Presented in the March 1973, volume 33, issue number one of The Journal of Economic History (pp. 131-148) is the article “The Ex-Slave in the Post-Bellum South: A Study of the Economic Impact of Racism in a Market Environment” by Roger L. Ransom and Richard Sutch.

1) In this study Ransom and Sutch argue that racism against blacks was an explanatory factor for the economic development trends in the southern United States after the Civil War and emancipation. According to the authors the significance of racist preconceptions on post Civil War southern economic development has traditionally been highlighted by historians, but downplayed by economists. Drilling down into the issue, the authors identify the classical economics view that free markets and competition should be sufficient to limit the duration of market disequilibria such as race-based judgments of productivity. Hence, in order to support their position, Ransom and Sutch strive to show that social and economic racism persisted longer and were of greater impact in the post Antebellum south than previously accepted. The article explores the economic manifestations and mechanisms of southern racism and how racial presuppositions limited the economic opportunities of emancipated blacks in the antebellum south.

2) In developing their point, Ransom and Sutch first establish that racism was rife in the south following the Civil War, with particular white misgivings of black landownerships. To explain this skewed market environment the authors utilize the developed economic concept of “market signaling” in conjunction with historical census data to deduce cause-and-effect explanations of the observed economic disparities that formed along racial lines in the freshly emancipated south. The authors base their arguments upon models proposed by George Akerlof, Kenneth Arrow and Michael Spence in 1970. The concept presented by Akerlof, Kenneth and Spence was later developed by others and states that due to information costs in markets participants will grow to rely on “signals” or “indexes” if available, to gauge factor quality when marginal costs of information are high and deviation in factor quality is low. This model is an excellent fit in

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describing the pattern of behavior that characterized economic relations between whites and blacks immediately following the Civil War in the southern U.S.

Ransom and Sutch cite a relative economic naivety as being typical of freed blacks immediately following abolition. This lack of experience and knowledge meant the population distribution of black managerial experience and capital accumulation was skewed toward much lower values than were the skill and capital levels of whites in the south. Additionally the standard deviation of these attributes amongst the southern black population was low, as most able black men had similar stations following the Civil War. As a result the market signal of one’s skin color became a fair proxy in establishing expectations of an individual’s agricultural productivity and credit worthiness. The marginal cost of verifying the few blacks that were highly skilled was not justified by the minimal returns and high risk that these low-income individuals offered. Hence white landowners and merchants began basing economic assumptions on skin color.

Support for the phenomenon of racial signaling is provided by Ransom and Sutch through interpretations of historic census data cataloguing farm size and ownership trends in the post Civil War south. With ample data from studies in 1879 and 1880, supported with supplemental state studies from 1850, ’60 and ’70, the authors of this article are able to show convincing and relevant trends in southern U.S. land and capital allocations of the post antebellum period. The authors’ findings are significant and several. First, fragmentation of farmland, from plantations to smaller family run farms, was the overwhelming trend post abolition. By 1880 less than 5.3% of all farms reported over one hundred acres. This saw the rise of family farms, tenanted, rented, and sharecropped farms. Of these forms blacks were disproportionately operators of tenanted and rented farms on generally less favorable terms than whites. Blacks were seldom entrusted to be sharecroppers due to generalizations of their managerial abilities. Second, few blacks operated with relative economic independence and fewer yet owned land. These figures improved for blacks over time, but by 1900 the Census reported that only 8.0% of all farms in the five major cotton states were owned by blacks. Third, for the economic activity that freed blacks did perform, their output was considerably less per capita than
was that of whites. Ransom and Sutch confirm this through data showing strategic capital accumulation, number of family members per acre and value of family member output per acre. Farms operated by blacks employed more family members working per acre, produced less per person and had fewer capital necessities than did white run farms.

3) The authors find the ex-slave in the post-bellum south to be one inexorably encumbered by the unfair, though not necessarily inefficient, economic assumptions of white society. In spite of what the authors cite as traditional economic understanding, they find racial signaling to be the primary mechanism driving the economic disparities between blacks and whites in the late nineteenth century south. While this reality certainly had a direct negative impact on the upward mobility of free black society, the authors identify an even more stifling side effect, that of unjust human valuation discouraging blacks from further economic pursuits and desires for self-betterment. Due to the minimal benefits to employers, landlords and creditors of differentiating among the generally impoverished black population, those with skill and assets were seldom acknowledged as such and individuals who educated themselves were not rewarded in the market for this differentiation. This point is Ransom and Sutch's most poignant explanation for the lingering economic stagnation of the southern economy and black society. The authors acknowledge that initially the race proxy for productivity held some truth, as blacks were ill equipped to manage economic affairs fresh out of bondage. Market profiling was therefore not a serious misallocation of resources and did not hold the southern economy back substantially in the short run. However, given the market's over reliance on racial signaling, rather than improve in ability and aspiration, most blacks fell victim to their marginalization and saw little point in facing the high costs of organizing to overcome the oppressive system. The market's information proxy method impacted blacks’ access to land ownership, tenure agreements, capital accumulation, financing options and thereby relegated the output of their labor to be consistently less than that of whites of the region. In short, as Ransom and Sutch state on page 144, "...the freed man was systematically denied the opportunity to become an independent farmer because of his race."
4) "The Ex-Slave in the Post-Bellum South" develops the topic of post Civil War disenfranchisement of blacks systematically but relies too heavily on presupposed reader understanding and unsupported deductive reasoning. Although the story that the authors compose is utterly logical and cohesive to the modern reader, were this work to be considered outside of present societal conceptions characterizing the post Civil War south many of the article's key points and assertions lack satisfactory verification. The article twice relies on period quotes to characterize critical points to the argument. Ransom and Sutch generally characterize the attitude of all whites in the south toward blacks with only two subjective quotes, first establishing the "extreme prejudice of whites against land ownership on the part of blacks" (135) and second indicting whites for their "logical inaccuracy" (145) of assuming and preventing upward mobility of blacks. In each case the quotes provide beautiful color to the story, but are single editorial examples with no empirical backing. This shortcoming is rampant throughout the work, allowing the skeptic mind ample opportunity to refute and discount the anecdotal evidence that is common in this piece. Amidst many unsupported points the authors' original thesis fades and becomes murky as it morphs into a tangential conclusion, raising fresh deductions rather than affirming any single point previously established. What appears to be general laziness on behalf of the authors in assuming reader agreement is exacerbated by soft, vague, and generalizing language interspersed throughout which begs debate even from those of homogenous opinion. Phrases like "more likely than not..." (139) and "probably not far from the mark..." (144) are just two examples of said soft language handicapping this article's otherwise coherent argument.

5) To improve this paper the authors should approach each claim from the standpoint of a true skeptic. Even to one highly sympathetic to the plight of the newly freed black American, the many sweeping generalizations regarding blacks of the period and of racist white thinking extend well beyond the realm of what can ever be proved, alienating the skeptic reader. That is not to say these assertions do not have merit, but it is recommended that the message be adapted to better characterize the level of speculation that is being incorporated in the authors' lines of deduction. Two examples in which the authors made appropriate qualifications of their positions can be examined to provide guidance for improving the paper's more vague
claims. On page 140 the authors follow up their claim that blacks were discriminated against in the credit market by acknowledging “we do not have direct evidence of discriminatory practices against blacks in the credit market. However if blacks faced higher interest charges... we would expect...” and go on to form a strong argument providing indirect empirical evidence that supports their position. On page 142 in response to stating “black farms report higher expenditures per acre than their white counterparts”, the authors preface their following deduction with “we suspect...” While this is a very simple adjustment the difference in making this qualification is an impacting one to the discerning reader. These two positive examples were the minority. Greater precision and conservatism of assumption throughout would greatly strengthen this paper.

Furthermore this paper drifts in its discussion of cause and effect, and loses focus on one of its primary points, the confounding persistence of the described racial disequilibria in spite of free market forces of competition. While the paper begins with this concept encapsulated in the thesis, it drifts among related topics and weakly concludes on this key point. Similarly the authors superficially conclude causation in cases of correlation between white supremacy and racism, black economic status, black economic abilities and white suppression via presumption without ever distinguishing between these variable in terms of their relative impact or explanatory power. With the strong argument that the authors put forth, that whites were simply and utterly against black land ownership for reasons of racial discord, the article should better differentiate between the impact of racial biases for reasons of white solidarity and racial biases to avoid economic risk. We feel the former holds tremendous, though nebulous sway over the post Civil War situation of the freed black and though the market signaling argument is sound, it cannot be considered outside the frame work of irrational white attempts to actively suppress black ascension. The analysis is therefore agreeable, however shallow. The authors would do well to refocus serious attention on a more explicit and consistent question and strive to differentiate between the veiled significance of the outlined historical factors rather than perpetuating the ambiguity of these factors.