The economic origins of the postwar southern elite

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ABSTRACT

The U.S. Civil War destroyed a substantial fraction of southern wealth and emancipation transferred human capital to the formerly enslaved. The prevailing view of most economic historians is that the southern planter elite was able to retain its relative status despite these shocks. Previous studies have been hampered, however, by limits on the ability to link individuals between census years, and scholars have been forced to focus on persistence within one or a few counties. Recent advances in electronic access to the Federal Census manuscripts now make it possible to link individuals without these constraints. In this paper, we exploit the ability to search the full manuscript census to construct a sample that links top wealth holders in 1870 to their 1860 census records. Although there was an entrenched southern planter elite that retained their economic status, we find evidence that the turmoil of the 1860s opened greater opportunities for mobility in the South than was the case in the North, resulting in much greater turnover among wealthy southerners than among comparably wealthy northerners.

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1. Introduction

The Civil War and emancipation represent major turning points in the history of the United States. For scholars seeking to understand the consequences of the war, a central question has been whether the southern economic elite was able to retain its status and economic influence after the war, or was displaced by wartime destruction and the end of slavery. This question is crucial for understanding the trajectory of postwar economic development in the south since a persistent group of high wealth individuals may have had sufficient political power to shape the contours of economic development in that region well into the 20th century. We know from a growing body of literature that significant wealth inequality can lead to slower economic growth largely because of the institutional arrangements that are controlled by those at the very top of the wealth distribution (Engerman and Sokoloff, 1997, 2002; Acemoglu and Robinson, 2006). Before we can understand the extent to which this may have occurred in the postwar South, we must explore the dynamics of mobility during the 1860s.

Elite persistence is particularly relevant for the American south in light of Ager’s (2013) finding that counties with the wealthiest planters before the Civil War performed significantly worse as late as the mid-twentieth century, mostly because the planter elite opposed investments in mass education in those counties. Using land prices as a measure of agricultural profits, Ager examines whether the planter elite were able to defend their agricultural interests through the exercise of political power during Reconstruction. He finds that land prices after the war were in fact higher in counties with a wealthier class of planters. In his view, “the planter elite’s de facto power allowed them to capture local institutions for their own interest until the new constitutions restored some of

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1 The theoretical work of Galor and Zeira (1993) also shows how human capital investments can act as a channel by which wealth inequality translate into lower levels of economic development over the long run.

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their de jure power” (4). Wallenstein (1976) similarly found that wealthy planters in Georgia dominated public finance throughout the Reconstruction period with detrimental effects on economic development in that state. These results are broadly consistent with the political economy model of Alesina and Rodrik (1994), who argued that persistent inequality leads to the adoption of growth-retarding policies. They are also consistent with Engerman and Sokoloff’s (2000, p. 221) claim that wealth inequality “contributed to the evolution of institutions that protected the privileges of the elites and restricted opportunities for the broad mass of the population to participate fully in the commercial economy even after the abolition of slavery” in the New World. If it is the case, as Acemoglu and Robinson (2006, p. 326) claimed, that “Southern elites still possessed considerable de facto power through their control over economic resources,” then focusing on the wealthiest households and the extent to which they maintained their position in the wealth distribution can shed light on the extent to which the long-term trajectory of the southern economy was determined by socioeconomic persistence within that group.

Some early scholarship concluded that since the plantation system disappeared after 1867, the war must have uprooted the Southern planter elite. This idea seems to have originated with Grady (1881), which was later cited by Hammond (1897) in his well-known history of the cotton industry, and persist well into the twentieth century. Buck (1937, p. 145), for example, concludes that “The small, rich landowning aristocracy in whose interest so much of Southern energy had been expended was deprived of its privileged position.” By this time, however, other scholars had begun to challenge the view that the war had displaced the antebellum elite. Shugg (1937), for example, concluded from an examination of Louisiana tax records, that the plantation system was not destroyed by the war and that land ownership actually became more concentrated after the war.2

The most influential modern works on the subject are Wiener’s (1976, 1978, 1979) studies using census data for five Alabama counties. Using the manuscript census to trace the fortunes of the planter elite, Wiener found that 43% of the 236 largest landholders in the Alabama black belt in 1860 remained among the planter elite in 1870. Noting that this rate of persistence rate was quite close to the 47% that prevailed from 1850 to 1860 period, Wiener concluded that the evidence supported Shugg’s view that the wealthy planter elite held a greater share of real estate value in those counties after the war than it had before. Ransom and Sutch (1977) concurred, arguing that landownership was quite stable even though the number of farms in the five cotton states increased by 52% between 1860 and 1870, and that the percent of improved land over 100 acres fell from 81% in 1860 to 60% in 1870.3 In a parallel study using data from one Texas county, Campbell (1982) analyzed population persistence over the 1850 to 1880 period and concluded that the rate of geographical persistence was fairly high among planters of all sizes: 43% of large planters persisted between 1860 and 1870, while poor whites were the least persistent (only a 22% persistence rate). He also found that while the planter elite suffered considerable economic losses during the Civil War decade, they actually improved their relative position between 1860 and 1880. Ransom (1989, p. 234) similarly concluded that even though the large farms were broken up into smaller units, “land ownership in the South remained in the hands of those who had owned land and slaves before the war.”

While these earlier studies have been enlightening, they have also been limited by a restricted geographic scope. On the one hand, this has meant assuming that results for one or a few counties can be safely generalized to apply to the region as a whole. On the other hand, given high rates of geographic mobility in the nineteenth century, it has not been possible to establish whether individuals who moved out of the area under study moved up or down the wealth distribution, leaving open the possibility that any conclusions may reflect the vagaries of sample selection.4 As Massey (2016, p. 5) explained, matching individuals within restricted geographic areas “poses a serious threat to the representativeness of the matched sample.”

Recent advances in electronic finding aids for historical censuses combined with online access to complete census manuscripts for the entire country, both available through the Ancestry.com website, allow us to improve on these earlier studies by examining the wealth persistence across the 1860s for a nationwide sample of individuals linked between 1860 and 1870 despite potential geographic mobility. In this article, we analyze the origins of a sample of the wealthiest household heads in 1870 in both the South and the North.5 We find that while over 40% of wealthy northerners (the top 5% of wealth holders) in 1870 were similarly located in the 1860 wealth distribution, this was true for less than 28% of southerners. While high levels of wealth provided a considerable cushion against the shocks of the Civil War decade, the 1860s were nonetheless characterized by a much higher degree of turnover among wealthy southerners than among comparably wealthy northerners. We find, for example, that 40% of southerners with moderate wealth in 1860 – between the 55th and 90th percentiles – moved to the top of the wealth distribution by 1870, while less than one quarter of the richest northerners did so. Conventional accounts are not wrong to emphasize the persistence of many wealthy southerners, but there is considerable evidence that the turmoil of the Civil War and emancipation opened greater opportunities for upward (and downward) mobility in the South than was the case in the North.

Before turning to a description and analysis of the linked data, we begin with a brief introduction to the wealth data available in the Censuses of 1860 and 1870 and use these data to characterize the effects of the Civil War and emancipation on regional wealth holding. Section 3 describes our procedure for creating a linked sample beginning with high wealth individuals in 1870 and locating them in the 1860 census, and Section 4 describes what these linked data reveal. We conclude with some additional interpretation of these results.

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2 Interestingly, Woodward (1951) cited Shugg's observation that northern corporations purchased Louisiana sugar plantations in support of his argument that there was a revolution in land ownership after the war. However, as Wiener (1976) pointed out, Shugg also argued that there was no such change in ownership for the cotton plantations. According to Shugg (1968, p. 246), the available evidence on cotton plantations "argues against any sudden or sweeping overturn in ownership."

3 See Ransom and Sutch (1977), Table 4.5, p. 71.

4 According to Oakes (1982, p. 77), "nearly sixty percent of the 1850 slaveholders [in Jasper County, Georgia] were gone ten years later." Schaefer (1985) found similarly high rates of geographic mobility among slave owners between 1850 and 1860.

5 Because of the small numbers of individuals in the Mountain and Pacific Census Divisions we exclude them from our analysis.
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