

"COMMENT ON DOMAR TO BE INSERTED IN WORKING PAPER NUMBER 8"

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There is a simple economic argument explaining the fall in farm size which is suggested by the theory of slavery associated with Wakefield [] and Nieboer [].* According to the argument slavery is the result of free land. When unowned land is ubiquitous; it will not be possible for the owners of land to collect an economic rent from its use.** If there are no economies of scale, it will also be impossible for landowners to hire wage labor or find tenants (unless there is some third factor of production--such as managerial skill or capital--which is scarce and controlled by the landowners). A laborer would have to be paid at least as much as he could earn on a farm of his own before he would work for another. If the landowner is to pay such a wage there will be no surplus left for him to appropriate. One of two outcomes will be the result. Either the country will be composed entirely of small family--operated farms or compulsion would be used to prevent labor from establishing their own farms. Compulsion is frequently resorted to in Societies with ubiquitous land for reasons of defence. A population spread thinly over numerous family farms is hard to mobilize and easily attacked. Compulsion is also likely to be resorted to when

*This theory has recently been revived and treated in a more formal manner by E. Domar []. Our summary of the theory relies on his discussion.

**Ricardo has also noted this point.

an elite class with political power wishes to establish a source of economic power in the community. Such a class could enact laws which would enable them to ~~serve~~ ^{INSLAVE} labor for large plantations.

This theory suggests that the origins of American slavery can be traced to the unfortunate coincidence of free land and a powerful class of landowners who found that their land did not return them economic rents. By using their political influence and also perhaps by arguing the necessity of reducing contact with the Indians, ~~the~~ ^{this} group was able to establish first a system of indentured servitude and, when that failed to attract sufficient migration from England, Negro slavery. This class of landowners were then able to capture rents not only from the land which was temporarily made scarce but from the exploitation of labor as well.*

Once slavery was established in the United States it flourished with the government's cooperation. ~~Until~~ ^{Until}, after a war of unprecedented violence, the system of slavery was outlawed. The consumption of leisure by the newly freed slaves and the mortality of the war years greatly reduced the labor supply. The cotton culture had not yet extended to the limits dictated by climate and soil characteristics. The Wakefield-Nieboer theory suggests that with free land and a shortage of labor agriculture ~~would~~ ^{would} return to the pattern of single family farms possitited as the alternative to slavery. This interpretation is given support by the experience

*The application of the Wakefield-Nieboer theory to the U.S. case has also been made by Phillips [] and ~~Gray~~ ^{Gray}, Domar too feels his version of the model explains U.S. slavery. p. 30.

of the Northern States, where slavery was not permitted--and where farming largely employed small family-operated farms. Many commentators on the reconstruction period have maintained that the decline in farm size after the Civil War reflected a rise of such a class of small-farm owners.

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There are at least two ways in which the Wakefield-Nieboer theory can be reconciled with a rise of small scale tenant farming. The first alternative is suggested by the fact that between the time slavery was established and the time of its abolition the invention of the cotton gin, the development of sophisticated markets for both cotton and financing, and the increased costs of transportation necessitated by the spread of the plantation system meant that both capital and managerial skill became important inputs to the production process. While ~~the~~ former slaveowner had lost the power to enslave his labor, he still maintained his monopoly on capital and managerial skill. Without these factors the freedmen could not be successful at independent farming. The result was that the ownership of land was not dispersed and labor was forced to cooperate with the landowners, not so much to gain the use of land but to gain the use of physical and human capital. That his co-operation took the form of tenant farming rather than wage labor is a fact which cannot be understood within the simple framework of the Wakefield-Nieboer model. The next section of this paper discusses several of the factors which might explain this outcome.

A second way in which the rise of tenancy can be reconciled with the Wakefield-Nieboer theory is to assert ~~it~~ that reconstruction nearly substituted one form of coercion for another. This possibility, suggested briefly by Evans [], rests on the belief that the nature of the sharecropping agreement, coupled with racial suppression, and monopolistic practices of the country stores produced a form of peonage or surfdom. This possibility is explored at length in Ransom and Sutch, Working Paper Number 9. [].