Economic impact of slavery

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1. *How would you characterize the economies of Native American groups prior to English colonization of the US? How were the colonial economies affected by Native Americans?*

Variations of local resources, geography, and transportation resulted in much cultural diversity of the Native American nations. However, Native American economies were generally collectivist before colonization. The concept of private ownership of land was foreign to these societies. Natural resources were common goods shared by all. The introduction of agriculture allowed for the development of villages and small cities. Most societies were agriculturally savvy, but still relied on non-farm sources of meat. Native societies viewed the Earth through a spiritual lens and, as a result, extracted goods in a sustainable manner. According to Gary Nash (*Red, White, and Black* , pg. 19), Native American societies were not as stratified as European ones. The division of labor was equitable; women tended to the crops and village, while men fished and hunted for game. Far from being primitive, some Native American societies developed into large, vibrant trading centers, such Cahokia in modern day Missouri. Indeed, the pre-Columbian era of North America included many sophisticated societies with a total population between 3 and 10 million people (Nash, 21).

The Native Americans impacted the early colonial economies in a few ways. First, they shared their knowledge of farming techniques and local crops, which allowed the earliest settlers to survive and adapt to the Atlantic American climate. Specifically, corn became a staple food that the English eventually learned to cultivate and trade with Europe. Another impact on the colonial economy was the fur trade. Natives were the primary producers of fur, which had huge demand globally. The French in particular entered into mutually advantageous trade arrangements with the certain Native populations. Additionally, the inability of the English to utilize Native American labor resulted in a labor shortage that would eventually spur the growth in indentured servitude and the rise of slavery (lecture notes, 4/9/14).

2. *What was the economic impact and legacy of slavery and the Civil War in the South?*

The institution of slavery had a powerful influence on the Southern economy both before and after its abolition. For 250 years, Southern agriculture revolved around the labor of slaves, causing a ripple effect on the level of its industrialization, its cultural norms, and the distribution of wealth amongst its citizens (Hughes and Cain, 255). The South was largely dependent on high cotton revenues and did not industrialize as swiftly as its Northern neighbors. The profitability of cotton drove land values upward, and reinforced a cycle of social stratification whereby a few wealthy citizens owned the majority of land, to be tended by a large population of poor whites and black slaves. By 1860, over 50% of the populations of South Carolina and Mississippi were slaves with similarly high numbers throughout the South (Hughes and Cain, 112). Farms were big; according to lecture, by 1860 40% of Southern acreage was devoted to plantations larger than 500 acres (4/23/14). Cotton’s expanding international market increased labor demand and, thus the demand for slaves in the sparsely populated South. Hughes and Cain point out research by Jeremy Atack demonstrating that the use of slave labor held back the South’s industrial development by incentivizing the cultivation of cotton over manufactures. The effect was amplified by the lack of a well-paid consumer base (216).

After the Civil War, the South had lost billions of dollars, thousands of young men, and its economic infrastructure was decimated. 90% of its banks disappeared, a vacuum filled by commodity credit trading at country stores. The old plantation system of agriculture was replaced by sharecropping, an arrangement less liberating than indentured servitude (Hughes and Cain, 262-270). Wages in the South fell and poverty increased as cotton prices fell from antebellum peaks. Black Americans, newly freed, migrated out of the region in large numbers contributing to the shrinking labor force. The South, following slave-era traditions, failed to invest in its human capital by instituting public education and could not reap the benefits of an educated labor pool (269). The South remained largely agricultural for many years even as their Northern neighbors industrialized. But perhaps the most lasting legacy of slavery and the Civil War was the institutionalization of racism enacted by an embattled, embittered South. These policies contributed to the slowed growth of the Southern economy for generations.

3. *What grievances fueled the Populist movement, and how do economic historians assess those concerns?*

The Populist movement began when farmers developed organizations in response to what they felt to be economic exploitation in the late 19 th century. Faced with historically high agricultural yields, they watched the price of their products spiral ever lower. They felt aggrieved by freight costs, which represented a higher share of their incomes as crop prices fell, especially since the federal government subsidized the railroads with lavish land grants. The price for capital was also rising, forcing many farmers to borrow from financiers under sub-optimal terms because the national banks would not take farmland as collateral. They watched their incomes rise at a slower rate than those in other industries. Adding insult to injury, they witnessed the federal government subsidize the “ robber baron” industries of the era. The depression of the 1890s helped fuel Populist ideas beyond farming as a result of high unemployment. They wanted to change the fundamental relationship between the American worker and the federal government. They banded together to protect their own interests and gain political clout in order to reform monetary policy, the banking system, corporate subsidies, and enact protectionist agricultural policies (Hughes and Cain, 386-389).

There is no argument as to whether farmers were subjected to slower income growth as productivity grew. However, economists argue that, despite their perceptions, farmers’ incomes as a whole grew throughout the late 19 th century, albeit at a slower rate than workers in other industries. Freight rates remained steady, but the perception of price gauging remained as farmers commanded lower prices for their crops and thus paid a higher ratio of their incomes for shipping costs. Likewise, economic analysis has shown that there were no land monopolies at the time. Hughes and Cain note that the farmers’ terms of trade actually improved, though more farms were forced to borrow money in the face of rising land values. They argue that most of the resentment of the early Populist farmers stemmed from a loss of relative position during the era of industrialization and urbanization (Hughes and Cain, 301).

The Populist movement eventually grew to encompass broader ideals such as the need for bank reformation, monetary policy, nationalization of utilities (including railroads), curbs on subsidies for corporations, and election reform. What began as a fraternity of farmers looking out for their own interests morphed into a larger movement with a lasting influence on government policy, despite evidence from economists that suggests they may not have been as exploited as they perceived (lecture notes, 5/19/14).

Works Cited

Hughes, Jonathan R. T., and Louis P. Cain. *American Economic History* . 6th ed. Boston: Addison Wesley, 2003. Print.

Lecture Notes , Dr. Mary King, EC 456, Spring 2014

Nash, Gary B. *Red, White, & Black: The Peoples of Early North America* Upper Saddle River, NJ: Prentice Hall. Print.