POLITICAL ECONOMY

IN THE CAROLINAS

THE CAROLINIAN ECONOMY THROUGH TWO WORLD WARS

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I offer an economic history of North and South Carolina during the First and Second World Wars. Prior to World War I, nearly 90 percent of the region's labor force was employed in farming, and cotton and tobacco were the primary cash crops. The war provided an unambiguous, though temporary, boost to the region's economy. The wartime boom resulted from temporary disruptions in the supply chains of cotton and tobacco elsewhere in the world and an increase in domestic government purchases, which were financed principally by federal deficit spending. The economy boomed again during World War II, and the impacts of that war were larger, broader-based, and longer-lasting than those associated with World War I. Partly, this was because the region's economy had become more diverse during the interwar period. However, many of the region's post–World War II developments resulted from changes that began during the Great Depression— changes that were associated with the New Deal—and thus would have probably occurred even without the war. Among the most prominent impacts of both wars was the Great Migration, the movement to (primarily) northern cities of roughly one million African Americans from the Carolinas and millions more from across the South.

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INTRODUCTION: OLD CAROLINAS, NEW CAROLINAS

To the extent that one can speak of a Carolinian economy before World War I, it was dominated by agriculture. In the decade before the war, in South Carolina, the agricultural sector employed 87 percent of the labor force, and in North Carolina the figure stood at 90 percent. At the time, the US average was 60 percent, and only five states (Idaho, Oklahoma, North Dakota, Mississippi, and Arkansas) had a larger share of their labor force employed in agriculture than the Carolinas (Craig and Weiss 1998). Furthermore, throughout the region, cotton dominated the agricultural sector. In North Carolina, in the late nineteenth century, tobacco emerged as a second major cash crop, but cotton remained king in both states.[1] So any review of the impact of the Great War on the Carolinas must focus on the agricultural sector, and, particularly because of the large share of the labor force employed in agriculture, what happened on the farm had major impacts for the region's workforce.

Without discounting the losses of the Carolinians who were maimed or perished in either World War I or World War II, or the resulting losses, emotional and financial, suffered by their families, it is safe to say that both wars provided an unambiguous boost to the region's economy. Because of agriculture's dominance at the time, the positive impact of the Great War was most pronounced in that sector; however, that impact proved to be temporary in many important respects. The wartime boom was largely the result of temporary disruptions in the supply chains of cotton and tobacco elsewhere in the world

and an increase in domestic government purchases, which were almost entirely military-related and which were financed principally by federal deficit spending.

Economists argue about the net aggregate wealth effects generated by fiscal expansions of the type typically associated with wartime government spending, but for the Carolinians who lived through one or both world wars, the impacts were unambiguously positive, at least as measured by traditional economic indicators, such as wages, output, and income. However, the economic impacts varied by war. Those accompanying World War I were narrow and proved to be short-lived; those associated with World War II were larger, broader-based, and longer-lasting. Partly this resulted from the sheer magnitude of the latter war effort; partly it was because the region's economy had become more diverse during the interwar period. It should be noted that many of the region's post–World War II developments resulted from changes that began during the Great Depression, changes that were associated with the New Deal—and thus would have probably occurred even without the war.

Among the most prominent impacts of both wars was the Great Migration, the movement to (primarily) northern cities of roughly one million African Americans from the Carolinas and millions more from across the South. No regional history of the era would be complete without documenting that social phenomenon. While the migration is often viewed as one long trend dating from the onset of World War I to the 1960s, it had distinct stages that corresponded with the region's economic fate, which was strongly

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1. In their summary of the region's economy at midcentury, Hoover and Ratchford refer to cotton and tobacco as "the two great staple cash crops of the region" (1951, p. 2).

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influenced by the two world wars.

THE GREAT WAR

In the years just prior to the onset of the Great War, the Carolinas produced roughly two million bales of cotton annually. During those years, the price of cotton, which had been as low as $0.05 a pound in the 1890s, fluctuated around $0.13 a pound (figure 1), making the Carolinas' cotton crop worth $125 million or so a year, or roughly $435 per cotton-producing farm. The Carolinas also produced around 165 million pounds of flue-cured tobacco in each of those years, and tobacco typically sold for around $0.12 per pound. Thus the annual tobacco crop generated around $20 million, or roughly $335 per tobacco-growing farm.[2]

All of these figures would increase dramatically with the war. Indeed, as one historian notes, "America's entry into the war ushered in a golden age" for the region's agricultural sector (Craig 2018, p. 131). By the end of the war, cotton output had increased to 2.3 million bales; prices had reached $0.30 per pound; and the annual cotton crop brought in more than $330 million, or roughly $975 per farm. The tobacco market expanded as well. By the end of the war, Carolina farmers were producing 350 million pounds of flue-cured tobacco annually, and, at its wartime peak, tobacco

sold for around $0.30 per pound. Thus, the annual crop was worth $105 million, or about $925 per tobacco-producing farm.[3] In short, gross farm income from cotton and tobacco in the Carolinas doubled over the war years, and on a per-farm basis it more than doubled. Although these are nominal figures, the rate of growth in farm income exceeded the overall inflation rate by roughly 30 percentage points.[4]

Wartime shocks on both the supply side and the demand side of the cotton market largely benefited Carolina cotton farmers.[5] Partly the increase in demand resulted from a dramatic increase in worldwide military spending. Military high commands ordered cotton undergarments, socks, and various martial accouterments, many of which were made of canvas. In addition, cotton played a major role in the manufacture of munitions, the production of which was enormous.[6] In the United States, despite the country's dominant role in the world cotton market, the War Department expressed concern about the ability of US cotton farmers to meet the rising wartime demand, which in turn drove the quest for other sources of cellulose. A postwar report noted: "It early became evident [during the war] that the supply of cellulose, even though *all available sources of supply were utilized to the utmost*, would nevertheless be insufficient to meet our vast production program" (US Department of War 1919, p.

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2. South Carolina produced roughly twice as much cotton as North Carolina, whereas North Carolina produced roughly five times as much tobacco as South Carolina. Output figures and the number of farms are from USDA (1947a and 1947b). Prices are from US Department of Commerce (1975, pp. 199, 517–18). A bale of cotton weighs 480 pounds.

3. For sources, see footnote 2.

4. The Consumer Price Index was around 10 in the late summer of 1914, when the war began, and it reached 17 by the summer of 1919. See InflationData.com (2020).

5. I say "largely" because the boll weevil was working its way across the region during the 1910s, and, while the damage was usually short-lived, the pest could devastate production in a specific region (Lange et al. 2009).

6. Cotton provided the cellulose base of gun-cotton, an important component of smokeless gunpowder.

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112, emphasis added).

The worldwide increase in the demand for cotton was particularly beneficial to US producers because of the simultaneous disruption in the supply chains of other key producers. While, on the eve of the Great War, the United States produced roughly 60 percent of the world's cotton, India and Egypt were also major cotton producers. Together, they supplied over half of the non-US world total. In 1913, the number of acres of land sown with cotton in Egypt exceeded that of North Carolina (1.7 versus 1.3 million acres)[7], and Indian production was several times larger than that of North and South Carolina combined (US Department of Commerce 1916, pp. 55–57). While both India and Egypt had small domestic textile industries,

cotton from those countries had historically fueled British mills. By the time the United States entered the war, however, British textile production had declined to roughly 50 percent of its prewar level, as its international supply chain was severely disrupted by the Imperial German Navy's commerce raiding (Craig 2013, pp. 224–344; Liu 2020, p. 261).[8]

US tobacco production expanded as well. In the decade before the war, according to one historian of the era, Carolinian tobacco farmers were being "ruined by low prices" (Bennett 2018, p. 287). However, as with the cotton market, the demand for tobacco boomed as a result of an increase in US military demand and disruptions to supply chains elsewhere in the world. Although by the 1910s tobacco was already considered a
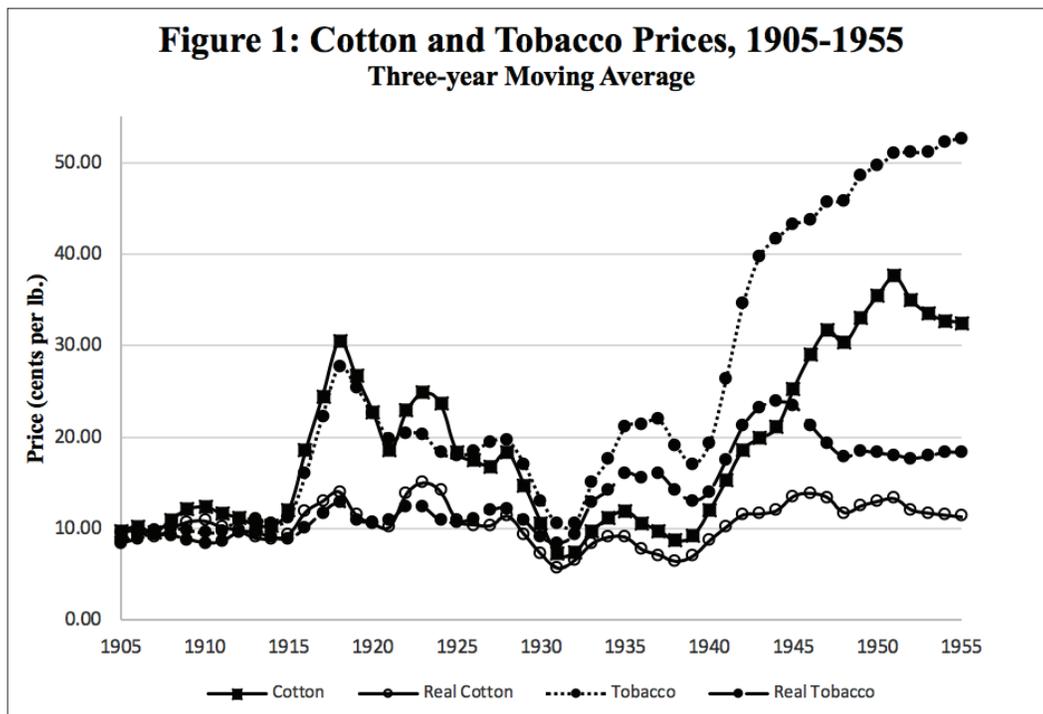
Figure 1: Cotton and Tobacco Prices, 1905-1955
Three-year Moving Average

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vice, a soldier's right to smoke in the face of the risks and trials of war tended to dominate other social concerns. For example, the *New York Times* observed, "Tobacco may not be a necessary of life, in the ordinary sense of that term, but certainly it lightens the inevitable hardships of war as nothing else can do." General John Joseph "Black Jack" Pershing, commander-in-chief of the American Expeditionary Force, went further, saying, "You ask me what we need to win this war. I answer tobacco, as much as bullets" (quoted in Brandt 2007, p. 51).

Once the United States entered the war, various volunteer groups, including the Salvation Army and the YMCA, provided soldiers with cigarettes at no charge; however, the free allotment from these groups tended to fall short of the troops' demands. As a result, a thriving tobacco market soon developed wherever the troops went.[9] Eventually, the War Department took command of the distribution of tobacco, with the goal of allotting the equivalent of four cigarettes per soldier per day. To meet this demand, in 1917 the War Department procured the entire output of the American Tobacco Company's Bull Durham line for distribution to the troops (Brandt 2007, p. 52). This quantity proved inadequate to meet the military's need, and, as a subsequent government report noted, in 1918, the War Department purchased "almost the entire production [i.e. total output] of tobacco from the manufacturers" (US House of Representatives 1921, p. 690). Overall, US tobacco sales tripled during the war (Bennett 2018, p. 290).

Although agriculture dominated the wartime economy in the Carolinas, just as it had before the war, there were two other positive developments for the Carolinian economy: a windfall for the region's textile industry and a spurt in local military spending on base construction. With respect to the textile industry, on the eve of the war, the South passed the North in the amount of cotton processed by the region's textile mills. Wartime military contracts only widened the gap. The region's cotton-textile output, measured by value, grew at an average annual compounded rate of 14.4 percent between 1914 and 1919 (Wood 1986, p. 66). From 1910 to 1920, manufacturing's share of the region's labor force increased by 4.2 percentage points (the fastest growth of any decade between the Civil War and World War II), the vast majority of which occurred in textiles (Perloff et al. 1960, pp. 622–35). Much of this was due to wartime government purchases of various military clothing items and equipment.

As families migrated from farms to mills during the war, the textile labor force went from being female dominated to male dominated (Wright 1986, figure 5.1 and tables 5.5 and 5.9). This shift resulted from the higher wages mill work paid relative to agricultural labor, the margins of which were composed of male farmhands and hardscrabble tenants. During the war, farm wages more than doubled, a rate of increase that outpaced inflation; meanwhile, textile wages more than quadrupled. The quasi-rents generated by the war in the cotton and tobacco subsectors disproportionately accrued

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9. Because selling tobacco was not illegal, this was not strictly a black market, though to the extent the marketed cigarettes had come from the charitable institutions, there was a questionable moral component to the trade.

to owners of agricultural land and established tenants. At the margins of the agricultural economy, the returns were not high enough to keep labor on the farm and out of the mill. This shift would have implications for the postwar adjustments in the two sectors.[10]

In addition to the impacts of the increase in the demand for key agricultural products, there was also a direct stimulus through the military's base-building program (Carlton 2003, pp. 155–56). Textiles dominated the Carolina's industrial sector; thus the region lacked the broader manufacturing base needed to take advantage of the increase in munitions production. However, land was relatively cheap and well supplied by rail, providing the two main requirements for military-base construction. With both houses of Congress and the White House controlled by Democrats, the region received more than its share of direct military spending. (North Carolina's Claude Kitchen was majority leader in the House, and South Carolina's Ben Tillman chaired the Senate's Committee on Naval Affairs.) Fayetteville, North Carolina, became the home of the sprawling Fort Bragg complex. Camp Jackson (later Fort Jackson) was built near Columbia, South Carolina, in 1916, on land previously owned by the Confederate general Wade Hampton, and the Charleston Navy Yard expanded dramatically.

FINANCING THE WAR

From 1915 (the first full fiscal year following the onset of the war) through 1919, the United States added $24 billion to its national debt. Combined federal spending during those five years exceeded all federal spending since the end of the Civil War (Gordon 1997, pp. 206–9). Roughly two out of every three of those wartime dollars were borrowed. In traditional Keynesian models, this "stimulus" spending should yield an increase in aggregate demand equal to the product of deficit spending and $1/(1-\text{MPC})$, where MPC is the marginal propensity to consume; $1/(1-\text{MPC})$ becomes the so-called Keynesian multiplier. For example, a marginal propensity to consume of 0.60 yields a spending multiplier of 2.5. In these models, deficit spending unambiguously leads to an increase in output, which, ignoring other factors, would be consistent with the wartime economic boom experienced in the Carolinas.

In contrast, neoclassical models are considerably less sanguine about the net output effects of government deficit spending. In his oft-cited attack on the Keynesian approach, Barro (1974) demonstrates that "the impact of changes in government debt cannot be satisfactorily analyzed without an explicit treatment of the associated tax liabilities" (p. 1115). Keynes ([1936] 1964, p. 251) recognized this, but he did not think that, in a recession, the negative impact of taxation would mathematically overwhelm the deficit spending's positive impact on output.[11] Once those future tax liabilities are accounted for, according to Barro, "there would be no marginal net-wealth effect of government bonds," and "the basic conclusion is that there is no persuasive theoretical case for treating government debt, at the margin, as a net

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10. Wright (1986, pp. 138–50) emphasizes the substitutability between unskilled, entry-level textile workers and the poorest farm laborers and tenants.

11. According to one of Keynes's biographers, Robert Skidelsky, Keynes characterized the concern about the potential negative impacts on the multiplier as having "a paralyzing and perverse effect on public policy" (1994, p. 610).

component of perceived household wealth" (p. 1116). This conclusion came to be called Ricardian equivalence, after the classical economist David Ricardo, who, writing on British tax policy during the Napoleonic Wars, lamented that politicians had the vexing habit of deficit spending "to lessen the burden of taxation at the present, with the certainty of aggravating its pressure at a future day" (1848, p. 519).[12]

The multiplier lies within three possible ranges: greater than one, one to zero, and less than zero. The simple Keynesian model, as expressed above, suggests a multiplier greater than one (Baxter and King 1993); future tax liabilities have no impact on current economic activity.[13] A strict interpretation of the Ricardian model generates a multiplier of zero; current debt is just future taxation, and taxpayers and bondholders can be relied upon to make the appropriate calculations and behave accordingly. In short, "'Ricardian equivalence . . . attributes no effects at all" to deficit spending (Seater 1993, p. 142).

In practice, other variables tend to be in play, and that can complicate the analysis. For example, in some models, government borrowing increases interest rates and crowds out private investment, which, because of the difference in the marginal product of private and public capital, actually reduces output. Similarly, while in the strict Ricardian model current debt is just future taxes, if those taxes are distortionary, then there will be a reduction in output. Depending on the size of these offsetting negative impacts, the multiplier may lie between one and zero or may even be negative. In a review of twelve studies that offer empirical estimates of

aggregate multipliers, Ramey (2011, table 1) reports that they range from a high of 3.6 (during recessions in the post–World War II United States) to a low of −0.3 (during expansions in the post–World War II United States).

Of course the Ricardian-equivalence debate revolves around aggregate output, and the multipliers Ramey (2011) reports are largely from studies focusing on the impact on US real GDP. It is possible, perhaps even likely, that there will be distributional effects—across income groups, industries, and, importantly for our story, geographical regions—from deficit spending. Indeed, Fishback (2017) reviews dozens of studies that look at the regional, state, and local multipliers associated with New Deal spending, and Fishback and Kachanovskaya (2015, figure 2) provide a large set of wide-ranging state-level estimates for the same era.

With respect to the federal government's largesse during the Great War, while there might be debate about the size of the aggregate US multiplier, the narrative and quantitative evidence reported above suggests the multiplier was probably positive, and arguably large, for Carolinian cotton and tobacco farmers, textile-mill owners, and textile-machine operators. Of course it was probably negative for a prosperous Indianapolis dry goods merchant unconnected to war industries and paying the newly introduced federal income tax for the first time or for an Iowa farm boy who died in the Argonne Forest.

It is important to understand that the key mechanism through which government spending of the type experienced by the

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12. For a full treatment of the issue, see Seater (1993), who, curiously, does not cite Ricardo.

13. Keynes himself argued "that the multiplier, whilst greater than unity, is not very great" ([1936] 1964, p. 251).

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Carolinas during World War I affects output is through the labor market. Specifically, as Ramey (2011, p. 674) notes, "Absent instantaneous adjustment of the capital stock [an outcome that none of the models generate], total output can only rise in the short-run if hours worked rise." While this might well have happened in agriculture (Craig and Weiss 2000) as farm labor scrambled to harvest as much cotton and tobacco as the soil could yield, it did not happen in the manufacturing sector. Although the textile industry added shifts, the average workweek in manufacturing fell in both North and South Carolina during this period.[14] More generally, there is little evidence that the war-induced windfall enjoyed by Carolinians extended beyond the war.

POSTWAR TRANSITIONS

Following the war, worldwide demand for cotton stagnated and production outside the United States increased, thus putting downward pressure on the prices of cotton and tobacco, which hit bottom at less than 10 cents a pound (figure 1). Considered from a broader perspective, the agricultural sector regressed. The trend in farm size was downward throughout the era, and it was not arrested by the boom times associated with the next world war. By 1930, in both North and South Carolina, the ratio of farm size to rural population was half what it had been fifty years earlier. In the Midwest, to compare, the figure had increased by 50 percent over the same period, and by 1930 the average Midwestern farm was three times

larger than the average Carolinian farm (Wright 1986, pp. 53–54). Thus, one could reasonably conclude that the wartime boom did not lead to a convergence between the region's agricultural sector and the country's other more prosperous agricultural areas. In fact, as Gavin Wright observed, "divergence continued at least until the Great Depression," and, as a result, the region "lost virtually all of the relative income gains achieved by 1920" (Wright 1986, pp. 54, 56). Indeed, "both the economic and cultural gaps [between the North and the South] widened and in many respects were greater in the 1920s and 1930s than they had been since the Civil War itself" (Wright 1986, p. 9).

In addition, the difference between the average farm wage in the Carolinas and the Midwest increased substantially following the war. The Carolinas in particular, and the South more generally, remained the "low-wage region in a high-wage country." Human capital acquired through formal education was not going to pull the region out of its economic backwardness. On the eve of the Great Depression, North and South Carolina spent less than 50 percent of the non-South average on public education per pupil (Wright 1986, p. 66).

The government spending that fueled the region's wartime prosperity declined dramatically. The War Department closed Camp Jackson and severely cut its expenditures on Fort Bragg, and the Navy reduced operations at the Charleston Navy Yard. In manufacturing, the cutbacks were arguably even more dramatic. As farm labor flowed into the mills during the war, the owners introduced shift work and

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14. Average hours fell from 58.5 to 55.7 in North Carolina and from 58.0 to 55.7 in South Carolina. See US Department of Commerce (1922.). I thank Robert Whaples for directing me to these sources.

continuous, around-the-clock production, but with the drop-off in demand that followed the war, the marginal textile worker, now typically a male breadwinner for the household, faced unemployment. Labor did not passively respond to these cutbacks. There were twelve major strikes in North Carolina textile mills starting in 1919. While working conditions might have improved in response to the unrest, wages fell by 30 to 50 percent over the next two years. By 1920 nearly forty thousand North Carolina textile workers had joined unions (Cox 2018, p. 304). In early June 1921, nine thousand of them optimistically went on strike. However, capital proved more resilient than labor, and by the end of the summer the strikers began to trickle back into the mills. By early fall the strike collapsed, and with it went the last of the evidence of a positive war-induced multiplier for the Carolinas (Wood 1986, pp. 71–72). In conclusion, as one historian of that time and place puts it, "while World War I provided enormous short-term stimulus to the southern economy, much of it was evanescent" (Carlton 2003, p. 156).

THE GREAT MIGRATION

Among the Great War's most prominent impacts was the onset of the Great Migration, the movement from, primarily, the rural South to the urban North of more than six million African Americans between the war and the 1960s. The African American populations of northern cities exploded during the war. Detroit's African American population grew by more than 600 percent. Other cities followed: Philadelphia's African American population increased by 500

percent, Chicago's by 150 percent, and New York City's by more than 60 percent.[15]

It was no coincidence that the migration began during the war. In the Carolinas, African Americans did not share equally in the wartime gains experienced by white landowners, farmers, and textile workers. One of the main reasons was the increasing segregation of unskilled occupations, which was especially conspicuous in the region's manufacturing sector. In North and South Carolina, the state legislatures codified this separation with explicit laws segregating the workplace. In the textile mills, workers were segregated physically by race, and they were further segregated into high-wage white positions and low-wage African American positions. African Americans held a fraction of 1 percent of the skilled jobs. Although wartime expediency led to some gains in wages and employment opportunities for African Americans in the mills, this "was temporary and did nothing to open the mills to more African-American labor after the war" (Cox 2018, p. 300). Overall, it is safe to say that manufacturing did not offer to African American families the escape from farm work and tenancy that it provided white families. Thus African Americans remained disproportionally on the margins of the declining agricultural sector at just the time when the boll weevil hit the region.

In the decade before the war, the African American population in the region grew by over 10 percent; in the decade following the war, it grew by just over 1 percent (Hoover and Ratchford 1951, p. 20). The decline in the growth rate resulted from the first phase of the Great Migration, which

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15. Lemann (1992) offers an excellent accessible summary. Wright (1986, pp. 181–97) provides a more rigorous economic treatment of the same history.

included roughly 150,000 African American migrants from the Carolinas. Unfortunately, the early 1920s was not an auspicious time to move north, because, unlike the war years, there was no guarantee of employment for southern migrants. As Wright summarizes, the "1920s were not good times for unskilled, inexperienced, poorly educated [African American migrants] to break into American industrial employment" (1986, p. 206). In the language of social scientists who study migration, the onset of the Great Migration during the war may have been driven by "pull" factors, but its continuation into the 1920s was driven more by "push" forces.

WORLD WAR II

In some important ways, the story of the Carolinian economy during and immediately after World War II is more straightforward, and therefore less interesting than that of the Great War. Furthermore, some of the most prominent changes, particularly those in the agricultural sector, were either put in motion before the war, largely through New Deal agricultural and labor programs, or occurred after the war, such as mechanization. In any case, as with the Great War, the federal government spent a lot of money, and the vast majority of it was borrowed; the accumulated debt from World War II exceeded that from World War I by a factor of eight (Gordon 1997, p. 209). Government spending as a percentage of GDP had ballooned from less than 5 percent in 1914 to roughly 25 percent during the Great War, and it was over 40 percent at its peak during World War

II. Carolinian cotton and tobacco farmers received their share of these expenditures. The increase in the demand for cotton and tobacco, again driven by War Department and Navy Department purchases, and the wartime disruption in world supply chains, led to a 50 percent increase in the real price of cotton, and real tobacco prices more than doubled (figure 1). Similarly, the region's textile mills ran around the clock. More than eighty thousand net new jobs were added in the textile sector across the region; however, by the end of the war, as a percentage of total manufacturing employment, textiles had declined from a third to a quarter (Hoover and Ratchford 1951, p. 126), illustrating the increasing diversification of the Carolinian economy since the onset of the Great War.

In addition, military spending on base construction dwarfed even the considerable amounts spent during the Great War. In North Carolina, the War Department substantially expanded Fort Bragg's operations, and it constructed Seymour Johnson Air Base in Goldsboro and Camp Davis in Onslow County. The Navy Department created Camp Lejeune and the Marine Air Station at Cherry Point; and shipyards in Elizabeth City, New Bern, and Wilmington were converted to the construction of submarine chasers and minesweepers. In South Carolina, Fort Jackson was reactivated by the War Department, and the Navy expanded Parris Island and the Charleston Navy Yard. More than two dozen other smaller military bases opened across both states (US Department of the Navy 1945).[16]

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16. The South, as a whole, received 40 percent of wartime base-construction expenditures (Carlton 2003, p. 160). Powell (1989, p. 502) estimates that 20 percent of federal contracts went to North Carolina alone, but this figure seems much too high.

What can we say about the Keynesian multiplier for World War II? With wartime unemployment around 1 percent and nominal GDP growing by 37 percent between 1942 and 1945, many reasonable observers would have considered it to be large, certainly greater than one. According to one of Keynes's biographers, the war "became a laboratory for Keynesianism" (Wapshott 2011, p. 228). The wartime federal Full Employment Bill represents the quintessential example of Keynesian legislation. It called on the executive branch to submit an annual budget, including a forecast of the difference between expected economic activity and that which would be consistent with "full employment"; any shortfall in expected activity would be subject to eradication through deficit spending (or "compensatory finance" in the language of the bill).

Gottfried von Haberler was one of the first to speak out against this view. He noted that unemployment tended to be concentrated in depressed sectors of the economy, whereas the stimulus tended to stimulate sectors already at or near full employment. Thus the stimulus was inflationary, and, not surprisingly, the Consumer Price Index increased by 16 percent between 1942 and 1945 (Haberler 1945, pp. 106–9). In support of Haberler, but with the additional perspective offered by time, Robert Higgs explicitly challenged the view that the "war got the economy out of the depression" (Higgs 1987, 2001). While Higgs might concede that borrowing money to defeat the Nazis was not the worst policy to ever come from Washington, he questioned the very essence of the Keynesian view of wartime prosperity. Higgs argued that the decline in unemployment was a side effect of conscription (together the War and Navy Departments conscripted ten million men) and the wartime boom was a chimera, "an artifact" of national income accounting. To Higgs, implicitly, the multiplier was unambiguously negative, and perhaps the largest long-run cost came from what he called "the Keynesian illusion," which was the view that, through deficit spending, the government could generate net new economic resources (1987, p. 226).

Despite the reservations of Haberler and Higgs, it is still possible that the distribution of the federal government's largesse was so unequally distributed across regions and sectors that, on net, the Carolinian economy benefited from the war, again disregarding the suffering of those doing the fighting and their loved ones. Output and real prices increased in the key agricultural markets; industrial employment and production boomed; real wages increased; and federal expenditures on military bases contributed to a substantial investment in the region's infrastructure (Carlton 2003).

While we may never know the answer to the sign and magnitude of the wartime Carolinian multiplier, we do know of three other major developments associated with the war and with each other: mechanization, the demise of the sharecropping system, and the next phase of the Great Migration. The timing of the adoption of mechanical cotton harvesters is subtle and tied to both the New Deal and the war. Cotton harvesting proved more difficult to mechanize than wheat or corn harvesting, but relatively few resources went into the effort until the war. But that was because the war immediately followed the Great Depression and the creation of New

Deal agricultural and labor programs that put upward pressure on wages. Wright neatly summarizes this issue: "It is such a deeply imbedded part of the American tradition to equate 'mechanization' with 'technological progress' that we often hear one or the other of these concepts invoked as the explanation for the decline in sharecropping, as though that were the beginning and end of the story. But mechanization in the South was *induced* by economic incentives, and in the 1930s, these incentives were largely created by government programs. Broadly speaking, the southern economy was less mechanized before this time because southern labor was relatively cheap" (1986, p 233).

The war unambiguously drove up the price of agricultural labor. As a North Carolina historian succinctly put it: "The scarcity of farm labor [during the war] was a serious handicap for farmers" (Powell 1989, p. 503). Following the war, the full thrust of the New Deal programs was felt across the region. The federal minimum wage became binding; the exceptional wartime military demand abated; and the New Deal supply constraints that accompanied the agricultural price-support programs ultimately killed the old New South. Although experimentation with mechanizing the cotton harvest went back decades, the notion was ridiculed up until the day it swept across the South. As late as 1949, only 6 percent of the US cotton crop was mechanically harvested, and in the following year, the distinguished agricultural historian Gilbert Fite could write that "the idea that mechanization would 'create a revolution in cotton production, or create any serious labor or social disturbances'" seemed implausible (1950, p. 21). Fifteen years later, 80 percent

of the crop was mechanically harvested (US Department of Agriculture 1974, p. 218). To put it bluntly, white elites (both economic and political) no longer found it profitable to incur the costs of keeping cheap African American labor in the fields.

The mechanization of cotton harvesting and the decline of sharecropping did not immediately work to the advantage of African American labor. African American sharecroppers and farm workers could not simply leave the farm and successfully enter the region's growing industrial sector. Segregation in industrial employment, especially textiles, worsened after the war, and the number of African Americans employed in manufacturing jobs actually decreased (Persky and Kain 1971, p. 269) until the 1960s. These developments spurred the next round of the Great Migration. Over the next two decades, roughly six hundred thousand African Americans left the Carolinas, heading for northern cities. At the outset of World War II, more than 80 percent of African Americans lived in the South; by 1970, the figure was only 50 percent (Zodgekar and Seetharam 1972; Wright 1986, p. 256).

Any evaluation of the region's economy must take into account the impact of these missing inhabitants. Champions of the postwar southern economy often succumbed to a myopia that ignored the absence of millions of low-wage workers, the majority of whom were African Americans. Thus could two distinguished Duke University scholars, Calvin Hoover and B. U. Ratchford, write about the region's "substantial gains in income between 1929 and 1948," a time during which "per capita income in the South rose from 47 percent of the non-southern average

. . . to 65 percent" (1951, p. 62), without in any way recognizing the impact of the Great Migration.

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