Economy of the American South: Pre and Post Civil War
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The years leading up to the American Civil War saw a prosperous and strong American South. “King Cotton” was the ideology of the time, as the South’s vast cotton exports contributed to the South’s flourishing economy.¹ Slavery was the backbone of Southern production, and it allowed for farming, mining, and manufacturing to be supported with low labor costs.² Conversely, the post hoc Civil War South saw a destitute economy that provoked low immigration, deteriorating industry, and little expansion.³ The war’s aftermath put an end to the South’s reliance on cheap agriculture and high exports. The hindrance on these outputs factored into their general economic downturn, but the additional costs incurred because of the war created a dual setback from which the South took decades to recover.⁴ Many different controversies caused the Civil War, but slavery was one of its main motives. The North—or Union–states, had already outlawed slavery and were looking to prevent slavery expansion to the Americas new states. Naturally, the Southern–Confederate–states saw problem with abolition, as it opposed their way of life and threatened their income. Part of Confederate arguments opposing abolition focused on how slavery contributed to white society, and they also argued the economic benefits slavery brought.⁵ By contrasting the antebellum South’s successful economy to their abysmal postbellum economy, one can see that the costs and results of the war led to a period of immense Southern fiscal insufficiency.

⁴ Bonk, Civil War and Industrial Expansion (Overview).
Before the Civil War, the economic landscape of the South included a large agriculture and labor industry. There was a mixture of skilled and unskilled workers, but the majority of the workers were the unskilled. These workers included both slaves and free laborers, and they were employed at farms, mines, tanneries and other such establishments. Some industries, such as those in cotton and coal mining, exclusively used slaves. The most successful agricultural businessmen mixed a high volume of slaves with a single skilled, technically minded individual. Slavery was also integrated into the building and developing of Southern infrastructure, as there were a vast majority of slaves being stationed to build government public works. There are examples of large plantations with hundreds of slaves, but the average number of slaves per household ranged from 1.3 to 12.1, depending on the state. All these workers created an immense slave population. In fact, “In the 11 states that eventually formed the Confederacy, four out of ten people were slaves in 1860, and these people accounted for more than half the agricultural labor in those states.”

The policy arguments for and against slavery were vast and diverse. Leading up to the Civil War, most Southerners supported slavery, while Northerners called for its demise. One Southern argumentative theme was the economic benefit slavery brought the South, and to a larger extent, The United States. Edmund Ruffin was a proslavery zealot during late antebellum. He argued that slave labor is more profitable than alternative free labor, stating that, “Free laborers, if to be hired for the like duties, would require at least double the amount of

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6 Starobin, 132.
7 Ibid., 132.
8 Ibid., 133.
10 Ransom.
wages to perform one-third more labor in each day”. Records have shown that investments in slavery far exceeded the acceptable six percent annual return on investment, with yields ranging from ten to sixty-five percent, and averaging sixteen percent. This high yield discredits the argument that slavery led to labor inefficiency. Ruffin’s statement about free laborers costing double the amount of slave laborers is not statistically correct, but it is not entirely false, either buying or renting a slave was always more profitable than paying workers low wages, even when slave upkeep (living expenses, food, clothing, supervision) was taken into account.

Ruffin further goes on to say abolition would create a supply of workers that would outweigh the demand of labor, increasing unemployment and thus lowering wages of workers to the point of poverty. Ruffin’s argument is acute, yet sensible, only because the South demanded a huge amount of output to meet expected exports. A 1857 report from the Secretary of the Treasury shows that the South exported $158,000,000 worth of goods compared the the North’s exports of 42,000,000. The South’s main export was cotton, so much so that more than seventy-five percent of the world’s cotton came from Southern plantations. The cotton was mostly distributed to both British and American textile manufactures. With regard to international distribution, the cotton was sent to Northern states, who were efficiently making textiles due to the workflow improvements brought on by the Industrial Revolution. The South sent the North “$30,000,000 worth of cotton, which is not counted in the exports”. Given the

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12 Ruffin, 65.
13 H. O. Stekler, Profitability and Size of a Firm (Berkley, 1963), Ch. 1 and 2; Starobin, 1.
14 Starobin, 139.
15 Ruffin, 68.
16 Hammond, 84. Note that this does not include exports of breadstuff, forestry, and provisions, as these were calculated on a nationwide basis, and amounted to $80,000,000
17 Bonk, Civil War and Industrial Expansion (Overview).
18 Bonk, Civil War and Industrial Expansion (Overview).
19 Hammond, 84.
South’s prosperity under slavery, it comes to no surprise that the South thought themselves to be the backbone of the American economy, and to a lesser extend the world\textsuperscript{20}.

The cost of the total slave labor force greatly increased before the Civil War. Though the value on a single slave varied and fluctuated depending on the market in 1805 “there were just over one-million slaves worth about $300-million; fifty-five years later there were four-million slaves worth close to three billion (dollars)”.\textsuperscript{21} In addition to an increase in capitol, Southerners yearly earnings were greatly attributed their slave ownership. From state-to-state, the faction of yearly earnings due slavery is directly proportional to the fraction of the slave population. For example, South Carolina, who’s population consisted of 57 percent slaves, saw 35.8 percent of their wealth come from slave labor. It is no question that the South was optimistic about chattel slavery, since much of their capitol and wealth came from owning slaves.\textsuperscript{22}

Northern states were not so enthusiastic about the economic benefits of slavery. While the South believed in the profitability of chattel slavery and mass labor, the North was in the middle of the Industrial Revolution, and saw increases in output without the need for higher human capitol.\textsuperscript{23} Their thoughts on the Southern economy match the arguments given in Hinton Rowan Helper’s \textit{The Impending Crisis of the South}; called “the most important single book, in terms of its political impact, that has ever been published in the United States”.\textsuperscript{24} Among other things, Helper argues that this “peculiar institution” of slavery creates an inability for the

\begin{thebibliography}{9}
\bibitem{Hammond} Hammond, 85.
\bibitem{Ransom} Ransom.
\bibitem{Ransom} Ransom.
\bibitem{Arrington} Arrington, Benjamin T. “Industry and Economy during the Civil War”. National Parks Service, last modified March 15, 2011, \url{http://www.nps.gov/resources/story.htm?id=251}.
\bibitem{Fredrickson} Fredrickson, George M. \textit{The Arrogance of Race: Historical Perspectives on Slavery, Racism, and Social Inequality}. Hanover, NH: Wesleyam University Press (1988), 28
\end{thebibliography}
Southern economy to modernized and conform to industrialization. Helper’s book was held in high regard by Northerners and cited as an antislavery argument.

The North’s increased use of the steam engine established its commercial and manufacturing economy, which included the creation of textiles made from cotton, a product of the Southern slave trade. The South seemed to ignore the Industrial Revolution, instead choosing to focus on their already established agricultural sector. This meant that while the Southerners were able to export raw materials, their ability to manufacture finished goods was being outpaced by the North. The North was able produce seventeen times more wool and cotton textiles than the South, and even though the slave states’ vast labor force provided a greater number of crops, the free states’ mechanized agriculture system provided them with a competitive advantage.

Indeed, the North was a first-hand example of new growth theory in modern economics. Charles Beard and his wife, Mary claim that the Civil War materialized when the North saw that the Southern economy had plateaued, due to an inability to capitalize on the production benefits of the Industrial Revolution. Beard’s beliefs led him to call the American Civil War a “social war”; a clash between the ideologes of “a Yankee capitalist bourgeois and the Southern planter aristocracy”.

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27 Bonk, Civil War and Industrial Expansion (Overview).
28 Arrington.
29 Global Economic Growth and Development.” In *Economics Today, Sixteenth Edition*, by Roger LeRoy Miller (Boston, MA: Addison-Wesley, 2012), 195. New growth theory is the belief that increases in technology and innovation is the most efficient way to increase production.
The Civil War’s conclusion left the Confederacy in economic shambles. While the Union was able to profit, the war accentuated the weakness in the Confederate’s slave economy, and led to falling production.\footnote{Arrington.}

The cost associated with the Civil War left the South in a poor economic state. Approximately eighteen percent of all Southern white males died during the war,\footnote{Nofi, Albert A., ed. \textit{Statistical Summary America's Major Wars}. Louisiana State University, last modified June 13, 2001, https://web.archive.org/web/20070711050249/http://www.cwc.lsu.edu/other/stats/warcost.htm.} which created a loss of input amounting to about 767-million-dollars. Factoring in direct costs, such as government expenditures, destruction of infrastructure and loss of human capitol, the war cost the Confederacy approximately 3.29-billion-dollars. But this did not include approximately 2.56-billion-dollars in indirect losses, resulting from the subordinate economy, which included a decline in consumption, wage increases due to Emancipation, and deflation of cotton prices. The Civil War cost the Southern states more than 5.8-billion-dollars, or 670-dollars a person, almost 4.5-times the average yearly income.\footnote{Ransom. Loss per capita is calculated using an accepted Southern population of 8.73 million}

Questionably, the postbellum South still did not industrialize at the magnitudes the North continued to achieve. The failure of the South to harmonize with industrialization made for a slow economic recovery.\footnote{Bonk, Civil War and Industrial Expansion (Overview).} While the Emancipation Proclamation had already freed a number of slaves, The Thirteenth Amendment to the United States Constitution formally created a slave free South. The Thirteenth Amendment transformed the South from a slave labor economy to a free labor economy. Many freed slaves continued to work for their old masters as free laborers, and as W. E. Burghardt Du Bois wrote in 1935, “There were four-million freedmen and most of them on the same plantation, doing the same work that they did before emancipation (…) and
apparently were going to be subject to slave codes modified only in name”.\textsuperscript{36} Although a free laborer yielded a greater cost than a slave laborer the differences were small, and did not greatly affect expenses.\textsuperscript{37} Instead, the South saw great losses in their invested capitol, that is, ownership of chattel slaves, which was to be worth more than three-billion-dollars.\textsuperscript{38}

Due to rising competition from an expanding American West, Southern agriculture was not as profitable as before the Civil War. Cotton was not the king it once was, and as such, the price of cotton declined. Because of the South’s limited industrial opportunities, immigrants favored Northern or Midwestern relocation.\textsuperscript{39} Citing the 1900 census, Walter L. Fleming states, “the entire South, including the old border states, had only about 620,000 inhabitants of foreign birth-six percent of the foreign born population of the United States”.\textsuperscript{40} Relocating Northerner’s also saw the lack of opportunity in the South and preferred a move westward, where the land was cheaper and promised greater opportunities. As such, the South saw little increase to its already abysmal population.\textsuperscript{41}

All these economic factors meant the war had left the once prosperous South in a state of low growth and poverty. By the end of the nineteenth century, their growth in crop output saw little to be desired, “about one percent per year at a time when the GNP of United States (including the South) was rising at twice that rate”.\textsuperscript{42} Additionally, “Southern per capita income had fallen to roughly two-thirds the national level, and the South was locked in a cycle of

\textsuperscript{37} Starobin, 139.
\textsuperscript{38} Bonk, Civil War, Economic Impact of (Issue)
\textsuperscript{39} Bonk, Civil War and Industrial Expansion, 1860–1897 (Overview)
\textsuperscript{40} Fleming, Walter L. "Immigration to the Southern States." \textit{Political Science Quarterly} 20, no. 2 (June 1905): 296.
\textsuperscript{41} Ibid., 276.
\textsuperscript{42} Ransom. GNP is an abbreviation for gross national product
poverty that lasted well into the twentieth century”.\textsuperscript{43} This sentiment is defined on a more individual level by historian Harold Underwood Faulkner, who explained that “to the average Southerner the war meant the sacrifice of luxuries and many necessities, in addition to the distress and bitterness entailed by the disatrous outcome; to the economy of the South, it meant destruction and chaos, and eventually a fresh start”.\textsuperscript{44} He later goes on to say that the American Civil War brought an end to slave labour, and eventually the plantation system, as the South gradually accepted the Industrial Revolution.\textsuperscript{45} Faulkner’s conclusion echoes that of Charles A. Beard and his wife, Mary R. Beard, and is defined as the Beard-Hacker Thesis.\textsuperscript{46} To go even further, America’s Civil War was a harsh but needed confrontation that forcibly shifted the South from manual labored agriculture, to machinized capitalism.

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\textsuperscript{43} Ransom
\textsuperscript{45} Faulkner, 134
\textsuperscript{46} Beard and Beard, 52-121.; Ransom 2001.
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Fleming, Walter L. "Immigration to the Southern States." *Political Science Quarterly* 20, no. 2 (June 1905): 276-297.


