

THE SOUTHERN FARMER AND THE COTTON QUESTION.

IN dealing with the recent agricultural depression in this country most writers have seemed disposed to seek an explanation in such economic causes and conditions as are operative alike in all sections of the country. It may be conceded that there does exist to-day a distinct agricultural question; and still more readily will it be acknowledged that many causes of a general nature have coöperated, in recent years, to produce, or intensify, the financial distress felt so keenly by the agricultural classes both in our own and in other lands. But it is a mistake to suppose that any explanation of this agricultural crisis can be adequate which does not take into consideration local conditions. In the United States alone the extent of territory is so great, the differences in soil and climate are so marked, and the characteristics of crops and of cultivators are so diverse that economic forces which are seriously felt in one portion of the country make little or no impression elsewhere.

Influences which have contributed to produce financial distress in some sections of the country have, as a matter of fact, really been of direct advantage to other localities. Compare, for example, the condition of the Southern cotton grower with that of the farmer who raises cereals in the Northwest. Each is an important consumer of the other's staple product. The low prices which have brought distress and ruin to the farmer have been of distinct advantage to the cotton grower, and *vice versa*. Again, the two are differently situated with respect to the market for their staples. The price of each product is fixed by the European market, where each comes into competition with similar crops raised in other lands. But as to the supply of this market the Southern cotton growers practically have a monopoly. Two-thirds of all the cotton produced in the world is grown in the United States, and that part of the

American crop sent to Europe bears a still larger proportion to that sent from other countries. The American wheat grower, on the other hand, feels outside competition much more keenly. Though the United States produces more wheat than any other one country, her crop has for a number of years been less than one-fifth the world's product; while much less than half of this crop finds a market abroad. On the European market our wheat comes into competition, not only with the enormous crops grown in Europe and India, but also with those raised at little expense on the virgin soils of Manitoba, Argentina, Trans-Caucasia and Australasia. The supply from these countries practically fixes the price of wheat on the European markets, and therefore the price of the American wheat consumed at home. When a short cotton crop is reported from America, the price of cotton in Europe immediately advances. A short wheat crop in the United States, however, may have little influence in determining the price of that staple: for example, the crop of 1893 brought on an average thirty cents less per bushel than that of 1891, although the United States produced in 1893 only 396,132,000 bushels as compared with 611,780,000 bushels in 1891.¹

The Southern planter is, therefore, responsible for the fall in the price of cotton to a much greater extent than is the Northern farmer for the decline in the price of wheat. It follows that to find the source of the agricultural depression in the South, we must search for local causes rather than study those forces, international in their scope and influence, which have had such a marked effect in reducing the prosperity of the Northern farmer. And to understand the operation of these local causes, we must trace the development of Southern agriculture during the last half-century.

I.

Prior to the Civil War cotton was produced for the most part on the large plantations. Almost the only laborers

¹ U. S. Dept. of Agriculture, Synopsis of Crop Report for March, 1896, p. 4.

known in the cotton fields were slaves, and the methods of farming the land were practically the same as in colonial days. The existence of slavery, taken in connection with certain other circumstances, such as the climate and the character of Southern crops, prevented any considerable immigration from the North and from Europe, and the competition for land was slight. As a consequence the value of farming lands in the South always remained low. As late as 1850 the average value of occupied land in the South Atlantic states was only \$5.34 per acre, and in the Southwestern states, \$6.26 per acre.¹ Good farming land was always so cheap and plentiful that its owners scarcely regarded it as a permanent investment, and they felt that they could afford to be wasteful of it. Fertilizers were seldom used, and no system of crop rotation was adopted to maintain the fertility of the land. The "twin crops of the South," corn and cotton, were, indeed, often planted in alternate years; but as both of these were "hoed crops," their rotation possessed little value as a means of preventing the exhaustion of the soil.

Aside from these two staples, there were few crops grown in the distinctive cotton belt before the war. An investigation made by the United States Bureau of Agriculture showed that, prior to 1861, cotton occupied, on an average, forty-four per cent of the tillable area of the ten cotton states, and corn thirty-eight per cent. The corn was intended mainly for domestic use and was seldom sold outside the state in which it was produced. It served to fatten the hogs, and with bacon it constituted almost the only food used by the slaves and a considerable portion of the whites. But often not enough corn was produced on a plantation to satisfy the domestic needs, and recourse was had to the product of the North and the West. Thus, as early as 1827, South Carolina was importing annually over 100,000 bushels of Indian corn for domestic use.² Cotton was intended to be the only crop raised for the market.

¹ Compendium of Seventh Census, p. 175.

² W. B. Seabrook, *American Farmer*, X, 90, 91.

The effect of this method of farming was, of course, rapidly to deplete the soil of its fertility. Practical exhaustion resulted in a few years on the uplands, and the land was then "turned out" to grow up in briers, sassafras and scrub pines. "A purchaser looking for land, if he found a field without a stump, considered that fact *prima facie* evidence that it was worn out."¹ No planter thought of holding only such land as he wished to cultivate at one time. When he purchased a new tract he did it with the intention of farming it by fractions, "turning out" each successive tract when its cultivation became unprofitable.² As the land became exhausted in the old cotton states, the planters either abandoned their farms and removed to the virgin soils of the Southwest, or gave up cotton raising as a regular business and betook themselves to the breeding of slaves for the Western markets.

The methods of farming just described were not characteristic of the cotton states alone. The same system of agriculture was practiced in the Northern colonies and in the Western states during their early years of development: it is the system always pursued by the first settlers in new countries, where fertile land exists in such abundance that its marginal utility is low. But what was peculiar about Southern agriculture was that the evident injury done to the soil by the "one-crop" system had little or no effect in bringing about a change in the methods of cultivation. In the North, the "one-field" system had been abandoned when the land showed signs of exhaustion, and intensive cultivation had been adopted in its place. In New England and the Middle states it was found to be more profitable to rotate the crops and to manure the land than to abandon the farms for Western lands. There only the surplus population was sent to the new states. In the South, however, several important reasons operated to prevent the adoption of a more complex and beneficial system of cultivation.

¹ Report of the Commissioner of Agriculture for 1876, p. 216.

² Of the land in farms in the old cotton states, the Carolinas and Georgia, over seventy per cent was unimproved in the decade ending with 1860, while in the New England and Middle states, approximately two-thirds of the land in farms were under cultivation. — Compendium of the Ninth Census, 689.

tion; and it is to these reasons that we can trace the origin of many of the evils that beset Southern agriculture to-day.

In the first place, many of the crops which, like wheat and other small grains, could be successfully rotated with the hoed crops, were in the South often unprofitable on account of the rust. For other kinds of produce, such as vegetables and fruits, there was no local market. In the ten cotton states there were in 1850 but seven cities of eight thousand or more inhabitants, and in 1860 there were but eleven. With the exception of Indian corn, what the South produced was designed for the world market.

The ready sale which cotton finds at all seasons of the year has made it known throughout the South as "the cash crop"; and this fact alone influences the planter to give it the preference over other crops. Moreover, while the difference between a good and a bad cotton season is very marked, a complete crop failure is of rare occurrence; and, owing to the practical monopoly which the South possesses, the loss threatened by a short crop is often more than compensated for by the higher price which the staple then brings. Hence cotton raising has long been made by the Southern farmer a basis for securing loans.

This system, peculiar to the South, of obtaining advances in money or farm supplies on crops still growing or not yet planted, although practiced more generally in recent years, is not new in that section. It was in operation even in colonial days, before cotton had so much as given promise of becoming one of America's leading staples.¹ With the development of cotton culture, however, the credit system became correspondingly more general. Cotton possessed marked advantages over other kinds of produce as a basis for loans; the planter became more and more dependent for his profits on this single commodity; and when, as not infrequently happened, one year's crop failed to yield him a profit, he was obliged to pledge future crops in order to continue his planting operations. The advances, which in colonial days seem to have been

¹ Ramsay, *History of South Carolina*, II, 222.

made by English merchants,¹ were, after cotton had become the leading staple, made by the cotton factors living at the port towns where the cotton was sold, although occasionally they were made by traders in New York.² These factors gave credit only on cotton; for they were engaged primarily in handling this commodity, and were thus familiar with the data—as to prices and markets—on which to base their loans. Thus the credit system, once established, helped to perpetuate the “one-crop” system and to cause overproduction of cotton.

A still more important cause of the continuance of the single-crop system in the South is to be found in the employment of slave labor. Slavery has always been found to be most profitable where the system of agriculture is extensive. The slave learns new methods of farming very slowly, and therefore works best when employed in cultivating only one crop. Cotton afforded better opportunities than other crops for the use of slave labor. The methods of cultivation were very simple; no machines and but few and simple tools were required. The amount of land which one person could tend in a day was small, so that it was possible to employ a large number of workers under the direction of a single overseer. The care of a crop from seed-time to harvest spread over three-fourths of the year, and, together with the clearing of new land, furnished continuous employment to the workers. The planter, who had the bulk of his fortune invested in slaves, had an almost uninterrupted use of his capital, which would not have been the case if the slaves had been employed in the cultivation of the cereals or the raising of grasses, vegetables, fruits, *etc.*

The profit in the slave depended upon the finding of a market for his labor, and the best market afforded was an extension of the area of cultivatable lands devoted, in their fresh state, to the production of a crop readily convertible into money, peculiarly suited (as the slave himself) to the climate, and in the cultivation of which muscular

¹ Ramsay, *op. cit.*, 428.

² J. H. Lanman, *Hunt's Merchants' Magazine*, IV, 224.

labor should count for much and intelligence and science for but little.¹

These conditions, rendered necessary by the use of slave labor, prevented the adoption of a mixed system of agriculture or of any plan of crop rotation. Moreover, the fact that the slave, and not the land, was considered the real investment, made it profitable to continue the old methods of farming; for when the land had been cropped in corn and cotton until it had lost its fertility, the planter who decided to migrate to some other part of the country found it easy to take his property with him. There the old methods of farming were continued with the same results.

At the beginning of the war, then, seventy years of cotton culture by slave labor had brought about few changes in the methods of cultivating the soil. The land in many portions of the South had been robbed of its fertility; many of its owners were practically in a state of bankruptcy, with their chattels and future crops mortgaged to the cotton factors; and the great body of laborers had been trained to cultivate but a single crop. In spite of the fact that the South had during all these years possessed a practical monopoly of cotton-raising, the war found her in a much less prosperous condition than were the Northern states at that time.

II.

The changes made necessary in Southern agriculture by the Civil War amounted to an entire revolution, although many of them were not fully realized until some years after the close of that struggle. The large planters, who had in the loss of their slaves been deprived of almost their entire fortunes, were the greatest sufferers from these changes; but the small farmers in the hill country were not unaffected thereby, although for them there were compensating circumstances which made their losses easier to bear. Land, which had been worth little

¹ H. C. White, "The Manuring of Cotton," in "The Cotton Plant," Bulletin No. 33, U. S. Dept. of Agriculture, Office of Experiment Stations, p. 171.

enough before the war, steadily declined in value for some years thereafter, owing to its owners' lack of capital and to the uncertainty of obtaining labor. Cotton-raising had almost ceased during the war for want of a market, and because of the disorganized condition of affairs in the South. There was an abundance of labor skilled in the cultivation of this staple, but that labor had just obtained its freedom and was inclined to enjoy it in idleness for a time. Encouraged, nevertheless, by the high prices of cotton in both the American and the European markets, the planters set themselves steadily at work to revive the culture of the staple and to mend their broken fortunes.

Attempts were made at first to hire the freedmen under the wage-system, and to continue the old plantation methods of farming in other respects unchanged. The wage-system failed at that time, however, partly because the planters lacked funds for the payment of weekly or monthly wages, while the laborers were unwilling to wait for their money until the crops were harvested, but chiefly because of the unreliability and inefficiency of negro labor. The freedmen had been taught by the practice of their masters to associate freedom with idleness, and it was hard to impress upon them the necessity of steady employment. "To be free was to hunt and fish, and to lounge about the country town; to the women it was to desert outdoor employment and ape in a slight degree the fashions and habits of the more fortunate white race."¹

The breaking up of the old plantation system soon became inevitable. By 1870 the total value of farming lands, including improvements, in the ten cotton states had fallen forty-eight per cent as compared with 1860. The crop failures had been so numerous and the decline in the price of cotton had been so great—a fall from forty-three cents in 1866 to seventeen cents five years later—that the planters were unable to meet their engagements with their factors, and were compelled to throw their land upon the market at whatever price it would bring. "The ruin seemed to be universal and complete, and

¹ Report of the Commissioner of Agriculture for 1866, p. 573.

the old plantation system, it then seemed, had perished utterly and forever.”¹ The buyers for these lands came not from the North or from Europe, whence the planters had hoped to attract purchasers; nor yet from among the freedmen who, though anxious to become landowners, seldom rose to this rank in the decade following the war; but from one of the least expected sources — from out of that class of poor whites whose wretched poverty and lack of ambition had been proverbial during slavery days. The mania for cotton-growing had again seized hold of the Southern people, in spite of the repeated crop failures, and these poorer classes had become infected with the fever. The cheapness of the lands and the willingness of the merchants to give credit on the prospective cotton crops made it possible for these small farmers to take up the lands which the old planters were so willing to sell. “Never, perhaps,” wrote Henry W. Grady, “was there a rural movement, accomplished without revolution or exodus, that equaled in extent or swiftness the partition of the plantations of the ex-slaveholders into small farms.”² The number of farms of less than one hundred acres each in the ten cotton states increased from 333,058 in 1860 to 517,178 in 1870, and the average size of farms decreased during the same decade from 401.7 acres to 229.8 acres.

This increase in the number of landowners in the South brought with it a corresponding increase in the number of whites engaged in the culture of cotton. Before the war it had been supposed that white labor constituted only about one-tenth of the labor force employed in the cotton fields. By 1876 an investigation, undertaken by the United States Bureau of Agriculture, showed about thirty-nine per cent of the persons engaged in the culture of cotton to be whites. In Texas and Arkansas the whites were in a clear majority. The increase in the amount of white labor employed in the cultivation of the cotton plant has continued without interruption ever since; and when to this increase in numbers is coupled the greater effi-

¹ Henry W. Grady, *Harper's Magazine*, LXIII, 721.

² *Ibid.*, 721, 722.

ciency of the white laborers, it is probably safe to say that not far from three-fourths of the cotton raised in the South to-day is grown by white labor.

The freedmen, then, did not share in this agrarian movement to any considerable extent. As late as 1876 it was shown that only about five per cent of them had become owners of land.¹ Various efforts were made to induce them to take up holdings; but, although they seemed pleased with the idea, their desire for leisure and their extravagance prevented most of them from making crops large enough to pay for their advances at the store, to say nothing of keeping up their annual payments on the land. Renting the land for cash rents was also tried, but seldom proved a success in those parts of the South where the blacks predominated in numbers. The system which was finally adopted and which, with many and various modifications, has become almost universal in farming the cotton lands with negro labor, was the share system, or, as it is known in the South, "the cropping system." The general idea which underlies all the varieties of this "cropping system" is that the laborer shall be given an interest in the crop and shall be made to share the losses which are occasioned by his own idleness and neglect. The tenant under this system usually receives one-half the crop; but if he furnishes his own tools and work animals, he receives two-thirds, sometimes three-fourths, of what he produces. The land thus rented is usually divided into "one-horse" or "two-horse" farms, containing from fifteen to forty acres each; and the tenant and his family are usually left to farm the land after their own fashion, with but little supervision or direction on the part of the owner.

As a transitional method, well adapted to stimulate the industry of the freedmen and to diminish the losses which the planters suffered from the neglect of the crops by the negro wage earners, the "cropping system" seems to have been profitable; but its continuance since the days of industrial reconstruction has been a great misfortune to Southern agriculture. The interest of the owner in the land has been weak-

¹ Report of the Commissioner of Agriculture for 1876, p. 137.

ened and the farming has been left to be carried on, without guidance, by ignorant and careless tenants who have no interest in improving or even in keeping up the plantations.

III.

The change of agricultural system in the South, accomplished during the years of industrial reconstruction, rendered necessary many other changes in plantation economy and in methods of living in the cotton states. Not the least important of these changes was that in the methods of obtaining credit. I have already mentioned the fact that before the war the planters on the large estates were often obliged to seek credit of the cotton factors in the leading port cities, and to pledge their prospective cotton crops as security for these loans. The successors of these planters, the small farmers, white as well as black, who undertook to carry on cotton cultivation after the breakdown of the old plantation system, were certainly in far less favorable economic circumstances than had been the great planters whom they so largely displaced. The latter had often found it necessary to borrow money to carry on agricultural operations; the former were obliged to have credit in order to obtain the means of subsistence during the raising of the crop. True to Southern traditions and habits, these small producers looked for their profits only to their cotton, and relied mainly on other sections of the country for their food supplies.¹ But with little or no property to serve as security for loans, and with no business standing to recommend them to the money lenders at distant ports, the small farmers were not able to follow in the footsteps of their predecessors by obtaining advances from the cotton factors. Their borrowings had to come, if at all, from some source nearer home.

Simultaneously with the revolution in methods of producing cotton, a transformation also took place in the methods of

¹ Chemical manures, which had come into general use after the discovery of rich phosphate beds in the South at the close of the Civil War, also abetted the natural tendency to confine cultivation to cotton; for these fertilizers were adapted to that crop alone. — H. C. White, "The Manuring of Cotton," *loc. cit.*, 174.

shipping and marketing it. Many of the factors at the port towns had been ruined during the war by the insolvency of their planter debtors, and had been forced to retire from business. The development of means of transportation and communication had also driven the markets inland. In earlier times the planters themselves consigned their cotton to the ports to be sold for them by the factors; but now a system of interior buying developed, and cotton was collected at the inland towns and railway stations, and sent on a through bill of lading direct to the New England and British mills. The country merchant very generally succeeded the cotton factor as the purchaser of the farmer's cotton. From the country merchant the cotton passed in some instances directly to the agents of the New England and Lancashire mills, who were sent throughout the South, but in most cases it was taken by brokers.

The country merchant, moreover, succeeded the cotton factor, not only as the purchaser of cotton, but also as the furnisher of credit to the growers. The risk which the factor at the port or large market town was unable to take in lending to this class of borrowers, can be assumed by the country merchant, because of his proximity to his customers and his more intimate knowledge of their financial circumstances and business reputation. The credit which he furnishes is seldom given in the form of money loans, and there are nominally no interest charges made for his advances. These usually consist of provisions, especially corn and bacon, tools, farm animals, fertilizers, cotton ties and bagging, household utensils — in fact everything the farmer has to buy. They are almost invariably bought "on time," to be paid for when the crop is harvested and sold. As security for his advances the merchant secures from the farmer at the beginning of the crop season a "crop lien," or chattel mortgage, which is duly attested and recorded at the office of the county recorder or judge of probate. This binds the farmer to deliver to the merchant, as soon as harvested, the crops of cotton, corn, *etc.*, or enough of them to pay the merchant at the ruling market price of this produce for all the

advances which the farmer has obtained during the raising of the crop. The mortgage also covers future crops, if the crop of the current year is insufficient to pay the indebtedness. It is sometimes further agreed, if not actually specified in the mortgage, that the advancing merchant is to have the marketing of the farmer's entire cotton crop, and that the farmer is to make all his purchases during the crop year of this merchant. There is, however, little necessity for such an agreement. The entire crop is usually needed to cover the indebtedness; and the farmer with his crops mortgaged to one merchant would be unable to purchase of another, except on a cash basis.

In spite of the control over the debtor which this crop-lien system gives the merchant, the risk which he runs, with the losses which he actually suffers as a result of conducting business on such a basis, necessitates extremely high prices for all merchandise sold in this way. Most advancing merchants have two schedules of prices — one for purchasers who buy for cash, the other for "time" purchasers. Prices on a credit schedule are usually from twenty to fifty per cent higher than those on a cash schedule. Thus, flour selling at four dollars per barrel to cash buyers sells for five dollars on a credit basis; bacon selling at ten cents a pound, cash, for twelve and a half cents "on time"; calico selling at five cents a yard, cash, for seven cents, *etc.*¹ As the average length of time which these debts run before payment is not more than six months, the difference between cash and credit prices is equivalent to an annual interest charge of from forty to one hundred per cent.

The extent to which this credit system prevails varies, of course, with localities. It is less common in the more western states, especially Texas, than in the older cotton states; and it is much less prevalent in communities settled chiefly by whites than in those sections of the country where negro croppers are largely employed. But it is characteristic throughout the cotton belt, and to say that three-fourths of the cotton growers

¹ These cash and credit prices were furnished the writer by an advancing merchant in central Alabama.

are in this sort of dependence on the advancing merchants or factors would not be an extravagant estimate.

Besides its effect in impairing the independence and prosperity of the Southern farmer, the credit system has been largely responsible for overproduction of cotton, and hence for the recent fall in the price. The advantages which cotton possesses as a marketable commodity—owing to the comparatively steady demand for it, the improbability of a complete crop failure and the superb commercial mechanism which has been devised for moving and selling the crop—have given this staple a preference in the minds of the merchants, no less strong than that formerly felt by the cotton factors. Besides, the merchants make their profits largely through the sale of corn and bacon, and it is only natural that they should encourage the farmers to raise cotton rather than those commodities.

In discussing the subject of the overproduction of cotton, and in urging the Southern farmers to reduce their cotton acreage and to grow their own supplies, most Southern writers have, strangely enough, failed to see the real connection between this credit system and the excessive production of the great Southern staple. In this matter the great majority of the cotton growers are helpless: they are obliged to submit to the dictation of the advancing merchants as to what crops they shall grow. Occasionally, when the price of cotton has sunk so low that even the merchants are threatened with losses, as was the case in 1895, the merchants themselves press the farmers to raise other crops, such as corn and cow peas; but usually the merchants' preference for cotton causes them to refuse to accept other crops as security for advances.¹ As a correspondent to the Senate committee on agriculture and forestry of the Fifty-third Congress writes:

Cotton-raising has grown to be a necessity more than a choice. As a general rule, supplies cannot be obtained from the merchants

¹ "In some sections, even of the black prairies of Texas, tenants have been notified by merchants that they could not advance to them in 1895, if they paid a money rent exceeding three dollars an acre."—Harry Hammond, "The Culture of Cotton" in "The Cotton Plant," *loc. cit.*, 267.

on any other crop than cotton; consequently, they [the planters] are forced to raise it to get credit.¹

The preference of the merchants for cotton is in harmony with the desires of many of the planters themselves. This is partly due to the speculative interest which cotton production awakens, but it is partly due also to the liking of the negro "cropper" for this crop and his apparent inability to raise any other.

It is, indeed, a commonplace at the South that the negro can only grow cotton—that he cannot grow corn. Corn will not bear neglect; to fail to plough at the proper time means loss of the crop. Though cotton must be worked much more, it bears the delays incident to negro methods much better.²

In spite of falling prices, therefore, the acreage and production of cotton have pretty steadily increased during recent years. Even the smaller yields of some years are to be explained rather by poor crop seasons than by any considerable reduction in the acreage. Before the war ten cents a pound was thought to be the minimum price at which it was profitable to raise cotton; and even now ten cents is looked for in the South with much of that eager expectancy with which the Northern farmer awaits dollar wheat, although it is probable that eight-cent cotton is to-day as profitable as ten-cent cotton was in 1860. But ten cents has not been known in the South as an average price for the year since 1890, when a crop of 7,300,000 bales was raised. After that date the acreage and production increased so rapidly and prices fell so quickly that in 1895 "middling upland" sold in the South for less than five cents per pound. The commercial crop for that year was nearly 10,000,000 bales, although its total selling value was \$84,000,000 less than that of the crop of 1889-90. A reaction, supplemented by a poor season, reduced the crop in 1896 to 7,150,000 bales, and a corresponding advance in prices took

¹ Report of the Committee on Agriculture and Forestry on Condition of Cotton Growers in the United States, *etc.*, Fifty-third Congress, third session, report 986, pt. i, p. 317.

² Van de Graaf, *Forum*, XXI, 330.

place, the average New York prices being 8.16 cents per pound. Another increase in the acreage has brought forth another large crop, which from present indications will be not far from 8,500,000 bales. This has caused another decline in prices, until cotton can now hardly be profitable to the great majority of its cultivators.

IV.

The "crop-lien system" has not been the only influence operative in producing the agricultural depression in the cotton states, although it is chiefly responsible for the backward condition of Southern agriculture. Like the farmers in the Northwestern states, the cotton growers of the South Atlantic and South Central states have felt the effects of Western competition, but they have made less effort than have the farmers to adjust themselves to the new conditions.¹ Before the war, comparatively little cotton had been grown in the great state of Texas, and even as late as 1880 this state was below Georgia and Mississippi in the production of that staple. But in recent years Texas has made great strides in this direction, and for the year 1894 her crop was nearly one-third the total amount of cotton grown in the country. A comparison by years since 1890 shows, indeed, that there has been comparatively little increase in the production of cotton outside of Texas, the annual rate of increase being less than the annual increase in the world's consumption.

The superiority of Texas as a cotton-growing region is to be explained partly by her new and fertile lands, which, without fertilizers and with relatively little labor, will produce more cotton to the acre than land east of the Mississippi on which large quantities of guano and intensive methods of cultivation are applied. The cotton planters of Texas, furthermore, have not become the victims of "the crop-lien system" to so great an extent as have their competitors in other states; and it is

¹ L. G. Powers, Fifth Biennial Report of the Bureau of Labor of Minnesota, 1895-96, 399.

therefore worthy of notice that, in spite of cheaper production in Texas, nearly the whole reduction in the acreage and yield of cotton in recent years, as a result of the low prices, has been effected in this state. Cotton can be produced in Texas at a cost from one and a half to two cents less per pound than in the Eastern states;¹ and this fact is likely to give Texas an advantage over other cotton states for many years to come.

Texas has another advantage in her more reliable and efficient labor. The negroes have always been in a minority in that state; and since the war their proportion to the whites has been steadily decreasing, until now cotton is raised there chiefly by white laborers. The climate and resources of the state and the absence of negroes have made Texas an exception to the general rule in the South, and have enabled her to attract large numbers of immigrants from the North and even from Europe. Her more progressive and intelligent laborers have enabled the cotton growers to take advantage of all the improvements in implements and modes of cultivation:

The inefficiency and unreliability of the laborers have been great drags on the prosperity of the Southern states, especially of those sections where negroes are most largely employed. The Southern negro is usually a docile worker, but he lacks energy and ambition. His standard of living is low, perhaps not higher than it was in slavery days, and with this bare subsistence he seems hopelessly content. All Southerners are agreed that his efficiency as a worker is far below what it was before the days of freedom; and it is a matter of common remark in the South that the best workers among the blacks are not the younger hands, but the ex-slaves—men and women perhaps fifty or sixty years of age, who were trained to work in their days of bondage. On the big plantations along the Mississippi, where the managers exercise an authority little short of compulsion, and the plantation economy and management are not unlike those of slavery days, the negroes are fairly successful workers. There are also to be found in every community throughout the cotton belt negro farmers who are independent, industrious,

¹ Report of Senate Committee on Agriculture and Forestry, *loc. cit.*, I, 351-371.

thrifty and progressive agriculturists. But they are only the notable exceptions to the general rule of negro shiftlessness and idleness. Poorer farming can scarcely be found than exists in those parts of the cotton belt where the absentee proprietor has rented out his land to the negro "croppers" and has left them free to manage the plantations in their own way.

V.

At the outset of this discussion, mention was made of the fact that international competition plays a much less important rôle in the determination of the price of cotton than it does in the price of wheat or of many other agricultural commodities. International competition is not, however, wholly insignificant; and it is perhaps of more importance in the dangers which it threatens for the future than in the difficulties which it causes at present.

Although cotton can be and has been grown in almost every tropical and semi-tropical region of the earth, there are few countries where its culture has become widespread or has met with much success. The small quantities of cotton used in England before the introduction of the factory system came from the countries of the Eastern Mediterranean or from the West Indies. Even the domestic manufacturers of the American colonies made use of West Indian cotton for the spinning and weaving of the rough garments worn by all but the wealthier classes. With the growth of machine production, the English manufacturers, finding that the supply of cotton from the old sources would not suffice to meet the new demands, besought the East India Company to import cotton from India, where it had been grown for centuries. But the Indian cotton was much inferior in staple to that which at the close of the eighteenth century began arriving at Liverpool from the United States; and, although the Surat cotton continued to be sent to the European markets in small quantities, it never succeeded in competition with that from America. Egypt began shipping a high grade of cotton to England about the middle

of this century, and small quantities also came from Brazil. But before 1860 neither of these countries was regarded as a serious competitor of the United States.

During the Civil War, however, when the blockade of the Southern ports had cut off the Southern states from communication with the outside world, the absence of American cotton in Europe acted as a great stimulus to other cotton-producing countries to increase their production and export of this staple. It was feared that the opportunity thus offered to other countries to establish cotton culture on a firm basis might prove disastrous to the industry in the South; but these fears proved groundless at the time, and a decade after the close of the war the position of American cotton on the European markets seemed as secure as ever. The importations of Indian cotton into England reached their highest point in 1866, when 1,866,000 bales were received; Egypt reached her high-water mark in 1865 with 413,000 bales; Brazil's largest exportation was 700,000 bales in 1872; and the West Indies gave up the struggle after increasing their shipments to 166,400 bales in the same year.

But while the shipments of cotton from other countries to Great Britain in recent years has not, in fact, been sufficient to cause any alarm to Southern cotton growers, the competition of these countries has taken a new turn which may in time make itself felt by the American producers. India has for nearly a century been an important market for English cotton goods; and as the Indian cotton has been used to but a slight extent in the British mills, the Indian trade has furnished an important outlet for American cotton. But in quite recent years India has begun to manufacture her own cotton. In 1869 she had but 400,000 spindles and consumed in her mills but 80,000 bales of cotton. By 1895 the number of spindles had increased to nearly 4,000,000 and the mill consumption amounted to 1,375,000 bales. So extensive has this Indian manufacture become that it not only supplies a large part of the home consumption, but it has enabled Indian merchants to make large shipments of cotton goods to China and Japan. It

has to this extent reduced the manufacture of American cotton into goods intended for those markets. The development of cotton manufacturing in other countries has likewise lessened somewhat, relatively speaking, the demand for American cotton. Great Britain, although still the chief cotton manufacturing country of the world, no longer stands so far ahead of all other lands as she did before the Civil War. More cotton is now consumed on the Continent than in the mills of Great Britain; and much of this cotton comes from other countries than the United States. France and Germany use a great deal of Egyptian cotton. Austria uses a considerable amount from India; and nearly one-third of this staple consumed by the rapidly expanding Russian manufacture comes from Asiatic countries, especially Trans-Caucasia.

The use of other than American cottons in these countries is due, not to any inferiority in the American staple, but largely to the better care with which the other cottons are prepared for the market. Even the despised Surat of war days, which, besides its short staple, was poorly cleaned and poorly baled, now comes to the European market in much better condition than does the American cotton. The same is true of the Egyptian product. On the other hand, the American cotton is sent to the mills in much worse condition than it was before the war. For this the decrease in the size of the plantations is partly responsible. Before the war each plantation had its own gin-house, and the cleaning and the packing of the cotton were more carefully attended to. "The different pickings were ginned separately, each picking on the large plantations being sufficient to make a run for the gins, and the different grades of cotton were thus kept distinct."¹ But with the advent, since the war, of cheaply constructed toll-gins and gin-houses, and with more rapid ginning, cotton is put up in dirty packages, with the fibers often cut or broken, and full of knots and fragments of seeds.² In the methods of

¹ H. Hammond, "The Handling and Uses of Cotton" in "The Cotton Plant," *loc. cit.*, 354.

² "In the gin itself no radical change or improvement has taken place since the days of Whitney, its inventor."—*Ibid.*, 358.

baling cotton, too, there has been no advance, but rather a retrogression. Improvements that have readily been adopted in foreign countries have usually been neglected here.

Taken altogether, it is generally admitted that the American bale is the clumsiest, dirtiest, most expensive, and most wasteful package in which cotton, or in fact any commodity of like value, is anywhere put up. It has no friends either among manufacturers, buyers, shippers, insurers or producers. Custom seems alone responsible for this incubus on the industry.¹

A new method of baling and compressing cotton, known as the Bessonette system, by which the cotton is put up into cylindrical bales, has within recent years come into use in some sections of the Southwest. The cotton thus baled is more compact and better protected, and there is a saving on compressing, handling, insurance and transportation estimated at \$4.25 per bale.² It is earnestly to be desired that planters and shippers should turn their attention to this question of preparing cotton for the market, not only for the direct benefits that would accrue to them, but also in order that America may be placed at no disadvantage in her competition with other cotton-producing lands on the European markets. A little insistence by our own manufacturers on having better prepared cotton would no doubt be influential in hastening a change that would be beneficial to manufacturers and planters alike.

In the recent discussion of the monetary question in this country attempts have been made to show that the Southern farmer has suffered seriously from competition with silver standard countries that produce cotton for the European markets, and some plausible arguments have been brought forward in defense of this thesis. The two chief competitors of the cotton states on the European markets are Egypt and British India. Each of these countries is on a silver basis, and in each prices have adjusted themselves to the silver standard. Now it is a well-known fact that prices of food and labor do

¹ H. Hammond, *loc. cit.*, 362.

² *Ibid.*, 364.

not adjust themselves so readily to fluctuations in the value of the standard metal as do commodities which enter to a large extent into international trade. It is even questioned whether in the interior of British India there has been any rise in the price of labor and articles of food.¹ Certainly the rise has not corresponded to the fall in the price of silver. The Indian grower of cotton who can, therefore, purchase the same, or nearly the same, amount of labor and provisions with a given amount of silver as in 1873, and who can obtain for his product a proportionally larger amount of silver than he could at that date, has an undoubted advantage over his competitor from the Southern states. He

can better bear the unusually low price of cotton than can the American producer, who must pay wages, living expenses and other costs in gold or in some form of credit money equivalent to gold. Since the Indian product must be subjected to the severe competition of the world market, the seller by no means as a general 'rule' obtains an unusually high rate of profit, or premium on effort; but he is enabled by the favorable rate of exchange to procure sales through a lowering of his price, and still make the normal rate of profit, while his competitor reckoning on a gold basis can under the same scale of prices perhaps no longer cover cost of production.²

It is questionable, however, whether this advantage which silver-standard, cotton-producing countries are supposed to possess over the Southern states is anything more than a theoretical one. The shipments of Indian cotton to Europe show little or no increase since 1873; and since 1890 there has been an actual decline in the exportations. Egypt has increased her shipments; but in her case the increase is due to the peculiar character of the Egyptian cotton which has made it in great demand for the manufacture of "thread, fine yarns, fine underwear and hosiery (such as Balbriggan, *etc.*), and for goods requiring smooth finish and high lustre,"³ for which American upland cotton is unsuited, rather than to any advan-

¹ Andrews, *An Honest Dollar* (1896), pp. 80, 81.

² Lexis, "The Present Monetary Situation," *Economic Studies*, I, 227.

³ Shepperson, *Cotton Facts* (1895), p. 95.

tage, real or supposed, which Egypt may derive from her present double standard.

It may be claimed with fairness, however, that India by consuming her own cotton has in the manner already described come into direct competition with the British cotton industry, and has thus competed indirectly with the American cotton growers. Yet we do not find that India has in recent years, corresponding to the years of decline in the prices of silver and of cotton, made strenuous efforts to increase her production of this staple. According to the estimates of the eminent cotton statistician, Mr. Thomas Ellison, the total production of India, in thousands of bales of 400 pounds each, has since 1890 been as follows:

1890-91	2959	1893-94	2837
1891-92	2509	1894-95	2621
1892-93	2575	Normal	2777. ¹

At most, therefore, the only argument that can be made is that, if the United States were on a silver basis, she would soon drive her competitors in cotton growing entirely out of the European markets — an argument which, considering the force of custom operative in these competing countries and the peculiar character of the cotton which they export, must be regarded as extremely fanciful.

VI.

Legislation can do little towards providing a remedy for the agricultural depression in the South; for the causes of this depression are to be found in the unwise economy and bad husbandry prevailing on the cotton plantations, rather than in the demonetization of silver, the existence of a protective tariff or dealings in "futures." It doubtless savors of the commonplace to repeat the often made assertion that a great many farmers are improvident and thriftless, but there is no portion of the country where the statement is more applicable to-day

¹ "The Cotton Trade of India," in Latham, Alexander & Co.'s Annual Report for 1895, p. 43.

than it is in the South. This many of the Southern people are themselves willing to admit. It was an Alabama planter who wrote:

I am unable to say that this depression or distress is produced by causes coming from the action or non-action of Congress or of our state legislatures. The trouble arises from bad management and want of proper economy at home.¹

It is true that the Southern farmers are, in a large measure, blameless in this matter, for they have been made unwilling victims of much of this unthrifty management. The burdens thrown upon the South by the Civil War; the loss of much property and the decline in value of what remained; the necessity of maintaining agriculture on lands almost exhausted by years of reckless cultivation; the raising of cotton on such lands without adequate capital and with ignorant and careless laborers — these burdens have not yet ceased to weigh heavily on the South, and they suffer no danger of being overestimated. The two greatest hindrances to the advancement of Southern agriculture, "the cropping system" and "the crop-lien system," were imposed upon the South during reconstruction days; and escape from them has been difficult, if not impossible, to most of their victims.

How to free the cotton states from these obstacles to agricultural progress is a serious problem, for which no satisfactory solution has yet been offered. They are indissolubly bound together, and are further so complicated by their relation to the race problem and to the question of absentee proprietorship, that the difficulties which one meets in attempting to find a solution for the problem are well-nigh insurmountable. Wherever in the cotton states we find an increase in the number of small farms, we also find a decrease in the average size of these farms; a decrease in the number of farms occupied by their owners; an increase in the number of tenants farming on the share system; usually, though not always, an increase in the percentage of colored to white farmers; an

¹ Report of Senate Committee, *loc. cit.*, I, 312.

increase in the amount of land given over to cotton; and, finally, an increase in the number of crop mortgages.¹

As respects the share or "cropping system," it is now generally admitted that the abandonment of this method of land tenure and a return to the wage-system would be a change most beneficial to agriculture in the cotton states. The causes which led to the failure of the latter at the close of the war and necessitated the adoption of the former have nearly ceased to be operative; while the results of recent investigations show plainly that in those localities where the two systems are in operation side by side, better cultivation and more prudent management result when the farming is carried on by hired laborers than when it is left to "croppers." Even where the proprietor does not occupy his own plantation and himself conduct the farming, experience, as in the "Delta region,"² has shown that under efficient managers, farming under the wage-system can be made fairly successful, even with negro laborers.

More uncertainty is manifest when we come to seek means for removing the other great impediment to agricultural reform, "the crop-lien system," although we here come to the root of the whole evil. The late Henry W. Grady, one of the greatest men the South has produced since the war, saw clearly sixteen years ago that in "the crop-lien system" was to be found the source of nearly all the evils with which Southern agriculture was afflicted. Speaking of the tendency, which he then supposed to exist, for the plantations of the advancing merchants to swallow up the little farms of the mortgage-burdened debtors, he declared that, "the remedy for this deplorable situation is first of all the establishment of a proper system of credit."³ Elsewhere⁴ I have ventured to suggest that one means of relief from the present methods of obtaining credit in the cotton states might be found in the establishment of coöperative credit societies, such as exist in

¹ Cf. H. Hammond, "The Culture of Cotton," *loc. cit.*, 242, 243, 249.

² The alluvial lands lying along the Mississippi, Red and Yazoo Rivers.

³ *Harper's Magazine*, LXIII, 719 ff.

⁴ In a monograph soon to be published by the American Economic Association.

nearly every country of Continental Europe. Possibly such a measure as that proposed in the last Congress, permitting the establishment in small places of national banks having a less capital than \$50,000, might be found at least partially successful as a remedy. There are comparatively few banking institutions in the South, and there is no one but the merchant who is able and willing to assist the small borrower. Without some reform in the present system of agricultural credit in the cotton states, there is little hope that the small farmer will follow the well-meant advice of numerous writers and speakers who urge him to diversify his crops and raise his own supplies.

The small farmers working on a narrow margin are always in imminent need of cash, and cotton is the only crop that never fails of a ready cash sale. Every pound of it can be readily disposed of by the producer for cash, and at the prices quoted in the markets of the world. All other crops, unless grown upon a scale suitable for shipment in bulk — a scale seldom within the reach of the small farmer — are subject to the vicissitudes of the local market, easily overstocked, and often inflicting heavy loss on the producer of perishable commodities.¹

In this connection it is to be noted that those sections of the South where agriculture has made most rapid progress, and where the farmers are most prosperous, are in the neighborhood of the cities where manufacturing and mining industries have recently shown rapid development. The expanding markets of such cities as Atlanta, Birmingham, Chattanooga and the cotton-manufacturing towns of the Carolinas and Georgia, have exercised a good influence in diversifying the crops and improving the methods of tillage in the surrounding country. Possibly another quarter of a century may show as great changes in the rural economy of the planting states as have taken place there in manufactures and commerce since the fetters fell from off the negro slave and labor obtained its proper reward and recognition.

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¹ H. Hammond, "The Culture of Cotton," *loc. cit.*, 268.

INSURANCE AGAINST UNEMPLOYMENT.¹

THE purpose of workingmen's insurance is to make provision for the assistance of workingmen when, through any incapacity, they are unable to earn their usual wages. A workingman may be unable to work as the result of any of four contingencies — accident, sickness, old age or invalidity, or inability to obtain employment; and a complete system of assistance must necessarily cover all four of these cases. It is now very generally admitted that insurance of some kind, mutual or state aided, voluntary or compulsory, offers the best means of providing for the first three contingencies — that is, for those involving physical disability. Within recent years, however, the desirability of extending the field of insurance to the fourth contingency, where inability to earn wages is the result of involuntary idleness, has been strongly urged. It is the purpose of this paper to consider to what extent a system of insurance can be profitably employed in this last case.

Fortunately, we need not study this problem from the purely theoretical standpoint. The fact that during the widespread industrial depression of recent years many workingmen have been forced to remain in involuntary idleness has led to attempts in various countries to make provision against unemployment through some system of insurance. Conspicuous among them are the out-of-work insurance institutions that have been created in several of the cantons of Switzerland, at Cologne and at Bologna. Of these the Swiss organizations are of much

¹ The literature of insurance against unemployment is already extensive. For the best account of the Swiss experiments with which this paper chiefly deals, the reader is referred to two *Circulaires* of the *Musée Social*, Nos. 2 and 5 of Series B; the report of the French *Office du Travail*, *Documents sur la question du chômage*, 1896; and the paper by Eugène Rostand, "*De l'assurance contre le chômage involontaire*," contained in the report of the Third Session of the International Congress in Relation to Accidents to Labor and Social Insurance, Milan, 1894. The *Circulaires* of the *Musée Social* give the most complete bibliography of the question that has been prepared.