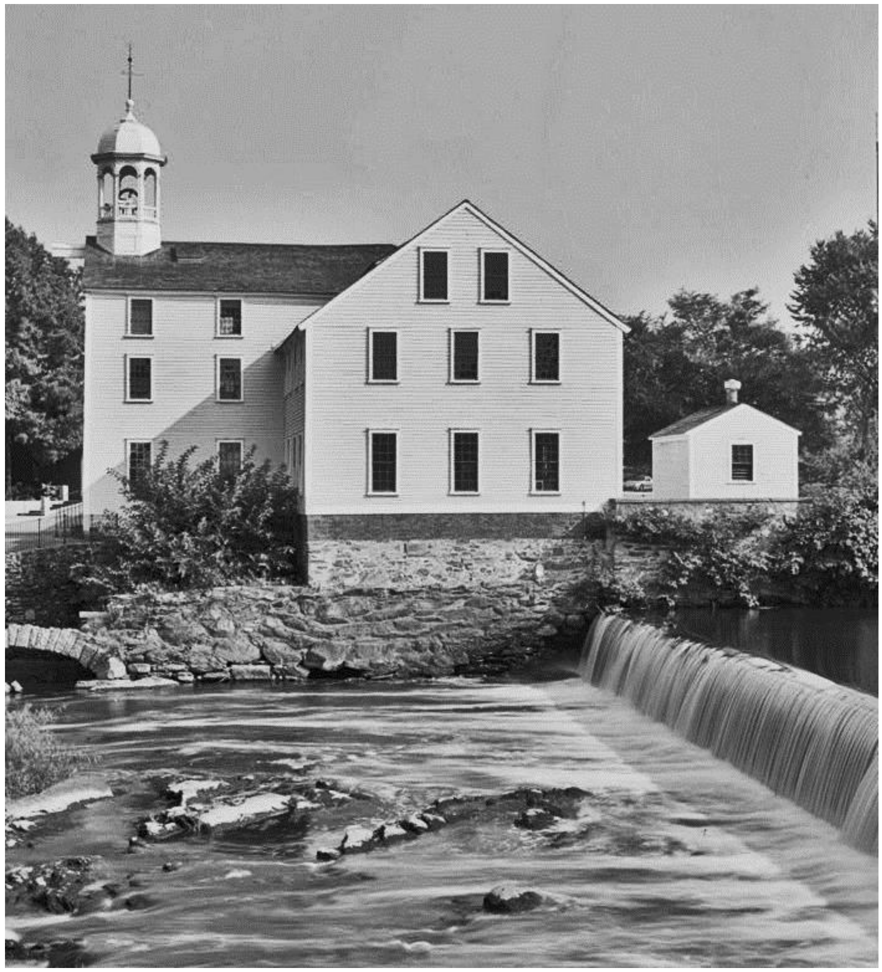

THE VERY DIFFERENT BUT CONNECTED ECONOMIES OF THE NORTHEAST AND THE SOUTH BEFORE THE CIVIL WAR

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Abstract

In this article, the author of *The Invisible Hand in American History* analyzes the economies of the Northeast and the South and their interrelationships before the Civil War.

Introduction

After the British government banned the importation of cotton goods from India in 1700, a cottage industry utilizing cotton grown in the American South developed in Britain. Importing raw materials from a colony, rather than from another country, and processing them in the mother country for export to its colonies and other countries was a mercantilist policy followed by Britain starting in the mid-18th century.

The industrial revolution began in Britain with the production of cotton textiles in factories.

> [W]hen cotton began to oust wool as Britain's prime textile product from the mid-eighteenth century, Lancashire found it had everything going for it - the ideal climate to prevent delicate cotton threads from snapping, an experienced, honest work-force and, not least, an array of talented and imaginative men, whose inventive genius produced the machines that made the Revolution roll.
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> Lancashire had an abundance of powerful upland streams to turn the waterwheels of the new factories. And when the steam engine eventually replaced water power, the county had ample reserves of coal to fire the boilers. (cottontimes.co.uk)

A persistent, inadequate supply of labor led to the establishment of slavery throughout Britain's 13 American colonies. The southern colonies developed a slave-labor based, landed aristocracy which, though it consisted of a small minority of its farmers, accounted for a huge share of the South's production of its cash crops—crops grown for sale—tobacco, rice, cotton, and sugar. Unskilled immigrants seldom settled in the South after independence, presumably because there slaves provided unskilled labor, which put a low ceiling on the wage rate an unskilled, free worker could get.

In Colonial America the ease with which white, indentured servants could successfully run away made it obvious that confining slavery to blacks would discourage running away and make catching runaways easier. Enslaving blacks also served to prevent lower class whites from combining with blacks in a revolutionary movement; something that had happened (Bacon's rebellion) in Colonial Virginia, where initially blacks were not enslaved.

Americans were outraged by taxes levied to offset the cost to Britain of fighting the Seven Years' War (1754-1763) known here as the French and Indian War. They were outraged, too, by the royal proclamation of 1763 which, in effect, closed off the frontier to them. It was presented as a measure to calm Indians' fear that the colonists would drive them from their lands. Whites were convinced its real objective was to pen them in along the Atlantic seaboard where they would be easier to control.

America's low level of industrialization was a serious handicap during the Revolutionary War. One example of the importance of industry is that the colonies' small iron industry was a critical factor in the war. General George Washington located his winter camp at Valley Forge in order to guard its essential metal-working shops. The colonies' tiny, cottage textile industry was indispensable for clothing the army. One of Britain's mercantilist policies was to constrain the production of iron and woolens in the colonies in order to protect these industries in Britain.

The North's Ties To Slavery

According to American public memory, slavery in the United States was peculiar to the South. Unless explicitly reminded of the North's history of slavery, most Americans associate the North with abolitionists rather than slaveholders. Alongside this public memory is the work of professional historians that recognizes that slavery existed in the North during the colonial era but asserts that it was abolished during the late eighteenth century. According to such scholarship, as the Revolutionary War brought ideas of natural rights to the forefront of the American consciousness and as economic realities made Northern slavery increasingly unprofitable, states north of Maryland eliminated slavery through a series of legal measures. Some scholars who advance this narrative portray the abolition measures adopted by most Northern states as immediate and comprehensive, as though these measures effectuated the near-instantaneous eradication of slavery in each state that adopted them.

In fact, though the number of slaves in the North declined after the Revolutionary War, slavery continued to exist there well into the nineteenth century. Between 1777 and 1804, all of the states north of Maryland did take steps that would eventually doom slavery within their borders. But only in Massachusetts, Vermont, and New Hampshire were slaves emancipated relatively swiftly, and even in these states abolition measures were ambiguous and their implementation inconsistent. In Pennsylvania, New Jersey, New York, Connecticut, and Rhode Island, state legislatures adopted gradual abolition legislation, which dismantled slavery over a period of half a century. (Menschel)

"Perhaps no New England colony or state profited more from the unpaid labor of blacks than Rhode Island: Following the Revolution, scholars estimate, slave traders in the tiny Ocean State controlled between two-thirds and 90 percent of America's trade in enslaved Africans…." (LaTour)

"When Paul Revere wrote in his account of his midnight ride, 'After I had passed Charleston Neck, and got nearly opposite where Mark was hung in chains,' he was referring to a well-known local landmark along his route through Charlestown (present-day Somerville). On this site twenty years earlier a slave named Mark Codman had been hanged and his body gibbeted (suspended) in chains for murder and petit treason for killing his master, John Codman." (Fernandez)

The North's financial gain from slavery has recently been brought to the attention of the public by the print and visual media through reports like the following:

> **Brown Brothers Harriman** is the oldest and largest private investment bank and securities firm in the United States, founded in 1818. *USA Today* found that the New York merchant bank of James and William Brown, currently known as Brown Bros. Harriman owned hundreds of enslaved Africans and financed the cotton economy by lending millions to southern planters, merchants and cotton brokers.
>
> **JPMorgan Chase** recently admitted their company's links to slavery. "Today, we are reporting that this research found that, between 1831 and 1865, two of our predecessor banks—Citizens Bank and Canal Bank in Louisiana—accepted approximately 13,000 enslaved individuals as collateral on loans and took ownership of approximately 1,250 of them when the plantation owners defaulted on the loans," the company wrote in a statement.
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> **New York Life** Insurance Company is the largest mutual life insurance company in the United States. They also took part in slavery by selling insurance policies on enslaved Africans. According to *USA Today*, evidence of 10 more New York Life slave policies comes from an 1847 account book kept by the company's Natchez, Miss. agent, W.A. Britton. The book, part of a collection at Louisiana State University, contains Britton's notes on slave policies he wrote for amounts ranging from $375 to $600. A 1906 history of New York Life says 339 of the company's first 1,000 policies were written on the lives of slaves. (*Atlanta Blackstar)*
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> New York had been a slave-trading city almost from its inception as a Dutch settlement in 1624. The West India Company delivered 13 Brazilian natives to tiny New Amsterdam in 1626. New York saw its first slave revolt in 1712, when armed slaves murdered nine whites. Retribution was swift and savage: the gallows claimed 13, while 3 were burned at the stake, one was broken at the wheel, one was starved to death, and another was cooked over a slow fire. Twenty-nine years later, New York's slaves again attempted to rebel, but their plot was discovered before they had taken any action. Four whites and 18 slaves were hanged, 13 other slaves were burned at the stake, and an additional 70 were sent in chains to the Caribbean. There were no further uprisings.

> By 1800, one out of every five New York families owned slaves. Slave traders were well known to the City's business community, some of whom ranked among the City's most prominent members. More slave-trade expeditions were organized and financed in New York City than in other place in the world. (Soodalter, *Smithsonian*)

In the 1850s, New York City merchants depended on the foreign slave trade more than ever. Investors in New York financed New York based ships that picked up captives in West Africa that they sold in Cuba and Brazil. In 1850, twenty-five percent of the population of New Orleans, Louisiana were Northerners. Ten percent of the people in Mobile, Alabama, were former New Yorkers. Auctions of cheap, former Indian lands in Mississippi drew bidders from the South and East. "[I]n the 1830s, the largest purchasers of Chickasaw land in Mississippi were the American Land Company and the New York Land Company. The two companies represented investors or speculators from New York, Boston, and other New Englanders." (Dattel)

U.S. Senator Charles Sumner (1811-1874) of Massachusetts was very agitated about what was to him a morally repugnant, mercenary hand- in-glove relationship between the owners of New England cotton mills and slaveowning cotton planters in the South. In 1848, he denounced the alliance between "the cotton-planters and flesh-mongers of Louisiana and Mississippi and the cotton-spinners and traffickers of New England—between the lords of the lash and the lords of the loom." (Charles R. Morris)

The leading anti-slavery member of the U.S. Senate in the 1850s, Sumner failed to integrate Boston public schools in 1849. In 1856, he was nearly beaten to death with a cane on the floor of the Senate by a representative from South Carolina after Sumner's "Crime Against Kansas" speech in which he called the representative's cousin, a fellow member of the Senate, a pimp for slavery.

Northern public opinion "accepted slavery, approved of doing business with those who controlled it, abhorred its black victims, and loathed Northern whites who agitated against it." (Pessen, 1980)

In 1860, a native of Boston, Thomas Prentice Kettell, published *Southern Wealth and Northern Profits* in which he condemned people who threatened to splinter the nation because the official figures he had accumulated showed the necessity of union for the future prosperity and welfare of the republic. He claimed that the North took out of the South an annual profit of $232,500,000. He called Southerners suckers for submitting to this vassalage and noted that the Constitution permitting the slave trade to continue until 1808 was a concession to New England shippers who carried on this trade. (In 1860, the value of a dollar was well over 20 times its value today.)

There was substantial self-condemnation in the South about its "degrading vassalage" to Yankees. "Financially," declared an Alabamian in 1847, "we are more enslaved than our negroes." In 1852, James B. D. DeBow, founder and editor of the South's most popular publication, *DeBow's Review*, claimed the amount "lost annually by our vassalage to the North was one hundred million dollars." (McPherson, 75)

Lysander Spooner, a fiery, abolitionist and anarchist, in writing about the Civil War wrote something that many of the South's former slaveowners probably agreed with. According to Spooner, the North had managed to establish before the war and maintained afterwards the kind of relationship with the South that mercantilists advocated exist between the mother country and its colonies.

> Notwithstanding all this, that we had learned, and known, and professed, for nearly a century, these lenders of blood money had, for a long series of years previous to the [civil] war, been the willing accomplices of the slave-holders in perverting the government from the purposes of liberty and justice, to the greatest of crimes. They had been such accomplices for a purely pecuniary consideration, to wit, a control of the markets in the South; in other words, the privilege of holding the slave-holders themselves in industrial and commercial subjection to the manufacturers and merchants of the North (who afterwards furnished the money for the war). And these Northern merchants and manufacturers, these lenders of blood-money, were willing to continue to be the accomplices of the slave-holders in the future, for the same pecuniary considerations.
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> But the slave-holders, either doubting the fidelity of their Northern allies, or feeling themselves strong enough to keep their slaves in subjection without Northern assistance, would no longer pay the price which these Northern men demanded. And it was to enforce this price in the future—that is, to monopolize the Southern markets, to maintain their industrial and commercial control over the South—that these Northern manufacturers and merchants lent some of the profits of their former monopolies for the war, in order to secure to themselves the same, or greater, monopolies in the future. These—and not any love of liberty or justice—were the motives on which the money for the war was lent by the North. In short, the North said to the slave-holders: If you will not pay us our price (give us control of your markets) for our assistance against your slaves, we will secure the same price (keep control of your markets) by helping your slaves against you, and using them as our tools for maintaining dominion over you; for the control of your markets we will have, whether the tools we use for that purpose be black or white, and be the cost, in blood and money, what it may. (Spooner, 1867)

Whites with few if any skills living outside the South were opposed to blacks living in their states because they feared this would both lower their wages and take jobs away from them. To prevent this, some states outside the South, including Oregon in the Far West, had laws prohibiting blacks from residing in them. This combined with the paucity of white immigration to the South; whites leaving the South; and the rate of natural increase in its black population meant confining slavery to the states where it already existed as was desired by many northerners and championed by Abraham Lincoln would result in the relative size of the South's black population steadily increasing. In 1860, the majority of the people in South Carolina and Mississippi were black.

Until the 1970s so-called sundown towns existed. These towns sported signs telling blacks not to be in them after dark.

America Before The Civil War

The tidewater region of Colonial Maryland and Virginia, the largest and richest of the 13 colonies, could grow almost anything, but it was dominated by the cultivation of tobacco. Its production increased from 20,000 pounds in 1619 to nearly 25,000,000 pounds in 1664. In order to devote more land to tobacco, food was purchased from other colonies. Credit dependent tidewater tobacco farmers fell increasingly into debt to English merchants.

The continuous planting of tobacco without fertilizing the soil or rotating crops destroyed the fertility of the soil in the tidewater region. The same thing happened in the easily exhausted sand hills of Georgia along the Savannah River. The wearing out of the land, first by tobacco, and later by cotton, was dealt with by farmers moving to new land to the West. Virginia planter Edmund Ruffin, father of soil chemistry in America, tried by publishing his findings, lectures, and organizing agricultural societies to get southern farmers to use fertilizer, rotate crops, install drainage, and to plow appropriately, but few followed his advice. (When it became obvious the North was going to win the Civil War, Ruffin committed suicide.)

Between 1740 and 1776 Carolina's rice exports trebled, and indigo exports quadrupled. A planter could earn enough in three of four seasons growing indigo to recoup his original investment in land and slaves. South Carolina rice farming required large-scale farming. The backbreaking labor and terrible working conditions planting and harvesting rice entailed was done by slaves. The diseases that continually broke out in the Carolina swamplands led to few whites settling there. Plantations there were managed by hired, white overseers so their owners could live in Charleston. (libraryindex.com) Small farmers were leaving South Carolina before1800. From 1820 to 1860 there was a very large outmigration of native-born South Carolinians to Georgia and states to its west. Long before 1860 many Georgians were migrating to Alabama, Mississippi, and Texas.

In 1790, tobacco accounted for 44 percent of the nation's exports. In the 1851 to 1860 period, cotton accounted for 54 percent of the nation's exports. Before independence, some 15 or 20 percent of the price of raw cotton went to factors who largely represented northern or British firms. They arranged credit, insurance, warehousing, and shipping for planters. (McPherson, 75)

With the exception of Rhode Island, in colonial New England when a farmer died his land was divided among his sons. In the South, the oldest son inherited the land. Where farms were divided among sons, average farm size declined. A small farm could be operated by a family. It could not efficiently employ a large number of non-family workers.

Many early New Englanders turned to the sea to earn a living. Some became fishermen. This led to the creation of a ship building industry, just as later producing cotton cloth in New England led to the establishment there of businesses which produced the machinery cotton mills used. This meant New England made money selling machinery to cotton mills in the South. Some New Englanders turned to foreign trade. West Indian molasses, which was obtained in exchange for New England dried fish, foodstuffs, and livestock, was brought to New England and converted into rum. The rum was shipped to Africa and traded for slaves which were transported to the West Indies or the South, where they were sold for molasses or local, staple crops. Many New England ship owners also engaged in smuggling.

New England with its cold climate and rocky soil was at a significant disadvantage to the rest of the nation. The importance of the better natural conditions in the South is revealed by the fact that as late as 1860 Southern planters accounted for nearly two-thirds of all American men with wealth of $100,000 or more. (Heneretta, Edwards, and Self) On the eve of the Civil War, the greatest concentration of millionaires outside New York City, whose economy was very dependent on its business with the South, was Natchez, Mississippi. In 1860, the average white man in the South was nearly twice as wealthy as the average white man in the North.

Northern farmers did not need as much labor as did Southern farmers because the crops they grew were not as labor intensive. Mechanical methods of harvesting wheat—a major crop in the Midwest—were developed early because it was easier to accomplish than in the case of crops exclusively or largely grown in the South. One of the first demonstrations of mechanical reaping was in 1831. By releasing workers from farming, mechanical harvesting increased the number of workers available for non-agricultural jobs. (The first successful mechanical cotton harvester was developed in 1942, but it could not be produced until after World War II ended.)

The North's cash crops—wheat, corn, and oats—and livestock—hogs and cattle—were the same things produced by subsistence farmers. The South's cash crops were not. The Northern farmer participating in cash cropping only had to extend the same activities he would pursue anyway in order to feed his family. The cotton farmer, on the other hand, distributed his resources between growing cotton for cash and growing corn and other food crops and raising hogs for his family's subsistence.

As the nation's agriculture became more productive, New England no longer had to produce enough to feed itself. The freeing of workers from producing food increased the number of workers available to work in factories. Money New England entrepreneurs earned in existing industries was used to establish cotton mills because they were expected to provide a higher rate of return than would their reinvestment in the industries where they were earned. Cotton mills initially depended on native labor, either whole families or young women. Later cheaper immigrant workers became a major source of labor. The resulting multi-ethnic labor force, which included some who could not speak English, made it difficult for unions to organize them.

After railroads substantially reduced the cost and increased the speed of land transport, a factory would produce more goods than were demanded in its immediate vicinity so it could increase sales by selling in neighboring areas. If this put a factory in the area where the excess was shipped out of business, the people in this area became dependent on an outside source of this product. In this way local monopolies were created. Industrialization created a landless, dependent population in the North Thomas Jefferson would not have approved of. Jefferson's agrarian-centric views were vastly more popular in the South than in New England.

Jefferson and other republican theorists believed that as landowners farmers "were not beholden to another for their sustenance and thereby possessed the economic foundation necessary for personal independence." However, in a "commercial and manufacturing society selfish and corrupting influences would undermine the liberty of its citizens." Those whose "livelihoods were tied to wages controlled by scheming capitalists...would be susceptible to political manipulation and economic exploitation." As a result of the influence of commercial and manufacturing interests on the government, the few would eventually be "enriched and empowered at the expense of the many." (Downey) Jefferson's views conflicted with Alexander Hamilton's.

> Alexander Hamilton's famous Report on the Subject of Manufactures…provided theoretical justifications for the promotion of domestic manufacturing, but as a policy document made specific proposals for government action. These proposals included higher import duties on certain final goods, lower import duties on certain raw materials, pecuniary bounties (production subsidies) for selected industries, government assistance for the immigration of skilled workers, among other measures. To this day, the report is often heralded as the quintessential American statement against the *laissez-faire* doctrine of free trade and for activist government policies in favor of manufacturing, including protectionist tariffs. (Irwin)

Among the various issues Secretary of the Treasury Alexander Hamilton addressed in his report on manufactures, were the following:

> This is not among the least valuable of the means, by which manufacturing institutions contribute to augment the general stock of industry and production. In places where those institutions prevail, besides the persons regularly engaged in them, they afford occasional and extra employment to industrious individuals and families, who are willing to devote the leisure resulting from the intermissions of their ordinary pursuits to collateral labours, [sic] as a resource of multiplying their acquisitions or enjoyments. The husbandman himself experiences a new source of profit and support from the Increased industry of his wife and daughters; invited and stimulated by the demands of the neighboring manufactories.

> Besides this advantage of occasional employment to classes having different occupations, there is another of a nature allied to it of a similar tendency. This is—the employment of persons who would otherwise be idle (and in many cases a burthen on the community), either from the byass of temper, habit, infirmity of body, or some other cause, indisposing, or disqualifying them for the toils of the Country. It is worthy of particular remark, that, in general, women and children are rendered more useful and the latter more early useful by manufacturing establishments, than they would otherwise be. Of the number of persons employed in the Cotton Manufactories of Great Britain, it is computed that 4/7 nearly are women and children; of whom the greatest proportion are children and many of them of a very tender age. (Kurland and Lerner)

If there had been a mercantilist handbook, Hamilton's policies would have fit in perfectly.

Long after the Civil War many Southerners believed the South was still an oppressed colony of the North. In the 1940s, Georgia's Governor Ellis G. Arnall, a liberal for his day, said that while he was growing up in Newnan, Georgia, he realized that the South was merely a colonial appendage of the "imperial domain called the North" and that the South was the "economic doormat" of the United States as Ireland was of the United Kingdom.

The mercantilist policy Arnall complained of was implemented by a federal government agency, the Interstate Commerce Commission, approving a set of railroad rates which made it cheaper for northern manufacturers to ship raw materials from the South for their use than it was for southern manufacturers to ship raw materials for their use from the North; while it was cheaper for northern manufacturers to ship their finished goods to the South to sell than it was for southern manufacturers to ship their finished goods to the North to sell. (Scott, *Essays*)

In 1889, Atlanta journalist Henry Grady said:

> I attended a funeral once in Pickens county in my State….This funeral was peculiarly sad. It was a poor "one gallus" fellow, whose breeches struck him under the armpits and hit him at the other end about the knee—he didn't believe in decollete clothes. They buried him in the midst of a marble quarry: they cut through solid marble to make his grave; and yet a little tombstone they put above him was from Vermont. They buried him in the heart of a pine forest, and yet the pine coffin was imported from Cincinnati. They buried him within touch of an iron mine, and yet the nails in his coffin and the iron in the shovel that dug his grave were imported from Pittsburg. They buried him by the side of the best sheep-grazing country on the earth, and yet the wool in the coffin bands and the coffin bands themselves were brought from the North. The South didn't furnish a thing on earth for that funeral but the corpse and the hole in the ground. (Grady)

In Antebellum America farmers and farming held center stage. As late as 1850, farmers accounted for 85 percent of the population. Early and heavy immigration of whites into New England, New York, New Jersey, and Pennsylvania created there conditions that led to rapid population growth and family farming. Markets fell short of being completely free. Tariffs were levied on imported goods, and states and cities invested capital in some businesses or assisted them, instead, by guaranteeing their debt. Some people complained that profits went to private investors and losses were borne by the taxpayer. (Antebellum refers to the years after the War of 1812 and before the Civil War.)

According to the Merriam-Webster definition of capitalism—“an economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision, and by prices, production, and distribution of goods that are determined mainly by competition in a free market”—Antebellum America was a capitalist economy. Clearly, it incorporated elements of mercantilism.

In 1850, conflict over the status of land taken from Mexico led Southerners to seriously consider secession. Little more than a decade later after the South did secede, the enormous value to New York City of its business with the South caused some influential New Yorkers to fear that, due to the Confederacy’s low tariffs, the City would lose much of its business to southern ports. This led to New York City’s mayor, Fernando Wood, and other Democrats to propose turning New York into a sovereign city-state.

The South exported most of its cotton through New York City, and many of its imports came through it. New York bankers, factors, and merchants were the source of much of the financing of the South's “lords of the lash”. Some New Yorkers continued to finance the slave trade after it became illegal in 1808. In the antebellum period a substantial amount of cotton was shipped from New Orleans.

> By the eighteen-thirties, New York had begun to feel, for the first time, like the center of the universe. Its population tripled between 1825 and 1850, and the American economy flowed through its port. The Erie Canal, completed in 1825, slashed the cost of shipping goods inland, and New York was the primary gateway, via the Hudson, for ocean freight from Europe and Asia. Two-thirds of all imports came through the city.
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> Pearl Street was the city’s wholesale district. Goods would arrive by horse and cart from the docks along Front Street, and get hoisted by pulley into the upper floors of “counting houses,” then sold in the stores downstairs. Merchants would come in from towns throughout the Territories…They would place their orders for the next twelve months—carpets and linens, corkscrews and thimbles, bone china, smelling salts, and teakettles—then head back up the river. Pearl Street was the nation’s storefront in those years, the first World Trade Center… gridlocked with wagons at every working hour: a microcosm of the city to come. (Bilger)

> While urban life was stimulating and exciting, it also bred social tensions and economic polarization. And urban racial, ethnic, and religious heterogeneity produced suspicion and discord. White workers scorned black. Protestants of both races viewed Irish Catholic immigrants with contempt. In Philadelphia in the 1840s, where private fire-fighting companies were organized along ethnic lines, native Protestant workers often fought Irish Catholics at the scene of fires. Bitter riots and the emergence of anti-Catholic political parties disfigured urban life in the decades before the Civil War. (Pessen, Department of Labor)

Charleston and Savannah were never able to find a way to funnel large amounts of western business to themselves as New York City was able to achieve, first by a canal and subsequently by railroads. Handicapping the Southeast's ports was that only in New York state could a canal, the Erie, be built through the Appalachian Mountains. When railroads were developed, these same mountains kept Charleston from connecting to Ohio through North Carolina and Tennessee.

Georgia was able to connect by rail with the Midwest because the State of Georgia financed the building of a railroad through very thinly settled Northwest Georgia that private investors would not build. The State financed both the laying of rails and operating a railroad company in order to promote economic development by providing a way to ship out iron produced in Northwest Georgia and import corn from the Midwest so Georgia's farmers could shift land out of corn production and into cotton. Existing privately-owned railroad companies connected with the State road, the Western & Atlantic, at its southern terminus where the City of Atlanta was founded. (For years, Georgia would not allow South Carolina to build a railroad bridge over the Savannah River.)

It was technological innovation in manufacturing and transporting goods that made the industrial revolution possible.

Eli Whitney, a Yankee who later popularized interchangeable parts, invented the cotton gin after observing how laborious removing seeds from cotton was and decided to see if he could figure out a better way to do it. Was he motivated by the intellectual challenge involved; a desire to help Southern planters; the desire to invent something that would make him money, or a combination of one or more of these?

By enormously reducing the amount of labor required to remove seeds from cotton, Whitney's cotton gin greatly reduced the cost of producing cotton and would have done so regardless of what type of workers were employed. The introduction of the cotton gin led to a reduction in the price of cotton cloth which enormously benefitted the public by replacing at a modest price less comfortable and practical wool and linen. After the introduction of the cotton gin, interest in the South in eliminating slavery died down.

The only sources of physical power during most of the 19th century were the muscles of men and animals and water either the form of steam engines or in the form of flowing water turning a wheel. Water wheels powered both early cotton and woolen mills and those which ground grain and cut logs.

THE FIRST COTTON-GIN.—Drawn by William L. Sheppard.—[See Page 814.]

Early mills were built alongside rapids. Rapids occur where the land's elevation declines significantly over a short distance. A dam to create a pond would be built upstream (uphill) from where the mill was built. A canal from the pond to a wooden mill race ending at the top of a stair-stepped wheel provided the water that turned the wheel. Belts attached to its shaft operated machines. (Undershot water wheels that sat in the water were also used.) Much later turbines turned by flowing water were used to produce electricity that powered electric motors, whose rotating shaft powered a factory's equipment.

Retarding the industrialization of the South was that the fall line where rapids are located is far from the coast in what was then thinly settled areas upriver from where most cotton was grown. On the other hand, conditions in New England particularly favored industrialization. There, where there is no coastal plain, the fall line is near the coast. So cotton was floated down rivers in the South to ports like Savannah from which it was shipped to New England. Before steamboats existed, transporting cotton upriver to the fall line was too costly. Transport by land before railroads was too costly. Also retarding industrialization in the South was competition from established factories in the North that were protected from English factories by the tariff.

Employing slaves in cotton mills was not very attractive. When a mill could not be operated due to the water level being too low, white workers were let go to fend for themselves, but enslaved workers continued to have to be fed, clothed, and housed. If a white worker was hurt or killed, that cost a mill's owners nothing. Free workers were responsible for taking care of themselves when they were hurt, and it was up to their family to get then buried if they were killed. If a mill employing free workers burned down, and all the workers were killed, all that the mill's owners lost was what was invested in the mill. If the workers were slaves, the mill's owners also lost what was invested in the slaves. Free workers, rather than slaves, were employed in the most dangerous jobs.

Slave owners usually preferred to employ their slaves in agriculture. In part this was due to the fact that slaves employed in agriculture produced much of what they consumed, and unlike in a cotton mill, there was always some work they could be put to doing on a plantation. An additional problem was that white cotton mill operatives (workers) might balk at working side by side with either slaves or free blacks.

> In 1860, the South was still predominantly agricultural, highly dependent upon the sale of staples to a world market. By 1815, cotton was the most valuable export of the United States. By 1840, it was worth more than all other exports combined. But while the Southern states produced two-thirds of the world's supply of cotton, the South had little manufacturing capability, about 29 percent of the railroad tracks, and only 13 percent of the nation's banks.
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> The North, by contrast, was well on its way toward a commercial and manufacturing economy, which would have a direct impact on its war making ability. By 1860, 90 percent of the nation's manufacturing output came from northern states. The North produced 17 times more cotton and woolen textiles than the South, 30 times more leather goods, 20 times more pig iron, and 32 times more firearms….Only about 40 percent of the Northern population was still engaged in agriculture by 1860, as compared to 84 percent of the South. (Arrington)

Lords Of The Lash

In light of the fact that slavery existed as far back as we have any record and is mentioned in the Bible without condemnation, it is peculiar, but explainable, that the term "peculiar institution" was used to refer to slavery. This euphemism meant slavery was an institution characteristic to the South. In addition to referring to slavery in this way, it was common for slaveowners to refer to their slaves as servants.

Earning a living by growing cotton was a very risky business because the market price of cotton fluctuated significantly. Furthermore, because cotton farmers were dependent on borrowing money to purchase land and slaves and credit purchases of supplies from merchants, they were subject to substantial financial leverage—magnified profits when the rate of return earned on assets exceeded the interest rate on borrowed money, and a smaller profit or even a loss when it was not. Unlike free workers, enslaved workers are a fixed cost in the short run. As a result, slaveowners were also subject to operating leverage, which means once the relatively high breakeven level of output is reached, profits rise rapidly. Slaveowners dealt with unneeded slaves either by selling them or renting them out.

Capitalism cannot exist without government. Only things sellers have legal title to trade in free markets. Because local laws established in the colonial period included people as property (slaves), Southerners deciding where to invest their earnings and borrowed money compared purchasing slaves with investing in such things as factories, banks, railroads, and raw land.

> Slavery is fundamentally an economic phenomenon. Throughout history, slavery has existed where it has been economically worthwhile to those in power. The principal example in modern times is the U.S. South. Nearly 4 million slaves with a market value of close to $4 billion lived in the U.S. just before the Civil War. Masters enjoyed rates of return on slaves comparable to those on other assets; cotton consumers, insurance companies, and industrial enterprises benefited from slavery as well. Such valuable property required rules to protect it, and the institutional practices surrounding slavery display a sophistication that rivals modern-day law and business….
>
> Slavery remained a thriving business on the eve of the Civil War: Fogel and Engerman (1974) projected that by 1890 slave prices would have increased on average more than 50 percent over their 1860 levels. No wonder the South rose in armed resistance to protect its enormous investment. (Bourne)

Slaves were made more productive by being organized in gangs on large plantations. A minority of slaves were trained in various trades needed on a plantation. Unlike on a small farm, on a large plantation training an enslaved worker to do skilled work was economic because he could be kept busy. Enslaved mothers were free to work because elderly slaves were assigned to look after their children. Sometimes a male slave was placed in a supervisory position, possibly riding a horse like a white overseer. Slaves were sometimes allowed to hire themselves out. They did not get to keep all their earnings, but this is how some of them bought their freedom.

The relative handful of free blacks in the South might be skilled workers or even own slaves. A few were well off. It became ever more difficult for a black to obtain freedom because it was feared free blacks might lead a slave rebellion. Slaves' ability to move about and congregate were also reduced. White workers did not want to have to compete with free blacks for work, particularly high pay work. So skilled whites pressured cities to bar free blacks from their trades.

Working in cotton, tobacco, sugar, and rice fields was hot, backbreaking work that slaves from Africa could be forced to do, while the free, white descendants of Northern Europeans would have to have been offered a high wage to get them to do it. During the 1850s, many slaves were withdrawn from industry in the South because high cotton prices made employing them in agriculture more profitable. In addition to textiles, slaves were employed in producing iron, lumbering, collecting turpentine, mining, transportation, and housekeeping. In the slave states in 1860, perhaps up to two hundred thousand slaves were employed in industry. The more valuable was slaves' employment in agriculture, the more slaveowners would charge a factory to rent them.

Higher priced cotton caused the price of slaves to rise because the demand for slaves is derived from the revenue their work generates less the cost of feeding, clothing, and housing them. Certainly slaves' rising price in the 1850s conflicts with the long held belief by some historians that slavery was unprofitable and, therefore, destined to die out. Presumably slaveowners in Virginia sold slaves to planters in Mississippi because they could be more profitably used there. Historians who have contended slavery was unprofitable apparently did not realize that over time slaves became more productive due to where and how they were employed; thereby making higher slave prices economic.

Yale professor Ulrich B. Phillips, the first great historian of slavery, viewed slavery as mild and doomed to disappear because it was unprofitable. Later, Kenneth M. Stampp, who, unlike Phillips, was a Northerner, claimed it was a profitable system in which slaves were mistreated. Subsequently, Robert W. Fogel and Stanley L. Engerman in a path-breaking cliometric study agreed that slavery was profitable, but because slaves were capital assets, they thought slaves were not mistreated.

Fogel and Engerman believe that high rates of returns were generated by slaves for owners whose objective in owning them was to make money. They estimate antebellum farms in the South as a whole were 35 percent more efficient than were farms in the North, and slave farms were more efficient in the New South than elsewhere in the South.

Alan Brinkley, Allan Nevins Professor of History at Columbia, University, believes that, "Growing staple crops was a business—often a big and highly profitable business; it was in its own way just as competitive and risky as the industrial enterprises of the North." Thus, planters were, in many respects, as much capitalists as the industrialists of the North who they claimed to hold in contempt. (Brinkley)

Lewis Cecil Gray, an early 20th century agricultural economist, believed plantation slavery was a "capitalist type of agricultural organization in which a considerable number of unfree laborers were employed under uniform direction and control in the production of a staple crop." It was capitalist because "the value of slaves, land, and equipment necessitated the investment of money capital… which encouraged …a strong tendency for the planter to assume the attitude of the businessman in testing success by a ratio of net money income to capital invested." (Gray)

> Less than a decade ago, a historian interested in the rise of capitalism would have a difficult time finding a job in a history department. The closest thing scholars wrote about capitalism was called labor history, the story of the working class. Almost no one bothered writing about the flip side, elite capitalists; to do so suggested sympathy for the enemy. The people who took capitalism seriously became economists (or bankers)…
>
> The truth is that no one knows what “the history of capitalism” is because its history is just now being written. But if there is any indication of what it might look like, it appears in Sven Beckert’s remarkable and unsettling new book, *Empire of Cotton: A Global History* [published in 2014]. Beckert insists that many of the myths we tell ourselves about capitalism—how it functions best when government gets out of the way, how it broke clean from slavery—are as false today as they were during its 500-year history. In Beckert’s account, not only does slavery play a pivotal role in capitalism’s rise, but so does the state. Governments supplied the guns, built the roads, enacted the tariffs, and regulated the markets that made, and continue to make, capitalism thrive. (Hderschthal)

Beckert, Laird Bell Professor of History at Harvard University, and Seth Rockman, who specializes in Revolutionary and Early Republic United States history at Brown University, believe America's "take-off" in the 19th century wasn't in spite of slavery; it was largely thanks to it. Plantations didn't just produce the commodities that fueled the broader economy. They also generated innovative business practices that would come to typify modern management.

As some of the most heavily capitalized enterprises in antebellum America, plantations offered early examples of time-and-motion studies and regimentation through clocks and bells. Seeking ever-greater efficiencies in cotton picking, slaveholders reorganized their fields, regimented the workday, and implemented a system of vertical reporting that made overseers into managers answerable to those above for the labor of those below. (Beckert and Rockman, 2012)

Donald J. Boudreaux, Professor of Economics and Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center, George Mason University, disagrees with Beckert’s portrayal of slavery as being essential to the origins of capitalism. Beckert’s core argument, Boudreaux says, is that “slavery existed at the time of the industrial revolution; textile production was the leading activity of that revolution; textile mills used lots of ‘cheap, slave-grown cotton’ from the U.S.; therefore, slavery was necessary for the creation of capitalism.” (Boudreaux)

The most fatal aspect of Beckert’s analysis, Boudreaux says, is his presumption that using slaves to grow cotton made that commodity especially cheap and, thus, an unusually inexpensive input without which there would have been no industrial revolution. Boudreaux points out that data from the 1880 U.S. Census show that by the mid-1870s the price of cotton at New York was about the same as this price had been, on average, during the quarter-century before it spiked because of the Civil War. “And as reported by economic historian Stanley Lebergott, ‘by the period 1870-79 Southern production [of cotton] was running 42 percent above its pre-war level.’” (Lebergott)

“If slavery made cotton especially ‘cheap’ (meaning especially abundant)—so cheap and abundant to have supplied the necessary spark for the greatest economic transformation in human history—we can only wonder,” Boudreaux says, “why this millennia-old institution failed to supply such a spark at any earlier time. Yet even greater wonder is caused by the data's failure to show that the price of cotton was lower, and the supplies of cotton higher, with slavery than without it.”

In a newspaper column he wrote in 2005, Boudreaux pointed out:

> The fact is that slavery disappeared only as industrial capitalism emerged. And it disappeared first where industrial capitalism appeared first: Great Britain. This was no coincidence. Slavery was destroyed by capitalism….[E]ven on purely economic grounds, capitalism rejects slavery because slaves are productive only when doing very simple tasks that can easily be monitored. It's easy to tell if a slave is moving too slowly when picking cotton. And it's easy to speed him up. Also, there's very little damage he can do if he chooses to sabotage the cotton-picking operation. (Boudreaux, triblive.com)

Lords Of The Loom

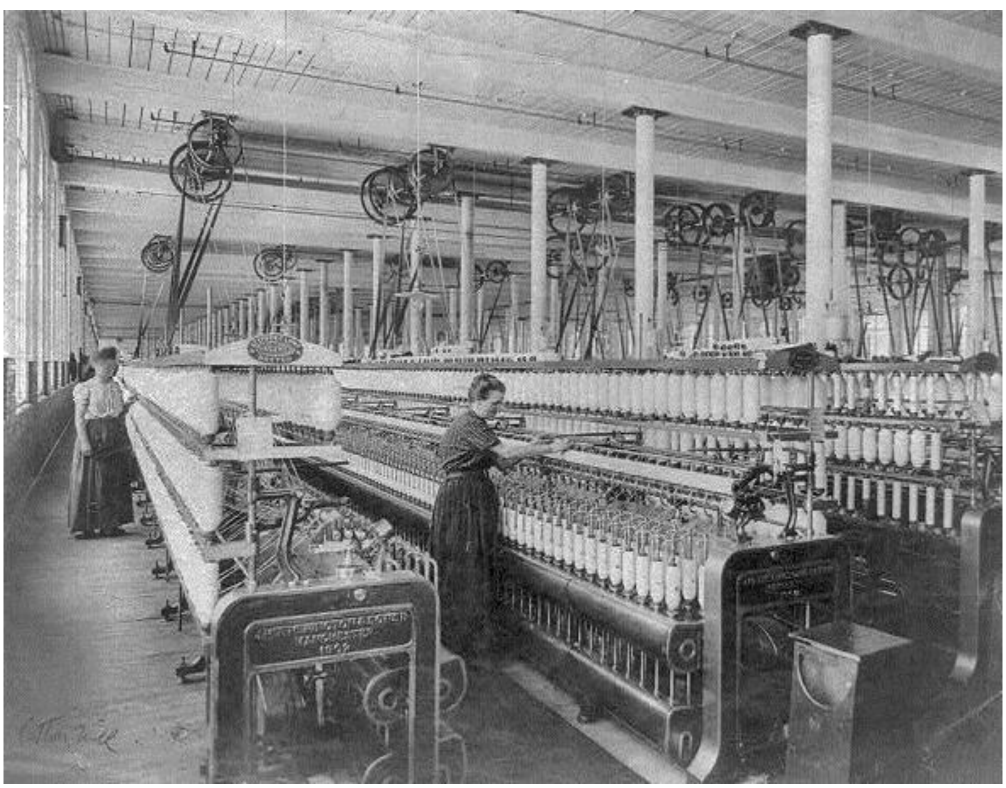
The first step towards establishing New England as the center of the world’s textile industry in the 19th century goes back to Samuel Slater in the 18th century. Having worked his way up in an English cotton mill to be its superintendent, Samuel Slater was familiar with the machinery designed by Richard Arkwright. Carrying with him the memorized details of this machinery, he immigrated to the United States in 1789. (Because Britain tried to prevent foreigners from learning how to build these machines, he could not carry plans with him.)

Backed by a Quaker merchant, Slater built the nation's first water-powered cotton spinning mill which began operating in Pawtucket, Rhode Island in 1793. In his system weaving was done at local farms. This practice was replaced in the 1820s with the Waltham and Lowell (Massachusetts) systems in which power looms were located in the mill. Slater’s Rhode Island system employed entire families. The Waltham, Massachusetts system did not. Those not employing families mainly employed young women. Textile mills accelerated the movement of people from farm to city, and New England became the nation’s most urbanized region. The increase in the number of urban dwellers created a market for the output of New England’s formerly subsistence farmers.

Francis Cabot Lowell, a Boston Brahmin merchant who was inspired by a visit to English cotton mills, established a cotton mill in Waltham, Massachusetts in 1814. It was America's first integrated textile mill—every operation under one roof. In 1821, investors in his mill enjoyed a 27.5 percent return. Up until that time it had been bankers and builders who had used the corporate form of organization. Lowell and his partners raised capital by selling corporate stock.

Boston's elite families, the Brahmins, had a unique place in 19th century America. The descendants of Puritans who made fortunes as businessmen, they were the closest thing the United States had ever had to a true aristocracy. "While they may have prided themselves on being the champions of abolitionism, they did not actually want black Americans, or any other non-Brahmin group encroaching on their power or society." (pbs.org)

A cheap source of labor, white women, was available to work in early New England mills because, in contrast to the South, the population of New England included more women than men, and the smaller, not very profitable farms in New England had little need for women's labor. (Many of New England's young men left to settle in the Midwest.) Factory work appealed to very young women because it provided them with the wherewithal to provide themselves with a "hope" chest full of household goods that would make them attractive to men seeking a wife. In 1820, there were about 12,000 mill workers in New England. By 1830, there were about 62,000. Women outnumbered men 2 to 1.



“The city of Lowell, Massachusetts operated more spindles in 1860 than all eleven of the soon-to-be Confederate states combined.” (McPherson, 77) Lowell was named after Francis Cabot Lowell. Based on the steamboats the Mississippi Valley was dependent upon when cotton mills were dependent on water wheels, historian Walter Johnson says that technologically the Mississippi Valley was more advanced than Lowell and Manchester. Unfulfilled was Thomas Jefferson’s dream of this area becoming a region of white, yeoman farmers not in the toils of merchants and bankers.

Many Americans were hostile to factories because of the degraded, urban proletariat and social unrest they had brought to England. That may explain why working conditions for the very young, unmarried women employed in Francis Cabot Lowell’s mill were very good—even chaperones were provided! When English author Charles Dickens visited Lowell in 1842, he marveled over such things as a piano in almost every boarding house; a lending library; regular visiting lecturers from such places as Harvard College; and a literary magazine.

> In the years before 1850 the textile mills of Lowell, Massachusetts were a celebrated economic and cultural institution. Foreign visitors invariably included them on their American tours. Interest was prompted by the massive scale of these mills, the astonishing productivity of the power-driven machinery, and the fact that women comprised most of the workforce….As Lowell expanded and became the nation's largest textile manufacturing center, the experiences of women operatives changed as well. The increasing number of firms in Lowell and in other mill towns brought the pressure of competition. Overproduction became a problem and the prices of finished cloth decreased. The high profits of the early years declined and so, too, did conditions for the mill operatives. Wages were reduced and the pace of work within the mills was stepped up. Women operatives did not accept these changes without protest. In 1834 and 1836 they went on strike to protest wage cuts, and between 1843 and 1848 they mounted petition campaigns aimed at reducing the hours of labor in the mills. (Durbin)

The initial native Yankee, Protestant women operatives were replaced with Catholic, Irish immigrants, who were subsequently replaced with French Canadian immigrants. Male cotton mill workers were also often recent immigrants. After the Civil War, lower wages in the South began a migration of the industry that in the 20th century left New England carpeted with abandoned textile mills. Lower wages in Asia subsequently decimated the industry in the South

Because their workers were unskilled, early cotton mills produced course (low count) goods. Because New England was first to have a significant supply of experienced cotton mill workers, it was the first to move into producing fine goods, which were more profitable. Early Southern mills produced course goods in high local demand to clothe slaves. That fine goods were already being produced in New England

and the lack of labor with relevant experience delayed the establishment of mills producing fine goods in the South.

Cotton mills often had to be located where towns were not already established because early settlements were located by fords, rather than rapids. So mill owners had to build villages for their operatives. The earliest mills in New England were located in such soon to be well known company-built towns as Waltham, Chicopee, Lowell, and Nashua. Workers lived in company-owned housing; shopped in company-owned stores; worshipped in company-owned churches; and if their children attended school, it was company-owned. Eventually, many New England mill owners became absentee owners whose interests extended beyond manufacturing to real estate, transportation, water power, development, and finance. By 1860, U.S. manufacturing firms employed nearly 1,530,000. Agriculture employed almost 5,880,000.

A cotton mill operative who caused trouble was blacklisted. This, coupled with the inexperience of many workers and the fact that most were women and children, held back the organization of textile mill workers by unions. Labor strife in the antebellum period was seldom much of a problem. As was true of coal miners, cotton mill workers were often paid in script—company issued money—that could only be spent at a company store. A company store was not unreasonable when, as was often the case in the South, a mill was located in a remote area. However, constantly being indebted to the company store made a worker a wage slave.

Antebellum trade unions were formed only among skilled workers (craftsmen). Unions encountered much hostility from the courts, which often branded them conspiracies against the state because they sometimes tried to halt production by striking in order to put pressure on businesses' owners. Prior to 1860, union members never accounted for more than one percent of the labor force. Unions (and others, too) favored universal male suffrage, and by 1860, for whites, this had largely been achieved. Unions favored a shorter work day—the ten-hour day—and public education. They opposed jailing people for not paying their debts and the use of convict labor. Some modest progress was made in these areas. Both northern trade unionists and Southern defenders of slavery claimed the standard of living of northern wage workers was similar to southern slaves'.

Conflict Between Yankees And Southrons

Hostility between New England and the South dating back to colonial days was greatly intensified by the rise of a strong abolitionist movement in New England. Political conflict between the two regions was brought about by New England's opposition to the annexation of Texas; the creation of new slave states west of the Mississippi; Indian removal in the South; and the United States acquiring Cuba and other South of the border territory where the South's growing slave population could be employed. Long before New England activists tried to prevent the removal of Indians from Georgia, Indians had largely been eliminated in New England. (In the antebellum period people living in the South referred to themselves as Southrons.)

In the antebellum period the removal of Indians added very substantially to the supply of land in the South, and a lot of money was invested in speculating in land. In the late antebellum period privately-financed military expeditions of men called filibusters attempted to take over lands South of the border with the intention of adding it to the United States as new slave states. Cuba was a popular target, but only Nicaragua was successfully taken over. After gold was discovered in California, New York shipping magnate Cornelius Vanderbilt wanted to shuttle people from the East coast to the West coast of the United States by crossing Nicaragua. In the way was William Walker, a filibuster from Tennessee, who controlled Nicaragua. Vanderbilt backed neighboring countries' successful defeat of Walker's forces, and Walker was executed.

The Whig Party strong in New England was weak in the South. South Carolina never sent a Whig to Congress or elected one governor. Major opposition to a second war with England not found in the South led New England to consider secession in 1814. New Englanders were not pleased by the fact Southerners held the presidency during most of the years between independence and the Civil War. Irritating New Englanders was that part of the South's slave population was counted in determining how many seats the South's states held in Congress. Northern delegates at the Constitutional Convention had not wanted any slaves counted. Southern delegates wanted them all counted. A comprise was to count three fifths of them.

Retrogression in the South appears to have begun with the Civil War, during which it was subjected to an enormous amount of physical destruction resulting from the fighting of battles and the Union army's policy of total war. The objective of total war was to destroy the South's economy. A significant number of the South's white men were killed or came home with missing limbs, etc. Its banking system collapsed, and all its money became worthless.

Economic historians Jeremy Atack, Peter Passell, and Gavin Wright are among those who are in general agreement that what happened after the war in the South was pretty much what was forecast in a December 7, 1860 public letter written by Joseph E. Brown, the governor of Georgia before and during the war.

Brown said that if the slaves were freed, even if slave owners were not compensated for their loss, money that still relatively wealthy Southerners would previously have invested in slaves would, instead, be used to buy land. They would, Brown said, soon buy all the lands in the South worth cultivating. (Northerners, too, invested in land in the South after the war)

Poor whites, Brown said, would become tenants like they were in England, the New England States, and in the other old countries where slavery did not exist. Many freed slaves, too, he said, would become tenants, and they would have to begin life as free men miserably poor, with no land, no money, and no provisions. Others would become day laborers for their old masters and come into competition with poor, white laborers. This competition between blacks and whites would, he believed, reduce whites' wages.

Gavin Wright observed that before the War the South was not a low wage region. Afterwards, for the unskilled, it was, and unskilled whites' wages were depressed almost to the level of those paid blacks. (Discrimination limited blacks' access to skilled occupations.) "Slavelords" who he—echoing Governor Brown—says had sought before the war to maximize the value of the output of their slave workers, and, therefore, their value, after the war became landlords desiring to maximize the value of the output of their land. This meant the emphasis was on cash cropping.

Because, Wright says, after the war world demand for cotton, the most profitable crop for Southerners to grow, did not keep up with the expansion of output, the price of cotton fell. Returns from Southern agriculture were lower than in the rest of the nation. This held down what unskilled Southern workers could command in nonagricultural jobs because wages in agriculture were their opportunity cost.

Many Southerners blamed post-war Southern poverty on the destruction wrought by Yankee soldiers during the war and the exploitation of the region afterwards by Carpetbaggers (Northerners who moved South to make money) and their Southern accomplices (Scalawags). However, Gavin Wright blames it on the demand for cotton first falling and then stagnating. Roger Ransom and Richard Sutch blame it on a reduction in the supply of labor because African-American women and children—now free to choose—worked less after the war than they had been forced to work before the war by their owners.

After the War, Southern land owners sought to maintain the old system of working the land by simply paying former slaves to work as they had before the war. Former slaves did not want to work in gangs as they had before the war. They wanted farms of their own, and, ultimately, they got what they wanted. Since they lacked the money needed to buy land, they became tenants and sharecroppers, as did many white farmers.

After the Civil War the South became what in 1938 President Franklin D. Roosevelt identified as the nation's number one economic problem. Roosevelt had become familiar with the South's economy after he came down with polio because, starting in 1924, he spent a lot of time in Warm Springs, Georgia.

> My intimate interest in all that concerns the South is, I believe, known to all of you, but this interest is far more than a sentimental attachment born of a considerable residence in your section and of close personal friendship with so many of your people. It proceeds even more from my feeling of responsibility toward the whole nation. It is my conviction that the South presents right now the nation's No. 1 economic problem—the nation's problem, not merely the South's. For we have an economic unbalance in the nation as a whole, due to

this very condition of the South. (Message to the Conference on Economic Conditions of the South, July 4, 1938)

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Notes: The first photograph is of the southeast elevation of the Slater Mill in Pawtucket, Providence County, Rhode Island. It is from the prints and photographs division of the Library of Congress. See http://www.loc.gov/pictures/item/ri0102.photos.362885p/resource/. Located on the banks of the Blackstone River, it was designated as a National Historic Landmark in 1966.

The second photograph of a New England cotton mill, circa 1900, is also from the Library of Congress' collection. See http://www.loc.gov/pictures/item/2012647904/.

The 1869 drawing of the first cotton gin by William L. Sheppard is also from the Library of Congress. See http://www.loc.gov/pictures/item/91784966/.

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