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Long-run Effects of the Trans-atlantic Cotton Trade on Poverty in the American Deep South

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Abstract

The growing worldwide demand for cotton in the 1800's and the necessity of large-scale slave labour in its production were the main drivers of plantation

slavery in the southern United States. The global trade of goods requiring widespread extractive labour in their production can shape the institutional quality and demographic structure of the region in which the labour is extracted, and have long-lasting impacts on economic growth and human development today. Through a study of the relevant literature, I discuss the theories linking the trade of agricultural goods requiring large-scale extractive labour in their production with institutional quality, human development, and economic growth. Then, focusing on the period in which slavery expanded in the United States between the early 1800s and the abolition of slavery in 1865, I analyse a novel dataset created from a historic article documenting price and demand for cotton in the United States and Europe in the 1800's, census data on U.S. slave population and crop production throughout the 19th century, and modern socioeconomic data on former cotton-producing regions of the US Seep South, to demonstrate a link between the world trade of cotton in the 1800's, the expansion of slavery, and modern-day poverty among African Americans in the southern United States.

In order to present an argument for a potential relationship between the number of slaves in 1860, driven by world trade of US cotton, and poverty today, I present a basic two-stage least squares in which I use a county's adjacentness to the Mississippi River, the main route of cotton trade between the cotton-producing counties in the Mississippi Delta and the European market, to predict the density of the slave population in 1860. I then use this predicted value to estimate the effect of cotton production and trade in 1860 on poverty rates in 2018, at the county level. I also provide some quantitative evidence to demonstrate the close interrelationship between demand for cotton in Europe and cotton production in the United States, as well as the close interrelationship between cotton production and slavery in general in the United States.

Keywords: Agricultural trade, cotton, cotton belt, deep south, growth, institutions, plantation, poverty, rural Development, slavery, trade, United States