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Professor Eschker

Econ 323

- 1) The article I chose is titled "Profitability and Factory-based Cotton Gin Production in the Antebellum South," by William H. Phillips. This article discusses the movement of cotton gin technology from northern firms to southern ones. It also compared northern and southern profitability <sup>in</sup> from cotton production. The statistics presented show how differences in statistical data change ~~the reality of~~ profitability. The article answers the question did cotton gin technology affect profitability in southern cotton mills compared to northern mills.?
- 2) The article said that southern firms didn't need specialized labor to be profitable. The southern states had a comparative advantage in using slave labor to produce cotton. Southern "ginwrights" copied Eli Whitney's new cheaper and lower quality cotton gins. One table listed the top six Southern cotton gin manufacturers and their gross output. A second table showed the rates of return for northern and southern cotton producing firms. The article notes that these returns leave out the contribution of owner's labor and the authors tried accounting for it. They also made adjustments based on the opportunity costs of slave labor for both northern and southern firms.

Phillips talked about the South's hopes of finding investors to expand their cotton industry. Rates of return were around 25 percent if people invested <sup>in</sup> into southern industry, but they were unable to find "foreign" investors to raise more capital. This was a reason why the

South expanded slowly. The article also describes southern control over cotton gin rates of return compared with the ~~N~~orth. Census data showed that slave labor was around two-thirds of the workforce in southern industry. The problem was that ~~C~~census data included slaves as employees but may have left out slave wage data. Adjusting this data would have shown smaller profit-margins for the South, although it could not change the fact that southern colonies had a strong foothold in the cotton industry.

Making all of these adjustments to data and taking into account possible discrepancies helped answer whether southern firms were actually more profitable than northern ones. The article showed that changes in transportation costs were not enough to close the gap between Southern and Northern profitability in post-war years. Phillips said that close communications with customers was essential for the cotton gin producing industry. This was another reason why the South dominated the North for so many years.

3) The article concluding by saying that southern firms had a clear and distinct advantage over northern firms. The factors that protected southern production were transportation costs and amount of ease in maintaining contact with southern consumers. This allowed the South to rely on their own local resources. The final thought was that investments in gin investments in the ~~S~~outh ended up restricting them from branching out to other types of machinery production.

4) This article made a few assumptions when adjusting the data. The author stated that the ~~C~~census did not specify whether or not slave wages or costs were included, which led to the new data sets. I would have liked to hear about what southern cotton industry would have

been like if slave labor did not exist. My biggest criticism is that the article is based on data from a census with possible gaps of information. Also, the article cuts off the bottom 15 percent of total firm data. This was done to remove the greatest number of part-time firms and their rates of return without removing any full-time firms. Using selective data may take from <sup>reduce</sup> the author's credibility because people will think manipulation is occurring.

5) To make this article better I would show more raw data. This would show what early firms saw as relevant data. The author could discuss what may or may not be included in the data and show how it can change their findings. Discussing life without slavery in the South would help the reader see the significance that slavery played in southern profitability. Information on the availability of different natural resources would give evidence of the South's ability to rely on its own local resources. Discussing the South's relationship with Britain and whether or not Britain was contributing to their success would be interesting. This article focused solely on the North and South. The contribution of outside factors like foreign competition, foreign aid, resource availability, and trade play a role in this discussion. Ignoring them may help to focus the topic of the article but will leave some open ends.

well written  
and good ~~overview~~  
overview & critique.

S / 9    G / 10    C / 10

## CITATION

William H. Phillips, "Profitability and Factory-based Cotton Gin Production in the Antebellum South", *Explorations in Economic History*, Volume 44, Issue 2, April 2007, Pages 242-254

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