

## CHAPTER 1

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# Institutional Transformation and Uncertainty

For many observers, the transformation of the South after the U.S. Civil War was one of the most dramatic institutional changes they had witnessed. As Mark Twain and Charles Warner wrote in *The Gilded Age* (1873), “The eight years in America from 1860 to 1868 uprooted institutions that were centuries old, changed the politics of a people, transformed the social life of half the country, and wrought so profoundly upon the entire national character that the influence cannot be measured short of two or three generations.”<sup>1</sup> Although the emancipation of former slaves and political upheavals of Radical Reconstruction are perhaps the most evident features of this institutional metamorphosis, it touched upon almost every aspect of Southern society, ranging from urban life to class structure to the organizations that populated the region’s agriculture and industry.

The Civil War itself left the country in a shambles, with a human and financial toll that has few parallels in American history. When the war ended, in April 1865, roughly 750,000 men in the North and South were dead, representing the greatest number of American casualties in any military conflict.<sup>2</sup> The direct economic cost of the war to the Union and Confederacy combined has been estimated conservatively at \$6.6 billion, or one and a half times the gross domestic product of the United States in 1860.<sup>3</sup> The institutional interventions of the immediate postwar period seemed to bear the fruits of these costs and casualties of war. Slavery and indentured servitude were abolished by the Thirteenth Amendment in 1865. Emancipation was soon accompanied by an unprecedented federal effort to transition four million black men, women, and children into freedom and to incorporate the American South more fully into the economic and political life of a nation. In the twenty-first century, when sectarian struggles and civil wars again rage in many parts of the world, the experiences of the postbellum United States would appear to hold valuable lessons for those facing the challenge of intervention and institution building in developing countries.

Despite the sheer scale of federal intervention in the South, however, its necessity and effect continue to be widely debated. A majority of scholars now agree that the institution of chattel slavery was not economically moribund at the eve of the Civil War, though some informed voices contend that the American political system was equipped to eradicate it peaceably and that the war was avoidable.<sup>4</sup> Many others suggest that bondage persisted in

the institutions of the postbellum era in subtle and not-so-subtle ways, including the convict leasing system, debt peonage, and the path dependence of black labor.<sup>5</sup> Yet others have argued that the economic institutions of the antebellum South were not as different or inefficient as one might suspect. Among economic historians, the late Robert Fogel has advanced perhaps the most cogent argument for continuity between the essentially capitalist character of American slavery and the market institutions that we recognize today. Even considering the property rights that it granted in human life and labor, Fogel and his collaborators have argued that the antebellum South possessed “a flexible, highly developed form of capitalism.”<sup>6</sup>

Whether one emphasizes the advanced capitalism of the antebellum South or the rejection of free labor in the postbellum era, the conclusion with respect to institutional continuity remains the same: the effects of federal intervention in the South were superficial and, in many respects, temporary. With the departure of federal troops and the end of Reconstruction governments in the late 1870s, the region simply reverted to its old pattern of exploiting black labor and ensuring the dominance of the planter class. In lieu of transformation, this historical narrative thus highlights the *path dependence* of institutional arrangements in the late nineteenth-century South. Social scientists have often located the roots of such path dependence in the inertia afflicting organizations in preindustrial and industrial society, as well as in the durable inequality that results when old status distinctions—such as those between slaves and owners—are mapped to new ones—such as tenants and landlords.<sup>7</sup>

By contrast, this book begins with the premise that postbellum transformation of the South’s organizations and economy was profound and that, by many measures, the New South that resulted after Radical Reconstruction evidenced a more capitalist and market-driven society than its antebellum counterpart. As I will argue later in this chapter, support for this premise could be found in the spatial dispersion of financial institutions and capital in the Cotton South, in the extensive rating of Southern businesses for credit markets, in the transition from subsistence to commodity agriculture among small farmers, in the rise of urban economies in the interior of the region, and in the availability of laborers who could be hired at will or on short-term contracts. These changes did not always portend unambiguous improvements in the lives of Southerners, black or white. And, in many cases, they existed alongside the vestiges of institutions imported from the era of slavery, leading to contention and confusion around the logics guiding the economy of the New South.

A key component of this premise is that the transformation involved a *transition and clash in economic institutions*, not simply political ones. Many of the influential treatments of the postbellum era have offered “top-down” political histories, in which the actions of great men, feeble carpetbagger

governments, and fickle coalitions contributed to the reversal of Radical Reconstruction.<sup>8</sup> This reversal culminated in the alleged compromise between the presidential candidates Rutherford B. Hayes and Samuel Tilden in 1876, purportedly giving Hayes the presidency while relaxing the federal presence in the South.<sup>9</sup> The emphasis on politics has led scholars to contend that Reconstruction was a failure—indeed, judged on the criterion of political inclusion of Southern blacks, that it was a unique failure in Western history.<sup>10</sup> By contrast, the perspective offered here is one of “bottom-up” history, in which institutional transformation is reflected in thousands of economic transactions and trajectories among blacks and whites who were learning to navigate the shoals of a Southern economy that was transitioning between slavery and capitalism.

A second key premise of the book is that *enduring uncertainty* was a defining feature of this transition between precapitalist and capitalist institutions. As the historical sociologist Rebecca Emigh has pointed out, there has been an appropriate trend toward using “the plural forms ‘transitions’ and ‘capitalisms’ to emphasize their variability and complexity.”<sup>11</sup> The idiosyncrasies of the New South economy reflect many of the virtues of this nomenclature. It is not surprising, therefore, that some historians speak of “Reconstructions,” while others acknowledge that the postbellum era merely offered “one kind of [economic] freedom” to emancipated blacks. These labels are not mere scholarly hedges, but reflect the contention and heterogeneous views of institutional transformation among Union authorities and ex-Confederates, freedpeople and planters, Redeemers and Scalawags, townsfolk and rural farmers.<sup>12</sup>

Uncertainty goes beyond mere contention to reflect the difficulty that participants and observers have in making sense of a situation. It is understood, as Jens Beckert has pointed out, “as the character of situations in which agents cannot anticipate the outcome of a decision and cannot assign probabilities to the outcome.”<sup>13</sup> Attention to uncertainty has been understated in previous treatments of economic transitions between precapitalist and capitalist institutions, owing partially to disciplinary orientations.<sup>14</sup> Among historians, there has been a tendency to document the factual features of Radical Reconstruction and the emergent New South using a retrospective lens. Among economists, the tendency has been to deploy precise models of individual or organizational productivity (or regional growth), eliding the tremendous ambiguity surrounding the folk models employed by historical participants. In a paper written half a century ago, the Canadian economist W. T. Easterbrook suggested that uncertainty could be “a possible key to the study of economic change,” though the “categories of uncertainty” employed by economists and historians at the time were too restrictive to offer much leverage in the analysis of capitalist transitions. Easterbrook concluded, optimistically, that uncertainty might be “a unifying

concept . . . in working toward a systematic approach to long-run economic change” and he expected to “hear much more about [it] in the historical areas of economics and related disciplines.”<sup>15</sup>

In this book, I reflect on the uncertainty affecting historical participants—including former slaves, Freedmen Bureau agents, planters, merchants, and politicians—during the period of Reconstruction and ask how it continues to influence our understanding of this era. Following the Civil War, uncertainty was one of the most pervasive features of everyday life, leading to fundamental questions about the valuation of labor (How should emancipated slaves be reimbursed in wage contracts?), social stratification (What occupations and class positions would be available to blacks and whites in the postbellum South?), organizational arrangements (What forms of agricultural tenure could persist? To what extent would the antebellum system of merchandising be replaced?), and regional development (What paths to economic or demographic growth would be viable for postbellum communities?). By interpreting the economic changes associated with emancipation through the lens of uncertainty, social scientists can come closer to the lived experience of institutional transformation than they would exclusively with the certitude of facts that have been collected (or models that have been deployed) with historical hindsight.<sup>16</sup>

To draw out the implications of these premises, the next two sections consider the concepts of uncertainty and economic transformation in more detail. I begin by formulating a general theory regarding the evolution of uncertainty over the course of institutional transformation, and then discuss the specific transitions toward capitalism that occurred in the economy of the U.S. South during the postbellum era. A concluding outline for the book connects those transitions back to the outcomes experienced by individuals, organizations, and communities in the aftermath of American slavery.

## THE PROBLEM OF UNCERTAINTY

A distinctive feature of the sociological perspective on economic institutions and institutional change is its emphasis on uncertainty. While modern economics is well versed in analyzing situations of risk, where probabilities or payoffs can be assigned to outcomes even if those outcomes are indeterminate, the technical apparatus of economics is ill equipped to deal with contexts of uncertainty, where probabilities and payoffs cannot be assigned and actions can no longer be deduced from the preferences of agents.<sup>17</sup> The problem of uncertainty is magnified in circumstances where economic institutions—the understandings, norms, routines, and governance structures that constrain economic action—are themselves in flux. Sociologists

and heterodox economists have traditionally looked to institutions as “devices” that help coordinate economic action when markets are imperfect or the knowledge of market participants is incomplete. In the absence of these devices (i.e., under conditions of institutional change), individuals must re-assemble elements of older traditions and organizational forms in order to confront uncertainty and find a new basis for social order.<sup>18</sup>

The incorporation of uncertainty as a central element in explanations of institutional change carries several analytical advantages. One important insight comes from recent work on social fields, which may be conceptualized as institutionalized arenas in which individuals, organizations, social movements, and the state vie to influence one another and structure the rules and perceptions that govern behavior.<sup>19</sup> Uncertainty in social fields is typically seen to be a result of destabilizing changes that are introduced exogenously. In the field of Southern agriculture after the Civil War, uncertainty arose due to new rules (e.g., the Thirteenth Amendment’s ban on slavery and involuntary servitude), new types of actors (the Freedmen’s Bureau), new relations among actors (the transition from paternalistic to arm’s-length employer-worker relationships), and new meanings (such as the unusual connotation of “freedom” under Black Codes and other restrictions on Southern blacks).<sup>20</sup> A simple view of uncertainty maintains that field participants experience it most intensively in the immediate aftermath of the introduction of such changes, which then gradually become taken-for-granted elements of daily life.

Recent perspectives on social fields offer a more nuanced view of uncertainty in the process of institutional change. In their *Theory of Fields*, Neil Fligstein and Doug McAdam argue that destabilizing changes, by themselves, do not automatically generate pervasive uncertainty. The critical question is what attributions are made to those changes by field participants (who may characterize them as threats or opportunities), how those attributions contribute to the mobilization of claims and resources, and whether that mobilization leads to forms of collective action that were previously prohibited or unthinkable. With these mechanisms, Fligstein and McAdam argue, we obtain the conditions for profound uncertainty following destabilizing institutional changes. Moreover, the “generalized sense of uncertainty and chaos” feeds back into contention among field participants, contributing to *escalating*—not decreasing—uncertainty as time following the initial destabilizing changes passes.<sup>21</sup>

Two historical examples of reactions to Abraham Lincoln’s Emancipation Proclamation help to illustrate the conditions under which we might expect to observe (or not observe) escalating uncertainty. Given that Lincoln issued the proclamation under his war powers on September 22, 1862, uncertainty about its constitutional validity and effects prevailed from the beginning. This uncertainty was augmented because it applied to people of

color, whose political and citizenship status in the United States—even considered outside the context of slavery—had been stripped by the Supreme Court’s *Dred Scott* ruling six years earlier. Among white abolitionists, the vagaries surrounding the Emancipation Proclamation meant that it could be celebrated more for its symbolism than as an opportunity. Lincoln’s efforts to mobilize support invoked two provisions that were widely criticized by the abolitionists. One, which became part of the proclamation, was the exclusion of Union-occupied territory and border states from the president’s executive order.<sup>22</sup> The other provision, which did not make it into the proclamation, was Lincoln’s advocacy for compensated emancipation, in which slaveholders would be remunerated for the loss of human property that they would incur. The result was a document that was treated as decidedly equivocal by abolitionists, both in its content and in Lincoln’s intent. As the leading abolitionist William Lloyd Garrison quipped, the president could “do nothing for freedom in a direct manner, but only by circumlocution and delay.” Given the initial uncertainty generated by the document, many abolitionists were disappointed and treated it as a preservation of the status quo.<sup>23</sup>

The reception of the Emancipation Proclamation among Union military officials and black “contrabands” fleeing enslavement was more spirited. Lincoln’s executive order contained a key provision allowing for “such [slaves] of suitable condition [to be] received into the armed service of the United States.”<sup>24</sup> Northern military authorities seized upon it as an opportunity for efforts, already under way, to mobilize former slaves for the Union army. Fugitive slaves, viewing it as a path toward freedom and a certain form of citizenship rights, initiated an exodus toward Union lines. In reaction, other actors highlighted the threats from Lincoln’s executive order. This included not only Southern slaveholders, but also Northern politicians who emphasized the “Negro Influx Question” in the state and congressional elections held between the preliminary proclamation and the executive order issued on January 1, 1863.<sup>25</sup> As the Union military characterized Lincoln’s declaration as an instrument of war, slaves near Union lines characterized it as an opportunity, Southerners underscored the legal threat to their property rights, and some elements of the Northern public raised the specter of black immigration, uncertainty around the effects of the proclamation grew. The more military authorities sought to enlist the assistance of fugitive slaves, the more they attracted dependent families and freedpeople who would not be able to offer military service or support; the more they sought to regulate the behavior of former slaves and relocate some blacks North from the battle lines, the more they undermined the political impetus behind the military effort.<sup>26</sup> As a result of this potentially vicious circle, the Emancipation Proclamation was no longer the tepid symbolic statement lamented by some abolitionists, but a contingency that could dictate the course and political support for the entire war.

This example echoes an important proposition derived from Fligstein and McAdam's framework: *the escalation of uncertainty following profound institutional change depends on the attributions and mobilization of participants within an institutional field*. Additional analytical insights into institutional change may come from unpacking the concept of uncertainty further. In his influential formulation, the economist Frank Knight distinguished three forms of the concept: risk, "classical" uncertainty, and "true" uncertainty. As noted previously, economic decision making under a condition of *risk* involves a known probability distribution across outcomes, where the outcome itself is unknown. *Classical uncertainty* involves decision making where the probability distribution across outcomes is unknown, but the possible outcomes themselves are classifiable. Both risk and classical uncertainty thus hinge on the assumption that there are a "finite, practically manageable number of *kinds* of [outcomes]," which may be ascertained and categorized by field participants. This assumption is violated under conditions of true uncertainty, where the possible outcomes of economic action can no longer be identified or classified and, consequently, the probability distribution across them is not just unknown, but unknowable.<sup>27</sup> Given that the root cause of this form of uncertainty is the inability to categorize possible outcomes, I refer to it as *categorical uncertainty*.

The idea of categorical uncertainty is alluded to in Frank Knight's work, but deserves a more central place in the analysis of institutional change. Knight repeatedly acknowledges that uncertain situations are encountered when there "is no valid basis for classifying instances [of outcomes]" or "it becomes impossible to classify instances objectively." Since, in his theory, such uncertainty is rooted in the mind-set of an economic actor engaged in rational planning, the method for dealing with uncertainty is simply "securing better knowledge of and control over the future."<sup>28</sup> What Knight omits is the source of categorical uncertainty. From an institutionalist perspective, this source lies in circumstances of institutional flux and contention, not only where extant rules and social norms fail to provide expectations as to what outcomes are more or less likely, but also where the categories of possible outcomes are themselves in the process of being redefined.<sup>29</sup>

Again a historical example from the postbellum South serves to illustrate distinctions among risk, classical uncertainty, and categorical uncertainty. Sharecropping emerged during Reconstruction as a contract between landlords and workers, in which landlords rented out parcels of farmland (and generally provided agricultural equipment, seed, and some level of managerial supervision), while agricultural laborers agreed to give up a share of their crop (most typically half, but often one-third or one-quarter). By 1920, the U.S. Census enumerated over half a million croppers in the American South.<sup>30</sup> In deciding whether to offer a sharecropping contract, Southern landowners faced several shortcomings in information. First, the income

from agricultural production was indeterminate, owing to variability in weather conditions, catastrophes (such as pests), worker effort, and demand for commodity crops. Insofar as landowners were able to ascribe some rough probabilities to these sources of income variation based on a track record from previous years, they faced a situation of *risk*. Under this circumstance, sharecropping could be seen as an organizational form that allowed risk to be divided between croppers and landlords, roughly in proportion to their contractual shares. Despite its condemnation by classical thinkers such as Adam Smith and Karl Marx, a considerable body of economic theory has developed to account for the persistence of sharecropping as a function of its risk-sharing properties.<sup>31</sup>

A second source of uncertainty facing landowners was the changing political context of production. While the institution of slavery had ceded property rights and control to the planters, the period of Radical Reconstruction augured an era when emancipated blacks (and poor whites) might exercise leverage in negotiating the terms of work. Indeterminacy regarding the amount of leverage was magnified because of the changing role of the state in regulating land and labor, especially under Union occupation. Because there was no basis for ascribing probabilities to the consistency of labor supply under these novel political circumstances, landowners faced a situation of *classical uncertainty*. They could enumerate how many (and what categories of) laborers they needed to work their fields, but were uncertain about who they would recruit for this purpose and how they could control them. Within this context, as the anthropologist Miriam Wells has suggested, an alternative explanation for the emergence (or resurgence) of sharecropping is that it “counter[ed] the growing leverage and associated uncertainty of labor,” by “undermining the solidarity of the work force,” dispersing workers into separate contracts and plots, and improving the negotiating position of landowners.<sup>32</sup>

A third, and perhaps more fundamental, source of uncertainty for landowners was that they did not know what forms of agricultural tenure and contract might be possible in the aftermath of slavery. While sharecropping had existed in Western Europe since the late medieval period, it was relatively rare in the Old South.<sup>33</sup> The period after the Civil War gave rise to a bewildering array of options with respect to agricultural tenancy and labor, including not only sharecropping but also wage labor, share tenancy (in which farm laborers provided agricultural implements and work stock, in addition to their own labor), standing rent tenancy (in which farmers paid a fixed rent for land in agricultural commodities), and cash tenancy (in which farmers paid a fixed rent in cash). In the late 1860s, these possibilities—and the distinctions among them—were so ill defined that even expert observers spoke merely of the “small farm” system as an alternative to plantation agriculture.<sup>34</sup> Landowners thus faced a problem of *categorical uncertainty*, in



which they not only found it difficult to say what forms of agricultural tenure were more likely to be viable, but also could not even categorize the possible forms of agricultural tenure. The process of defining, categorizing, and selecting forms of tenure was the result of contention between planters, who hoped to reinstate large-scale and centralized gang-system labor, and freedmen and poor whites, who valued economic autonomy. Through the “constriction of possibilities” in this conflict-driven process, Edward Royce has noted that sharecropping emerged over time as a dominant—but initially indeterminate—form of agricultural tenure.<sup>35</sup>

These examples suggest some additional propositions regarding the nature of uncertainty during periods of economic and institutional change. First, *profound instances of institutional transformation will generate problems of classical or categorical uncertainty for economic actors, not simply problems of risk*. On the one hand, if the political and organizational arrangements of the postbellum South had evidenced considerable continuity with those of the antebellum era, then indeterminacy in agricultural output could have been reduced to probabilistic calculations on the part of landowners. Sharecropping would have emerged as a substitute for wage labor primarily to manage risk, owing either to fluctuations in labor supply or to fluctuations in crop yield and crop value, such as those generated by the disastrous 1866–67 growing season.<sup>36</sup> On the other hand, if political and organizational indeterminacy made it impossible for landowners to anticipate how much labor they could recruit, or even what types of contracts might be possible, then the planters faced a problem of uncertainty. From this perspective, sharecropping thrived not as a mechanism for sharing risk, but as a tool for dividing workers (and thus managing political uncertainty) and as an outcome of contention between farm laborers and landlords.<sup>37</sup>

Another proposition builds on the idea of escalating uncertainty in fields, as discussed earlier. When participants in a field mobilize claims and resources following institutional change, they initially draw on established categories of economic action, even if the outcomes of such action are indeterminate. Thus, many former slaves hoped that emancipation would lead to land ownership, as proposed in General William T. Sherman’s policy of promising “forty acres and a mule” to freedmen and women.<sup>38</sup> Meanwhile, many white landowners believed that gang-system labor would persist, albeit (nominally) under wage labor arrangements. With the escalation of contention and mobilization among groups of field participants, these established categories of economic action were pushed aside in favor of new possibilities, such as sharecropping, rental farming, share tenancy, and other contractual arrangements that began to emerge in the postbellum South. Consequently, we can propose that *profound instances of institutional transformation will tend to initially generate problems of classical uncertainty, as field participants struggle to understand new social circumstances with extant categories, followed by*

*problems of categorical uncertainty, as contention among participants leads to the introduction of new categories of actors and activities.*

## TRANSFORMATION OF ECONOMIC INSTITUTIONS IN THE SOUTH

By generating new markets, new organizations, and new rules in the post-bellum South, capitalist transformation rendered it difficult for historical participants to predict the behavior of one another, much less the anticipated course of the economy in the aggregate. The uncertainty of the relationship among newly emancipated slaves, former slaveholders, and other whites was at the heart of the altered economic and social landscape. On a broader scale, capitalist development in the region touched on all major components of the economy, including banking and the credit market, the urban economy, investment in human capital, and the emergent market for free labor.

For each of these components, we can obtain a preliminary portrait of capitalist transformation over the latter half of the nineteenth century by considering indicators of economic change in the five states—Alabama, Georgia, Louisiana, Mississippi, and South Carolina—that derived much of their income from cotton cultivation.<sup>39</sup> With respect to financial infrastructure, these states were remarkably underdeveloped in the antebellum period. As documented in Homans's *Bankers' Magazine and Statistical Register*, Alabama had only a single chartered bank in 1849 and Mississippi had none.<sup>40</sup> The situation was only slightly improved in 1860, when the *Bankers' Magazine* identified four banks in Mississippi and nine banks in Alabama (see Table 1.1). On the eve of the Civil War, much of the Southern capital under bank management was concentrated in the city of New Orleans, where eleven banks held \$24.5 million in assets, or 44 percent of all bank capital in the Cotton South.<sup>41</sup> By contrast, the rural South was particularly bereft of banking institutions. In the late antebellum period, only one out of every twelve farm proprietors lived in a county with a bank. The limited banking infrastructure of the region was largely oriented toward the needs of the planter elite and their cotton factors.<sup>42</sup>

Credit markets in the antebellum South were likewise available in only an opaque and highly personal form. While Southern merchants and farmers relied heavily on goods that were purchased on credit from Northeastern wholesalers (in 1859, an estimated \$131 million was shipped to the South from New York City alone), most of these transactions occurred in the absence of formal credit ratings.<sup>43</sup> Credit reporting had been pioneered in the early 1800s by the British Merchant Banks and, in the United States, by John Bradstreet and Lewis Tappan's Mercantile Agencies, but it had made limited inroads in the South. During the antebellum period, the

Table 1.1. Statistics on Banking in the Cotton South, 1849–80

	1849		1860		1880	
	# of Banks <sup>a</sup>	Assets (millions of dollars)	# of Banks <sup>a</sup>	Assets (millions of dollars)	# of Banks	Assets (millions of dollars) <sup>b</sup>
Alabama	1	1.5	9	5.4	38	9.5
Georgia	20	4.9	34	10.4	81	19.6
Louisiana	6	17.7	14	24.5	19	21.0
Mississippi	0	0.0	4	0.8	33	3.9
South Carolina	14	11.4	20	14.9	35	10.3
<i>Total</i>	41	35.6	81	56.0	206	64.3

Sources: Homans (1849: 242; 1860: 974–1000); U.S. Comptroller (1880: lxxxv–lxxxvii); Ransom and Sutch (2001: 307).

<sup>a</sup>Including branches and banks that were closed over the course of the year.

<sup>b</sup>Lower bound based on capital, bonds, and deposits held by national, state, and other banks (missing some private banks that did not provide reports to the U.S. Comptroller).

abolitionist sensibilities of industry leaders constrained penetration in the region; in turn, Southern newspapers denounced credit reporters as agents of Yankee espionage.<sup>44</sup> As a consequence, formal credit assessments before the Civil War were often restricted to a few sizable enterprises located in the largest cities. Examining a basic measure of credit market integration, we find that the estimated percentage of capital in credit-rated businesses was a mere 3 percent in 1860 across all of the counties of the Cotton South, with negligible credit rating in rural counties and more (33 percent) for businesses in counties with urban centers (Figure 1.1).<sup>45</sup> As Christopher Kingston and Robert Wright have pointed out, the absence of formalized credit rating in the rural South led to a heavy reliance on personal credit markets and an emphasis on “honor” that would serve to maintain a debtor’s reputation via word of mouth.<sup>46</sup>

While banks and credit markets were concentrated in the cities of the South, those urban centers were few and far between during the antebellum period. In 1860, the Cotton South had only three major cities—Charleston, Mobile, and New Orleans—with more than twenty-five thousand inhabitants; only two other urban centers—Savannah and Augusta—had more than ten thousand residents. Before the Civil War, the South was substantially less urbanized than any part of the country, including the Western frontier.<sup>47</sup> This demographic pattern was reflected in the economy, since much of the specialized productive activity of the South (including craft and small manufacturing) occurred on the plantation. On the eve of the Civil War, many planters and Southern nationalists viewed the region’s largest cities with suspicion, mostly as a potent source of urban ills that were inimical to the preservation of slavery. As the historian Frank Towers has pointed out,

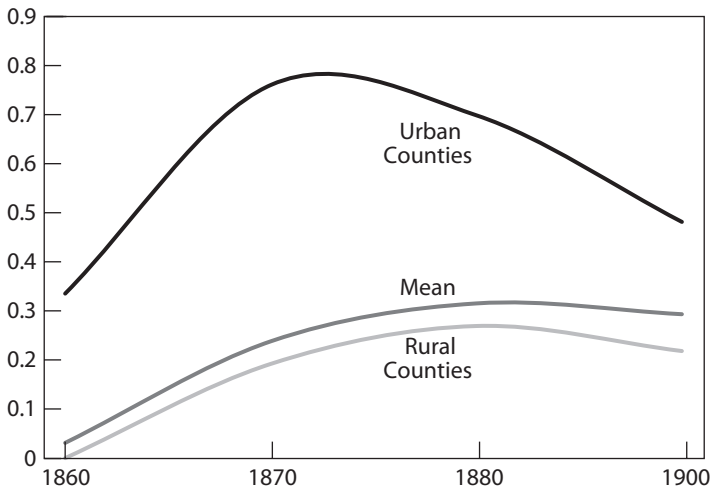


Figure 1.1. Formal Credit Market Integration in the Lower South, 1860–1900

*Notes:* The measure of market integration is the ratio of capital in credit-rated businesses to total capital investments in a county. Averages are reported across all counties for “mean,” counties with at least one urban center (2,500+ inhabitants) for “urban counties,” and counties without an urban center for “rural counties.”

the economic vision of Southern traditionalists “promoted the building of Southern cities to expand market services for plantation agriculture” but excluded “the kind of industrial-based urban economy that had promoted excessive growth and class conflict in the North and in England.”<sup>48</sup>

In institutional terms, of course, the most peculiar feature of the antebellum economy was its heavy reliance on chattel slavery. While much of the precapitalist-capitalist debate on slavery has focused on the mind-set of slaveholders, the relative productivity of the slave workforce, and the profitability of the slave trade, these discussions have tended to muddle rather than clarify the extent to which the structure of labor markets in the antebellum South deviated from the “free” labor markets observed in the nineteenth-century United States.<sup>49</sup> Three structural differences can be noted. First, despite an active domestic slave trade, turnover in slaves was low compared to the flow of wage labor from one employer to another. Michael Tadman, an economic historian, estimates that the typical slaveholder in the Upper South made a sale every ten to twelve *years*. In the period immediately after the Civil War, labor contracts signed by freedmen in the Upper South averaged less than twelve *months* in duration.<sup>50</sup> Second, in contrast to wage labor, the relatively high sunk costs in slaves were offset by very low maintenance costs, leading to strong incentives in favor of exploitation and against the turnover of slave labor. One cost calculation,

advanced by Congressman George McDuffie (later governor) of South Carolina in 1832, suggested that the maintenance costs of field slaves were merely one-sixth those of the wages and board paid to free agricultural labor in the South Atlantic region.<sup>51</sup>

Third, while there was an ostensible shift toward allowing slaves to hire themselves out on short-term contracts in the late antebellum period, particularly in urban areas and in the Mountain South, the numbers of slaves who were granted this privilege was dwarfed by those who remained tethered to the plantation system. In Charleston, which had some of the most extensive regulations supporting slave hires, the number of hire badges issued every year rose from slightly over two thousand in 1800 to over five thousand in 1860 (Figure 1.2). While slave hires enjoyed some autonomy in selecting employers and trades, they remained a relatively small percentage of the local slave population. Hiring out in Charleston peaked at less than 14 percent of the county's slave population in 1860 and was consistently below 10 percent of the slave population before then.<sup>52</sup> In some Appalachian counties, slave hires approached one-fifth of the slave population in the late antebellum period. But the best available estimates for the South as a whole suggest that only 7.5 percent of slaves were hired out at any given time.<sup>53</sup>

These features suggest, *prima facie*, that the institution of slavery imposed “a limitation on the flow of labor between occupations and areas” and that the antebellum Southern labor market exhibited structural constraints that were consistent with precapitalist economies.<sup>54</sup> Flexibility in

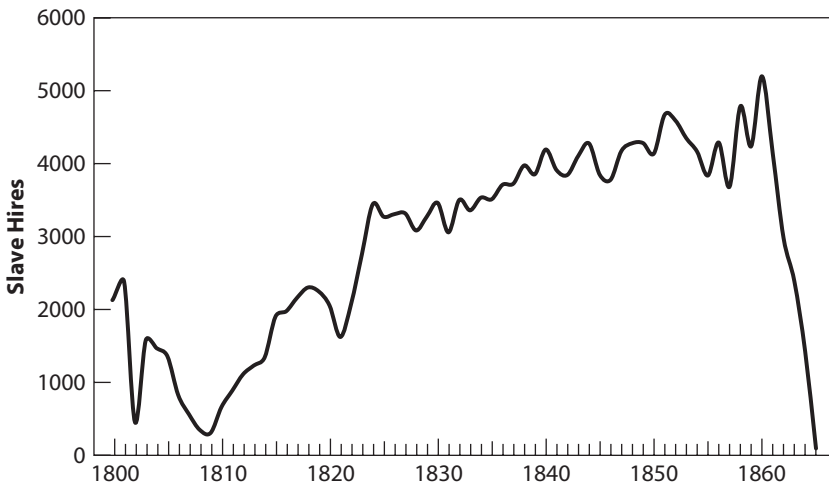


Figure 1.2. Estimated Number of Slaves Hired Out in Charleston (SC), 1800–65  
*Note:* Estimates based on city income derived from sale of slave badges (Greene, Hutchins, and Hutchins 2004: Appendix 1).

hiring was often at the mercy of the relatively small size of the wage labor market in the South, particularly when it was limited to adults. In 1850, the U.S. census enumerated nearly 85,000 white adults (age fifteen and over) working as agricultural, manufacturing, construction, or service laborers in the five states of the Cotton South; the number of adult black slaves in Alabama, Georgia, Louisiana, Mississippi, and South Carolina was over 930,000, or more than ten times the number of whites.<sup>55</sup>

Viewed in these terms, the institutional interventions of the Union—both during and after the Civil War—would appear to have had a potential for dramatic effect on the Southern economy. In 1865, the passage of the Thirteenth Amendment and founding of the Freedmen’s Bureau represented an unprecedented effort by federal authorities to construct and regulate a market for (nominally) “free” black labor. The passage of the National Banking Acts in the preceding two years created a system of national currency and removed banking from the control of the states. Formal supports for credit markets diffused rapidly as Northern credit rating agencies, such as Dun’s, sent credit reporters to and established branch offices in the postbellum South. Some urban development was spurred during the Civil War by Union forces that built garrisoned towns and relied on the logistical infrastructure of Southern cities. More occurred in the aftershocks of the Civil War, as emancipated slaves and destitute whites migrated to urban centers in search of economic opportunity.

By some measures, these interventions, though short-lived, generated deep shifts in the Southern economy. Owing to the fairly restrictive conditions for obtaining a charter under the National Banking Acts, relatively few national banks were established in the South after the war—roughly forty existed in the five cotton states at the end of Radical Reconstruction. But the postwar boom in banking produced more state-chartered banks and nearly three times as many private banks, leading to a total of 206 banking institutions across the region in 1880 (Table 1.1). The average capitalization of the postwar banks, particularly the private banks, was modest compared to those that existed before the war, but the total assets of Southern banks were comparable to those observed in 1860. The result was a far greater geographic dispersion of banks and capital after the war. In the postbellum period, roughly one out of every three farm proprietors lived in a county with a bank, and the average Southern storekeeper or wholesaler lived in a county with nearly five banks.<sup>56</sup>

The mercantile agencies that had conducted formal credit ratings for decades in other parts of the United States penetrated the postbellum South at a brisk pace. At the time of the Civil War, R. G. Dun and Company only had two branch offices in the Lower South, located in New Orleans and Charleston. By 1890, the numbers of these offices had swelled to ten, with new locations in Atlanta, Birmingham, Columbus, Macon, Mobile, Montgomery,

Savannah, and Shreveport. Within five years after the war's end, the estimated proportion of capital in credit-rated businesses ballooned to 24 percent across all counties of the Cotton South and, by 1880, to 32 percent across all counties (Figure 1.1).<sup>57</sup> Although some scholars have suggested that the financial markets of the New South (and the United States, more generally) were less integrated than those of the antebellum period, a direct assessment of credit evaluations suggests that postbellum financiers and wholesalers in the Northeast had unprecedented access to information and ratings on Southern businesses.<sup>58</sup>

The urban economy of the Cotton South also flourished in the decades after the Civil War. By 1910, the five states in the region had nearly a dozen cities with more than 25,000 inhabitants. Atlanta was a prototype for the cities of the New South. Although it had been subjected to Sherman's "hard hand of war" like no other Southern locale, the city's population nearly quadrupled in the succeeding years, increasing to 37,409 by 1880. With its entrepreneurial spirit and diversified economy, Atlanta attracted frequent comparison with the thriving cities in the North and West.<sup>59</sup> More subtle, but equally impressive, was lower-order urbanization in the Cotton South. In Alabama, for instance, the number of incorporated towns with more than two hundred residents grew from 34 in 1870 to 91 in 1880 to 165 in 1890. The spatial pattern of economic activity in the antebellum period had emphasized two urban centers (Mobile and Montgomery) coupled with self-sufficient plantations and yeoman farmers in the hinterland; following the Civil War, the spread of railroad networks and commercial opportunities pushed merchants to the interior of the state. Credit markets served as a crucial institutional support to such urban development.<sup>60</sup>

The most pronounced institutional intervention into the postbellum Southern economy was also perhaps the one with the most ambiguous effect. As a matter of both regulation and norm, Northern authorities sought to import the free-labor ideology—with its attendant institutional devices of labor contracts and human capital investment—into a region that had resisted the idea of a wage labor market for two hundred years.<sup>61</sup> Central to this effort was the Bureau of Refugees, Freedmen, and Abandoned Lands. As a federal agency, the bureau was tasked with the massive responsibility of assisting four million former slaves in the transition from slavery to freedom. By some measures, the agency's organizing activities were unprecedented. The bureau reported the development of 740 black schools in the former slave states in 1866, with 90,589 students; by 1870, those numbers had grown to 4,239 schools under the supervision of the bureau, educating some 247,333 students.<sup>62</sup> Several hundred thousand labor contracts were signed under the auspices of the bureau and existing evidence suggests that they were enforced to a considerable degree.<sup>63</sup> Still, the bureau's efforts at education and labor reform reached only about one in ten freedmen, women, or

children. Moreover, the widespread passage of Black Codes between 1865 and 1866—coupled with the ongoing use of coercion by many employers—threatened the very foundations of so-called free labor.

The limits of federal intervention and the contention in the transformation of the Southern labor market highlight a more general pattern. Economic transition in the postbellum South did not occur seamlessly, but rather in fits and starts. It is because of these institutional frictions that uncertainty was such a pronounced feature of capitalist transformation in the South. And it is because of the gradual diffusion of capitalist institutions that uncertainty escalated. Uncertainty was not merely in the heads of historical actors, hoping to come to an understanding of life in the New South, but in the progressive conflict between the logics of capitalist and precapitalist institutions.

## OUTLINE OF THE BOOK

In this book, the implications of a theoretical emphasis on uncertainty are traced by considering the effects of change in economic institutions at different levels of analysis, with a particular emphasis on the transition between slavery and capitalism (see Table 1.2). At the individual level, this entails an examination of the wages and occupational status attainment of blacks and whites in the decades after the Civil War. Chapter 2 considers the extent to which the Freedmen Bureau's effort to reinstate plantation labor for former slaves in the mid-1860s was associated with changes in the valuation of black labor. Despite similarities in coercion and the organization of labor, I argue that the valuation of wage labor under the bureau was linked to human capital investments and statistical discrimination in ways that were fundamentally different from the valuations observed in appraisals, purchases, and hires within the antebellum slave market. This shift in the logic of valuation produced uncertainty among bureau agents, employers, and former bondsmen and women themselves as to how black workers would be compensated within the emerging free labor market of the American South.

Despite the uncertainty of wage rates within the labor market regulated by the bureau, employers and workers alike continued to operate with the occupational categories that had been established in the plantation system of the Old South. As this effort to regulate the labor market began to crumble, emancipated blacks faced a more fundamental form of uncertainty: what occupations (and class statuses) would be open to them with the demise of slavery? Chapter 3 explores this question by analyzing the legacy of slavery for status attainment among the first generation of blacks who were liberated from this peculiar institution. My quantitative findings suggest



Table 1.2. A Framework for the Analysis of Uncertainty and Change in Economic Institutions

Level of Analysis	Classical Uncertainty	Categorical Uncertainty
Individual	<p><i>Topics:</i> Worker Earnings and Income Inequality</p> <p><i>E.g.,</i> How would wages for former slaves be set after the Civil War?</p> <p>(Chapter 2)</p>	<p><i>Topics:</i> Jobs or Class Status</p> <p><i>E.g.,</i> What social positions were possible for blacks and whites during Reconstruction?</p> <p>(Chapters 3 and 4)</p>
Organization	<p><i>Topics:</i> Organizational Workforce and Performance</p> <p><i>E.g.,</i> How many former slaves would remain as laborers in the plantation system?</p> <p>(Chapter 5)</p>	<p><i>Topics:</i> Forms of Organization</p> <p><i>E.g.,</i> What organizational alternatives to plantations were conceivable?</p> <p>(Chapters 5 and 6)</p>
Community	<p><i>Topics:</i> Allocation of Regional Investments</p> <p><i>E.g.,</i> How much would communities invest in agriculture versus industrial development?</p> <p>(Chapter 7)</p>	<p><i>Topics:</i> Paths to Development</p> <p><i>E.g.,</i> What developmental alternatives to cotton monocropping were conceivable?</p> <p>(Chapters 7 and 8)</p>

that categorical uncertainty became more pronounced over time: while the internal hierarchy of slavery clearly predicted the occupations that emancipated blacks would hold after the Civil War, it became largely decoupled from status attainment in the succeeding decades. Mediating effects, such as the Freedmen Bureau's educational interventions and black migration, also served to curtail the reproduction of antebellum status. By the early twentieth century, the most durable predictor of the kinds of jobs that were available to blacks who had been born in the antebellum South was the legal distinction between those who were free and those who were slaves before 1865.

Chapter 4 extends the analysis of status outcomes to include the region's white population. I probe the question as to whether the class structure of the South changed in the postbellum era and whether different individual and locational attributes predicted who would come to occupy preferred social positions. The analysis in the chapter suggests another source of categorical uncertainty during Reconstruction and beyond. While many Southern journalists and politicians celebrated the expansion of an entrepreneurial middle class at the time, this class actually declined numerically in the proverbial

New South. Moreover, the “decaying” planter class was remarkably persistent, both in its dominance of the top of the wealth distribution and its involvement in the postwar industrialization of the region. The social categories of planters and middling Southerners that were deployed in popular discourse—and within the “New South Creed”—thus had little in common with the reality of class structure following the Civil War.<sup>64</sup>

The next section of the book considers sources of uncertainty in the organizational arrangements that proliferated in the New South with the demise of slavery. Union officials and Southern planters initially attempted to manage postwar instability by maintaining the plantation system, albeit with wage labor rather than slaves. For the planters, a crucial source of uncertainty at the organizational level involved the problem of labor supply. Without formal recourse to coercion and the domestic slave trade, landowners could no longer reliably predict where their workforce would come from and how they could retain black workers on plantations. For former slaves, a parallel source of uncertainty applied to the problem of labor demand—where could they find new economic opportunities without reproducing the exploitative patterns of bondage? Chapter 5 considers why freedmen and women in the postbellum South left the plantation system when their prospects outside of it seemed to be so uncertain.

As the maintenance of plantation agriculture proved increasingly untenable, Southern blacks and whites confronted categorical, as well as classical, uncertainty. Chapter 5 addresses this process with respect to the organizational landscape of Southern agriculture. What forms of agricultural tenure would come to replace the plantation system? How would individual decisions and negotiations influence the predominance of proprietor farming, rental farming, share farming, and wage plantations in the South? Given the interdependence of agriculture and commerce in the South, Chapter 6 extends the analysis to the realm of nonagricultural organizations in the postbellum era. What forms of merchandising would replace the network of cotton factors that had prevailed before the Civil War? How did the spread of capitalist institutions, particularly credit and consumer markets, affect the uncertainty surrounding the commercial and industrial enterprises of the New South?

The final section of the book addresses sources of uncertainty at a regional level. In Chapter 7, I argue that familiar paths to economic development, such as investments in railroad infrastructure, banking, and market centers, produced unpredictable returns for Southern communities in the decades after the war. Confronted with new forms of commerce, boosters faced not only uncertainty in anticipating how much economic and demographic growth to expect from their communities, but also categorical uncertainty in deciding what paths to economic revitalization might be possible. Under conditions of profound change, the most reliable approach for

postbellum communities to secure capital investments, attract new residents, and increase the production of local goods was to create organizational forms that were present in other comparable communities, thereby avoiding accusations of idiosyncrasy. By 1900, this produced a remarkable pattern of economic underdevelopment, in which the fates of most small Southern towns were tied to cotton monocropping and a homogeneous pattern of retailing.

The escalating uncertainty observed in the transition from slavery to capitalism in the U.S. South raises the question as to whether a similar process occurred following other instances of emancipation. My concluding chapter summarizes the evidence that we have for the postbellum South and compares it with other postemancipation projects in the Americas. I suggest that the common pattern of gradual emancipation seen in former colonial possessions in the Caribbean and South America has considerable similarity with early efforts to manage uncertainty in the era of Radical Reconstruction. As in the case of the American South, those postemancipation projects soon fell victim to competing claims and mobilization among landowners, workers, and other parties, leading to profound and durable uncertainty in the economies of former slave societies.

## CONCLUSION

The interpretation of history has often been a debate between proponents of continuity and proponents of change. During the first half of the twentieth century, the Dunning School dismissed Radical Reconstruction as a political and economic failure. During the second half, the Cliometric School questioned whether the institutions of slavery were as economically backward as one might suppose. This book critically evaluates the continuity of economic institutions in the late nineteenth- and early twentieth-century South. It starts with the assumption that we cannot understand the legacy of American slavery and emancipation without a systematic assessment of the changes in socioeconomic status experienced by both whites and blacks over this period. In developing this assessment, the book employs both interpretive and quantitative methods. The interpretive analyses draw on a large data set comprising over three thousand oral interviews conducted with former slaves by the Works Progress Administration (WPA), as well as letters, memoirs, survey responses, and other narratives from a variety of sources. The quantitative analyses draw from census data and credit reports assembled to analyze individual and organizational outcomes after the Civil War, as well as a systematic collection of labor contracts from the archives of the Freedmen's Bureau.<sup>65</sup>

As one economic historian has argued, "for scholars seeking to understand institutional change and economic performance, the evolution of the South has long been an obvious candidate for study"; indeed, "it would be

difficult to read American history without noticing that the South successfully escaped from both widespread poverty and what the modern economic development literature considers ‘bad’ institutions . . . most infamously, the disenfranchisement of so many citizens in a country famous for its democratic institutions.”<sup>66</sup> While the fulfillment of the South’s political and economic transformation would not be realized until a century later, early seeds appeared with emancipation and the reorganization of plantation agriculture in the late nineteenth century. The resulting contention among different interests—urban and rural, planter and freedmen, Union and ex-Confederate—would come to render uncertainty a central and enduring feature of life in the South. The most immediate question raised by the end of the Civil War involved the fate of former bondsmen and women. How would they survive, and what institutional rules would structure the way that they were able to earn their livelihood? I turn to this question in the next chapter, which considers the creation of a nominally “free” labor market for African Americans in the postbellum era.