independent farmer. But the potential lender would have a low opinion of the Black's ability to farm without supervision. This is not at all surprising. The free Negro began his freedom with no familiarity with economic markets. The behavior of prices, the use of money, contractual commitments over time, and the other intricacies of commercial activity were completely new to him. Nor had his experience as a slave provided the freedman with the management skills necessary for independent farming. He was, of course, familiar with the tasks associated with the cultivation of cotton and corn. However, he was totally inexperienced with economic decision-making such as: how much of each crop to plant; when and how much fertilizer should be used; and how to market his crop to his best advantage. This lack of entrepreneurial

experience was compounded by the absence of formal education: nine out of ten adult Blacks in 1870 could not write.^{5/}

This is not to say that there were no Blacks who could farm successfully as independent farmers. However, such individuals were sufficiently rare in the years immediately following abolition that the cost of verifying their claims would exceed the expected gain from a small loan. With little opportunity for the lender to spread his risk, and a race "signal" advising caution, the private seller of land would be unlikely to finance a Black farmer at attractive terms.

The inability of Blacks to gain ownership of farms is demonstrated in Table 1. Only 7.3 percent of all farms, containing 6.7 percent of all farmland, were owned by Black operators. Most of these Black-owned farms were small; usually operated with labor from the farm owner's family. The relative importance of Negro ownership had increased since emancipation, however for the remainder of the century Blacks were barely able to hold their own. The 1900 Census reported that 8.0 percent of all farms in the five major cotton states were owned by Blacks, and this still represented only 6.5 percent of all farmland.^{6/}

The inescapable conclusion which emerges from these facts on ownership is that in 1880 most Blacks worked on someone else's land.

With the demise of the plantation system, and Black ownership effectively prohibited, a new form of landlord-labor relationship had to be negotiated. The ideal arrangement, from the standpoint of the Black, would be to rent for a fixed fee payable after harvest.

In this way, he would be free to organize his time and labor as he saw fit, and would receive the full benefit from his productivity. Such

an arrangement, however, was not likely to appeal to the landlord. Though the tenant would bear the brunt of any loss, a failure of the farm would almost certainly result in default of rent and a loss to the landlord as well.^{7/} The conventional wisdom regarding Black labor insisted that without supervision the Black farmer would be certain to fail as an independent farmer. Contemporary accounts rarely mention renting to a freedman for a fixed payment in the period right after the War. Even as late as 1880, renting to Blacks accounted for only 9.6 percent of all farms and 3.4 percent of all land in the Cotton South, as evidenced by Table 1.

By the late sixties, experience with Black labor proved that, when treated fairly, the Negro was willing to work and work hard without the regimentation of the work-gang system. However, landowners persisted in their conviction that no Black could be successful as an independent farmer or possess skills as a manager.

The revised attitudes and the abandonment of the plantation organization probably explain the resurgence in the use of wage labor in the early seventies. By 1880 our data from the sample of farms suggest that approximately one-third of the Blacks in Southern agriculture were working for wages. Landowners and laborers no longer disagreed so sharply on the productivity of field labor. As a result, the wages offered were more in line with the average product of a Black worker. Despite the landowner's re-evaluation of the average Black's performance, he persisted in his unwillingness to distinguish further between workers. Hence, in most cases, all of the workers were paid a uniform wage.^{8/}

Those workers who did possess skills or who had gained experience beyond that of the average worker would prefer an alternative form of employment. The system which appealed to them was sharecropping, in

which the landlord and laborer shared the output at the end of the season. The freedman's anticipated share of the output would exceed the standard wage offered by a landowner. The most productive workers would be those with the highest incentive to insist on a return geared to their productivity rather than accept a fixed wage. Thus, those Blacks who chose to remain at work for wages were seldom superior workers. As a result, the landowners who farmed with wage labor would only have experience with a limited range of work performance. Thus, his predisposition to view all Blacks alike and to discount the possibility of superior performance by the race would be reinforced.

In 1880, one out of two Negro farmers rented for a share of the crop. However, the Negro who undertook sharecropping in the hope of becoming an independent farmer was frequently disillusioned. Sharecropping, as practiced in the South involved considerable control by the landlord. Management decisions concerning the crops to be raised, the inputs of seed, fertilizer, and so on, to be used, and the sale of the crop were left in the hands of the landlord, not the tenant.^{9/} This tight control precluded the Black sharecropper from gaining experience which would have prepared him for independent farming. The dropper obviously could learn from observation and experience. However, he would find it difficult to use this knowledge to improve his income. His present landlord would only alter the terms of the arrangement in favor of the worker because of competitive pressures. But if the Black went elsewhere in search of a more attractive offer, he would find that, at best, he would be regarded as an average Black worker. The prospective employer would be unwilling to incur costs to verify a claim of higher than average ability. More likely than not, a freedman seeking a new job would be judged to be less than average. In

the absence of trustworthy information on his previous employment, the fact that a laborer was seeking work would frequently be taken as a signal that he was not a reliable worker. The presumption would be that he was "let go" by his previous landlord, for had he been a good worker he would have been retained. Unable to bargain oné employer off against another because of this effect, the Black worker would be unable to escape exploitation.

The impact of racism was not confined to the question of tenure. The capital market was similarly influenced by White appraisals of Negro ability. Lenders require information on a prospective borrower's assets, on his education and on his ability as a farmer. Race, in each of these instances, seemed to provide a good proxy in the post-bellum South. Without further investigation, the lender would immediately conclude that a Black applicant was less credit-worthy than a White. The costs of obtaining more accurate information would be high relative to the possible gains to the money lender. As a result, the loan application of the Black would either be denied or offered at terms too expensive to allow profitable farming.

The discrimination would be greatest against the Negro owner, inasmuch as he had only his own meager resources to rely on to establish his credit rating. Moreover, the lender would share the landlord's suspicion that an independent Black farmer was not likely to be very successful. Renters might fare better when seeking financing, since they might expect some assistance from the landlord who would stand to gain from certain capital improvements on the land. A proper use of capital would reduce the risk of default. Sharecroppers might also expect to be aided by the landlord, who would clearly gain from improved efficiency.^{10/}

We do not have direct evidence of discriminatory practices against Blacks in the credit market. However, if Blacks faced higher interest charges, or if money lenders rationed credit more severely to Blacks than to Whites, we would expect to observe lower inputs of capital relative to land and labor on Black operated farms. Since the underlying difficulty, according to our analysis, was that race implied inadequate managerial ability, we should find that the effect would be most pronounced with regard to those types of capital which required considerable managerial skill to employ.

A good example of this sort of capital input would be the number of untilled acres on the farm. Such land (including meadows, woodlands, unimproved land, and improved land not in cultivation) provided a very important stream of inputs to the farm. The technique of fallowing was a major means of maintaining soil quality. Meadows and other forms of unimproved land also provided feed for farm animals.

Table 2 confirms our expectations. White farms had, on the average, four times as much untilled land as Blacks. Among small family farms (and eighty percent of all Black operated farms were in this class) the ratio of untilled to tilled acres for White farms was more than twice the ratio for Black farms, regardless of the form of tenure. The same pattern emerges when we consider the average value of farm implements per acre of crops. As can be seen in Table 2, Black farms report substantially less of this form of capital than Whites, and it is worth noting that the effect is particularly strong when comparing owner-operated family farms.

The lack of idle land meant that working capital needs such as fertilizer, animal feed, and the other inputs produced on larger farms, had to be purchased. The supplier of these needs was invariably the local merchant, who would sell goods for inflated "credit prices".^{11/} The limit for each farmer was set according to what he was "good for" in the judgment of the merchant. Here, as in other markets, we suggest that racial bias will result in higher prices and lower credit limits for "high risk" Black farmers. Discrimination against Blacks by these suppliers may explain the significantly smaller percentage of Black farms which report the use of fertilizer. This is particularly surprising, since the Black farms should have had a greater need for fertilizer.^{12/} Table 2 also reports the average expenditure per acre for those farms which purchased commercial fertilizers. Black farms report higher expenditure per acre than their White counterparts, confirming their greater need for this input. Moreover, we suspect that this is also an indication that the Black farms where the need for fertilizer was moderate or low were in many cases unable to obtain financing for this input.

The evidence just presented that the capital market of the South discriminated against the Blacks is indirect. Nevertheless, this indirect evidence is so striking and systematic that we are prepared to conclude that the Black's access to capital was effectively curtailed. One of the important implications of this discrimination in capital markets was that the Black was forced to apply relatively greater amounts of labor to the land than White farmer. This substituting of labor for capital is apparent from our estimate of labor inputs presented in Table 3. The greater amount of labor per acre on Black operated farms was not achieved with hired labor. Our data indicates

Table 2: Inputs of Capital on Farms in the Cotton Belt, 1879-80

Type of Farm ^a	Number of Untilled Acres per Tilled Acre		The Average Value of Farm Implements per Acre Reported in Crops (Dollars) _b		Percentage of Farms Reporting the Purchase of Fertilizer		Average Expenditure on Fertilizer per Acre Reported in Crops (Dollars) _b	
	White	Black	White	Black	White	Black	White	Black
	Small Family Farms	2.72	0.63	1.80	0.79	33.5	21.9	1.25
Owned	4.01	2.02	2.25	1.28	36.8	20.7	1.24	1.52
Tenanted	0.88	0.37	0.90	0.66	28.8	22.1	1.26	1.38
Rented	1.65	0.42	0.80	0.64	30.0	18.0	1.38	1.28
Sharecropped	0.69	0.34	0.93	0.67	28.6	24.1	1.23	1.42
Other Small Farms	3.83	0.90	3.06	0.86	43.9	28.1	2.19	2.90
Owned	4.77	-- ^c	3.64	-- ^c	43.3	-- ^c	2.28	-- ^c
Tenanted	1.14	0.90	1.39	0.82	45.5	25.4	1.94	1.18
Medium Scale Farms	3.92	1.40	1.08	0.69	42.3	24.9	1.00	0.83
Owned	4.43	1.58	1.15	0.67	43.9	20.7	1.01	0.92
Tenanted	2.23	1.31	0.83	0.71	37.0	27.0	0.97	0.80
Plantations	1.80	-- ^c	1.52	-- ^c	30.6	-- ^c	0.70	-- ^c
Other Large Farms	2.33	-- ^c	0.92	-- ^c	49.4	-- ^c	0.78	-- ^c
All Farms	3.02	0.77	1.71	0.78	37.1	23.1	1.26	1.42
Owned	4.03	1.84	2.02	1.07	40.1	23.9	1.25	1.92
Tenanted	1.08	0.50	0.92	0.68	31.3	22.9	1.27	1.29
Rented	1.98	0.49	0.75	0.67	31.0	18.2	1.28	1.18
Sharecropped	0.82	0.50	0.99	0.69	31.4	25.2	1.27	1.33

a. For definitions of farm types see Table 1, note a.

b. For farms reporting this variable.

c. Estimates not reported for cells with fewer than 40 sample observations.

Source: Computed from a sample of farms from the 1880 Census of Agriculture. See the Appendix for details.

Table 3: Inputs of Labor on Farms in the Cotton Belt, 1879-80

Type of Farm ^a	Number of Full-time Laborers per 100 Acres in Crops		Percentage of Labor Input which was Hired for Wages		Number of Family Workers per 100 Acres in Crops		Percentage of Household at Work on the Farm	
	White	Black	White	Black	White	Black	White	Black
	Small Family Farms	8.09	13.27	3.2	1.0	24.6	31.0	36.6
Owned	7.98	15.17	3.9	1.4	25.1	40.8	35.4	44.3
Tenanted	8.26	12.89	2.2	0.9	23.8	29.1	38.4	48.1
Rented	6.88	13.79	3.1	1.3	21.3	28.6	37.4	50.7
Sharecropped	8.58	12.48	2.0	0.7	24.4	29.4	38.6	46.9
Other Small Farms	12.95	23.73	48.4	35.3	22.3	26.8	32.9	51.8
Owned	13.87	-- ^b	48.4	-- ^b	23.7	-- ^b	32.0	-- ^b
Tenanted	10.43	18.05	48.4	34.8	18.3	24.0	35.5	52.0
Medium Scale Farms	4.68	7.00	24.3	10.5	9.6	11.8	39.3	54.2
Owned	4.80	6.70	25.5	10.0	9.8	11.4	37.8	53.6
Tenanted	4.26	7.16	20.2	10.7	8.7	12.1	44.1	54.5
Plantations	3.58	-- ^b	80.2	-- ^b	1.8	-- ^b	36.9	-- ^b
Other Large Farms	3.24	-- ^b	40.8	-- ^b	4.4	-- ^b	37.7	-- ^b
All Farms	7.50	13.01	14.7	5.1	19.8	27.7	36.9	48.7
Owned	7.37	14.26	17.6	7.8	19.4	30.9	35.7	47.5
Tenanted	7.74	12.69	9.1	4.4	20.7	26.9	39.1	49.0
Rented	6.19	13.16	13.2	6.0	16.4	25.7	40.2	51.8
Sharecropped	8.18	12.46	8.0	3.7	21.9	27.5	38.8	47.7

a. For definitions of farm type see Table 1, note a.

b. Estimates not reported for cells with fewer than 40 sample observations.

Source: Computed from a sample of farms from the 1880 Census of Agriculture. See the Appendix for details.

that Blacks hired less labor per acre than Whites. This is understandable, because Blacks would have found it more difficult to obtain the short-term working capital necessary to pay monthly wages.

Discrimination in the markets for land and labor meant that Black families had to support themselves with fewer acres per family member than did White families. This is evident from the higher number of Black family members per one hundred reported acres shown in Table 3.

The impact of discrimination in the capital market was strong enough to require a larger proportion of the Black family to work on the farm than was true for similarly situated White families.

The higher input of labor per acre must imply lower average returns for labor on Black farms, and a smaller gross income for Black families. The rather rough indexes of gross income for small farms presented in Table 4 suggest that this was the case. Returns to labor on White family farms were about sixty percent above those on Black family farms. The difference in output per family is less, reflecting the fact that Whites can afford leisure and have a smaller fraction of the family at work.

Our analysis suggests that the freedman was systematically denied the opportunity to become an independent farmer because of his race. Nevertheless, the notion that the freed slave was not immediately prepared to become an independent farmer was probably not far from the mark. It would not be safe to conclude from the rough indexes that were the effects of racial discrimination eliminated in 1880, the total output of the South would have risen spectacularly. But the examination of racism undertaken in this paper suggests a much more important and profound economic consequence of discrimination

Table 4: Indexes of Gross Income on Small Farms in the Cotton Belt, 1879-80

Type of Farm ^a	Value of Output per Full-time Laborer on the Farm (Dollars) ^b		Value of Output per Family Member on the Farm (Dollars) ^b	
	White	Black	White	Black
Small Family Farms	255.74	159.62	81.35	63.57
Owned	283.70	155.78	88.12	58.11
Tenanted	212.47	160.40	70.87	64.67
Rented	260.19	159.51	88.02	67.63
Sharecropped	200.69	160.81	66.84	63.30
Other Small Farms	262.78	153.79	143.73	127.94
Owned	262.29	-- ^c	149.18	-- ^c
Tenanted	264.17	147.23	127.93	117.65

a. For definitions of farm type see Table 1, note a.

b. For farms reporting value of farm output.

c. Estimates not reported for cells with fewer than 40 sample observations.

Source: Computed from a sample of farms from the 1880 Census of Agriculture. See the Appendix for details.

than the mere misallocation of resources in a single year.

In the initial instance race was a good predictor of factor quality for the landlord of the post-bellum South. As time went on, this correlation was not weakened, and indeed was probably reinforced through experience. Because the Black laborer perceived that the market limited his opportunities due to his race, and that the true nature of his skills, experience, and abilities were never measured or tested he had little incentive to invest in measures which might improve his productivity. The Black farmer who did invest in an education or training found that the market did not reward his higher skills. He was still marked by his race as a member of a class with low agricultural productivity. The landlord, for his part, did not inquire further since the costs of obtaining a true measure of ability would, on average, not be worth the potential gain. The implication of this reasoning is that the inequalities originally inherited from slavery persisted. The Black laborer was not induced to improve his productivity because of the racism of White landowners, and the landowners did not alter their attitudes because they were continually reminded that the typical Black did have low productivity.

Emancipation from slavery was obviously the necessary first step on what has proven to be an extremely long road towards economic equality for Black Americans. Clearly, emancipation alone was not sufficient to assure the economic advancement of the freedmen, for emancipation did not change the White's deep-seated belief that the free Negro could never function in a market society. As Benjamin Truman predicted in a report to President Andrew Johnson in 1866:^{13/}

"Inheriting his slaves, and finding them always brutish, stupid and slow of understanding, [the planter] committed the logical

inaccuracy of preventing them from ever becoming anything else, and proceeded to argue that they never could become so."

The economic and social institutions which the South adopted in response to emancipation produced an economic environment in which there was little potential for Black advancement. This being the case, it obviously would have been to the Black farmer's advantage to change the system. Lance Davis and Douglass North have recently argued that institutional change is frequently the product of the pursuit of self interest.^{14/} They argue that when a group is in a position to organize and use their political power to change institutional arrangements, they will do so whenever the expected benefits of collective action exceed the anticipated costs of organization. This never happened for Blacks in the South. We believe there are two reasons for this inaction. In the first place, the benefits to be gained would have been realized, not instantaneously, but in the form of gradual improvements in labor productivity. Such benefits may have been imperfectly perceived by Black farmers who were largely uneducated and who had known no other form of freedom. But secondly, and more importantly, the costs of organization for effective action must have seemed enormous. Blacks were increasingly disenfranchised, and had no protection from the quasi-legal and illegal suppression that county sheriffs and vigilante groups were all too willing to enforce.

Institutional change did come to the South, but it came too late. By the beginning of the twentieth century, increasing numbers of Negroes were already abandoning the region. Industrial expansion in the North and falling transportation costs made the ghettos of the North appear as a more attractive opportunity for economic advancement. After nearly fifty years of struggling within the South

to achieve economic gains, the Blacks saw migration to another region as the ultimate solution to his problems. The result, as we know all too well today, was not parity with Whites. But the exodus probably did set in motion the first significant forces for Negro advancement in the history of America.

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Appendix

The data presented and discussed in the text are estimates for the cotton growing region of the South in 1879-1880 based on a sample of farms drawn from the manuscript reports of the enumerators of the 1880 Census of Population and Agriculture. These reports list every individual and every farm enumerated at the census taking. The manuscript reports of the population have been retained by the United States National Archives. For details see Katherine H. Davidson and Charlotte M. Ashby, compilers, "Records of the Bureau of the Census," *The National Archives, Preliminary Inventories*, Number 161 (Washington: G.P.O., 1964) p.101. The manuscript schedules for agriculture for the Southern states are available from the University of North Carolina Library. For details on this collection see Samuel M. Boone, "Agricultural and Manufacturing Census Records of Fifteen Southern States for the Years 1850, 1860, 1870 and 1880," (Chapel Hill: University of North Carolina Library, 1966).

The sample employed in this study was drawn from twenty-seven counties selected as representative of seventeen economically homogeneous regions which together define the "Cotton Belt"; a wide swath of territory running from the cotton growing lands of the Carolinas through the "Black Belt" of Georgia, Alabama and Mississippi, including the alluvial valleys of the Mississippi and Red Rivers, and on to the eastern prairies of Texas. A list of the counties and regions included is presented in Appendix Table II of Roger L. Ransom and Richard Sutch, "Debt Peonage in the Cotton South After the Civil War," *The Journal of Economic History*, XXXII, (September 1972), pp.668-669. Further details on the definition of the regions and the sampling procedure followed can be obtained from Roger Ransom and Richard Sutch, "Economic Regions of the South in 1880," *Southern Economic History Project, Working Paper Series*, Number 3, (Berkeley: Institute of

Appendix Table

Number of Farms in the Sample by Farm Type and Race of Farm Operator

Type of Farm ^a	White	Black	All Farms
Small Family Farms	1,749	1,607	3,356
Owned	1,152	297	1,449
Tenanted	597	1,310	1,907
Rented	173	462	635
Sharecropped	424	848	1,272
Other Small Farms	249	138	387
Owned	195	23	218
Tenanted	54	115	169
Rented	17	33	50
Sharecropped	37	82	119
Medium Scale Farms	507	209	716
Owned	404	64	468
Tenanted	103	145	248
Rented	40	51	91
Sharecropped	63	94	157
Plantations	44	2	46
Owned	36	2	38
Tenanted	8	0	8
Other Large Farms	157	33	190
Owned	140	22	162
Tenanted	17	11	28
All Farms	2,706	1,989	4,695
Owned	1,927	408	2,335
Tenanted	779	1,581	2,360
Rented	247	549	796
Sharecropped	532	1,032	1,564

a. For definitions of farm type see Table 1, note a.

Business and Economic Research, University of California, March 1971).

The sample drawn included 5,283 farms. Data on each farm and its operation in 1979 were recorded from the Census of Agriculture, and information on the farm operator and his family was obtained from the Census of Population. All but 192 of the farm operators were located in the population schedules. In addition to these few farms, another 396 farms were deleted from the sample because of missing, illegible, or otherwise unsatisfactory data. The results reported are based, then, upon the returns of 4,695 farms. All of the estimates were obtained by taking weighted averages of the variable as reported by each farm. The sampled farms in each county were weighted by the total number of farms in their county (which assumes that the sample is an adequate reflection of the county as a whole). The results for all of the counties in each of the seventeen sub-regions were then weighted by the total number of farms in the sub-region (which assumes that the counties selected were an adequate representation of their region). The accompanying table reports the number of sampled farms from which the results are based.

The data were collected and collated with the assistance of Wendy Barnes, Sue Boutin, Deborah Doyle, Sheila Moffett, Barbara Robins, and Lynnae Wolin.

Footnotes

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1/ The data are based on a sample of farms discussed in the appendix. The characterization of a farm as either a "Small Family Farm" or a "plantation" is intentionally designed to reflect two stereotypes which emerge from both historians' treatment and the 1880 Census of Agriculture. The specific definitions are included in the notes to Table 1.

2/ The economic analysis sketched below draws upon "market signalling" models proposed by George Akerlof, Kenneth Arrow and Michael Spence. See George A. Akerlof, "The Market for 'Lemons': Quality, Uncertainty and the Market Mechanism," *Quarterly Journal of Economics*, LXXIV, (August 1970); Kenneth J. Arrow, "Some Models of Racial Discrimination in the Labor Market," *Rand Memorandum*, RM-6253-RC, (Santa Monica: Rand Corporation, 1971); Michael Spence, "Market Signalling," *Discussion Paper, Public Policy Program*, Number 4, (Cambridge: Kennedy School of Government, Harvard University, February 1972).

3/ Whitelaw Reid, *After the War: A Tour of the Southern States, 1865-1866* (New York: Harper and Row, 1965, Originally published in 1866), pp. 564-65. Reid was referring to "portions of the Mississippi Valley", however there is ample evidence in the many commentaries on the period that similar views were held throughout the South.

4/ The undeveloped state of the Southern credit market is illustrated by the fact that, as late as 1890, only 5.3 percent of all farms in the South were mortgaged, compared to 36.4 percent of all farms outside of the South. These figures are computed from United States Census Office, *Eleventh Census, Report on Real Estate Mortgages in the United States at the Eleventh Census 1890*, (Washington: G.P.O., 1895), pp.175-77.

5/ Literacy data is available from United States Census Office, *Ninth Census, The Statistics of Population of the United States ... Compiled from the Original Returns of the Ninth Census (June 1, 1870)*, (Washington: G.P.O., 1872).

6/ The figures are computed from United States Census Office, *Twelfth Census, Census Reports: Twelfth Census of the United States Taken in 1900; Volume V: "Agriculture", Part I*, (Washington, G.P.O., 1902).

7/ The landlord could avoid this risk by insisting on prepayment of rent, but few Negroes would have sufficient capital to meet such a demand. As we noted above, they would be unlikely to obtain credit from a third party to finance a prepayment of rent.

8/ This is not to deny that other costless signals of productivity, such as sex and age, were also used to classify workers. The fact remains that the employer was not likely to discriminate between workers within these broad categories. This behavior by a landlord is not unusual--indeed it is commonplace among employers today. Production workers on a modern assembly line typically receive a standardized wage.

9/ Management control of labor inputs is universally observed to be necessary in sharecropping arrangements. Without such control, labor would seek

^{14/} Lance E. Davis and Douglass C. North, *Institutional Change and American Economic Growth*, (New York: Cambridge University Press, 1971).

alternative employment for a portion of his time since he receives only a fraction of his marginal product from the sharecropped farm. Our analysis suggests an additional incentive for control when the tenant is Black.

The landlord would believe that control would substantially increase output, and therefore would be prepared to offer significantly better terms under such an arrangement. The laborer will accept the offer so long as the larger share of output he receives more than compensates for the controls involved. See the companion paper in this session by Joseph D. Reid Jr. for further discussion on this point.

^{15/} It was common practice in the South for landlords to endorse the notes of his tenants. See Glenn N. Sisk, "Rural Merchandising in the Alabama Black Belt, 1875-1917," *Journal of Farm Economics*, XXVII (November 1955), p.706.

^{11/} We have presented a detailed analysis of the problems of the South in developing a credit structure to meet the demands of agricultural credit in another article; "Debt Peonage in the Cotton South After the Civil War," *Journal of Economic History*, XXII, (September 1972).

^{12/} In addition to their relative shortage of untilled land, Black farmers reported fewer animals which could provide manure. We estimate that small family farms operated by Whites had on average 1.9 working animals compared to only 1.3 on the Black farms. Similarly, Whites had more swine than Blacks (9.9 compared with 5.2 respectively).

^{13/} Benjamin C. Truman, "Report ... Relative to the Conditions of the Southern People and the States in which the Rebellion Existed," contained in *Message of the President of the United States (May 7, 1866)*, United States Senate, Thirty-Ninth Congress, First Session, *Executive Document*, Number 43 (Washington: G.P.O., 1866), p.10.