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ECON 323
3/26/13

Huertas, Thomas F. "Damnifying Growth in the Antebellum South." *The Journal of Economic History*, 39.1 (1979): 87-100.

1. What question is the author trying to answer?

In this article, Huertas tries to answer two main questions. First, what economic conditions led to slow growth in the American South during the antebellum (pre-Civil War) period? In particular, how did specialization in cotton and agriculture affect the Southern economy? Second, Huertas asks whether industrializing during the pre-war era would have improved the South's post-war economic outlook.

2. How does the author attempt to answer this question?

Huertas reviews and subsequently rejects popular theories about why the South failed to industrialize at the same pace as the rest of the country (including the buffer effects of slave labor, a shortage of internal transportation and a dispersed population). Instead, he examines domestic relative prices to determine how resource allocation and the structure of production in the South changed over time given that the economy was not wholly free-trade but relied on tariffs (which distort natural market allocations). Huertas compares the ratio of effective prices, or the price of value-added, in manufactured goods relative to the price of export staples. In doing so he notes that for cotton, value-added prices fell during the antebellum period -- meaning ~~that manufactured cotton products, such as clothing, became cheaper, while the price of raw~~ cotton remained constant. The author also reasons that lowered transport costs from the interior to the coast would have lowered the costs of producing cotton and other crops. Based on these two factors, Huertas deduces that market forces in the South favored agriculture and ~~disfavored~~ ^{over} industry. In this way he argues that specialization in cotton and agriculture actually

~~helped the Southern economy rather than hamming it.~~

Instead, he argues that the South's failure to industrialize was rooted in the effective customs union it had with the rest of the country. This relationship precluded the South from reaping the full benefits of its global monopoly on cotton in two ways. First, the federal government did not allow the South to enact independent tariffs, which would have helped to create the conditions for industrialization by protecting and encouraging local industry. Second, as part of the United States the South had to give up much of its trade revenue to the national budget in order to pay for tariffs for Northern industries (which were highly protected at this time).

3. Conclusion and relevance of the article

Huertas concludes that Southern industrial growth was impeded primarily by the South's lack of economic and fiscal self-determination in the context of its membership in the United States. He argues that the South would have been able to industrialize on par with the rest of the country if it had furthered regional specialization and been allowed to enact an independent import tariff on certain goods. On the question of whether earlier industrialization would have been beneficial to the South in the long run, Huertas concludes that had the South diversified its economy beyond cotton production and commodity exporting, it might have been able to industrialize sooner and achieve a higher and less variable income. However, he stresses that the opportunity cost to Southern planters of investing in local industry were often so great, that the slow pace of industrialization in the South was only to be expected.

~~Huertas' article is notable for its alternative views on the causes behind post-Civil War economic stagnation in the American South. While acknowledging the importance of certain commonly cited factors (like limited internal transportation and dispersed populations), Huertas ultimately encourages a market-based view of the South's failure to industrialize. He looks at relative pricing and how this strongly favored agriculture during the antebellum period while~~

~~discouraging a move toward manufacturing. He also takes a bit of a controversial stance in~~
essentially suggesting that had the Confederacy severed ties with the rest of the country, the Southern states would have been able to industrialize faster and achieve sustained growth.

4. Criticisms

In his discussion of changing terms of trade between the South and the rest of the country, Huertas contradicts himself several times. First stating that the terms of trade improved somewhat for the South in the decades leading up to the Civil War (by 0.9%), he later refers to the deteriorating terms of trade faced by the South in the same time frame (without giving figures). It is unclear whether this misunderstanding arises from a serious miscalculation on Huertas' part, or from a failure by the author to distinguish between the two time periods. In any case, when he is talking about the deteriorating terms of trade, Huertas doesn't really explain why imports from the North and West were priced so high as to threaten Southern terms of trade. Wouldn't this imply that the Southern states were enacting some independent tariffs? Looking at Table 3, we can guess that Huertas probably means that imports to the South from other states were expensive compared to what imports from other countries would have been had there been entirely free trade. However, rather than making us infer this Huertas should mention it himself. ✓

5. Suggestions

1. Even though the purpose of this paper is to understand why economic growth stagnated in the South, and Huertas does so by describing the pre-war U.S. as a customs union which drained the South of any economic benefits it could have acquired from its monopoly position in cotton ~~and the tariff revenues gained from that,~~ the author should also touch upon the benefits of being in a customs union. After all, didn't the South also reap the dispersed benefits

of industrial production and trade in the Northern states?

2. A simple preface about the pre-Civil War economic atmosphere would make this article much more accessible. The author should briefly explain that during this period the Southern economy was central to the economic well being of the United States as a whole, and that Northern industries were largely still in the "infant" stage and were relying on government protection and revenues from Southern trade for support.

3. In analyzing why industrialism did not really catch on in the South, Huertas could add that due to the high protections given to Northern manufacturers, fledgling Southern industrialists weren't really able to compete. I have filled in this information in the last paragraph of the "Conclusion" section because it is central to the argument (despite the fact that Huertas does not touch on it).

very well written
Good overview & context
Commanding grasp of materials

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C
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