Development, Mobility and Slavery: Real Income and Spatial Equilibrium in the Postbellum South

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1. Introduction

The post-Civil War United States black migration from rural to urban areas and from the South to the North has received extensive documentation. For a recent comparison of current trends with those of the past see Berry and Dahmann (1), Higgs (2), Ransom and Sutch (3) and Vickery (4). This paper supplements the work of these authors in examining the analytical underpinnings of black migration in the postbellum South. However, our interpretation in this paper goes beyond this, offering a supplementary explanation of why blacks stayed in the South after being freed and examining the implications of the institution of slavery (and its abolition) for income levels and mobility in the general development setting.

2. The Traditional Interpretation of Postbellum Black Migration

Slaves were free to move with the signing of the Emancipation Proclamation—September 22, 1862. However, the question that has bothered students of neoclassical microeconomic theory is—since economic conditions were better in the North why did most blacks remain in the South for fifty years? Of course, there had been some migration of blacks from the South to the North after emancipation. But it wasn’t until 1916 that there was a mass exodus of blacks to northern cities unprecedented in United States history.

Why did blacks migrate in large numbers after 1916? The traditional interpretation involves two aspects relating to World War I: the increased demand for workers and the decreased immigration from Europe. Additionally, at this time the boll weevil was ruining cotton cultivation making it less prof-

itable for rural blacks to stay in the South. But blacks also went North to achieve higher material standards of living. In the period just before our entry into World War I, blacks were making 10 to 15 cents an hour in the South, while in the urban areas of the North there were stories of northern employers willing to pay 30 or even 40 cents an hour for black laborers.

The traditionalists point to several factors that deterred blacks from moving North after manumission, most notably the cost of migration. One of the most obvious costs of migration is transportation. And by World War I, the transportation costs had been drastically reduced. Also job search costs fell with the increase demand for labor in northern cities. Hence, the potential black migrant compared the expected stream of differences in wage with the migration cost.¹

3. Spatial Factor Price Equilization

Excluding the issue of equity, does ownership of labor (slavery) versus self ownership make a difference in determining factor returns? When labor is self-owned by law, movement occurs so as to equalize real income in all locations. But different locations offer an assortment of amenity combinations—such as climate, variety of consumption goods, friends, relatives, familiar churches, and other social institutions. Hence, equalizing real income implies different nominal incomes in equilibrium (5). These nominal income differentials will represent compensation for the set of desirable and undesirable traits offered in each location which do not trade in explicit markets (6).

However, for factors such as capital the above line of reasoning does not hold: deploying resources in the location yielding the

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highest nominal return also generates the highest real return since the owners of the resources need not be present. Thus, for the owner, maximizing factor returns in nominal terms will also give the greatest real return. This is clearly why we observe approximate nominal factor price equalization for owned inputs at alternative locations in the United States.

In the case of slavery, human inputs become like capital and labor owners seek to maximize the nominal return from their slaves. This implies spatial allocations within slave areas, perhaps keeping most slaves near the cotton fields to reduce commuting time in the U.S. context, that would involve lower amenity-corrected real wages than would be the case if labor were self-owned. At the close of the Civil War the black population was probably far from a spatial equilibrium in which real incomes were similar throughout the southern slaves states.

A caveat to the preceding discussion is that there are spatial variations in amenities and that people care about the amenity variation: otherwise freed slaves would allocate themselves in the same manner as their former owners since maximizing nominal income also maximizes real income under these conditions. However, with the presence of amenities nominal income does not equal real income in spatial equilibrium.

4. Empirical Evidence and Conclusions

Historians have typically concluded that migration should have been substantial in the postbellum period. However, historical evidence indicates that massive black population movements to the North did not occur until 1915-20, fifty years after the Civil War. In the years following the Civil War, there were substantial gross migration flows, and small net movements in the South. Why were the net movements relatively small in view of the large gross flows and why did it take so long for movement to begin toward the North?

The historical record can be partially explained by the locational implications of labor becoming self-owned. Consider first the large gross movement, but with little net movement within the South in the years immediately following the Civil War. Upon being freed, real utility differentials would have existed which would suggest to many utility-maximizing blacks that relocation was in order. Hence, one would expect large movements based on the limited information available to potentially mobile blacks at the close of the Civil War, but the appropriateness of acting on this information would change rapidly as compensating wage differentials became established, perhaps with little net migration. The large gross flows might be thought of as “exploring the nature of the hedonic wage relation” by a group of society unfamiliar, due to the institution of slavery, with the kinds of living cost-amenity-wage trade-offs facing them.\(^3\)

With high transportation and information costs at the War’s end, the slow movement to the North, speeding up as black communities became established, was perhaps partly understandable. However, holding constant the gains from moving northward, one would expect less relative movement to the North the greater were the gains from moving to alternative locations within the South. Gains could be had from such movement within the South following manumission of slaves, hence, the net relative gains to movements to the North were smaller, at least until the intra-South adjustments were complete. This is particularly so if one believes, as we do, that southern blacks in the postbellum period genuinely preferred the southern environment to northern alternatives.

5. Implications for Development

The elimination of slavery has several noteworthy implications for economic development. First, and most obvious from a supply-side perspective, is the expectation that incomes would rise since the “tax rate” facing a slave is substantially higher than for free workers. Moreover, the former slaves would begin saving portions of their larger incomes—this would likely increase the rate of growth of economies abolishing slavery. However, if the marginal propensity to save is lower for slaves than for their former owners, the preceding effect could be offset. Hence, whether capital formation would be
encouraged or discouraged by manumission is a priori ambiguous, although the supply-side effect combined with permanent income assumptions of constant marginal propensities to consume at all income levels would jointly imply better growth performance of economies freeing slaves, ceteris paribus.

A second implication of abolition relates to the measurement of income in official GNP statistics. As indicated in section three, slaves will have been allocated by their owners so as to maximize nominal returns. When they are freed they will move so as to maximize their real returns, moving from undesirable (but productive) locations until compensating differentials and business relocations (to the more desirable, lower wage locations) reestablish equilibrium. The net paradoxical effect is that GNP as currently measured will fall, as amenity goods are substituted for marketed goods which are included in GNP. However, real utility for blacks will rise or such movements would not occur.

A third problem with the traditional growth measures is that no adjustment is made for leisure. Once freed, blacks traded substantial amounts of income for leisure. For the most part women and children no longer worked the fields and men chose to work fewer hours. This desire for greater amounts of leisure resulted in a reduction of black labor input by about one-third. In fact, two economic historians have concluded that it was this decline in black labor input, even more than the wartime destruction of physical and human capital in the South, that led to lower levels of Southern growth (7). Hence, again we see GNP falling and real utility for blacks rising.

The freeing of slaves has one other possible implication for development and growth, namely the issue of agricultural efficiency under slavery. If in fact slavery is more efficient than free agriculture because of gang labor systems and other economies of scale present in plantation agriculture, then the demise of the system will lead to lower growth (8). However, if the system is more arduous and former slaves now resist plantation agriculture we can assume it is revealed unpreferred. Again, the utility of former slaves rises and growth rates decline.

6. Conclusions

The fact that slaves were allocated to equalize nominal returns enabled gains to be had from relocating within the South. The gains from intraregional migration were much larger relative to the costs of that migration than would have been the case had the blacks been initially allocated so that real income within the South was spatially invariant. This theoretical point enhances understanding of the observations that non-white migration in large numbers to the North did not take place for several decades after emancipation and that large gross flows were accompanied by small net migration within the South.

More generally, the note draws attention to the incentives created by a divergence between the behavior of profit maximizing slave owners and utility-maximizing free labor. Actual income levels and, likely, growth rates would increase with abolition, but faulty GNP measurement may obscure the effects on income levels and growth rates.

Notes

2. Of relevance to the frequent non-urban origin-destination moves of blacks following the Civil War were such additional variables as difficulties associated with dealing with former owners in a market situation, local differences in racism, etc.

References

4. Vickery, W. “The Economics of Negro Migration,


7. Ransom, op. cit., p. 45.