Southern Agriculture Before 1860: Problems in Government Intervention

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According to F.W. Taussig, it may be said that the United States’ “protective movement” began even before 1789, and some say it began with the tariff act of 1816. (Taussig 1964, p. 68). Either way, there is no doubt that there has been a movement towards government regulation of markets in the United States, and it continues in the present. Protectionism was a prominent feature of agriculture in the states of the South during the years leading up to the War Between the States. The Southern agricultural system included many economic problems during those years, but government attempts to improve conditions were both ineffective and economically unsound.

The south was home to the majority of agricultural production in the year 1839. Almost all cotton, rice, sugar and sweet potatoes were grown in the South, along with most hemp, tobacco and corn. Tennessee and Kentucky were leaders in hog and corn production at the time, and a large portion of livestock production was located in the South’s border states. Cotton, tobacco and rice were all produced in a one-crop system with relatively unstable proceeds from year to year. This led to overexpansion during the years of high yield followed by bankruptcy and debt during those of lower yield. (Peterson 1940)

As the fields of the Tidewater and Piedmont regions became overused, cotton and tobacco planters moved westward. In 1839, Virginia produced only slightly more than it had during the American War for Independence, and Maryland’s production had decreased. The soil of eastern Maryland, Virginia, and North Carolina was so depleted by this time that area farmers were forced to work with low product prices, high slave prices, and land value deflation. The large land-holders of the Tidewater and Piedmont areas began to go bankrupt. (Peterson 1940) Many farmers began plowing to prevent erosion and using marl (lime mud) in an effort to
replenish and revitalize the depleted soil. They did not begin to use guano and other commercial fertilizers for several years. (Peterson 1940)

But Northern Virginia held prime farmland in 1840. Farmers had abandoned tobacco planting for clover crops and used fertilizer to increase soil fertility as well. Feeder cattle production was a prominent part of farming in the north part of the state, in the Piedmont and Shenandoah areas, and in eastern Tennessee. Speculative crops and livestock were introduced as well. Mulberry trees, silk production and roe eggs were part of a speculative movement that ended in 1839. Other speculative attempts involved broom corn, Chinese tree corn, Rohan potatoes, shorthorn cattle, and camels. There was also an episode called the “Berkshire craze” involving Berkshire hogs. (Peterson 1940) South Carolina intensively exported rice and cotton. Sugar and molasses came from Louisiana and its combined farm and factory operations. The sugar industry continued to depend upon the tariff that had supported it from the beginning. Tobacco production concentrated in Virginia, but it was grown in large quantities in Missouri as well. The South made extensive use of machinery as a more cost-effective alternative than the expensive slave labor. (Peterson 1940)

The presence of new livestock in the South was less significant than in the northern states. Aside from those shipped to Maryland, Virginia, and Kentucky, there were fewer imports of purebred livestock to the southern states from abroad than there were to the North. Paul Gates writes that “A Georgia planter knew of the importation of two or three Devons and one or two Ayrshire cows but could detect no considerable movement for the improvement of stock.” (1960, p. 205) Some farmers considered the importation of new stock from the north to be detrimental to the Spanish lines of the South’s hardy cattle. The native cattle were as good for milk production as the Shorthorn and Ayrshire imports and southern cattle were perfectly productive
when bred, fed, and cared for properly without the incorporation of northern stock. But some Alabaman producers bought imports to improve their cattle, and Kentucky bluegrass area farmers began raising purebred Shorthorns. In 1859, Ayrshire, Devon, Shorthorn, Brahman, and crossbreds were part of a display at the Mobile Agricultural and Horticultural Society fair. (Gates 1960, p. 206)

The surplus beef from Ohio, Kentucky, Illinois and Indiana was sent east to the metropolitan areas. The South imported few live cattle and little dressed beef. Southern producers in fact sent some of their own surplus to the same eastern markets. The Southern market was important for northwest sales of pork and lard, but much of this shipped to Boston, New York, Philadelphia, the West Indies, and to Europe. (Gates 1960, p. 220)

Ulrich B. Phillips said that the lack of hay crops and grazing in the cotton belt region forced producers to look to the northern states for their mules. This disturbed advocates of Southern self-sufficiency. Georgia and Mississippi planters shipped their mules from Kentucky and Tennessee. Kentucky’s horse country and Tennessee’s Nashville Basin adequately supplied the demand and the market became one of their main revenue sources. (Gates 1960, p. 230)

According to the report of William F. Switzler before the 50th Congress, “Internal Trade Between the West and South,” the South increased trade more than the West during the period between the 1830s and 1840s. The South was a more populated area, and the cotton trade contributed to this as well. Cotton production became focused in the South and it was specifically central to New Orleans. Europe’s manufacturing production developed quickly, stimulating the South to increase its acreage and production of cotton. Switzler’s report states that “... it became highly profitable to cultivate cotton even on credit.” (North 1968, pp. 201-202) New Orleans lent credit freely and established a system of credit that remained in place at
the time of the report in 1888. Cotton and sugar planters in particular came to rely on this credit system. New Orleans also shipped supplies from the West to its surrounding areas. Switzler said: “The whole agricultural country along the Lower Mississippi and its bayous and streams became, in a manner, the commercial slaves of the New Orleans factors, and were not allowed to sell to any one else or buy from them.” Western produce must go through New Orleans, and could not be shipped directly to the plantations. The 1837 economic crisis consequently shocked New Orleans and its credit system, but it recovered. (North 1968, pp. 201-202)

There were various agricultural problems in the pre-war South. One particular financial crisis occurred in 1837. The early 1830s saw a great deal of speculation leading up to the crisis. There were high prices on slaves, a high land to labor ratio, and many producers relied on large-scale credit issued by weak banks. The South experienced the crisis along with the rest of the world, but firm cotton prices partly assisted the cotton belt’s early recovery. Some state governments also lent out large amounts of public credit and were less insistent in requiring early payment than were private lenders. (Phillips 1968, pp. 147-148) The cotton market saw a bull movement during 1838-1839 that transferred commodity speculation from the slave industry to cotton. Southern banks offered loans on cotton in the spring of 1839 for up to $0.14 per pound and made loans to producers who wished to withhold their cotton from the market. Cotton prices at this period fell, improved somewhat, fell again, and then continued to fluctuate throughout a few good years before falling in 1844. (Phillips 1968, pp. 148-149)

Another panic in 1839 drove cotton commodity prices below the pledged loan amounts. Planters were forced to pay the deficit or go bankrupt and the banks forced to absorb the bankruptcy loss. Land and slave prices fell along with the cotton prices. Many banks and planters became bankrupt, and some state governments were forced to “repudiate their bonds.”
This crisis particularly affected Mississippi. (Phillips 1968, p. 149) But this was the last serious crisis of the antebellum South. Cotton prices remained stable between $0.10 and $0.12 per pound throughout the 1850s so that even the panic of 1857 was not over-traumatic. The year 1857 saw a tariff act that lowered duties and produced a period of free trade to an extent that had not occurred since 1816, according to Taussig. (1964, p. 115) While some held that the lowered duties either caused or worsened the financial crisis that year, Taussig disagrees. He writes: “In fact, the crisis of 1857 was an unusually simple case of activity, speculation, over-banking, panic, and depression; and it requires the exercise of great ingenuity to connect it in any way with the tariff act.” (1964, p. 118)

The South also experienced problems with its labor supply. Slavery was a limited institution in the South. Southern families holding slaves came to 25% of the population, and only about 4% owned enough to maintain their numbers without the purchase of new slaves. But slave labor and low-cost free labor was foundational to the economic organization of Southern agriculture and consequently greatly influenced economic development. (Johnson and Kroos 1953, p. 258) The South saw limited population growth compared to the northern states, and the Southern system discouraged the use of machinery. The important point about slavery was its attribute as low-cost, and therefore low-skill, labor. Slave labor could not be used to cultivate crops requiring education and skill. Cotton could not be grown without low-cost labor and planters grew corn during the cotton off-season for diversification. The South produced a significant portion of American agriculture and was largely self-sufficient (more so than were the northern states). But one must remember that slavery may not have been a cost-effective method of obtaining even this low-cost, low-skill labor. (Johnson and Kroos 1953, p. 259) Slavery maintained its own economic problems. It was not adjustable to changes in demand or to
changes in methods of production, and was therefore very rigid. Southern capital flowed into the
slave system and this prevented other investments and capital accumulation. For these reasons,
manufacturing, credit, shipping, and markets were all located in other regions, and the South
became a dependant agrarian economy. (Johnson and Kroos 1953, p. 260)

Some individuals recognized the problems the South faced and made efforts to reform the
agricultural system throughout the years. Before 1815, reformers sought to restore the depleted
soil that farmers failed to cultivate properly, especially through the use of fertilizers. Better
quality, more fertile land would yield a higher profit. The reformers wished to maintain the
currently fertile lands. Crop rotation and plowing to prevent gullies forming and to prevent the
rain from washing away the topsoil would contribute to this as well. Deep plowing was the best
way to utilize the soil to its full potential. Agricultural reformers sought to improve horse and
cattle stock by importing other breeds and by raising crops that could be used for winter feeding,
such as alfalfa. There were also agencies formed to promote reform and education in agriculture,
such as South Carolina’s Society for Promoting and Improving Agriculture and Other Rural
Concerns. (Nettels 1962, pp. 244-245)

The South in particular experienced problems in proper cultivation and soil maintenance.
Cotton was a versatile crop that could be grown on many different types of soil. Because of this,
too many planters came to depend on this crop alone. Migrating settlers took their planting
experience with them and created the same system in their new homes. The cotton production
area spread and the supply greatly increased. The price of cotton fell to less than $0.05 per
pound during 1842-1844. Some claimed that the section produced too much cotton and that
cutting back the amount would increase price, but two major agricultural reformers of the South,
Noah B. Cloud and Martin W. Philips, disagreed. They were more moderate in advocating the
production of other crops as well. Gates writes that “To them diversification and the raising of livestock were essential to maintaining soil fertility.” (Gates 1960, pp. 144-145)

The South produced some significant agricultural reformers. One was John Skinner, famous for his publication of the *American Farmer*. He advocated reforming the agricultural system, as the existing system of single crop production had caused the soil’s depletion. This was difficult for the farmer, because he did not have the extra capital necessary to invest in revitalization. He was forced to produce at a subsistence level and his land quickly became exhausted. Skinner founded the *American Farmer* and used it to discuss and promote reforms, better methods he observed, the establishment of agricultural institutions, and better exchange of ideas and cooperation between farmers. According to Craven, “He was a pioneer among the agricultural editors who strove to awaken and advance the South.” (1928)

Edward Ruffin of Virginia was a great Southern reformer in agriculture. He began with the work of John Skinner but moved to new ideas when these proved ineffective. Ruffin decided that the soil had become extremely acidic due to the failure to rotate crops properly. He encouraged the use of marl to neutralize the soil and land yield increased by 40% to 50%. Ruffin was a member of Virginia’s first Board of Agriculture and then became a commissioner for the state agricultural society. Where his ideas were applied, land yield increased. (Craven 1928)

The government used various methods as it sought to solve the South’s agricultural problems. One way was through state aid to agriculture. Some Southern states, in particular Mississippi and Georgia, passed cotton inspection laws to prevent the debris that was frequently found in bales of cotton. Merchants often found trash, metal, and other objects in the bales and were forced to repack them. Since colonial times the Virginia legislature had attempted to institute quality standards for the tobacco exported out of the state. Virginia tobacco was subject
to inspection either in private warehouses or in one of the three warehouses owned by the state of Virginia and the city of Richmond. Until 1852 when the governor became solely responsible for appointing inspectors, the county courts nominated them to be appointed by the governor. Other states operated inspection warehouses as well, including Maryland, South Carolina, Kentucky, Georgia, Missouri, and Louisiana. (Gates 1960, pp. 319-320) Louisiana (drawing from the practice of Maryland and Virginia):

“... required the removal of the tobacco from the cask to determine the tare, the sampling of the tobacco in four places, and the sealing of the tobacco after inspection. Such measures came only after extensive deception and fraud had been practiced. The success of the warehousing and inspection system was due to the fact that the warehouses were coming to be the centers in which most of the tobacco was sold at auction.” (Gates 1960, pp. 319-320)

Another area in which the government interfered was the trade of commercial fertilizers. Peruvian guano was in high demand in the south, and this led to sellers diluting it in attempt to profit unfairly. In 1846, Maryland and Virginia both tried without success to regulate the quality of commercial fertilizers. (Gates 1960, p. 321)

Frank Ruffin of The Southern Planter wrote against government interference in business through product inspections. He said that it “... violated all principles of good government.” The quality controls “... did not ensure stable quality nor prevent adulteration or fraudulent packing and marking, and their costs were excessive and unfairly levied...” The controls penalized American producers to the benefit of their European buyers and failed to protect American buyers in the European market. (Gates 1960, p. 321)

The prevailing view advocated a government of limited scope except where the farmers and their representatives sought favors. Agricultural press, societies, fairs, and state boards of agriculture allowed these special interests to bring their concerns into the open, gain support, and
Many held that agriculture would benefit from government aid in the areas of education, research, the collection of statistics, and in distributing new crops. Some advocated bounties and tariffs to help American agriculture gain a larger portion of the world market. Other industries received government aid, and the farmers saw no reason that they should not receive aid as well. (Gates 1960, p. 321)

The Federal government also conducted research in the agricultural field. One specific instance was government sponsorship of imported Mexican cotton. This variety of cotton was not disposed to rotting, the bolls opened wide, and it produced longer fibers that were more easily gathered. A worker could harvest several times more of the Mexican cotton in one day than he could of the old upland cotton. “Next to the cotton gin, the introduction of Mexican cotton, which was improved further by careful seed selection and was later called Petit Gulf, was the most important development in spreading cotton cultivation throughout the Deep South.” (Gates 1960, p. 301)

Planter seeking solutions to the poor cotton prices of the 1840s looked to the new varieties for miraculous results. The press advocated the new strains of cotton and some of them sold at allegedly high prices. Although some of these were fraudulent, many of the varieties were improvements on the Mexican Petit Gulf variety. The high prices could be practical only for nurseries and experiments, and agricultural editors warned that farmers may be imposed upon. Edward Ruffin’s Farmer’s Register printed an article in 1838 titled “On Agricultural Hobbies and Humbugs” warning of the grand claims of some of the new strains of seed. (Gates 1960, pp. 206-207)

The government also sponsored experiments using agricultural imports from other countries in an effort to develop new varieties. In 1827 the Secretary of the Treasury asked American consuls in other countries to obtain seed plants and cuttings for shipment back to the
U.S. In 1819 they were “. . . instructed to collect ‘forest trees useful for timber; grain of any description; fruit trees, vegetables for the table, esculent root; and in short, plants of whatever nature useful as food for man or the domestic animals or for purposes connected with manufactures or any of the useful arts.’” In 1830, the House of Representatives asked the Navy Department to bring new sugar cane varieties from the West Indies and sent the cuttings to Florida. Lima beans were brought from Peru in 1824 and alfalfa imported in the 1820s. (Gates 1960, p. 298) Wilkes Expedition of 1839-1842 collected 40,000 plant specimens in South America, the Pacific coast, the Hawaiian and other Pacific Islands, and Singapore. These specimens were given to the new National Institute for the Promotion of Science. Little benefit to agriculture arose from this great expenditure, however. (Gates 1960, p. 298-300)

The Patent Office’s involvement in agriculture was the foundation of the later Department of Agriculture. In 1835, the Quarterly Journal of Agriculture, Mechanics, and Manufactures called for Congress to order a survey of agriculture. The paper advised the appointment of an agricultural board to conduct the survey and then report back to Congress, in the hope that the survey could result in the improvement of agricultural production. When Henry Ellsworth was appointed the Commissioner of Patents, the Patent Office began to move forward in this area. (Gates 1960, pp. 329-332) Ellsworth favored more practical applications for the Wilkes Expedition results than only for the use of the National Institute for the Promotion of Science. (Gates 1960, p. 298-300) The Patent Office collected statistics and seeds and cuttings for planting in the Patent Office garden. It also directed the collection of information on experimental work done by farmers. In 1837, even before he had received public funds, Ellsworth distributed seeds to farmers at no charge. He called for Congress to establish a bureau of agriculture to function in this way. “. . . [W]hen constitutional scruples threatened to intrude,
he suggested the use of a portion of the Smithson Fund for this purpose.” The Patent Office also collected statistics on machinery use in agriculture. (Gates 1960, pp. 329-332)

Ellsworth issued an *Annual Report*, as did his successor Edmund Burke, copied in large part from agricultural journals. But as Gates writes, some objected to this use of government funds:

“Objections were made to its eclectic character and to its excessive cost, estimated at $11,000, and questions were raised concerning the constitutional authority for a government agency to deal with matters that were essentially private. It was even stated by some that the collection of agricultural statistics by the government ‘would endanger the liberties of the people.’” (1960, pp. 329-332)

For a period Congress responded to these concerns by failing to appropriate any funding to the agricultural work, and it was discontinued. But beginning in 1847 Congress appropriated funds regularly for collecting and distributing agricultural statistics, seeds, and experimental work. (Gates 1960, pp. 329-332)

*DeBow’s Review* allowed that the Patent Office’s agricultural branch performed some worthwhile functions, but the publication’s editors were also alarmed at the money the agency spent. The *Review* criticized the fact that the agricultural work was merely pushed into a relatively unrelated department. Gates writes:

“Horace Greeley maintained that the Agricultural Branch of the Patent Office, by spending taxpayers’ money in compiling material for the annual volume, and printing, binding, and conveying hundreds of thousands of copies of it to people in all parts of the country, was undermining and threatening to destroy by unfair competition the agricultural press.” (Gates 1960, pp. 332-334)

The Patent Office encountered controversy in other areas as well. In 1856 and 1857 there were charges that the Patent Office appropriated $75,000 to distribute plant slips for the benefit of the sugar-growing states while neglecting other areas of seed distribution for which the appropriation was intended. The Patent Office angered the Southern states by advocating
sorghum as a substitute for cane sugar. Despite the political criticism, Congress continued to appropriate funds to the Patent Office for its agricultural work. (Gates 1960, p. 334)

Because of concern that the agricultural work would be affected by its placement within the Patent Office, farmers’ interest groups lobbied for a separate office for the agricultural functions. In 1849, efforts began to establish a new department, possibly as a bureau within the Department of the Interior. Gates writes that “Like other reforms then under consideration, the move ran into opposition from southern conservatives and legalistically minded congressmen who doubted both the wisdom of and the constitutional authority for such legislation.” The new department was prevented from establishment throughout the 1850s by only a minority. (Gates 1960, pp. 336-337)

When the Patent Office was transferred to the new Department of the Interior in 1849 the agricultural portion was separated into another division, although it remained under the control of the Patent Office. In 1862, the Department of Agriculture was finally created as a separate entity. It could hire chemists, botanists, entomologists, and others in agriculture. The land grant act was approved for agricultural colleges in the same year. This was the culmination of twenty-five years of effort to form an agricultural policy within the Federal government to encourage education and scientific experimentation and improve agricultural practices. By 1860 the farmers were recognized as a significant political group. Publications, societies and fairs led to increased knowledge of new practices and new resources. (Gates 1960, pp. 336-337)

In their discussion of the post-war South, Hoover and Ratchford describe three criteria for a Southern agricultural support program. Such a program should be consistent with agricultural policy and it should reinforce and not prevent Southern agriculture’s trend towards higher production. It must account for both farmers and non-farmers’ individual interests. But they
conclude that a program to support Southern agriculture prices following these criteria would be
difficult to develop. (Hoover and Ratchford 1951, p. 289) Hoover and Ratchford write that
Federal government involvement in planning and price supports to protect farmers from market
fluctuations are desirable. Only in depression would “forward prices” raise the farm prices
above their average in normal conditions. “Such price supports would be justified only if prices
were truly minimum floor prices.” (1951, pp. 291-292) But even in this situation price supports
would be undesirable. During depression prices will be lower because the market is unable to
support them at a higher level. To artificially elevate any prices will create an unwanted increase
in supply, and thus surplus. This will push prices down even further.

Hoover and Ratchford write that the solution to agricultural depression cannot be found
in an agricultural program alone. Federal government involvement in supporting agricultural
prices during a depression can serve to place a floor on farmers’ income, which can prevent
greater fall in other areas of the economy. Allowing the income of producers in a prominent
industry such as agriculture to fall will worsen the depression. Income supports can help
maintain consumer purchasing power during the expansion of a depression. Funds for this could
come from taxation of individuals at higher levels of income. (Hoover and Ratchford 1951, pp.
291-292) This is a clear violation of free market principles. Price supports are unhealthy for the
economy, and an industry that requires the support of tax money is clearly not viable.
Depression is only worsened by artificial government support of prices in any industry, and
similar interference is likely at least part of the original cause for depression.

Even the authors place limits on the policies they advise. They write that forward prices
should not encourage production beyond the amount that would occur under market conditions.
One might wonder how to determine the amount that would be produced under market
conditions, if this is not left to the market to decide. They write that prices should not depend on farmers’ restricting production. “This is an undesirable policy since, in effect, it is simply using the power of the Federal government to enforce a monopolistic price and to curtail production.” (Hoover and Ratchford 1951, pp. 292-293) If one can show that depression is preventable without government interference in agriculture, Hoover and Ratchford believe there is no case for government regulation. (1951, p. 295)

But government activity is the cause of depression through the workings of the boom-bust cycle. Entrepreneurs will receive artificial signals from price supports to increase production and expand their industries during a boom. During the crisis it is determined that these are mal-investments and they must be liquidated. Then the market corrects and recovers during the depression phase of the cycle. Any attempt by the government to prolong the period of prosperity during the boom will only worsen the inevitable crisis. (Rothbard 2001, pp. 856-861) Hoover and Ratchford’s approach to income supports during depression is a clear example of the government seeking to correct something of its own causing and serving only to aggravate the problem.

Taussig writes that the South opposed government protection. Southerners advocated the act of 1816 but opposed the bill of 1820 on tariffs, showing a “. . . significant change in the nature of the protective movement between 1816 and 1820.” They understood that because of slavery they would not see growth in Southern manufacturing. With the tariffs manufactured items shipped from Europe would be more expensive. They were also concerned that tariffs would cause the English to retaliate and endanger the cotton industry, as it was still unsure of its place in world trade. (Taussig 1964, p. 73) The South also made its opinion known on the tariff measures of 1827. Southern supporters of Jackson opposed increased duties and the already high
tariff. They held, correctly, that the taxes unjustly penalized the slave states. They also attempted to strike down the tariff of 1832, but it was supported in the North. (Taussig 1964, p. 86)

The cause of free trade, however, faced a formidable challenge from the special interest groups who could benefit from protection. Thornton and Ekelund write that: “Despite their opposition, the swelling of protectionist interests resulted in the passage of two of the highest protective tariff bills in U.S. history- the bills of 1828 (‘Abominations’) and 1832.” (2004, p. 21) Protectionist interests held a convention at Harrisburg, Pennsylvania in 1827. The groups supported raised tariff rates, and “. . . by 1832, protectionism was in full bloom.” (Thornton and Ekelund 2004, p. 21)

The interest lobby in tobacco was one group that gained influence as it became more organized. Tobacco and rice planters sought government help in lowering tariff rates on their products abroad. In 1837 tobacco planters convinced Congress to establish a committee to review tobacco trade and appoint agents to seek better treatment for American tobacco. Southern planters sought government help in protecting their interests abroad but they resisted the interference sought in other areas. (Gates 1960, pp. 322-323) Gray writes that: “In 1836 the tobacco producing interests secured a resolution in Congress directing the President to instruct American diplomatic representatives to negotiate for diminution of duties and other burdens on American tobacco.” A tobacco convention was held in 1836 at Upper Marlborough, Maryland, and it suggested a grower’s convention in Washington the following year. There were national conventions in May 1840 and the following December. The House of Representatives established a committee on tobacco trade as well. (Gray 1958, pp. 763-764)
The groups argued against the duties that European nations placed on American tobacco. The burdens supposedly limited Europe’s use of tobacco, encouraged domestic production, and reduced industry profitability. The tobacco lobby sought agreements by foreign markets to handle American trade more equally. Britain’s duties on American tobacco were much lower than American duties on British products, and this was the case for France’s policies as well. The lobbying groups advocated retaliation in trade policy as well: “It was urged that in case negotiations should fail, resort be had to countervailing duties.” (Gray 1958, p. 764)

But these efforts had little result. Tobacco was so significant to the economies of the main European countries who consumed it that they saw no benefit of changing their policies. Even though English special commissions reported in 1830 and 1840 that lowering the duties on tobacco enough would increase revenue by reducing smuggling and by increasing consumption, the authorities would not comply. Tobacco had long been under restrictions. Washington’s 1840 tobacco convention was forced to recognize that diplomatic efforts had failed to achieve anything significant and “. . . that the only hope lay in retaliatory measures.” Lobbying efforts in tobacco were greatly reduced between this time and the 1850s when Southern papers and groups turned to consider foreign duties once more. The reduced amount of lobbying was likely due to good tobacco prices. (Gray 1958, pp. 764-765)

There were fewer rice planters, but they made themselves known through their influence on economic policy. In 1829 the Agricultural Society of South Carolina lobbied for the U.S. Army to include rice in the meals of its personnel. The society advocated “. . . the great advantages and benefits which would attend the introduction of Rice as a part of the food of the Army and Navy . . .” as well as the benefits which such patronage would bring to South Carolina
planters.” The lobbying produced efforts by the national government to diplomatically obtain better rates on American rice imported to England and German states. (Gates 1960, pp. 323-324)

Cotton producers continued to worry about the state of their product on the world market. In response to an 1856 Congressional resolution, the Department of State analyzed tariff duties and customs regulations on cotton. In 1857 Congress allocated $3500 to the Commissioner of Patents to study cotton consumption in industrialized nations. In 1856, after the House of Representatives proposed appropriation of funds to the Patent Office’s agricultural branch for obtaining cuttings and seeds to collect agricultural statistics:

“. . . strict constructionists from Missouri, Virginia, Arkansas, Kentucky, and Georgia opposed the item, while northern representatives from Pennsylvania, Indiana, Maine, and New York favored it. Later, in the same session, an appropriation of $75,000 was voted for the identical purpose but without discussion . . . the Pierce Administration seemed to favor the use of enlarged appropriation for the encouragement of the cultivation of tea and, more important, the improvement of the sugar industry, neither offering anything to the North.” (Gates 1960, pp. 325-326)

Southern agriculture continued to benefit from government assistance.

Guano was another area subject to government regulation and lobbying efforts. Southern tobacco, cotton and wheat planters were significant users of guano. The bird manure fertilizer was imported from Peru and the trade volume had increased since the 1840s. There was a limited supply and high demand from England, Europe, and the Southern states, and the Peruvian government maintained high prices. Southern planters pressured Congress to lower the price and overcome the monopoly and even to “. . . question Peru’s ownership of the guano islands.” They also sought that railroads be forced to transport the fertilizer and lime at lower costs. (Gates 1960, p. 327)

President Fillmore expressed his own opinion on the guano question in his message to Congress of 1850 in strongly protectionist words:
“Peruvian guano has become so desirable an article to the agricultural interest of the United States that it is the duty of the Government to employ all the means properly in its power for the purpose of causing that article to be imported into the country at a reasonable price. Nothing will be omitted on my part toward accomplishing this desirable end.” (Gates 1960, p. 328)

Secretary of State Daniel Webster denied Peruvian claims to a new island significant for its guano deposits and made an American claim to the island. The government even ordered an American navy vessel to protect American ships loading guano at the islands. Then State Department officials realized the U.S. had no claims to its position, and recalled both the ship and the claim to the island. The Peruvian monopoly was angered by the American efforts, however, and there were disputes between the Peruvian authorities and Americans loading guano. (Gates 1960, p. 328)

Southerners were now angry at the delay without results. They “...proposed to levy a punitive tariff, not for revenue or to protect a rival American industry, but to compel the Peruvian monopolists to sell their guano in the American market at $40 per ton instead of at the prevailing price, which ranged from $45-$60.” (Gates 1960, pp. 328-329) They proposed free entrance for guano at a domestic price of $40, a duty of $4 per ton when sold between $40 and $47, a $10 duty at prices between $47 and $50 per ton, and a 60% duty on guano sold for over $50. This proposal did not become law, but it remained before Congress until just before the War Between the States. (Gates 1960, pp. 328-329)

In 1856, Virginia, Maryland and Delaware senators and a New York senator obtained the adoption of a bill by Congress guaranteeing what they considered were fair guano prices to southern users. The bill also provided that those who discovered guano islands would receive high prices for the product. If no country claimed the island, the person to discover it would receive protection from the American government in his exclusive right to profit. He only had
the right to sell guano to Americans for use in the U.S, however. The bill caused conflict with Haiti and Hawaii over islands and, contrary to the planters’ hopes, it did not result in lower guano prices. (Gates 1960, p. 329)

Sugar producers also experienced duties, although from the opposite perspective. The prosperity of the sugar industry fluctuated throughout the years from the war of 1812 and afterwards. Following a bad year, prices improved in 1839 and remained at a higher level throughout the 1840s and 1850s. Gray summarizes: “Thus, sugar shared with other Southern staples in the great prosperity that characterized the period just preceding the cataclysm that ended the old regime in the South.” (1958, p. 744)

Following the Louisiana Purchase, sugar was protected by a 2.5 cent per pound revenue duty on brown sugar and a duty of 3 cents on clayed sugar. The industry was growing into a large market. The duty increased in 1812 because of the war, but was lowered once more in 1816. Production increased by three times each year until 1828-1829. In 1828 capital investment had grown to $34,000,000 and significant quantities of sugar were produced farther north in Louisiana. (Gray 1958, p. 744) The 1828 “Tariff of Abominations” (Thornton and Ekelund 2004, p. 10) caused an increase in investment as well. (Gray 1958, p. 744)

But in 1832, the sugar duty was lowered to 2.5 cents per pound on raw sugar and on clayed sugar it was lowered to 3.125 cents. The duty amounts were still a significant portion of the price at which the sugar was sold, however. In 1831, sugar sold for prices between 5 and 5.25 cents per pound. The molasses tariff was also decreased from 10 to 5 cents per gallon. Planters saw lower prices at this time and complained about the lowered tariffs. As many as 156 producers left the sugar industry between 1830 and 1841, and about 50% of those who remained managed only subsistence level business. Prices remained above 6 cents each year between
1833 and 1841, except during 1834, 1837, and 1840. The reduced number of sugar estates can be attributed to good cotton prices and to an increase in the size of land holdings, because as Gray writes, “... the average annual product increased slightly.” But some new producers established estates as well. (Gray 1958, pp. 744-745)

It is logical to conclude that the planters left the industry because their reduced profits under the low market prices were insufficient to sustain further business. Cotton prices were high, and there were opportunities for planters who turned to that industry. With the duties reduced, the domestic producers were unable to effectively compete with foreign producers and were forced to exit the industry. Those who remained in production yielded only subsistence level income. (Gray 1958, pp. 744-745) This shows that the number of producers previously in the market was higher than it would have been under normal market conditions without tariffs. Once the tariffs were reduced, the market was closer to its equilibrium level. As long as there were any tariffs in place, however, it would not reach equilibrium.

The 1842 tariff increased duties on white, powdered, and clayed sugar to 6 cents per pound. This assisted producers who owned the facilities to refine their own sugar. Prices remained at satisfactory levels until 1846, except for the year 1843. Estate values increased as planters employed Irish workers to dig trenches in order to expand their crops. Between 1828-1829 and 1847-1848, annual production increased by an average of three times. The 1846 tariff changed the duty to an ad valorem rate of 30% on brown and refined sugar. This was effectively lower than the old rates, much to the displeasure of the sugar producers. Prices were lower in the years between 1848 and 1854. Throughout this time the sugar industry expanded, possibly due in part to low cotton prices during the 1840s. The ad valorem rate on sugar was reduced to 24%
in 1857 but world prices were high and the industry prospered until 1860. (Gray 1958, pp. 745-747)

World sugar prices likely had more influence on sugar production than did the tariffs and domestic prices. World prices were lower for most of the years between 1830 and 1846 than they had been between 1821 and 1829. According to Gray, these low world prices probably had more impact on the sugar producers who left the industry between 1830 and 1842 than did the reduced duty. The reduced duties could also have increased imports to the U.S and thus raised world prices. A reduction of the gap between raw and refined sugar prices was likely detrimental to the production of refined sugar. The 1842 tariff widened the gap between raw and refined sugar but did not increase the duty on raw sugar. Some said this stimulated the sugar industry. But good domestic prices between 1844 and 1846 were not caused by high world prices. The ad valorem tariff in 1846 was effectively the same as a large drop in the specific rates of brown sugar and had an even greater effect on refined sugar. Low foreign prices and low tariffs should have hurt the domestic sugar industry, and producers complained, but in fact there was industry growth during this time. This could have been due to technical advancement and to the low prices leading up to 1850. (Gray 1958, pp. 745-747)

Most sugar planters believed their industry was dependant on the protective tariffs. To justify this dependence, they emphasized the great number of imports received from other states by the South. Gray writes:

“It was alleged that three fifths of the total product went to repay residents of other States for their various contributions in making the product. Appeal was also made to the infant industry argument, and the hope was held out that when the industry became fully established sugar would be cheaper. The applicability of the tariff was based on the fact that, unlike other Southern staples, sugar was produced in less volume than the consumption of the nation.” (Gray 1958, pp. 747-748)
After examining the various government interventions in the South prior to the War Between the States, one might wonder if the South experienced negative effects from the government assistance. It caused planters to become dependant on the government. They should have relied on the market and on the amount of comparative advantage they possessed to determine the length of their stay in the various agricultural markets. The government assistance caused some producers to continue planting under circumstances that, under normal market conditions, would have forced them to leave the market. This may have contributed to the great depletion of the soil in the South. In a free market economy, specialization occurs according to the comparative advantage of individuals and geographic locations. The South possessed comparative advantage in many areas, but the government assistance may have increased the ill effects of the single-crop system. Under normal conditions planters would have moved into other lines of production as their land was depleted and their profits decreased. Without the help afforded by the government price restrictions and foreign trade interventions, planters would have been forced to account for the costs of land revitalization along with the other costs of production. They would gradually have moved towards a better comparative advantage equilibrium. This would have been healthier for the South, for the rest of the country, and for its trading partners in the long run, as other regions would begin to produce in response to demand.

Dependence on tariffs produces a subsistence economy, according to Rothbard, and the producer is encouraged to decrease his reliance on the market. The “tariff principle” is anti-market and its logical end is the self-sufficient producer. But the “. . . ‘sufficiency’ is bare subsistence instead of a comfortable standard of living.” (Rothbard 1970, p. 48) Money remains at home, so that although nominal wages and prices are high, their real value falls. In reality, protection is the prevention of trade. The self-sufficiency advocated by protectionism would
mean falling back into a primitive civilization. Rothbard writes: “A mild tariff over a wider area is perhaps only a push in that direction, but it is a push, and the arguments used to justify the tariff apply equally well to a return to the ‘self-sufficiency’ of the jungle.” The protection of the market inhibits trade between willing traders.

Some argue for assistance to infant industries, or those in the early stages of production. They are supposedly unable to compete with others and with foreign industries without tariff assistance. Once the industry is well-established the support may be removed and the industry will stand on its own profit. But under free and competitive enterprise, entrepreneurs will enter a field that is economically viable. If the business does not survive, one must conclude that the costs are too great for them to continue production. Government assistance to these businesses is therefore subsidizing an uneconomic capital allocation. (Rothbard 1970, pp. 47-51)

Once it receives government assistance, the industry will lobby for continued support, so that once it is begun the tariff is often maintained. If a business is unable to survive when it first begins, it is evident that its comparative advantage is not in that area. Government support only prolongs an inevitable collapse. In some cases the only reason businesses continue to operate is the government support they receive beyond their early years.

Government assistance in agricultural research and education is inadvisable as well. There were private movements in this area, therefore it is evident that government assistance and funding was unnecessary. The efforts of agricultural reformers such as John Skinner and Edward Ruffin and their agricultural publications were privately run and produced good work. Ruffin himself was opposed to government intervention. In a market economy, research and educational efforts will go toward those areas most able to contribute to the workings of the market. Capital investment will be in areas that are in most demand on the market. If the
government funds a venture, it will be unable to properly identify the most profitable areas. It is best left to the entrepreneur to invest according to his expectations of the market, as he will benefit or lose based on the success of his observations. The government is too far removed from the market and any loss must fall on the taxpayers, so there is less incentive for the government to invest accurately. The entrepreneur has the most incentive to determine the right investments, as the gain or loss is his alone to bear.

From the state of current agricultural supports, perhaps one should not be surprised that such assistance has existed in this country for so long. But it has been unhealthy to American agriculture and to the economy as a whole for as long as it has been used. Human nature is such that individuals will often seek to gain at the expense of others, the taxpayers in the present case. They may believe it is their due. But the economic effects of such government assistance are unhealthy.
References


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